



Present's condition of Banks and NBFCs
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Indian banking and financial industry are facing a very serious crisis. Many banks, large and small financial institutions are facing even survival crisis. It would not be an exaggeration if it said that Indian Banking and NBFCs are going through their worst ever crises in post-independence India. Even before Corona -19 hitting the country, banking and non-banking finance companies were facing a very difficult and challenging time on account of a significant rise in their NPAs and a drop in customer confidence. Some of the ailment was on account of imprudent and reckless lending and some other weakness was on account of the poor performance of the companies who borrowed money from these institutions. Crises with Yes and PMC bank, a lending scam in ICICI bank and some similar problems in Axis bank and other banks such as Punjab National Bank, ILFS problems, etc, imprudent lending, poor and unprofessional management associated with several nationalized banks created huge problems, not only for Customers, Bank employees, Regulators but also for Government. Many of the financial institutions have not only lost customer confidence and faith but it brought bad names to the entire financial industry in the country. Poor capital management and a possibility of a run on the bank forced Government and central banks to initiate mergers of several banks to save some of these banks from collapsing. While this was in process, India has been seriously hit by the Corona-19 pandemic. The situation became more difficult for the entire financial industry. The worst-hit are many MSMEs, few medium and large companies. The economy took a huge downward turn for the worst ever recorded a contraction of GDP. Banks have given some leeway to borrowers for them to delay their interest and installment payment. But this may not help in any significant way, since the pandemic is still on the rise and it has little chance of subsiding in the near term.

Going forward, Banks and Financial services are most likely to face a very serious the situation on rising NPAs, falling interest rates, little or no uptake in credit, and perhaps a rise in inflation added to which badly dwindling recourses of the Central and State Government. In trying to raise its revenues, the Government is also looking for various new avenues to levy new taxes. This will cause serious hardship among tax-payers without really raising any serious resources for the government.

Indian The banking and financial industry got used to high-interest rate scenarios for a few decades. This situation was driving the banks to make good returns on their capital deployed when the economy was expanding. Now that the economy is contracting and economic activities have come largely to a complete halt, the interest rate now is all-time low – creating further problems for the banks and financial institutions. Given the economic scenario, chances are that the interest rates will not rise in the next 5 to 10 years, bringing continuing pressure to the financial industry in the country.

Going forward, Banks and Financial Institutions are likely to have serious time for the next 5 – 10 years before the situation becomes any better. Because of this, other sectors of the economy will also suffer and the overall economy will stagnate seriously.

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