

# The Way Forward for Indian Banks

**Sharad Bhati**

Organization: PNB, Saharanpur, India

## **Abstract:**

Govt and RB are worried for declining deposits in Indian Banks and have asked Banks to be Innovative in maintaining deposits and increase profitability

**Keywords:** Indian Banks. Profit, Deposits.

## **Introduction**

The finance minister's concern over deposit growth follows a noticeable slowdown in this area, even as lending has accelerated in response to increased demand for funds across various sectors. The Reserve Bank of India (RBI) has also flagged the issue, raising concerns over the sluggish pace of deposit mobilization. She also said that Bank should be innovative in designing products Reserve Bank of India governor Shaktikanta Das cautioned banks that the wide gap between the deposits and credit growth could create structural liquidity issues. "The divergence between deposits and loans could potentially create liquidity management issues for lenders, He further said that Indian Households are shifting deposits from banks to Mutual Funds and Equities.

## **The Way Forward for Indian Banks**

The above echo of thoughts from Government and RBI is something serious to think about current Banking in India, Where Bank are loosing deposit to other instruments.

The FM has said that Bank have to be innovative in designing products. But at the same time Government and RBI will also have to be innovative to save Banks from this deposit and business drought The exact figure can vary based on the firm's operational efficiency, the types of assets they manage, and their business model. It's also important to note that this metric can be influenced by the firm's strategy, including whether they focus on high-touch, high-value client relationships or scale- The per-employee business size of Indian banks can be measured through metrics like assets, deposits, or loans per employee. This figure varies based on the size and type of the bank—whether it is a large public sector bank, a private sector bank, As per data for F.Y 23 for Indian Banks. The Average business per employee for PSBs was Rs 23.80 crore and for PvSBs was Rs 15.02 crore. This is way lower than Banks of other major economies. In F.Y 23 PSBs as a whole reported net profits of Rs. 104600 Crores, this is also low compared to US Counterparts NET INTEREST INCOME has thinned as the competition in market has driven Banks to lower Interest rates for loans Bank of late have focused to Increase Income from selling third party products like Insurance and mutual Funds. Although income has increased. But at the cost of depletion of deposits as the Bank's deposit is used for purchase of these products As per current structure of Banks, CRR and SLR Requirement hampering income generation for Banks. In RBI can be innovative as they think Bank should be the Funds utilized in SLR and CRR requirements can be used for income generation In the current scenario the best solution shall be that

Existing Banks should be made holding company and controlling company with with 3 Subsidiary companies. All the three companies will have different line of business 1 One is asset management company with deposits from public, Maintaining private portfolio Management. The company should have the option to invest in sister concern or other company or instrument which shall provide better return in comparison to present system of primarily utilizing deposit for advance . The RBI should do away with Concept of CRR and SLR and in turn the money that is equivalent should be only used to fund govt borrowings which shall give better return for the company. CRR and SLR Requirement hampering income One company shall work only has finance company which has only lending activities and this firm may One company handling transactions and operational selling 3<sup>rd</sup> party products just like a fintech platform. This Company will better work as a forward and backward linkage for other subsidiary company of Bank This structure shall surely help banks to increase profit margins by being innovative and. Also there would be lesser complexity of Compliances

**Conclusion:**

Indian Banking system is going through a phase where either they have to perform or will perish and Innovation has to come from both Govt and Individual banks.

**References**

1. [www.google.com](http://www.google.com)
2. [www.iba.org.in](http://www.iba.org.in)
3. [www.rbi.org.in](http://www.rbi.org.in)
4. [www.reuters.com](http://www.reuters.com)