

# Role of Indian Banking in Economic Development

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The article discusses the role of Indian banking in the economic development of the country. It also describes Banking: An introduction to the system of banking and the Indian banking news today.

Public sector banks are the backbone of the Indian economy, and now more than ever, private players are entering the fray. This is good news for customers, who will be offered a widening menu of savings and loan products and innovative services like online banking: an introduction to easy transaction methods. However, it is also good news for banks, as they will be forced to improve their services and compete more aggressively to retain customers. The banking sector in India has been undergoing transformation, driven by public sector banks (PSBS).

Banking is the process of storing money for future use, either in cash or by investing it. Banks are where people get money from when they need it to make payments or buy goods and services. Businesses can also borrow money to grow or expand. Banks must have a wide network of branches across the country and overseas to perform these functions effectively. They must also be able to keep their records safe in computerized databases that cannot be easily hacked.

Banks handle money and valuable items such as gold, silver, diamonds, and other precious items. They accept deposits and make loans and payments to their customers. They also provide credit cards, debit cards, checkbooks, etc.

**Banking institutions are divided into three categories**

1. Commercial Banks also referred to as deposit banks
2. Mutual Funds
3. Central/State Governments

Credit is the easiest form of money because it takes little to no time to grant credit. It effectively generates money in real-time, not unlike the Internet. However, credit needs to be repaid. Banks give this credit using rules such as easy repayment conditions, minimum interest rates, and the like. Regular credit users take advantage of these rules and can repay their debts regularly. Banks also make loan payments for those who have lost their job due to an economic downturn or hard times in their lives.

Banking is an important aspect of any country's economy. And like any other industry, it has its standards, sets of documents, and procedures. These ensure that banks carry out transactions with ease and efficiency. The banking principles are based on the need to have a central figure that administers all the banking activities of a country. This institution is called the apex bank or Central Bank, and it is governed by specific laws and policies to ensure safety and security for the people and the nation at large.

The Indian banking sector has been experiencing a wave of change over the past decade. The growth in mobile banking and biometrics have, to an extent, affected the traditional business models of banks. However, most banks have shown tremendous resilience to these changes through adaptability and innovation.

Mobile Banking is all about bringing banking into the digital age. The use of spare and personal

mobile phones and other handheld devices has popularised mobile banking. Several banks have developed mobile sites for their customers, making it easier for customers to conduct banking transactions independently. Preferred Bank Limited, a subsidiary of Bharti Airtel, launched a mobile wallet product in 2011. Other banks are also creating similar products to improve the customer experience.

Indian banking plays a big role in the development of the economy of India. It is the backbone of any country's economy, and its well functioning is essential for nation-building.

## THE BANKING SYSTEM OF A COUNTRY PERFORMS FUNCTIONS LIKE

**Advancement of Credit:** Indian banking sector is one of the most active sectors in advancing loans to individuals and institutions. It plays an important role in providing funds to different priority sectors like Agriculture, Small scale industries, trading enterprises, real estate, etc.

**Business Development:** Indian banking sector helps a lot in business development by developing strong ties with foreign countries through establishing branches. Indian banks also facilitate trade and commerce by providing payment facilities to various local and international business houses.

**Financial Security:** Indian banking system provides financial security to the people by providing loans at competitive rates, paying reliable remittance

services, etc. It helps people save their money and invest it in different financial instruments like Government securities, long-term bonds, etc.

**Cash Management:** Cash management plays a crucial role in the banking system. It allows banks to provide quick cash and money transfer. It helps banks manage money transfers carried out by various business houses and a large number of industrial units.

**Financial stability:** The Indian banking sector provides safe and secure financial services through Money orders, Cash deposits, and cash card services.

In today's time, the banking sector has become most relevant for everyone. Through online banking, we can do our transactions from anywhere and at any time. The Internet has made sending money and transferring funds from one account to another at no cost. Thus, these core areas of banking have drastically changed the way people with access to the Internet do their banking in 2018. Online Banking is a facility where consumers can carry out their banking tasks, like paying bills, checking balances, etc. A few banks have announced that they will soon be offering new services for their clients.

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