



A study of impact of financial and banking reforms on the customers of these sectors

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Abstract

Over the last four years, India's economy has been on a high growth trajectory, creating unprecedented opportunities for its financial and banking sector. Most financial institutions and banks have enjoyed high growth and their valuations have appreciated significantly during this period. Looking ahead, the most pertinent issue is how well the financial and banking sector is positioned to cater to continued growth by implementing the various reforms in financial and banking sector, specially using technologies like internet and computer.

Keywords: growth trajectory, positioned, reforms, internet and computer

1. Introduction

India is one among the top ten economies in the world. Banking sector in India is strong and forms the most dominant segment of the financial sector. The banking industry acts as a fulcrum in the economic development of the country. The face of the banking industry has been witnessing gradual changes over the years. The main aim of the financial sector reforms in India initiated in the early 1990s was to create an efficient, competitive and balanced financial sector that could then contribute in greater measure to stimulate growth. For instance, the last decade witnessed the embracement of ATM, internet and mobile banking.

India has a diversified financial sector which is undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises of commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payments banks to be established recently thereby adding to the types of entities operating in the sector. However, the financial sector in India is principally a banking sector with commercial banks accounting for more than 64 per cent of the total assets held by the financial system. The Government of India has introduced various reforms to liberalize, regulate and enhance this industry.

The Government and Reserve Bank of India (RBI) have taken several measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures comprises of launching Credit Guarantee Fund Scheme for Micro and Small Enterprises, issuing guideline to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). With an amalgamated push by both government and private sector, India is undoubtedly one of the world's most vibrant capital markets. In 2017, a new portal named 'Udyami Mitra' has been launched by the Small Industries Development Bank of India (SIDBI) with the aim of increasing credit availability to Micro, Small and Medium Enterprises' (MSMEs) in the country. India has scored a perfect ten in protecting shareholders' rights on the back of

reforms implemented by Securities and Exchange Board of India (SEBI).

Need of The Study

The emergence of globalization and a constant battle in a highly competitive market has compelled the banks to reconsider their business profiles and adopt the evolving regulations and reforms provisioned by our Banking IT Services. These reforms have been revised so as to create a more satisfying experience for the customers. Hence, creating customer delight.

Scope of The Study

The scope of the study is limited to only the customers of the financial and banking sector in India.

Objectives of The Study

1. To study the various reforms in the financial and banking sector in India.
2. To understand the impact of these reforms on the customers of the financial and banking sector in India.

2. Literature Review

India has a diversified financial sector which is undergoing rapid expansion, both in terms of vigorous growth of existing financial services firms and new entities entering the market. The financial sector comprises of commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. However, the financial sector in India is extensively a banking sector with commercial banks accounting for more than 64 per cent of the total assets held by the financial system.

Financial and banking sector reforms are in the following areas:

- Regulators
- The banking system
- Non-banking finance companies
- The capital markets
- Mutual funds
- Overall approach to reforms

- Deregulation of banking system
- Capital market developments
- Consolidation imperative

In the early 1990s, India embarked on an ambitious economic reform programmed in which banking sector reforms formed a major part. A committee of high level on financial sector, chaired by M. Narasimham, laid the foundation for the reforms in the banking sector. The Committee, which was set up in 1991, submitted its report in 1992, on financial sector reforms. Another committee, on banking sector reforms, was constituted under the chairmanship of M. Narasimham which submitted its report in 1998.

The Indian banking sector has witnessed wide ranging changes under the influence of the financial sector reforms commenced during the early 1990s. The approach to such reforms in India has been one of gradual and non-disruptive development through a consultative process. The emphasis has been on deregulation and opening the banking sector to market forces. The Reserve Bank of India has been consistently working towards the establishment of an enabling regulatory framework with rapid and effective supervision as well as the development of technological and institutional infrastructure. Persistent endeavor have been made towards adoption of international benchmarks as appropriate to Indian conditions. While some changes in the legal infrastructure are yet to be effected, the developments so far have brought the Indian financial system closer to global standards.

For the past three decades India's financial and banking system has several outstanding achievements to its credit. The most striking and appealing factor is its extensive reach. They are no longer restricted to only metropolitans or cosmopolitans in India. In fact, Indian banking system has entered even to the remote corners of the country. This is one of the main reasons of India's growth process.

3. Methodology

3.1 Research design

The present research paper is a mix of different research methods adopted to collect primary and secondary data. The sources of data include the customers of bank from various places and also the related organizations.

3.2 Population and sampling

To confirm that the sample selected is representative of the population, simple random sampling was used in this research where each individual in the population of interest has an equal likelihood of selection, and a random sample was taken. For this about 400 customers of public sector banks, private banks, co-operative banks viz. Central Bank of India, Bank of India, State Bank of India, HDFC, IDBI Bank, Corporation Bank, Cosmos Bank, Shikshak Sahakari Bank, Gandhibag Co-operative Banks, Maharashtra State Co-op Bank etc., were directed a questionnaire of 10 questions and then data was collected and analysed.

3.3 Data collection

Data was collected through the use of primary and secondary sources. Questionnaire was prepared and sent to customers of above mentioned banks, who were selected

randomly. The respondents were given five options to choose one from. 5 pointer ordinal Likert scale was used. Secondary data was collected from research papers, articles, journals etc related to purchasing behavior of the customers for online purchasing.

3.4 Data analysis and interpretation

1. Awareness about Banking & Financial Sector Reforms

Table 1: Total no. of participants are 50

Yes	No
19	31

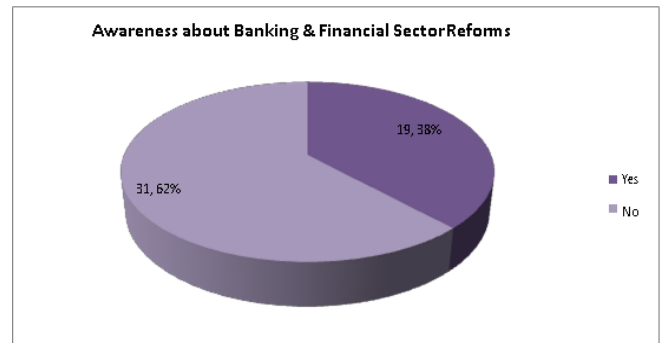


Fig 1

Interpretation

Only 38% of Customers are presently aware of banking and Financial Sector Reforms.

2. Updation with respect to reforms

Table 2: Total no. of participants is 50

Yes	No
34	16

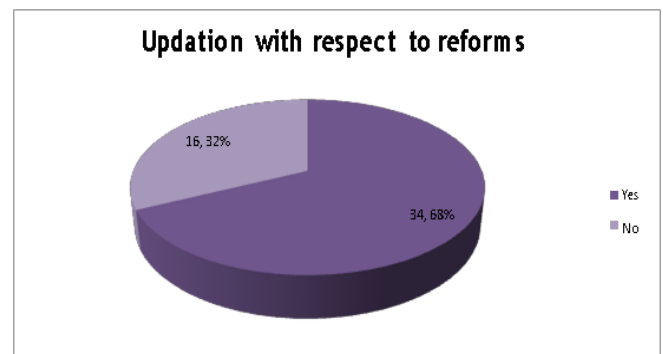


Fig 2

Interpretation

The majority of customers i.e. 68% are feeling that there banks can fulfilling reforms.

3. Capacity of banks in fulfilling reforms

Table 3: Total no. of participants is 50

Yes	No
18	33

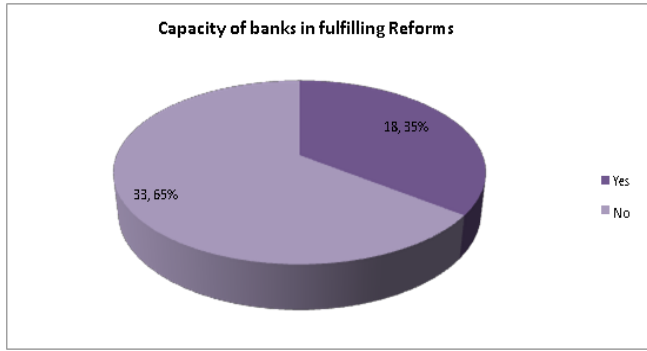


Fig 3

Interpretation

The majority of customers i.e. 65% are feeling that there banks can fulfilling reforms

4. Awareness about the Web Applications

Table 4: Total no. of participants is 50

Yes	No
24	16

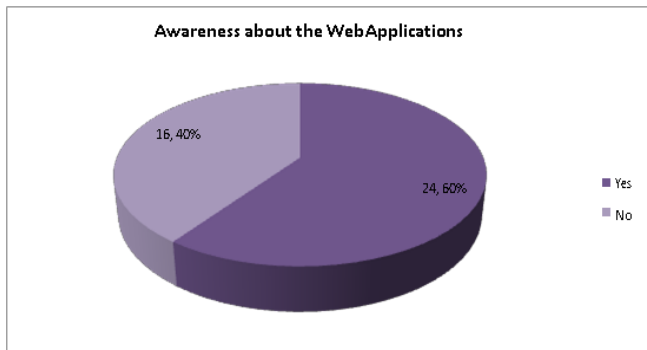


Fig 4

Interpretation

Majority of Bank customers are aware about the web application.

5. Availability of Web Applications in Banks

Table 5: Total no. of participants is 50

Yes	No
37	13

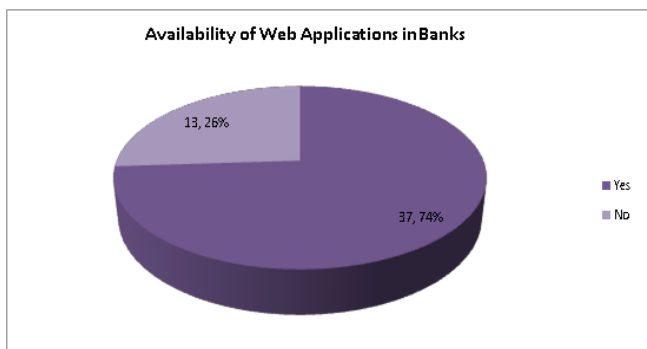


Fig 5

Interpretation

74% customers feels that web applications are available in the banks whereas 26% are feeling that their banks are feeling that their banks are not having it.

6. Convenience in using Web Applications in Banks

Table 6: Total no. of participants are 50

Yes	No
28	22

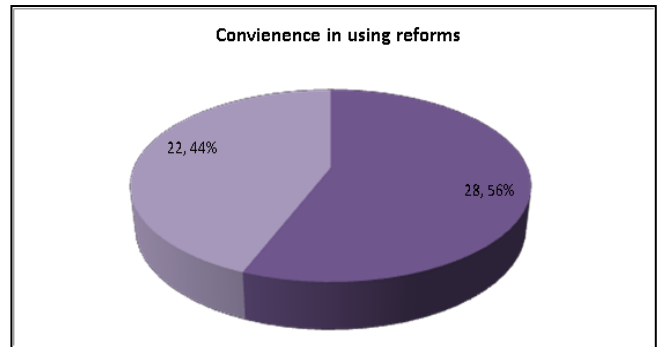


Fig 6

Interpretation

56% of respondents feel convenience using reforms.

7. Reforms helps in improved service.

Table 7: Total no. of participants is 50

Yes	No
28	22

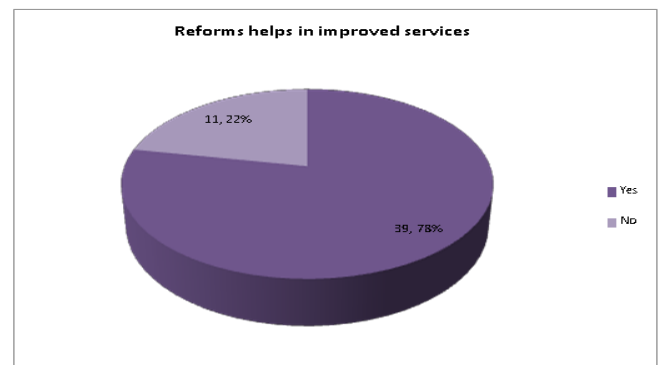


Fig 7

Interpretation

Hardly 22% of customers feel that reforms will not offering improved services to the customers.

8. Purpose of Web Application

Table 8: Total no. of participants is 50

Fund Transfer	Investment	Billing	Account Information
9	5	14	22

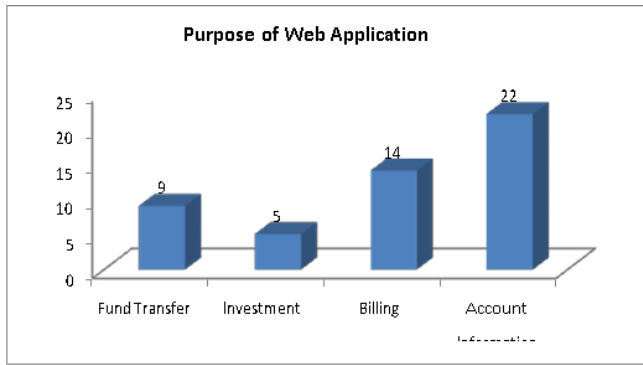


Fig 8

Interpretation

Most of the e-banking customers are using Web-Apps for only checking account information and billing. Only few are using Web-Apps for fund transfer and investments.

9. Need of extra Hardware / Software

Table 9: Total no. of participants is 50

Yes	No
45	5

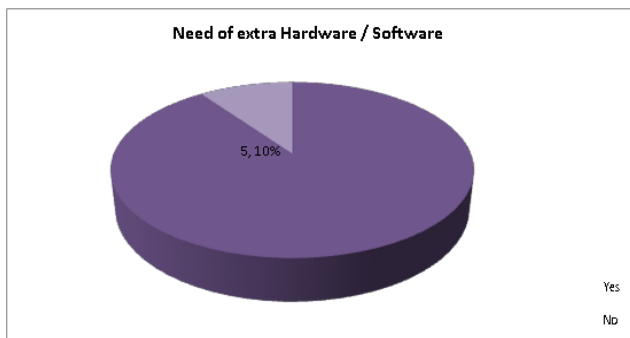


Fig 9

Interpretation

Hardly 10% of customers feels that they require extra Hardware/Software for using updations. While other i.e. 90% customers feels that they can use banking reforms using existing Hardware/Software

10. Comfortability in Financial Transaction

Table 10: Total no. of participants is 50

Very Comfortable	Somewhat Comfortable	Not at all comfortable
11	5	2

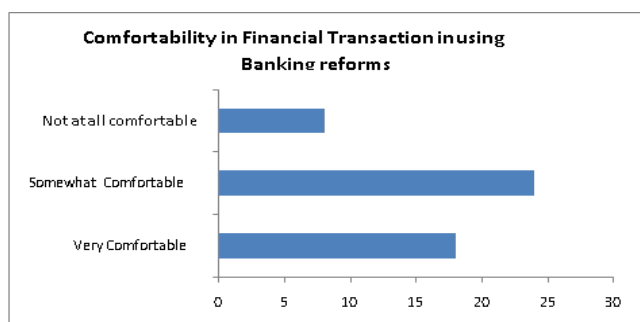


Fig 10

Interpretation

More customers' feels comfortably in performing financial transaction using banking reforms while only few customers find it difficult for Financial Transaction.

11. Frequency of Transaction using innovated transaction

Table 11: Total no. of participants is 50

Daily	Weekly	Monthly	2-3 times in last six months	once in the last six months
2	10	18	11	9

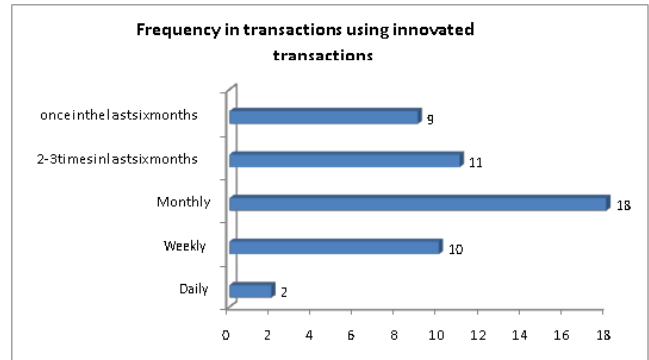


Fig 11

Interpretation

Customers are not using Web-banking frequently. Only few customers are using it on daily basis, while more number of users is using it on monthly basis followed by weekly basis. However some customers had used web applications only 2-3 times in last six months.

12. Feared of fraud while using online transaction

Table 12: Total no. of participants is 50

Yes	No
39	11

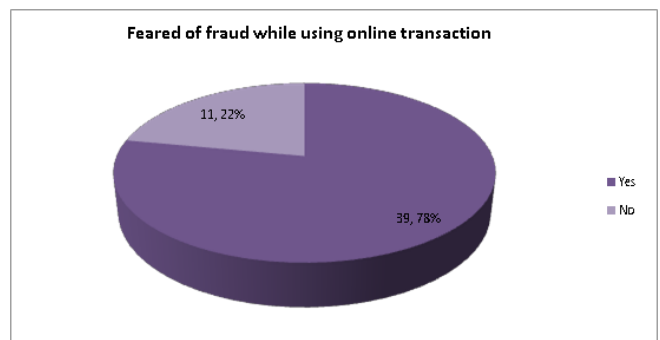


Fig 12

Interpretation

Only 78% customers are not feared by the fraud shall occurred during the transaction. The more number of customers are feared as they are not feeling online and computer based transactions.

13. Co-operation and support of Bank’s staff

Table 13: Total no. of participants is 50

Excellent	Average	Poor	Very Poor	Not Required
2	6	2	1	7

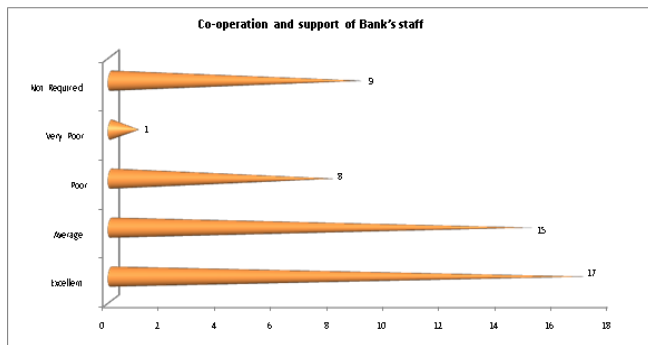


Fig 13

Interpretation

The more number of customer are getting good support and co-operation from the bank staff while some customers are aware about the banking and current technology. They don’t require any support and co-operation from the bank’s staff.

4. Findings

1. Due to the increase in requirements of the globalization various reforms are incorporated and they are growing drastically. More and more number of users and facilitators are enjoying technological innovations for their regular activities.
2. Web Application became the vital entity in Banking. While the customers of the banks i.e. Account Holders are also using technology for checking their account status, bill payments, fund transfer, request for DD, request for cheque book, request for FD from the available balance, etc.
3. But the percentage of users from the customer category is limited as less people know how to perform transaction using e-banking. The fear of fraud is also one of the most important reasons for the fewer users from the customer category.

5. Conclusion

1. The service quality is improved, with faster customer response. This is possible using the reforms in banking and financial sector including NBFC, Insurance, etc.
2. The Financial sector can support their customer by providing various value added services as and when required.
3. Banking reforms had impacted positively on the online users. The users had easily adopted the new and essential innovated tools.

6. References

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