International Journal on Science and Technology (IJSAT)
E-ISSN: 2229-7677 ● Website: www.ijsat.org ● Email: editor@ijsat.org

Challenges in the Compliance of Regulatory Framework in Public Private and New Gen Banks in Kerala

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Abstract

Banking regulations can generally be defined as the frameworks controlling the creation, operation and liquidation of banks in an economy. Since the banking industry in a country is considered as the nerve system of all economic development in the country, strict regulation and supervision is necessary. The Reserve Bank of India (RBI) is the primary regulatory body for all banks in India. In order to strengthen the banking system the RBI introduced several rules, laws and guidelines from time to time. The banks in India have to comply with all these guidelines as per RBI directions. Even though the regulations are meant for strengthening the banking system, but while adopting these regulations the banks might face many challenges and issues such as issues related to NPA and NPA recovery, work burden of the employees, cost of compliance, implementation issues and so on. In this research paper, the challenges in the compliance of regulatory and supervisory framework is analyzed based on regulations such as credit policy regulations, Basel norms, CRR, SLR, priority sector lending, AML and KYC.

Key Words: Commercial Banks, Banking Regulations, Banking Regulation Challenges, credit policy regulations, Basel norms, CRR, SLR, priority sector lending, AML and KYC, RBI, NPA.

Review of literature

The following studies related to challenges of regulations in banking industry conducted in India and abroad were reviewed for identifying the research gap.

Olajide Solomon Fadun (2013) examined the Basel ll Accord implementation, its implications and challenges for the Nigeria banking system .Some of the challenges he mentioned in his study were that the implementation and compliance costs of Basel ll were likely to increase and the need to align supervisory disclosures under pillar 3 with international and domicile accounting standards was another major challenge

Chat Le Nguyen (2014) in his thesis "International Anti – Money Laundering Standards and Their Implementation by Vietnam", examined the development and underlying rationales of a number of key categories of international AMLSs, and differences in the national implementation of each category. The implementation of multifaceted standards in Vietnam required substantial legal and administrative reforms that often-faced numerous domestic hurdles. It is likely that Vietnam, within a short time will revise the laws to obtain a better degree of compliance. But the study argued that the given political, economic and legal factors put a limitation on the enforcement of the laws in practice.

Hayat et al. (2017) investigated the major challenges faced by banks in Indonesia under a regulatory environment. They developed a model to resist negative shock and maintain financial stability of the banking system. Profitability measurement is important in assessing the financial health of banking of banking institutions

S. Manjushree and Dr. K.V Giridhar (2018) made a study on "Problems and Prospects of Priority Sector Lending". By using primary and secondary data they studied the problems and prospects of Priority Sector Lending in State Bank of India in Bhadravathi. They pointed out many problems in PSL scheme such as low profitability, higher transaction cost, government interferences, burden of nonperforming assets etc.

Tony Clark (2018) reported five top regulatory concerns currently facing financial institutions putting immense pressure on staff to comply with each requirement. According to him, the broad scope of regulation, that is, each regulation comes with numerous clauses, managing risk which means complex risk calculations especially in Basel III, knowing the customer which puts huge pressure on the staff processing this information, reporting standards that require huge amount of time in meeting this requirements and also data management requiring firms to hold client information for several years were the top understated challenges of regulatory compliance.

Statement of the Problem

Bank regulations are a form of government regulation which subject banks to certain requirements, restrictions and guidelines. The main objective of bank regulations are to reduce the level of risks to which creditors are exposed (i.e. to protect depositors), to the risks of banks being used for criminal purposes, to protect the banking confidentiality, to direct credit to favored sectors. Some of the instruments and regulations of bank regulation includes capital requirements, reserve requirements, corporate governance, financial reporting and disclosure requirements, credit rating requirements etc. Regulations are important because it helps in increasing the efficiency of the banking system. But while complying these regulations the bank employees are facing challenges like legal issues, implementation issues, technology challenges, problems related to human resources, lack of data etc. It is in this background that the present study has been conducted.

Significance of the Study

The primary goal of bank regulation is the stability of the banking system. Bank failures are considered to have enormous undesirable effects on the economy as they have the tendency to spread in dominoes way throughout the financial system. A default by one bank on its obligation to another bank can adversely affect that bank's ability to meet its obligation to other banks and so on down the chain of banks and beyond. This study provides some sparks to the authorities in framing regulations and gives some directions for making regulatory and supervisory functions more fruitful by reducing the challenges in complying the same. It also provides a platform for regulatory authorities to understand areas for improvement. Hence the study is significant.

Objective of the Study

To study the challenges in the compliance of the regulatory framework in Public, Private and New Gen banks in Kerala

Hypothesis

H_0: Public, Private and New Gen banks have similar level of challenges in the compliances of regulatory framework
H_1: Public, Private and New Gen banks have different level of challenges in the compliances of regulatory framework

Methodology
The study was analytical and descriptive in nature. The population of the study constitutes the employees of the public, private sector and new generation banks in Kerala. Multi-Stage sampling technique was used for selecting the sample. For the purpose of study the State of Kerala is divided into three zones – South, Central, and North. One district from each zone based on number of branches was selected. Accordingly Thiruvananthapuram (south), Ernakulam (central), Kozhikode (north) were selected. In each district the banks were divided in to strata as Public Sector Banks, Private Sector Banks and New Generation banks. From the strata those banks having highest number of branches were selected. State Bank of India (SBI) representing the Public sector banks, Federal Bank representing the Private sector banks and HDFC representing the new generation banks are the sample banks for the study. The employees of these banks were the respondents for the study. Cochran's formula was used for determining the required number of sample for the study. Accordingly a total of 408 respondents as sample size covered under the study. Primary and secondary data were used for the study. Primary data were collected on the basis of scientifically pre- tested structured interview schedule during the period from July 2020 to April 2021.The major tools used for analyzing the data include percentage, mean, standard deviation, one sample t-Test, and one- way ANOVA.

Results and Discussion
Challenges Faced in the Compliance of Regulatory and Supervisory Framework–One-way ANOVA

Variable		Type of Bank						F-value	p-value
		Public Sector		Private Sector		New Gen.			
		Mean	SD	Mean	SD	Mean	SD		
Implementation Issues on Credit Policy	Target oriented lending	3.23^b	1.40	2.17^a	0.60	2.16^a	0.71	39.698	<0.001**
	Lack of infrastructural facilities	2.46^b	1.09	1.49^a	0.60	2.30^b	0.76	40.716	<0.001**
	In sufficient staff for pre loan and post loan appraisal	2.49^c	1.64	1.52^a	0.57	2.02^b	0.82	20.167	<0.001**
	Increased number of defaulters	3.29^b	1.42	1.43^a	0.68	1.68^a	0.47	109.796	<0.001**
Overall Implementation Issues on Credit Policy		11.46^c	4.01	6.61^a	1.69	8.16^b	2.50	85.613	<0.001**
Legal Issues on Credit Policy	Bunching of applications due to	2.71^b	1.39	2.57^b	0.96	1.68^a	0.47	13.385	<0.001**

	Govt. sponsored programme								
	Lack of support from the government	2.47^{b}	1.49	2.57^{b}	0.91	1.48^{a}	0.51	12.837	<0.001**
	Strict adherence to RBI guideline	3.62^{c}	1.55	1.85^{a}	0.84	2.41^{b}	1.53	67.424	<0.001**
Overall Legal Issues on Credit Policy		8.79^{c}	3.42	6.99^{b}	2.22	5.57^{a}	1.52	30.031	<0.001**
Issues Relating to NPA/NPL on CRR	When it is doubtful on the changes in the CRR rate , banks might be forced to hold back credit in fear that it might result to non- performing loans	1.86^{b}	0.90	1.56^{a}	0.68	2.21^{c}	0.67	10.574	<0.001**
	Alteration in CRR affects the repaying capacity result to NPA	2.30^{c}	0.63	1.51^{a}	0.50	2.00^{b}	0.84	62.977	<0.001**
Overall Issues Relating to NPA/NPL on CRR		4.16^{b}	1.45	3.07^{a}	1.13	4.20^{b}	1.36	26.410	<0.001**
Risk Associated with CRR	Compliance risk	2.23^{b}	0.95	1.73^{a}	0.44	1.52^{a}	0.51	24.596	<0.001**
	Credit risk	3.05^{b}	1.22	2.01^{a}	0.09	2.16^{a}	0.71	49.487	<0.001**
	Liquidity risk	3.04^{c}	1.24	2.48^{b}	0.89	2.02^{a}	0.82	21.276	<0.001**
Overall Risk Associated with CRR		8.32^{b}	2.48	6.22^{a}	0.72	5.70^{a}	1.72	57.962	<0.001**
Issues Relating to NPA/NPL on SLR	When it is doubtful on the changes in the SLR rate , banks might be forced to hold back credit in fear that it might result to non- performing loans	1.85^{b}	0.68	1.52^{a}	0.50	1.86^{b}	0.90	10.337	<0.001**
	Alteration in SLR affects the repaying capacity result to NPA	2.29^{b}	1.10	1.40^{a}	0.49	1.52^{a}	0.51	41.557	<0.001**
Overall Issues Relating to NPA/NPL on SLR		4.14^{c}	1.62	2.92^{a}	0.94	3.39^{b}	1.38	29.036	<0.001**

Risk Associated with SLR	Compliance risk	2.06^{ab}	0.98	1.84^{a}	0.49	2.14^{b}	0.90	3.130	0.045*
	Credit risk	2.91^{b}	1.33	1.85^{a}	0.38	1.68^{a}	0.96	48.748	<0.001**
	Liquidity risk	3.03^{c}	1.41	2.54^{b}	0.83	1.48^{a}	0.51	33.218	<0.001**
Overall Risk Associated with SLR		8.01^{c}	3.01	6.22^{b}	0.44	5.30^{a}	2.18	34.906	<0.001**
Information Technology Basel Norms	Lack of flexibility in the current information technology systems and interfaces to incorporate new Basel requirements.	3.34^{c}	1.35	1.30^{a}	0.46	2.36^{b}	1.26	120.865	<0.001**
	Banks have to upgrade technology and information systems.	4.08^{c}	1.18	2.26^{a}	1.35	3.39^{b}	1.70	76.690	<0.001**
Overall Information Technology Basel Norms		7.42^{c}	2.34	3.55^{a}	1.52	5.75^{b}	2.62	122.400	<0.001**
Human Resources Basel Norms	Skilled personnel are required for detailed reporting and calculations	3.50^{b}	1.40	1.50^{a}	0.68	4.46^{c}	1.39	131.226	<0.001**
	Huge expenditure on recruitment and training of personnel required for the implementation	2.97^{b}	1.13	1.45^{a}	0.50	3.55^{c}	1.11	113.163	<0.001**
	Lack of expertise human resources to implement Basel	2.93^{c}	1.14	1.21^{a}	0.62	2.36^{b}	1.26	103.740	<0.001**
Overall Human Resources Basel Norms		9.40^{b}	3.48	4.16^{a}	1.60	10.36^{c}	3.26	127.672	<0.001**
Data Relating to Basel Norms	Lack of reliable data for calculations under Basel norms	2.23^{c}	0.99	1.40^{a}	0.49	1.68^{b}	0.47	40.143	<0.001**
	There is difficulty in obtaining loss data, internal data,	2.14^{c}	0.88	1.38^{a}	0.49	1.82^{b}	0.39	39.019	<0.001**

	and external data for Basel calculations								
	Basel compliances led to increase in data reporting requirements	2.77^{c}	1.07	1.55^{a}	0.50	1.86^{b}	0.35	80.711	<0.001**
Overall Data Relating to Basel Norms		7.13^{c}	2.39	4.33^{a}	1.25	5.36^{b}	0.94	78.606	<0.001**
Priority Sector Lending and NPA Recovery	Borrower purchase defective assets	1.95^{b}	1.28	1.55^{a}	0.50	2.89^{c}	1.04	23.747	<0.001**
	Defective Project appraisal	1.89^{a}	0.91	1.65^{a}	0.67	2.39^{b}	0.72	12.446	<0.001**
	Borrower use loans for paying old debts	2.52^{b}	1.12	1.78^{a}	0.63	2.71^{b}	0.76	26.089	<0.001**
Overall Priority Sector Lending and NPA Recovery		6.36^{b}	2.53	4.97^{a}	1.70	7.98^{c}	1.66	31.056	<0.001**
Implementation Issues on Priority Sector Lending	Receiving application in bulk	3.20^{b}	1.21	1.62^{a}	0.49	1.89^{a}	1.10	100.508	<0.001**
	Follow the guidelines strictly	3.83^{c}	1.13	1.88^{a}	0.98	3.23^{b}	1.24	120.406	<0.001**
	Insufficient staff	3.92^{b}	1.19	1.60^{a}	0.49	1.48^{a}	0.51	273.521	<0.001**
	High number of defaulters	3.69^{b}	1.20	2.19^{a}	1.23	2.21^{a}	0.67	80.095	<0.001**
	Assessment of credit worthiness	3.29^{c}	1.36	1.94^{a}	1.07	2.57^{b}	0.95	46.697	<0.001**
	Political pressure	2.06^{b}	1.08	2.19^{b}	1.18	1.61^{a}	0.72	4.532	0.011*
	Increase administrative and transaction cost	2.52^{ab}	1.41	2.20^{a}	1.23	2.75^{b}	1.26	3.411	0.034*
Overall Implementation Issues on Priority Sector Lending		22.50^{c}	5.90	13.61^{a}	5.12	15.73^{b}	3.39	112.712	<0.001**
Work Burden on Priority Sector Lending	Bank organizes special programmers' for increasing PSL	3.01^{b}	1.56	1.73^{a}	0.66	2.91^{b}	1.20	36.267	<0.001**
	Visits, calls, notices in connection with recovery, reminder are more in PSL	3.05^{b}	1.45	1.88^{a}	0.82	2.14^{a}	0.35	40.031	<0.001**
	No. of Accounts	3.71^{c}	1.40	1.66^{a}	0.68	2.21^{b}	0.67	129.252	<0.001**

	are more in PSL								
Overall Work Burden on Priority Sector Lending		9.77^{c}	3.62	5.27^{a}	1.99	7.25^{b}	1.56	85.960	<0.001**
Resources Deficit on AML	Insufficient budget to carry out AML activities	1.94^{b}	1.34	1.33^{a}	0.47	1.68^{b}	0.96	11.484	<0.001**
	Ineffective AML software to monitor unusual transactions	1.79^{b}	0.85	1.33^{a}	0.47	1.86^{b}	0.90	15.223	<0.001**
	Shortage of staff affects AML compliance.	2.29^{b}	1.20	1.16^{a}	0.37	2.16^{b}	0.71	51.648	<0.001**
Overall Resources Deficit on AML		6.02^{b}	2.64	3.82^{a}	1.12	5.70^{b}	2.40	36.143	<0.001**
Lack of Customer Support Relating to AML	Customers are reluctant to furnish the documents required under AML	2.27^{b}	1.01	1.62^{a}	0.49	2.02^{b}	0.82	21.765	<0.001**
	Customers often provide false information with regard to their annual income, details of assets etc.	3.05^{b}	1.26	1.67^{a}	0.47	1.66^{a}	0.48	86.115	<0.001**
	Customers feel that their privacy and confidentiality are compromised	3.49^{b}	1.41	1.60^{a}	0.49	1.82^{a}	0.39	122.555	<0.001**
Overall Lack of Customer Support Relating to AML		8.81^{b}	3.02	4.88^{a}	1.37	5.50^{a}	0.79	109.288	<0.001**
Lack of Sufficient Training Relating to AML	There is no periodical training on AML measures	2.42^{c}	1.21	1.33^{a}	0.47	1.86^{b}	0.90	44.056	<0.001**
	Training on AML measures is insufficient.	2.01^{b}	1.10	1.46^{a}	0.50	1.82^{b}	0.92	12.955	<0.001**
Overall Lack of Sufficient Training Relating to AML		4.42^{c}	1.93	2.79^{a}	0.91	3.68^{b}	1.74	36.747	<0.001**
Implementation Issues on AML	There is no mechanism to	2.04^{b}	0.94	1.55^{a}	0.50	1.34^{a}	0.48	23.570	<0.001**

	verify the authenticity of information provided by the client								
	The procedures to prevent, detect and report suspicious transactions are unclear and confusing.	1.69	0.96	1.60	0.49	1.48	0.51	1.502	0.224
	Timely realization of a suspicious transaction is a difficult task	1.66	0.77	1.60	0.49	1.82	0.92	1.462	0.233
	Insufficient feedback on the reports submitted	1.80[c]	0.59	1.38[b]	0.49	1.14[a]	0.35	41.855	<0.001**
Overall Implementation Issues on AML		7.19[b]	2.70	6.13[a]	1.79	5.77[a]	1.90	11.545	<0.001**
Resources Deficit on KYC	Insufficient budget to carry out KYC measures	1.55[b]	0.91	1.33[b]	0.47	1.00[a]	0.00	11.269	<0.001**
	Shortage of staff affects KYC compliance	2.88[b]	1.50	1.22[a]	0.42	1.34[a]	0.48	86.635	<0.001**
	Account opening and KYC documentation involves huge paperwork	3.21[b]	1.64	1.55[a]	0.50	1.34[a]	0.48	81.339	<0.001**
Overall Resources Deficit on KYC		7.64[b]	3.19	4.10[a]	1.21	3.68[a]	0.96	94.879	<0.001**
Operational Challenges on KYC	Changing Regulations	3.36[b]	1.50	1.65[a]	0.67	2.02[a]	0.82	78.968	<0.001**
	Inadequate infrastructure and Technology	2.90[b]	1.30	1.65[a]	0.67	1.68[a]	0.96	58.024	<0.001**
	Ill prepared staff	2.98[b]	1.34	1.65[a]	0.67	2.75[b]	1.73	44.341	<0.001**
	Lack of defined process	2.09[b]	1.34	1.44[a]	0.68	1.68[a]	0.96	12.970	<0.001**
Overall Operational Challenges on KYC		11.33[c]	4.68	6.39[a]	2.59	8.14[b]	3.75	59.069	<0.001**

Implementation Issues on KYC	Lack of consistency	1.91[ab]	1.27	1.62[a]	0.49	2.02[b]	1.44	3.220	0.041*
	Time consuming	3.25[b]	1.37	1.72[a]	0.65	2.02[a]	1.44	67.765	<0.001**
	Call for more automation	3.40[c]	1.50	1.71[a]	0.65	2.16[b]	1.38	70.473	<0.001**
Overall Implementation Issues on KYC		8.55[c]	3.51	5.04[a]	1.67	6.20[b]	4.23	49.347	<0.001**

Source: Primary Data
** Significant at 1% level
* Significant at 5% level Different alphabet among type of bank denotes significant at 5% level using Duncan Multiple Range Test (DMRT)

Credit Policy Regulations:
The implementation issues exposed that opinion of public, new generation and private bank significantly differs from each other. Public sector faces issues such as increased number of defaulters; target oriented lending than other banks. Based on DMRT, the legal issues revealed that the opinion of public, private and new generation bank employees' significantly differing from each other. Challenges with regard to strict adherence to RBI guidelines are one of the legal challenges to public sector banks.

Cash Reserve Ratio (CRR)
NPA issues showed opinion of new generation and public bank employees did not differ but private bank employees' opinion was significantly different from other bank employees Due to alteration in CRR that result in NPA challenge is more for public sector bank and new generation bank than private bank. The risk associated with CRR revealed public sector bank employees opinion differs from other banks but there was no significant difference in the opinion of private and new generation bank. Risk associated with CRR particularly liquidity risk challenge is higher for public sector bank than other banks.

Statutory Liquidity Ratio (SLR)
Issues related to NPA showed a significant difference among public, new generation and private bank each other. Alteration in SLR results in NPA challenge for public sector bank more than other banks. Risk associated with SLR revealed public sector, private and new generation bank employees' opinion significantly differing from each other due to the reason that liquidity risk associated with SLR is higher for public sector than private followed by new generation bank.

Basel Norms
Information technology challenges exhibited a difference in the opinion among public, private and new generation bank each other. Public sector bank face IT challenges more followed by new generation then by private banks. The opinion significantly differed from each other among new generation, public and private banks with respect to human resources challenge. New generation bank face human resource challenge in terms of lack of skilled people for reporting and calculations followed by public banks and then private banks. The data challenges exposed that the opinion significantly differed from each other among public, new generation, and private banks. Public sector bank has challenges related to data more than new generation followed by private bank.

Priority Sector Lending (PSL)

The opinion of new generation, public and private bank employees significantly differ from each other in case of NPA challenge. New generation bank has higher NPA challenge than public sector and private sector due to borrower purchases defective assets. Implementation issues on PSL due to insufficient staff are more for public sector banks than new generation followed by private sector bank. Work burden exposed a difference of opinion among the different banks each other. More number of accounts cause work burden to public sector banks followed by new generation banks, then private sector bank.

Anti-Money Laundering (AML)

Resource challenge associated with AML is higher for public sector due to shortage of staff followed by new generation bank and private sector bank. There is no significant difference between private and new generation banks in case of lack of support from customers. Public sector has more challenges due to lack of support from the customer on AML regulations. Further Public sector employees lack training on AML regulations. They are not getting periodical training on AML measures. Implementation issues indicated a significant difference of opinion between public and other banks but private and new generation bank employees' opinion did not differ. Public sector banks have more challenges of AML related to implementation than other banks.

Know Your Customer (KYC)

KYC resource challenges more for public sector than other banks. With regard to operational challenges indicated a significant difference among public, private, new generation bank each other. KYC operational challenges are high for public sector banks. Implementation issues showed the opinion of public, private and new generation bank significantly differ from each other. Implementation issues for KYC are also high for public sector banks followed by new generation and private sector.

Testing of Hypothesis

H_0: Public, Private and New Gen banks have similar level of challenges in the compliances of regulatory and supervisory framework

H_1: Public, Private and New Gen banks have different level of challenges in the compliances of regulatory and supervisory framework

One - way ANOVA is used for testing the hypothesis.

Challenges Faced in the Compliance of Regulatory and Supervisory

Framework- One-way ANOVA

Variable	Type of Bank						F-value	p-value
	Public Sector		Private Sector		New Gen.			
	Mean	SD	Mean	SD	Mean	SD		
Overall Implementation Issues on Credit Policy	11.46^c	4.01	6.61^a	1.69	8.16^b	2.50	85.613	<0.001**
Overall Legal Issues on Credit Policy	8.79^c	3.42	6.99^b	2.22	5.57^a	1.52	30.031	<0.001**
Overall Issues Relating	4.16^b	1.45	3.07^a	1.13	4.20^b	1.36	26.410	<0.001**

to NPA/NPL on CRR								
Overall Risk Associated with CRR	8.32[b]	2.48	6.22[a]	0.72	5.70[a]	1.72	57.962	<0.001**
Overall Issues Relating to NPA/NPL on SLR	4.14[c]	1.62	2.92[a]	0.94	3.39[b]	1.38	29.036	<0.001**
Overall Risk Associated with SLR	8.01[c]	3.01	6.22[b]	0.44	5.30[a]	2.18	34.906	<0.001**
Overall Information Technology Basel Norms	7.42[c]	2.34	3.55[a]	1.52	5.75[b]	2.62	122.400	<0.001**
Overall Human Resources Basel Norms	9.40[b]	3.48	4.16[a]	1.60	10.36[c]	3.26	127.672	<0.001**
Overall Data Relating to Basel Norms	7.13[c]	2.39	4.33[a]	1.25	5.36[b]	0.94	78.606	<0.001**
Overall Priority Sector Lending and NPA Recovery	6.36[b]	2.53	4.97[a]	1.70	7.98[c]	1.66	31.056	<0.001**
Overall Implementation Issues on Priority Sector Lending	22.50[c]	5.90	13.61[a]	5.12	15.73[b]	3.39	112.712	<0.001**
Overall Work Burden on Priority Sector Lending	9.77[c]	3.62	5.27[a]	1.99	7.25[b]	1.56	85.960	<0.001**
Overall Resources Deficit on AML	6.02[b]	2.64	3.82[a]	1.12	5.70[b]	2.40	36.143	<0.001**
Overall Lack of Customer Support Relating to AML	8.81[b]	3.02	4.88[a]	1.37	5.50[a]	0.79	109.288	<0.001**
Overall Lack of Sufficient Training Relating to AML	4.42[c]	1.93	2.79[a]	0.91	3.68[b]	1.74	36.747	<0.001**
Overall Implementation Issues on AML	7.19[b]	2.70	6.13[a]	1.79	5.77[a]	1.90	11.545	<0.001**
Overall Resources Deficit on KYC	7.64[b]	3.19	4.10[a]	1.21	3.68[a]	0.96	94.879	<0.001**
Overall Operational Challenges on KYC	11.33[c]	4.68	6.39[a]	2.59	8.14[b]	3.75	59.069	<0.001**
Overall Implementation Issues on KYC	8.55[c]	3.51	5.04[a]	1.67	6.20[b]	4.23	49.347	<0.001**

Source : Primary data

** Significant at 1% level

* Significant at 5% level Different alphabet among type of bank denotes significant at 5% level using Duncan Multiple Range Test (DMRT)

The overall effect of variables of different regulatory and supervisory framework are taken and it is found that majority of the variables related to challenges in the compliances of regulatory and supervisory frameworks are significant at 1% level (p<0.05). Hence the null hypothesis stating that all the types of commercial banks have similar level of challenges in the compliances of regulatory and supervisory frameworks failed to accept i.e. all the all the types of commercial banks have different level of challenges in the compliances of regulatory and supervisory frameworks

Findings

Public, Private and New Gen commercial banks have different level of challenges in the compliance of regulatory and supervisory framework. Public sector banks face issues such as increased number of defaulters; target oriented lending more than the other banks related to credit policy. Alteration in CRR and SLR resulting in NPA challenge is more for public sector banks and new generation banks than private banks. New generation banks face human resource challenge in terms of lack of skilled person for reporting and calculations than public sector banks followed by private banks. Public sector banks have much data challenge than new generation banks followed by private banks. Implementation issues on PSL due to insufficient staff are more for public sector banks staff than new generation banks followed by private sector banks. Public sector banks have more implementation challenge on AML than other banks.KYC operational challenges are high for public sector banks

Recommendations

The bank management should take necessary steps to implement high technology in banks that helps in accessing data easily, strengthens the reporting function and increase the efficiency of banks. Employees should be well versed with IT applications used by the banks. Bank should introduce a mechanism to verify the genuineness of the information provided by the client. The authority should recruit sufficient human resources and provide necessary training to them.

Conclusion

From the above analysis it was found there were many issues and challenges that the banks confront in the compliances of regulatory and supervisory framework. The challenges of different regulations such as credit policy regulations, Basel norms, CRR, SLR, PSL, AML and KYC exposed average level. It is important to note that these regulations have certain consequences on commercial banks like the regulations affect the loan supply of banks, increase costs, affect the interest rate, profitability etc. It is recommended to implement high technology infrastructure to incorporate up to date regulations and give periodical training to employees in this regard.

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