

Greetings!!!

The banking industry today is in a state of flux, with multiple technology, regulatory, and demographic factors cutting across the length and breadth of the value chain. These factors are impacting the way banks conduct their business, as the traditional banking methods are not enough to meet increasing customer expectations and improve profitability. The future of banking in India looks not only exciting but also transformative. Despite the somewhat difficult current operating environment, banks remain the largest financial sector intermediary in India. In future, technology will make the engagement with banks more multi-dimensional even as other entities, markets and instruments for credit and financial services continue to develop and expand.

The current weakness in economic activity has subdued credit demand from banks. Part of this slowdown is due to excess capacities in many sectors, together with increase in leverage on corporate balance sheets, restraining their ability to absorb credit. In addition, alternative sources of financing, both domestic and offshore, have also emerged. Stressed assets in banks' credit portfolios have constrained credit delivery, but the situation is gradually improving. While banks have taken measures to clean their portfolios, with write-offs and provisions, the Reserve Bank of India has facilitated rectification through a number of well-thought-out initiatives. Restricting incremental non-performing assets through early detection, monitoring, corrective action plans, shared information and disclosures as also the proposed mechanisms for asset resolution, including the Bankruptcy Code, will help speedier recovery in the concerned sector.

In wider banking perspective, technology is enabling more effective, lower cost delivery of corporate financial services, as well as rapid and seamless payments. This is increasingly allowing increased access to financial services

and many services can now be delivered in almost real time, including credit assessment and loan approvals. Increasing penetration of the internet and mobile connectivity ensure an ever-widening suite of services "on the move". Data analytics, the biggest impact of technology will be the ability to personalize delivery of products and services to the consumers.

The landscape of India's financial sector is changing widely. Banking adopting differentiated channels and technology could enable a multi-fold increase of reach in rural and remote areas. Coupled with the emergence of a new class of bank, the Small and Payments Banks, one of the biggest impacts of technology adoption is rapidly accelerating financial inclusion by making last-mile access more cost effective and is expanding the reach of banking to the unbanked. The Pradhan Mantri Jan-Dhan Yojana has been an outstanding example. Direct transfers to bank accounts coupled with the range of services, envisioned in the Government's Digital India programme will drive customer adoption and promote a savings culture. Partnerships between these specialized entities and universal banks will effectively leverage their networks to deliver financial services, including micro-credit. With demonetization, more people are depositing money at banks which means the banks will have more liquid funds and money to lend, slashing their deposit rates drastically.

This issue presents a good number of articles on the cover story theme 'Indian Banking Sector in transition' by distinguished experts and authors. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at [editor@icmai.in](mailto:editor@icmai.in). We thank all the contributors to this important issue and hope our readers enjoy the articles.