

## A Study on Challenges and Opportunities in Banking Sector

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DOI: 10.62823/IJARCMSS/8.2(II).7664

### ABSTRACT

*Banks provide services to customers with the help of modern technology to survive the competitive enrollment of banking sector. Private sector banks deliver better services than public sector banks. Public sector banks must adopt advanced technology to deliver banking services efficiently to the customers. Customers avail wide range of banking services without visiting bank premises through e-banking. Bank should deliver banking services according to the expectations of customers. E-banking reduces cost of e-banking operations and saves time. Customer services is very important tool for the growth of banking sector. The work culture of private sector banks is better than public sector banks. Rural customers face more difficulties than urban customers to avail banking services due to inadequate infrastructure of banks in rural areas. The concept of banking is changing very fast due to improvement in technology. Banks are using artificial intelligence to provide high quality services to customers. Customer satisfaction plays important role to achieve customer loyalty. In this paper, an attempt has been made to find out challenges and opportunities in banking sector.*

**Keywords:** Bank, Banking Sector, Customer, Customer Satisfaction.

### Introduction

Banking sector plays vital role in the economic development of India. Expansion of banking sector is essential for the growth of financial system. Banks provide services to wide range of customers with the help of technology. Customers avail loans from private and public sector banks for various purposes. Banks deliver wide variety of banking services through e-banking such as mobile banking, smart cards, internet banking, electronic fund transfer, automated teller machines etc. Customers avail wide range of banking services through online banking. Banks focus on customer satisfaction to expand their client base. Banks must deliver services according to the expectations of customers to gain customer loyalty. Customers avail banking services from home, office or anywhere through e-banking. Banks are using advanced technology to improve banking operations. E-banking reduces the cost of banking operations. Banks emphasize to achieve customer satisfaction so that they can easily retain their customers. Banks should focus on the expectations of customers to achieve customer satisfactions. Customers save their time by availing banking facilities through e-banking. Banks provide the facilities for business transactions with other countries. Banking sector has come up with various initiatives to provide better customer services with the help of modern technologies. Customer services is very useful for better growth in the competitive environment of banking sector. Customer satisfaction depends on several factors such as work culture, customer relationship, web portal management, reputation of banks etc. Private sector banks emphasize on customer satisfaction more than public sector banks. There is a huge difference between private sector banks and public sector banks regarding work culture. The role of banking sector is vital for economic growth. Private sector banks focus on urban customers more than rural customers. Rural customers suffer more than urban customers to avail banking services. The objective of the study is to find out challenges and opportunities in banking sector.

### Literature Review

Banking is an essential part of modern living. Efficiency in service is on the top agenda of commercial banks for retention of customers. Customer service is vital for banking industry after the implementation of new age technology. Customer service is very important tool for business growth in competitive banking scenario (Kamboj et al., 2022). The role of banks is essential for economic growth. Distribution of loans and mobilization of deposits are the major function of banks. Banking system in India include development banks, commercial banks and co-operative banks. Banks play important role in developing countries by attracting resources (Rehman and Lakshmi, 2024). Banks perform agency services such as purchase of securities, receive subscription funds, collect utility bills for Government departments etc. Banking sector has come up with necessary actions to deliver better customer services with the help of technologies. Banks help in the economic development of the country by providing services to their customers. Banking sector not only collect funds but also guide the customers regarding the investment of their money (Goud, 2021). Electronic banking is known as e-banking which is a modern financial service that enable customers to conduct wide range of financial activities through electronic channels. E-banking has unique features like reliability, assurance, responsiveness etc. E-banking enables customers to perform tasks such as transferring fund between accounts, checking account balances, applying for loans and paying bills electronically (Subedi and Adhikari, 2024). The world economy is passing through difficult situation in recent time due to bankruptcy of banking and financial institution. Indian banking industry is able maintain its growth inspite of difficult situation in world economy. Reserve Bank of India was constituted to the apex body to control the banking system in India. The development of Indian banking industry is remarkable which is evident from the higher pace of credit expansion and lower incidence of non-performing assets (Goyal and Joshi, 2012). Indian banking sector is moving towards digitization in recent time. Indian Government takes effective steps digitization of Indian banking system. Digitization banking has become new trend in banking sector in current scenario. Digital banking has several advantages such as reduction of cost for banks and customers, improved customer experience, reduction in human error, reduction in need for handling large amount of cash (Anthony, 2017). Banks play key role to the payment system between various national and international economic units. Banks take initiatives to promote trade, commerce and industry. Banks perform vital role to increase national savings and investments. Banking industry holds central position in the financial system of a nation. Banking industry plays the role of an agent in the development process of the economy (Samuel et al., 2024). In present scenario, banking sector is determined to develop proper strategy that will help to decrease employee turnover and increase customer retention. Employee skills are the most important factor to survive in the competitive enrollment of banking sector. Training and development plays significant role behind employee commitment in banking sector (Takeed et al., 2024). The increased adoption of digital communication channels is very significant. Digital communication channels are user friendly and affordable in comparison to traditional communication channels. Banks must analyse the customer reviews to improve their product and service offerings (Sharp et al., 2024). There is a need to investigate customer satisfaction in commercial banks. Commercial banks need to focus on service qualities to meet customer expectations. Service quality is very important for enhancing customer satisfaction. Banks are emphasizing on customer service responsiveness, efficiency and transparency for the improvement of customer satisfaction in commercial banks (Ghimire and Agarwal, 2024). Electronic banking is known as net banking or internet banking. The development of e-banking industry is very fast in India. E-banking services are provided to customers round the clock. Banks are using technology to improve banking services. Customer satisfaction is related with quality of services. E-banking helps to achieve greater customer satisfaction (Yuvaraj et al., 2023). Banks play essential role to sustainable economy. Banks provide fund and support to environmentally and socially responsible projects and organizations. Banks obtain various information from borrowers to provide better service. Instability in the banking system may cause damage to economic growth (Huang et al., 2023). Banking sector is facing several issues that put its strategy and profitability at risk. Artificial intelligence is very useful for cutting costs in banking operations. Banks are employing artificial intelligence to improve their services for customers. Banks are able to identify fraudulent activities with the help of artificial intelligence (Svoboda, 2023). Employees are essential resource of every organization. Employees must be effective to achieve the goals of an organization. Effectiveness of employees depends on working conditions in commercial banks (Adah et al., 2020). Banks are making significant progress in clearing non performing loans in recent times. The adoption of technology has brought revolution in the banking sector. The trust and confidence of people is important for development of banking sector. Technology has brought revolution in the banking sector (Kapparashetty, 2020). According to Reserve Bank of India, banking sector of India is well-regulated. The future of banking sector depends on several factors such as artificial

intelligence, security, artificial intelligence etc. Banks are under pressure to accept and evolve with digitization. Digitization is changing the concept of banking (Sreenivasamurthy, 2022). Banks deal with deposit collection and loan distribution. Reformation of banking industry has become essential for the expansion of private sector. According to banking structure in India, scheduled commercial banks are divided into various parts such as nationalized banks, private banks and regional rural banks. Reserve Bank of India plays major role in regulating banking sector (Sah, 2024). Reserve Bank of India is the Supreme authority of banking industry. Challenges in banking sector is related with several matters such as risk, management system, technological problems, customer service etc. Banking sector face difficulties due to lack of professional approaches with customers. Banks suffer due to non performing assets (Sharma and Shekhar, 2015). Banks provide financial services to customers. Banks provide fundamental banking services such as providing loans and accepting deposits. Banking sector in India has the potential for growth. Banks are delivery banking facilities to masses with advanced technology. Banking system offers various services to customers such as cash management services (Iqbal and Qazi, 2017). Banks are able to communicate with people easily. Mobile devices are used for banking transaction in recent years. Banks offer banking services to their clients. Banks offer basic banking services such as disbursing loans and receiving deposits. Banks establish proper guidelines regarding repayment terms, interest rates etc. for customers (Singh, 2023). The future of banks is under threat due to changing needs of consumers. Development of technology has changed the nature of banking sector. Customers can get information about bank accounts through mobile banking. Mobile banking delivers services to customers round the clock. Automated teller machines have made banking system convenient for customers (Jhamb, 2022). Banking scenario in India has become very dynamic in recent years. Growing competition has changed the banking scenario in India. E-cheques have replaced paper cheques. Automated teller machines enables customers to avail banking facilities easily. Customers avail non cash related banking services through tele banking (Purbey, 2020). Banking is part of economy. Indian banking sector has changed in recent years due to digitization. Traditional banking practices are changing due to rapid digitization (Padhy, 2023). Banks face challenges due to non performing assets. The majority of Indian live in rural areas and they face difficulties to avail banking facilities. Indian banking sector is changing towards a future to provide better services to customers. Digital development compelled banks to concentrate on internet banking (Roy et al., 2023). The banking sector is undergoing transformation due to advancement of technology. Digital banking offers various technology based services to the customers. Banks are using artificial intelligence to improve the quality of service. Digital banking face difficulties due to security threat. Banks are adopting modern cyber security technologies (Kavitha, 2024).

### **Current Scenario of Banking Sector in India**

Reserve Bank of India is the controlling authority of Indian banking system. Banks are divided into two parts i.e. scheduled banks and non scheduled banks. Scheduled banks are divided into two parts i.e. scheduled commercial banks and scheduled co-operative banks. Scheduled commercial banks are divided into four parts i.e. public sector banks, private sector banks, foreign banks and regional rural banks. Banking sector is regulated by Reserve Bank of India Act, 1934 and Banking Regulation Act, 1949. Banks face challenges regarding risk management system. Customer service in public sector banks is very poor. Rural masses suffer a lot due to poor customer service. The banking facilities available for urban customers are much more than rural customers. Bank branches in rural areas face difficulties due to inadequate technical advancement. The internet connectivity in cities is better than village branches. The number of bank branches is less in villages in comparison to cities. Banks need to enhance their service quality to survive in the global competition. Customers suffer due to lack of professional behavior of bank employees. Banks must focus on customer relationship management to survive in the banking industry. Both public sector banks and private sector banks must increase the number of bank branches. Customers suffer due to high transaction cost. Digital transformation of banking sector is known as online banking, internet banking, digital banking, virtual banking etc. The digital revolution in banking industry has compelled the banks to adopt modern technology to deliver high quality banking services to customers. Digital revolution in banking sector has changed the nature of banks. Banks play significant role to deliver banking services to the marginalized people of the society. Customers avail banking facilities easily by using their mobiles through mobile banking. Mobile banking facility is available round the clock. Government of India and Reserve Bank of India have taken several initiatives for the development of Indian banking sector. Government is emphasizing on financial inclusion through banking in India. Rural masses are not able to access banking services easily due to inadequate

infrastructure of banks in rural areas. Many people in India do not have access to banking services. Banks are using artificial intelligence for detection of frauds. Many customers avoid online banking service due to security threat.

### Data Analysis

The study is based on primary data and secondary data. Primary data has been collected from the state of West Bengal. The sample size of the study is 250. 63% of the respondents are male and 37% of the respondents are female. The respondents are the customers of public and private sector banks. The respondents are from urban areas and rural areas. 12% of the respondents between 18-30 years of age. 32% of the respondents are between 30-40 years of age. 28% of the respondents are between 40-50 years of age. 21% of the respondents are between 50-60 years of age. 7% of the respondents are above 60 years of age. 73% of the respondents agree that work culture of private sector banks is better than public sector banks. 57% of the respondents agree that the employees of private sector banks are more efficient than public sector banks. 88% of the respondents agree that reputation of banks plays major role behind customer satisfaction. 81% of the respondents agree that online banking reduces cost of banking operations. 93% of the respondents agree that online banking saves time. 71% of the employees agree that private sector bank adopt more developed technologies than public sector banks. 64% of the respondents agree that rural people suffer more than urban people to avail banking services. 57% of the respondents agree that bank employees are not able to communicate properly with rural masses. 88% of the respondents agree that private sector banks deliver better online banking services to customers in comparison to public sector banks. 67% of the respondents agree that banks focus on service quality to enhance customer satisfaction. 68% of the respondents agree that rural masses avoid banking facilities due to high bank charges.

### Conclusion

Banks need to develop work culture to enhance customer satisfaction. The efficiency of private sector banks employees is better than public sector bank employees. The employees of public sector banks must be properly trained so that they can deliver banking services efficiently to the customers. Reputation of bank plays essential role in customer satisfaction. Online banking reduces cost of banking operations. Customer prefer online banking than traditional banking as the cost of online banking is less than traditional banking customers avail online banking more than traditional banking to save time. Banks are compelled to adopt modern technologies to survive in the competitive environment of banking sector. Rural masses face difficulties to avail banking services due to insufficient infrastructure of banks in rural areas. Many bank employees can not communicate properly to rural masses in their local language. Online banking has vital impact on customer satisfaction. Public sector banks should adopt modern technologies to deliver online banking efficiently. Customer satisfaction plays vital role to enhance customer loyalty.

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