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The Challenges of Indian Banking System in the Changing International Banking Environment

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ABSTRACT

Winston Churchill once said that 'In finance, everything that is agreeable is unsound and everything that is sound is disagreeable'.

The growing role of the financial sector in allocation of resources has significant potential advantages for the efficiency with which our economy functions. Consequently, the adverse consequences of malfunction of the financial system are likely to be more severe than they used to be in the past. Hence, all our efforts today are focused at ensuring greater financial stability. Given the significance of the Indian banking system, one cannot afford to underplay the importance of a robust and resilient banking system.

The enhanced role of the banking sector in the Indian economy, the increasing levels of deregulation along with the increasing levels of competition have facilitated globalisation of the Indian banking system and placed innumerable demands on banks. In recent business example: Airtel successfully negotiated with banks to expand money transfer service: After the launch of its Airtel Money service, which allows users to transfer money to another Airtel account holder or to bank accounts and to pay for shopping, Bharti Airtel Ltd. is now in talks with banks to upgrade the service to a so-called open wallet, which will allow end-users to withdraw money as well. Vodafone is a trying similar tie-up with HDFC Bank Ltd. and is planning the service in Rajasthan.

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