THE STUDY OF BANKING SECTOR'S CONTRIBUTIONS TO ACHIEVE 5 TRILLION ECONOMY IN INDIA

R.Vimaladevi
Assistant Professor
Department of commerce
Vels Institute of
Science, Technology and Advanced Studies
Pallavaram
Chennai-117

A.Meenakshi
Assistant Professor
Department of Commerce
Vels Institute of
Science, Technology & Advanced Studies
Pallavaram
Chennai-117

Abstract

This paper explores the role of banking sectors in the development of the economy, various challenges faced by the banks in the current scenario and new implementation of government in banking sectors to achieve the 5 trillion economy in India. In order to achieve the objectives of the study, secondary data such as journals, books and websites were used. The study indicate that banking sectors has to be more innovative, competitive, technically advanced and mobilize the saving of the people through proper network of banking services with enhanced facilities to the various sectors of the economy. This would certainly help to achieve the 5 Trillion Economy in our country.

Key words: banking sectors, trillion, economy, public sector banks.

Introduction

The current circumstance of Indian economy reveals that itis a developing market economy. According to Nominal GDP; Indian economy is the world's fifth largest economy and the third largest by purchasing power parity (PPP). Moreover,India'seconomy is the world's fastest growing major economy during the period from 2014 to 2019, which leads surpass China's economy.

Based on that rapid growth of our economy, our Honorable Prime Minister Narendra Modi aimed for a 5 trillion dollar economy in the year 2024. According to Prime Minister's perspective is to achieve the target of turning India in to a USD 5 trillion economy. The country will need to grow by 9% every year for five years continuously. Meanwhile, there would be raise in aggregate investment ratio of 38% of GDP. Hence, our GDP needs to grow steadily over the next few years. According to the study of Zoltan Kenessey, in our ancient era, the Indian economy built mainly on the banks of subsistence farming. Later on industrial revolution, economic growth took place mostly in the mining, construction and manufacturing industries. However, in the modern era, the tertiary sectors which mean modern consumer societies, services, finance and technology play an increasing significant role in the economic growth of India. It clearly reveals that banking sector which is one of the part of financial sectors, plays vital role to the contribution of GDP growth in India.

The government decision to consolidate public sectors banks in to mega state-owned lender will act as an element for achieving $ 5trilion dollar economy target. Finance secretary Rajivkumar has said; to support next level of growth the country needed big banks. mega banks with enhanced capital base, size, scale and efficiency to support high growth that the country requires to break in to club of middle income nation "The consolidation will help create strong and globally competitive banks with economies of scale and enable realization of wide ranging synergies, stronger lending capacity and better products and technology to serve customers of India. Road map for future the banking sector would be technology drives, clean, responsive and there will be no gaming of system by any of the stake holder in the financial sector space be it auditors rating agencies, creditors or bankers as well as capitalized well provisioned bank to support banks to support USD 5 trillion economy" the state-owned banks can look forward to efficiency gain higher profit, better services to customers and also more benefits to their employees.

This study helps to know what extend the changes in banking sectors affects the growth of Indian economy, government new implementation in the banking sectors helps to achieve the 5 trillion economy and problems faced by the banking sectors.

Objectives

- To study the government new implementation in banking sectors to achieve 5 trillion economy.
- To study the significant role of banking sectors in economic growth.
- To know the challenges faced by the banking sectors.

Methodology

In this study secondary data such as existing review of literature, journals and websites were used in order to achieve the objectives.

Scope of the study

This study helps to know the challenging problems faced by the banking sector, significant role of banking sector in economic development and the government new implementation in banking sectors to achieve the 5 trillion economy.

Review of Literature

1. **Chadamiya, B Menapara, M.R.P, et al. (2012)** stances with the view that merging and acquisition are essential factor in market entry along with expansion strategy. The study highlights liberalization and technological investments are inevitable process to enhance operational flexibility of the banks. The non-viable banks are merged which stabilize financial position of the bank rather than affect it. The study recommends that company can opt for merging in order to sustain in the competition world.
2. **Goyal Kagoyala, K.A. (2012)** this paper efforts to identify the general sentiments, challenges and opportunities for the Indian Banking Industry. The study found the biggest challenge for banking industry is to serve the mass market of India. The bank has to shift their focus from product to customer, reduce cost of their services, encounter the challenges through product differentiation, technological upgradation, level of consumer awareness, expansion of branches in order to increase the market size; therefore, these banks must utilize their brand equity as it is a valuable asset for them.
3. **Koryakov, R.I. (2012)** specified with hypothesis that there is a correlation between credit interest rates increase and potential risks of banking sector. The study inferred that government expenditures are influential factors in credit interest rates and cause of instability in the economy of the India.
4. **Maniyam, Ratna. (2014)**aims to explore the changing banking scenario, the impact of economic reforms and also analyses the challenges and opportunities of national and commercial banks.The study established that biggest challenges of banking industry areto serve the mass and huge market of India. The banking sectors are going to be more competitive, sophisticated and large number of retail banking services.It found that in order to face the challenges the banks need to be introduce new product in the market, existing products need to be delivered in an innovative way and cost effective, and customer centric product differentiation and technological upgradation is needed.
5. **Sekaran, U. (1989)** this study traced the paths to the job satisfaction of employees at the workplace through the quality of life factors of job involvement and sense of competence in the bank employees. It studied with the sample of 267 bank employees. The results specified that personal, job, and

organizational climate aspects influenced the ego investment or job involvement of people in their jobs, which gives opportunity to influence the intra-psychic reward of sense of competence's experience. It directly influenced employees' job satisfaction.

6. **Shrieves (1992)** attempts to analyses significant factors associate between risk and capital. The study carried with large sample of banks. However, the regulation of banks are just effects the banking system periodically. But, changes in bank capital ultimately risk based chance in the banks.

The government new implementation in banking sectors to achieve 5 trillion economies

In second set of major policy announcements to address economic concern union Finance Minister Nirmala Sitharam announced merger of six public sector banks with four better performing anchor banks. The decision was taken with the objective of making global-sized banks. This will help to have strong national presence and global reach of the banks.

The consolidation of public sector banks would help to achieve 5 trillion economy through reforms, financial strength, technology. The government had merged five associate State Banks of India and Bharatiya Mahila Bank with State Bank of India with effect from April 2017.They are state bank of Patiala, State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore and State Bank of Hyderabad and also Bharatiya Mahila Bank.

The oriental bank of commerce and united Bank are merged in to Punjab national Bank, the Syndicate bank is merged into the Canara bank will become India's fourth largest public sector banks, union bank, Andhra Bank, Corporation Bank to merge to become Fifth largest public sector Bank with Rs 14.59 lakhs crores business.

Next Gen PSB

Anchor bank	Amalgamating banks(s)	Business size	PSB rank by size
Punjab National Bank	Oriental Bank of Commerce United Bank of India	17.94 lakh cr.	2nd largest
Canara Bank	Syndicate Bank	15.20 lakh cr.	4th largest
Union Bank of India	Andhra Bank Corporation Bank	14.59 lakh cr.	5th largest
Indian Bank	Allahabad Bank	8.08 lakh cr.	7th largest
SBI	Amalgamated earlier	52.05 lakh cr.	
Bank of Baroda	Amalgamated earlier	16.13 lakh cr.	

Source: Secondary data

The 12 public sector banks are state Bank of India, Punjab National bank, Bank of Baroda, Bank of India, Central bank of India, Canara Bank, Union bank of India, Indian Overseas Bank, Punjab and Sind Bank, Indian Bank, UCO Bank and Bank Of Maharashtra. The consolidation of these public sector banks will improve the profitability of public sector banks and the total gross non-performing asset would reduce. The liquidity support to NBFCs and housing finance companies has improved as the partial credit guarantee scheme.

Role of Banks in Economic Development

Banking sector plays a crucial role for capital formation. They mobilize saving through their network of branches all over the country. Nowadays, banks are offering various schemes to attract the saving of the people.

Credit creation is one of the major contributions of the banking sector with lead to increased production, employment. Productive investment can be made possible because, the pooled saving are distributed to various sector of the economy will lead to increase the productivity of the nation. Fuller civilization of resources is civilized to a greater extent for development purpose can be achieved through the banking sector. The bank helps in development of industries through extending loan. They grant loans and advances to manufacturer who produce the produce the product are in great demand these in turn increase their production through introductory new method of production lead to raise in national income.

Commercial banks transform the loan to be repaid after a certain period of time this would help the manufacturers and whole sale trades who cannot increase the sales without the selling the good on credit. The commercial banks are lending money through discounting of bills, bills of exchange which enable them to carry out economic activities without any disturbance. The banks are extending greater support to the government by issuing treasury bills and bonds. Banking sector promote employment opportunities in the rural area by opening branches all over the country. The banks are promoting entrepreneurship through reducing counseling services, providing 100% credit for worthwhile projects.

Conclusion

Banking sector has to be more competitive, consumer centric, innovative, and technically advanced and it has to enhance the branches through proper facility throughout the India which would lead to mobilize the saving of the people which in turn it leads to greater services to all sectors of the economy. Hence, it is no doubt that it would pave the path to achieve the dream of 5 trillion economy of India.

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