

**Greetings!!!**

**Happy New Year 2018!!!**

The Indian banking sector has mirrored the country's gradual emergence as an economic powerhouse over the last two decades. In fact, banks have played a key role in catalyzing and enabling growth in the Indian economy. Till 1990s, the financial sector was focused on lending to the industrial sector. Over the last decade, the favourable demographics and low penetration of financial services offered immense opportunities for the Indian banking sector in catering to the financial services needs of individuals and households. The sector has undergone a transformation over the last two decades, with the adoption of technology, development of new products and creation of alternate banking channels to serve customers.

Today, Indian banking needs a new framework which can balance the demands of market forces and need of safety, stability and soundness of operations. Nowadays, apart from being socially responsive, banks are expected to prove themselves as commercially viable as well. This shift in expectations has put a new dimension of banking operations. The policymakers are keen to enhance the resilience of banking setups to endure future crises and resonates domestic bearings with international trends.

As banking sector represents a part of the financial sector, it is necessary to have effective provision of services to meet the economic challenges for the faster economic growth. To meet the adverse situation in banking, several committees have been appointed to suggest certain measures to overcome the weakness of the concerned sector in India and they have suggested banking sector reforms including M&As in the banking industry as a measure to strengthen the ability of the banks.

The payment eco-system in India is gradually moving from a purely cash and cheque-based scenario to electronic payments. Debit cards and credit cards facilitates online electronic payments at the ease of customers and faster mode of payment. Uses of credit cards enable the customers to "Use first and pay later". Banking sector has realised remarkable growth in the use of credit cards and debit cards as means of payments by the customers in new phase of this sector.

Indian banking sector is poised with efficacy for robust growth which will play a pivotal role in flourishing Indian economy. With the potential to become the fifth largest banking industry in the world by 2020 and third largest by 2025 according to KPMG-CII report, India's banking and financial sector is expanding rapidly. The Indian Banking industry is currently worth Rs. 81 trillion (US \$ 1.31 trillion) and banks are now utilizing the latest technologies like internet and mobile devices to carry out transactions and communicate with the masses.

In the coming years, the Indian Banking stage is set by the introduction of Goods and Services Tax (GST), emerging futuristic Digital Banks and revisions to Risk Management approaches. The proposed "The Financial Resolution and Deposit Insurance Bill, 2017" (FRDI Bill ) expected to be tabled in the upcoming winter session of Parliament would seek to create a framework for resolving bankruptcy in financial firms (such as banks and insurance companies), as there is no specific law at present in India for resolution of failures of financial services providers. The Bill establishes a 'Resolution Corporation' to monitor financial firms, anticipate risk of failure, take corrective action, and resolve them in case of such failure. The Corporate will also provide deposit insurance upto a certain limit, in case of bank failure.

This issue presents a good number of articles on the cover story theme 'Paradigm shift in Indian Banking System' 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.

