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Dr. Gobind Kumar Das
Assistant Professor,
Department of Commerce,
R.B. Jalan College, Bela,
Darbhanga, Bihar, India

Corresponding Author:
Dr. Gobind Kumar Das
Assistant Professor,
Department of Commerce,
R.B. Jalan College, Bela,
Darbhanga, Bihar, India

Impact of FDI on banking sector in India

Dr. Gobind Kumar Das

Abstract
The Government of India has amended FDI policy to increase FDI inflow in the country. It also launched Make in India initiative in September 2014 under which FDI policy for 25 sectors was liberalised further As of April 2015, FDI inflow in India increased by 48% since the launch of "Make in India" initiative. India was ranking 15th in the world in 2013 in terms of FDI inflow; it rose up to 9th position in 2014 while in 2015 India became top destination for foreign direct investment. Today Indian Banks are as technology savvy as their counter parts in developed countries. The competitive and reform force have led to the emergence of internet, e-banking, ATM, credit card and mobile banking too, in order to attract and retain the customers by bank. As a result of Liberalization, Privatization and Globalization mode, Indian banks going global and many global banks setting up business in India, the Indian banking system is set to involve into a totally new level it will help the banking system grow in strength going into the future.

Keywords: FDI, policy, Indian banks, inflow and globalization

Introduction
Foreign Direct Investment in India is one of the major monetary sources for economic development in India. Foreign companies invest in India to take benefits of lower wages and changing business environment of India. Economic liberalisation started in wake of the 1991 economic crisis and since then FDI has steadily increased in India. The Government of India has amended FDI policy to increase FDI inflow in the country. It also launched Make in India initiative in September 2014 under which FDI policy for 25 sectors was liberalised further As of April 2015, FDI inflow in India increased by 48% since the launch of "Make in India" initiative. India was ranking 15th in the world in 2013 in terms of FDI inflow; it rose up to 9th position in 2014 while in 2015 India became top destination for foreign direct investment.

Today Indian Banks are as technology savvy as their counter parts in developed countries. The competitive and reform force have led to the emergence of internet, e-banking, ATM, credit card and mobile banking too, in order to attract and retain the customers by bank. As a result of Liberalization, Privatization and Globalization mode, Indian banks going global and many global banks setting up business in India, the Indian banking system is set to involve into a totally new level it will help the banking system grow in strength going into the future.

FDI is a tool for economic growth through its strengthening of domestic capital, productivity and employment. FDI also plays a vital role in the up gradation of technology, skills and managerial capabilities in various sectors of the economy. Foreign Direct Investment as seen as an important source of non-debt inflows and is increasing being sought as a vehicle for technology flows and as a means of attaining competitive efficiency by creating a meaningful network of global interconnections.

FDI plays a vital role in the economy because it does not only provide opportunities to host countries to enhance their economic development but also opens new vistas to home countries to optimize their earnings by employing their ideal resources.

Benefits of FDI
Technology Transfer
As due to the globalization local banks are competing in the global market, where Innovative financial products of multinational banks is the key limiting factor in the development of local bank. They are trying to keep pace with the technological development in the banks.

Now a day's banks have been prominent and prudent in the rapid expansion of consumer lending in domestic as well as in foreign markets. It needs appropriate tools to assess (how such credit is managed) credit management of the banks and authorities in charge of financial stability. It may need additional information and techniques to monitor for financial vulnerabilities. FDI's tech transfers, information sharing, training programs and other forms of technical assistance may help meet this need.

Better Risk Management

As the banks are expanding their area of operation, there is a need to change their strategies exerts competitive pressures and demonstration effect on local institutions, often including them to reassess business practices, including local lending practices as the whole banking sector is crying for a strategic policy for risk management. Through FDI, the host countries will know efficient management technique. The best example is Basel II. Most of the banks are opting Base II for making their financial system safer.

Financial Stability and Better Capitalization

Host countries may benefit immediately. From foreign entry, if the foreign bank re capitalize a struggling local institution. In the process also provides needed balance of payment finance. In general; more efficient allocation of credit in the financial sector, better capitalization and wider diversification of foreign banks along with the access of local operations to parent funding, may reduce the sensitivity of the host country banking system and lead towards financial stability.

Review of Literature

Review of related literature makes the investigator fully aware with the previous work that has been done. It also provides an opportunity of gaining insight into the method, measures, subject and approaches employed.

Massand, Ajay, B and Gopalakrishna, B.V.(2014) [1], "Foreign Direct Investment in Indian Banking Sector: Trends, Opportunities and Impact", Foreign Direct Investment (FDI) is considered to be life blood of economic development especially for developing and underdeveloped countries (Shylajan, 2011). Though FDI has its own shortcomings, many developing countries have opened up their economies. For last two decades, the attentions of developed countries have been drawn by developing countries due to their high growth potential, untapped market and investor friendly environment. In 2012, developing countries took over the developed countries, first time ever, in attracting FDI accounting for 52 per cent of global FDI flows

Reddy, Malla, M (2014) [2], "Foreign Direct Investment in Indian Banking Sector: A Study", International Journal of Advance Research in Computer Science and Management Studies, FDI plays a vital role in the economy by providing opportunities to host countries to enhance their economic development. India is considered to be the third mot preferred investment destination in the world. It is observed that Service sector is one of the dominating sectors in attracting more FDI inflows. The top countries investing in the form of FDI in Service Sector are Mauritius, Singapore and United Kingdom. FDI in Banking Sector solves various problems like Inefficient Management, NonPerforming Assets, Financial Instability and Poor Capitalization. Further, FDI in Banking Sector provide benefits of Technology Transfer, Better Risk Management, Financial stability, Innovative Products and Employment.

Vyas, Abhishek Vijaykumar (2015) [3], "An Analytical Study of FDI in India", FDI has helped to raise the output, productivity and employment in some sectors especially in service sector. Indian service sector is generating the proper employment options for skilled worker with high perks. On the other side banking and insurance sector help in providing the strength to the Indian economic condition and develop the foreign exchange system in country.

Yadav, Mahesh Kumar and Dular, Bhupender Kumar (2017) [4], "A study of foreign direct investment and Indian banking sector Today Indian Banks are as technology savvy as their counter parts in developed countries. The banking sector plays an important role in the economic development of a country. It supplies the lifeblood –money that supports and fosters growth in all the industries. FDI is a tool for economic growth through its strengthening of domestic capital, productivity and employment. FDI also plays a vital role in the up gradation of technology, skills and managerial capabilities in various sectors of the economy. Foreign Direct Investment as seen as an important source of non-debt inflows and is increasing being sought as a vehicle for technology flows and as a means of attaining competitive efficiency by creating a meaningful network of global inter-connections. This paper discusses the FDI Equity inflows in Service Sector in India and also highlights the top countries which are investing in the Service Sector in the form of FDI.

Objectives of the study

- To study and analyze the Foreign Direct Investment inflows in Banking Sector.
- To Evaluate the problems of Foreign Direct Investment inflows in Banking Sector.

Methodology

This is a Descriptive as well as Analytical type of research in nature. This study is purely based on secondary data. The secondary data was collected from various sources such as Journals, Articles, RBI publications, Ministry of Finance publications.

Results and Discussion

Table 1: No. Of Foreign Branches Of S.B.I

Years	S.B.I		
	Numbers	Increase/Decrease	GR (%)
2014-2015	191	--	--
2015-2016	198	7	3.66
2016-2017	195	-3	-1.52
2017-2018	206	11	5.64
2018-2019	208	2	0.97
Total	998		
Mean	199.6		
SD	7.23		

***Source*:** SBI, Annual Report, Computed

From Table 1, it could be seen that the Foreign branches /Offices in SBI was increasing between 191 in 2014-15 to 208 in 2018-19. The highest of Foreign branches /Offices of SBI in 208 in the year of 2018-19.Growth rate value in the year of 2015-16 is 3.66% and the year of 2018-19 is 0.97%.

Table 2: Foreign Business Turnover of Canara Bank

Years	Canara Bank		
	Turnover	**Increase/Decrease**	**GR (%)**
2014-2015	191	--	--
2015-2016	198	7	3.66
2016-2017	195	-3	-1.52
2017-2018	206	11	5.64
2018-2019	208	2	0.97
Total	998		
Mean	199.6		
SD	7.23		
Total	1132106		

Source: Canara Bank, Annual Report, Computed

From Table 2, it could be seen that the Foreign Business Turnover in Canara Bank was increasing between 176274 in 2014-15 to 257078 in 2018-19. The highest of Foreign Business Turnover of Canara Bank in 257078 in the year of 2018-19.Growth rate value in the year of 2015-16 is 1.45% and the year of 2018-19 is -0.17%.

Table 3: Foreign Institutional Investors

Years	Bank of Baroda		
	FII	**Increase/Decrease**	**GR (%)**
2014-2015	346258	--	--
2015-2016	308141	38117	-1.10
2016-2017	265465	42676	-1.38
2017-2018	124187	141278	-5.32
2018-2019	109275	14912	-1.20
Total	1153326		
Mean	230665.2		
SD	107991.2		
CAGR%	-0.20599		

Source: Bank of Baroda, Annual Report, Computed

From Table 3, it could be seen that the Foreign Institutional Investors in Bank of Baroda was Decreasing between 346258 in 2014-15 to 109275 in 2018-19. The highest of Foreign Institutional Investors in Bank of Baroda in 346258 in the year of 2014-15.Growth rate value in the year of 2015-16 is -1.10% and the year of 2018-19 is -1.20%.

Conclusion

FDI assumes an essential role in the economy by giving chances to have countries to upgrade their economical improvement. India is viewed as the third witticism favored speculation goal on the world. It is seen that Service sector is one of the commanding divisions in representation in more FDI inflows. The top nations putting resources into the type of FDI in Service Sector are Mauritius, Singapore and United Kingdom. FDI in Banking Sector takes care of different issues like Inefficient Management, Non-Performing Assets, Financial Instability and Poor Capitalization. Further, FDI in Banking Sector give advantages of Technology Transfer, Better Risk Management, Financial soundness, Innovative Products and Employment. Strangely, FDI inflows in Banking Sector have been expanding year by year. FDI in Banking Sector solves various problems like Inefficient Management, Non-Performing Assets, Financial Instability and Poor Capitalization. Further, FDI in Banking Sector provide benefits of Technology Transfer, Better Risk Management, Financial stability, Innovative Products and Employment. Interestingly, FDI inflows in Banking Sector have been increasing year by year.

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