



Viewpoint: The future of Indian Banking

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As the decade draws to a close, it is worth reflecting on the state of a key sector of the Indian economy—banking. After many years, our banking sector is finally showing signs of a turnaround. The financial performance of the banking system has improved and PSBs are finally (after a gap of three years) reporting profits at the net level in the first half of the current financial year. But things are still far from rosy for PSBs. Apart from holding the lion's share of NPAs, they are losing business to relatively more efficient private sector banks. There are many different segments of customers today and a one-size-fits-all approach will no longer work, both in an urban and rural setting. Conventional and digital banking will need to coexist, and all banks will have to woo customers aggressively, playing the differentiation game astutely. Technology is just an enabler, and it will not take over the banking industry, but rather, facilitate its onward march. Banking is a long-term business and a practical endeavour in scaling up reliability, technology and processes in the financial services sector. At a macro level, PSB inefficiencies will constrain credit flows in the economy and further accentuate the current slowdown. Thus, governance reforms need to be introduced urgently to enable PSBs to compete effectively with private sector banks at all levels of operations. India's digital infrastructure is probably the best in emerging markets. We need to leverage it carefully to ensure that our banking system (both public and private) is able to keep up with the changing times and provide their clients value-for-money.

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