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A Study on Integration of Banking System and Its Impact on Economic Growth

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Abstract

The banking system plays a significant role in the economic growth of a country by mobilizing the economy's savings and utilizing them for investment. This is because the banking system is regarded as a vital component in the economy of a country. In recent years, the banking system integration has become a notable reform for increasing the efficiency of the financial sector in the economy of a country. This study explores the concept of banking system integration and assesses its effect on economic growth. Banking system integration can be regarded as a harmonized system that allows smooth financial intermediation between different sectors of the economy by making a significant contribution to the growth of the economy through various sectors of the economy.

Keywords: Banking System, Integration, Economic Growth, Financial Sector, Financial Inclusion, Sustainable, Financial Markets.

1. Introduction

Our current banking structure is rooted in an ancient financial model, which began during medieval times as various forms of currency or money. Further, our current form of physical currency originated from the use of coins long before the common era. While we are quickly moving towards a world where people will utilize instant payments for most of their financial transactions, persistently utilizing a financial model that no longer serves our economic needs has created multiple inefficiencies and elevated transaction costs across the globe, limited access to banking services for vast numbers of the world's population and delayed access to credit.

Simply put, because many banks rely on manual verification and rely upon expensive bank branch networks, it has become cumbersome for banks to operate efficiently, and, as a result, many banks ultimately limit the number of people and/or businesses who can access banking services. An integrated banking system would resolve the many problems that exist within the current banking structure by enabling quicker, more efficient transactions; decreased overhead; enhanced transparency; and more secure digital transactions between banks and their respective customers. Banks can establish a more credible and stable banking system, thereby increasing confidence in their ability to carry out banking functions, and providing banks the opportunity to act as an efficient, cost-effective intermediary in the creation of economic activity.

For banks or financial institutions, 'integration' means

combining (i.e., 'consolidating') all banking processes (including payment processing systems) and banking products (for example, demand deposit accounts and credit cards), as well as customer and transaction data, into one unified banking system with the help of new technology-based platforms. True 'integration' of banks/financial institutions conforms to the previously mentioned definition, however, in order to truly implement this 'integration,' banks must completely rethink and reevaluate traditional banking and how they execute their banking functions, and be willing to invest in the latest technologies available to banks, including but not limited to: real-time payment (RTP) systems; digital identity verification (DIV) platforms; interoperability between different types of banking and payment processing systems; and automatic risk management tools (including but not limited to bots and machine learning systems). The purpose of this study is to explore how unifying, coordinating and modernising banks (through technological, regulatory or institutional integration) enhance a nation's economic productivity and to offer an up-to-date understanding of the value of this enhancement will be to policymakers, regulators and financial institutions who wish to create successful banking reform.

2. Statement of Problem

Economics in developed countries depends on the success of the banking sector as a whole, therefore there must be

changes to strengthen the competitiveness of banks and provide customers with better services and higher return on investment. Recent modern changes include: new methods of integrating banking (such as through bank mergers and digital banking platforms) that seek to improve technology, regulatory uniformity and overall efficiency of the banking industry. The impact of these modern banking integration efforts can be measured by analysing how banking system integration has affected credit availability to borrowers, financial inclusion for all individuals and businesses, and overall investment in the economy. This research aims to evaluate banking system integration as a modern revolution in banking; and how it has contributed to overall economic growth of communities and countries.

3. Review of Literature

Oscar Chiwira (2022) in this study examines the relationship between financial integration and economic growth in the Southern African Development Community (SADC) using panel data from 1980 to 2019. By applying ARDL Bounds testing and TYDL causality models, the authors analyse both long-run relationships and causal directions. The findings reveal that financial integration promotes economic growth primarily in the long run rather than in the short run. Foreign direct investment inflows, trade openness, and real interest rates show a positive long-run relationship with economic growth, while net foreign assets have a negative impact. The study also highlights that the benefits of financial integration depend on the absorptive capacity of the host country. It concludes that financial integration drives growth in low-income countries, whereas in middle-income countries, economic growth leads to greater financial integration ^[1].

Neslihan Karakaya and Tomasz K. Michalski (2022) This study analyses the impact of banking integration on manufacturing sector growth using evidence from U.S. interstate banking deregulation. It examines how market-entering banks' prior industry exposure influences industrial growth in newly entered states. The findings show that banks tend to lend more to industries in which their home states are specialized, both domestically and across states. The study reveals a positive relationship between banks' prior sectoral exposure and industry-level value added in new markets. This effect is stronger when differences in sector specialization between states are greater. The results highlight banking integration as an important channel influencing industrial development and economic growth ^[2].

Rakesh (2022) this article emphasizes the critical role of the banking sector as the backbone of a nation's economic development. It highlights that banks function not only as custodians of public wealth but also as key mobilizers of financial resources required for economic growth. The study establishes a direct relationship between banking performance and the overall economic growth of a country. It examines how banking services provided to individuals and businesses contribute to economic stability and sustainable development. Additionally, the article identifies major challenges faced by the banking sector, including rapid market changes, technological advancements, and evolving customer preferences. The study concludes by suggesting measures to strengthen banking performance in order to enhance economic growth ^[3].

Sandra Chuwudumebi Obiora and Yong Zeng (2018) examines the relationship between economic development and banking system performance across sub-Saharan Africa (SSA) and developed economies during the period 1981 to

2018. Using advanced econometric models, the findings reveal that economic development positively influences bank lending, lending rates, and domestic credit to the private sector while reducing non-performing loans in SSA countries. In developed economies, economic growth also shows a positive impact on key banking indicators, although challenges related to non-performing loans persist. The study highlights that despite economic growth, SSA banking systems face significant regional performance disparities. Issues such as rising non-performing loans, declining deposit rates, and increasing real interest rates are identified as major concerns. The authors emphasize the need for reassessment and reform of interregional banking systems to improve overall banking performance and support sustainable ^[4].

Abdullah Murrar and Bara Asfour (2024) The existing study highlights the crucial role of banking sector development in fostering economic growth, particularly in the context of digital transformation. Studies emphasize that banks act as financial intermediaries by mobilizing deposits, allocating credit, and supporting investment, thereby influencing key macroeconomic indicators such as GDP, private consumption, and capital formation. Recent research in the digital era further explores how technological advancements in banking systems enhance operational efficiency, capital adequacy, and financial stability. Empirical works using advanced econometric techniques, including structural equation modelling, demonstrate significant relationships between bank assets, liabilities, capital structure, and economic growth components. The present study contributes to this body of literature by examining the consolidated balance sheets of digital banks over two decades and analysing the causal links between banking development dimensions and GDP components, thereby providing deeper insight into the evolving dynamics between digital banking integration and economic performance ^[5].

4. Research Gape of this Study

The existing literature highlights the importance of banking sector performance, financial integration, and economic growth across different regions and economies. Many studies focus on financial integration at the international or regional level, while others examine banking performance or capital structure in isolation. However, limited research specifically examines the integration of the banking system as a comprehensive reform involving institutional, technological, regulatory, and financial market dimensions. Most studies also emphasize long-run macroeconomic relationships, with less attention given to the structural reforms driving banking integration. Furthermore, existing research often concentrates on developed economies or specific regions, leaving gaps in understanding integration impacts in evolving banking systems. There is inadequate empirical linkage between banking system integration and overall economic growth indicators.

5. Objectives of the Study

- i). To find out the contribution of integration of banking system to economic growth.
- ii). To analyse the integration of the banking system as a modern banking reform and its impact on economic growth.
- iii). To evaluate the impact made by the integration of banking sector in the economy
- iv). To understand the need for integration of banking system in our country

- v). To suggest the policymakers, regulators, and financial institutions in designing effective banking reforms.

6. Methodology

This research is based on both Doctrinal and Non-Doctrinal data. The sources of data collected from different newspapers, journals, magazines, AIR and e-resources. This research used stratified random sampling method. There are 124 sample size of the respondent is used. This research adopted some of the statistical tools such as percentage method and average method. Duration of this research is three months.

7. Significance of the Study

The research expands our comprehension of banking sector reform and the concept of banking system integration. Through this research, we will acquire detailed knowledge regarding how the three main forms of integration: Institutional, Technological, and Regulatory; affect the functioning of banks. It will provide us with analytical skills in relation to banking integration and economic growth as you will examine the relationship between these two elements. This will improve our understanding of the role that banks play in enhancing financial inclusion and economic stability. Overall, this study contributes to my academic growth and develops my ability to Analyse financial and economic policies.

This study has great significance to the government as it provides information about the effectiveness of banking system integration as an economic reform measure. Policymakers may use these findings to evaluate how bank mergers, digital banking initiatives, and regulatory harmonisation affect economic growth. It will identify opportunities where banking integration could improve credit flow, promote financial inclusion, and foster new investment. Additionally, the study will assist in developing a basis for policy formulation based upon evidence of how to strengthen the banking sector and facilitate sound decision making aimed at achieving sustainable economic growth and financial stability.

8. Hypothesis

This research is based on the following hypothesis:

Hypothesis 1: Integration of the banking system contributes to overall economic growth.

Hypothesis 2: Technological integration among banks strengthens financial stability.

9. Result and Discussion

There are limitations in this study that should be noted. The study is primarily based on secondary data, as well as existing literature, thus limiting the extent of the analysis and ability to capture real-world changes in the banking industry. The research focuses on specific aspects of banking system integration; therefore, it does not take into account regional or institutional differences. Data restrictions and lack of data availability may limit the amount of empirical analysis that can be performed. In addition, the continuing changes to the banking system and the economy will likely impact the relevance of the findings over time. However, regardless of these limitations, the study does provide useful information regarding banking system integration and its relationship with economic development.

Part A: Doctrinal Research

A Banking System: Banking systems provide individuals and

businesses with various types of financial products and services. Banks accept deposits, lend money, and safeguard assets. The banking sector makes it easier for banks to lend to borrowers and therefore improve the flow of funds through the economy and stimulate business activity.

Banking Sector Integration: Integrating banking systems involves connecting banking system activities across countries to banking flow activities outside of one country to or from a credit institution in another country. Regulatory bodies have reduced the barriers in the financial sector over time, and technology has improved since then, resulting in lower costs of performing these services between countries. Commercial companies have increased their use of international financial services, which has driven up the overall demand for global banking integration. Global banking system integration is already occurring; most banking systems will eventually have significant parts owned by foreign banks.

Banking System Integration Includes:

- a) Institutional Integration,
- b) Technological Integration,
- c) Regulatory Integration
- d) Financial Market Integration

Integration of Institutions: This includes the processes of harmonizing or conforming national and/or regional institutions (including legal frameworks, regulatory bodies and standards) that facilitate cross-border operations and cooperation. In the financial services sector, it means all institutions (such as banks and brokerage firms) operate under similar rules and share best practices across jurisdictions, thereby creating mutual trust and stability, which will reduce information and/or legal barriers.

Integration of Technology: This encompasses sharing, adoption and linking of technologies and infrastructures between different entities and/or regions. Examples of this in the financial services sector include sharing of state-of-the-art technologies (usually through licensing), adopting and/or implementing shared infrastructure reforms (e.g., TARGET or SEPA systems in the European Union (EU)), and generally allowing technology to facilitate seamless, low-cost cross-border transactions and flow of information.

Integration of Regulation: This encompasses the creation of a single regulatory framework and uniform supervisory standards across multiple jurisdictions. The integration of regulations eliminates legal and/or fiscal discrepancies that could pose additional risk and/or cost when conducting cross-border operations and provides uniform laws regarding banking, securities and insurance markets.

Integration of Financial Markets: Integration of Financial Markets refers to the process of connecting financial markets from different countries closely, resulting in global capital mobility and convergence between prices and yields (returns) of similar financial assets (e.g., stocks and bonds). The primary indicators for the Integration of Financial Markets are increased cross-border capital flows, foreign investment in domestic markets (as opposed to domestic investment), and the occurrence of the "law of one price" for financial instruments.

Technologies to Assist Bank Integration

APIs-Application Programming Interface: Full Stack Banks are often recognised for their speed, flexibility and ability to provide personalised services because they are built

on top of APIs which form the basis of today's banking system integration. Currently, only about 35% of community banks are using APIs to connect with their customers and partners. To increase operational efficiencies, banks need to be able to quickly connect to their partner's data products using an API-based approach. However, banks face a number of challenges with API implementations, especially when undertaking a partnership merger. The lengthy legal negotiations associated with the merger of the two banks, the discussions on pricing and how to share revenues, and all of the regulatory requirements, can result in delays or complications when completing the integration of the two banks' APIs.

Cloud Computing: The introduction of cloud computing has been extremely beneficial for the banking industry by increasing the ability of banks to scale, be flexible and improve operational efficiencies of banks. Cloud technologies enable banks to implement AI with the necessary infrastructure to do so because they provide the means to process and analyse massive amounts of data. The expanding use of data analytics by banks to improve the customer experience and banks' internal operational processes, makes cloud computing an ideal platform for banks to store, manage and use such data. This makes cloud computing a key component of today's banking system integration.

Digital Account Opening: Digital account-opening technologies are poised for major activity within banking as institutions improve existing systems or implement new ones. The successful deployment of digital account opening technology requires institutions to design processes that are effective, user-friendly and compliant with applicable regulations; thus, helping to ensure that as banks adopt digital transformation, there exists a supportive regulatory framework to help consumers utilize digital account opening methods. Furthermore, even though automated form-filling is now commonplace in banking, institutions still need to establish appropriate identity verification and security standards. Digital account opening technology is expected to experience continued growth in importance within the banking sector moving forward.

Video Tools: Video technology investment significantly contributes to improved integration of banking systems and increases the communication and operational efficiencies of banks. In addition, video tools enhance decision making, boost productivity, and improve a bank's ability to offer non-traditional banking products and services. Further, video technology plays a significant role in enhancing a customer's experience at a bank, as well as facilitating marketing efforts on behalf of banks, therefore supporting a bank's competitiveness. Additionally, by introducing the human side of a business into digital banking processes, video technology improves the quality of bank-customer interactions and facilitates smoother business operations.

Blockchain Technology: Blockchain technology allows banks to decentralise their manager of finance through distribution of information on a network of inter-connected systems, rather than using one central location. Further benefits include the reduction in operational costs and increase of efficiencies within banking operations through; improvements in the processing, tracking and tracing of payments, remittance transaction processing and transaction tracking/tracing processes. Another benefit of implementing Blockchain technology includes the development of improved mechanisms for sharing data between banks collaborating with one another; thus, creating a more integrated banking

system.

Artificial Intelligence: Artificial Intelligence (AI) is comprised of several technologies including: data analytics, the Internet of Things (IoT), and Natural Language Processing (NLP). Combined these technologies provide banks with improved automation and efficiency in the operation of their day-to-day activities. For example, banks can use these technologies to automate their processes and provide customers with improved service. Personalised service and more efficient use of data can result from each of these technologies.

How Integrated Banking Technology is Used?

Integrated banking technology is widely used across banking operations, ranging from customer account management to the seamless connection of internal and external systems.

Account Management: Integrated banking technology enables the opening, closing, and maintenance of customer accounts, facilitates balance tracking, and supports the processing of transactions such as deposits, withdrawals, and fund transfers.

Loan Processing: It assists in managing loan applications, underwriting, approvals, disbursements, and ongoing loan servicing, thereby improving efficiency and accuracy in credit management.

Relationship Management (RM): Integrated banking systems help track customer interactions, manage leads, deliver personalized services, and conduct targeted marketing campaigns to enhance customer engagement and retention.

Online and Mobile Banking: These systems facilitate remote customer access to accounts, enable transactions, bill payments, and provide various banking services through secure digital platforms.

Payment Processing: Integrated banking technology manages multiple payment methods, including debit and credit card transactions and electronic funds transfers (EFTs), ensuring fast, secure, and efficient payment operations.

Risk Management and Compliance: Assessing and mitigating risks across different areas, ensuring adherence to regulatory requirements and industry standards.

Data Warehousing and Analytics: Collecting, storing, and analysing data to gain insight into customer behaviour, product performance, and market trends.

Security and Fraud Prevention: Protecting sensitive customer data and financial transactions through encryption, authentication, and fraud detection mechanisms.

Integration with Third-party Systems: Connecting with external systems such as credit bureaus, payment networks, and other financial institutions to provide broader services and improve operational efficiency.

Importance of Banking Sector in the Economy

All countries desire to achieve economic development; likewise, the banking sector provides an essential building block for the total economy. A nation's macroeconomic performance relies greatly upon the health/efficiency/stability of the banking sector. In addition, the banking sector makes a large contribution to a country's economic growth through mobilising savings and through the provision of loans that promote investment/production activity in key sectors of the economy such as agriculture, industry and trade. Banks serve as the main conduit for effective allocative efficiency between savers and borrowers, therefore they play a vital role in ensuring that financial resources are allocated in an effective manner to promote economic growth. Through the analysis of

certain banking variables that also impact on a country's economic growth, this research project seeks to identify the vital roles of the banking sector and its key functions.

Impact of Integration of Banking System in India

The Indian banking system has become more integrated because of government reforms and advances in technology. This has led to improved financial inclusion and greater operational efficiency and stability in Indian Government and Economy.

Banking system integration through public sector bank mergers has contributed to a stronger Financial System in India with more capital, greater operational efficiency and increased risk bearing capacity of banks. In addition, bank mergers have reduced duplicate resources, created economies of scale, and increased the Stability of the Banking System. All of these elements combine to give banks an improved ability to fund large-scale investments and large infrastructure projects.

One of the key factors in integrating the Banking System has been technological integration. The deployment of core banking platforms, implementation of UPI, NEFT and RTGS as well as the growth of digital banking platforms will deliver different methods of delivering banking services. With the implementation of these technologies comes the ability to perform transactions in real-time, lower transaction costs and higher levels of convenience for customers. Additionally, by providing more methods for delivering banking services, banks can expand financial access to rural and remote areas and support the Government's Financial Inclusion initiatives. Regulatory integration under the Reserve Bank of India has ensured uniform prudential norms, improved supervision, and strengthened risk management practices. Common regulations related to capital adequacy, asset quality, and governance have enhanced transparency and accountability in the banking sector. Furthermore, banking system integration has facilitated better credit flow to priority sectors such as agriculture, MSMEs, and small entrepreneurs, thereby contributing to inclusive and sustainable economic growth in India.

List of Key Policies in India Related to the Integration of the Banking System

- i). Pradhan Mantri Jan Dhan Yojana (PMJDY)
- ii). Aadhaar-Enabled Payment System (AEPS)
- iii). Jan Dhan–Aadhaar–Mobile (JAM) Trinity
- iv). Unified Payments Interface (UPI)
- v). Core Banking Solutions (CBS) Implementation
- vi). Merger of Public Sector Banks
- vii). Digital India Initiative
- viii). Financial Inclusion Plan (FIP)
- ix). Reserve Bank of India (RBI) Regulatory Guidelines on Capital Adequacy and NPA Management
- x). Pradhan Mantri Mudra Yojana (PMMY)

Relevant Case Laws

Dharanidhar Karimojji vs. Union of India & Anr (2023): Delhi High Court was a public interest litigation (PIL) concerning the regulation of online digital lending platforms. In its judgment on January 23, 2023, the Delhi High Court instructed the Reserve Bank of India (RBI) and the Central Government to ensure strict adherence to the existing regulatory framework for digital lending. The Court determined that the regulatory system was no longer deficient, as the RBI had introduced a detailed framework on August

10, 2022, addressing concerns such as customer protection, transparency, and data privacy.

Phonepe Private Limited vs. State of Karnataka & Anr: Karnataka High Court dismissed PhonePe's plea against sharing transaction data for investigation, reinforcing legal duties of digital payment platforms within integrated banking systems. In this case, the Karnataka High Court rejected PhonePe's plea against sharing user transaction data with authorities. The dispute arose when Bengaluru cyber police issued a notice under Section 91 of the Criminal Procedure Code, seeking information for investigating alleged illegal activities, including cricket betting. PhonePe argued it was merely an intermediary under the IT Act and the Payment and Settlement Systems Act, and that the Bankers Books Evidence Act prohibited disclosure of confidential customer data. The court held that public interest and lawful investigations take precedence over data confidentiality, emphasizing that integrated digital banking platforms must cooperate with legal authorities. This case highlights the legal obligations of digital payment providers within India's integrated banking system and underscores the balance between customer privacy and regulatory oversight.

Financial Software and Systems Pvt. Ltd. vs ACI Worldwide Solutions Pvt. Ltd. (CCI Case): This case involved a dispute between two financial technology providers regarding competition and service provision in electronic payment infrastructure. The Competition Commission of India (CCI) examined issues relating to market dominance, integration of banking services, and equitable access to payment processing platforms. The ruling reinforced that integration and interoperability of banking and payment systems must maintain fair competition, prevent monopolistic practices, and ensure that banks and fintech companies can efficiently collaborate. The case underscores the importance of regulated, competitive integration in India's banking ecosystem to promote innovation, efficiency, and overall economic growth.

Conclusion

Integrating the banking system will help improve India's economy in 4 ways: strengthen financial efficiency, enhance financial stability, and create more inclusive financial systems. In terms of operational efficiencies, integration will help lower the cost of transactions and improve how much credit flows between different types of entities. Through the implementation of technologically advanced platforms such as Digital Platforms (Core Banking Solutions CBS), Unified Payments Interface UPI and Mobile Banking as well as regulatory, institutional and financial market integration improvements will make it more cost effective and efficient to deliver services by providing greater customer convenience, innovation and promoting financial inclusion.

When taking into consideration various policies such as the JAM Trinity, Pradhan Mantri Jan Dhan Yojana (PMJDY) and merging public sector banks, thus far millions of previously unbanked individuals have now entered the formal financial system and have benefited from integrated banking systems. Integrated banking systems directly impact economic growth by providing credit to productive sectors, creating investment opportunities and supporting entrepreneurs. Legal acts/decisions such as those related to Digital Payment Regulation, Data Sharing and Competition in Fintech show the importance of having a regulatory body to ensure that both banks and consumers have benefited from the transition to integrated banking systems. Additionally, integrated banking

systems create a more resilient and stable Banking/Financial System because there are fewer NPAs (Non-Performing Accounts), have better Capital Adequacy and have improved Risk Management.

Finally, the integration of the banking system modernizes India's Financial Framework and plays an integral role in promoting sustainable and inclusive economic growth.

Part B: Non-doctrinal Research

Table 1: Contribution of integration of banking system to overall economic growth

Indicators	Yes	No	Total
Male	50(40.31)	7(5.65)	57(45.96)
Female	58(46.76)	8(6.45)	66(53.22)
Transgender	1(0.8)	0(0.00)	1(0.80)
Total	109(87.90)	15(12.09)	124(100.00)

Source: Primary Data

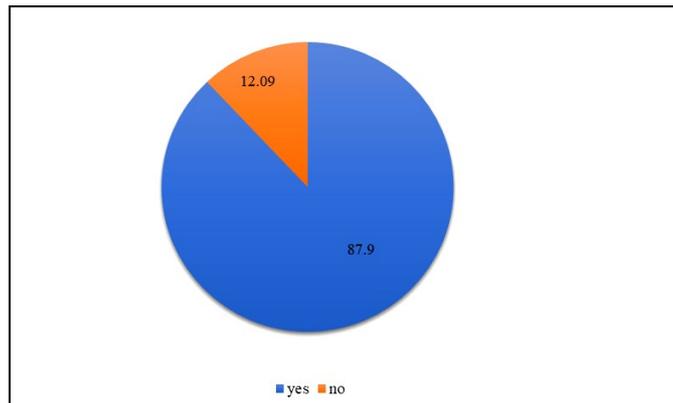


Chart 1: Integration of the Banking System can contribute to Overall Economic Growth

The table analyses respondents' perceptions of whether the integration of the banking system contributes to overall economic growth. A substantial majority of respondents (87.90 percentage) agreed that banking system integration plays a positive role in promoting economic growth, indicating strong support for its economic significance. In

contrast, only a small proportion of respondents (12.09 percentage) disagreed with this view. Overall, the findings reveal a clear consensus among participants that integration of the banking system is an important driver of overall economic growth.

Table 2: Technological integration among banks strengthens financial stability

Indicators	Yes	No	Total
Male	44(35.47)	13(10.48)	57(45.96)
Female	56(45.15)	10(0.06)	66(53.22)
Transgender	1(0.8)	0(0.00)	1(0.80)
Total	101(81.45)	23(18.54)	124(100.00)

Source: Primary Data

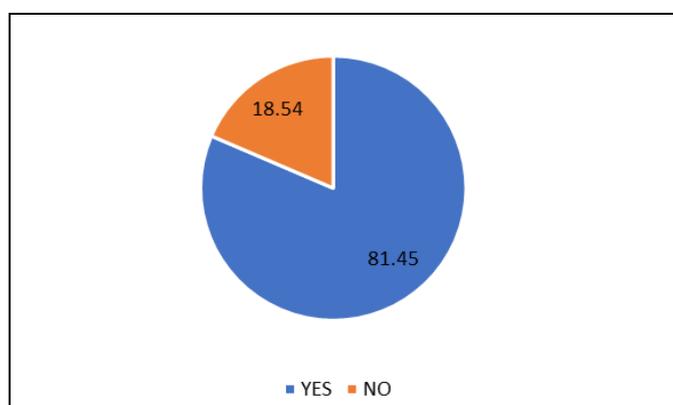


Chart 2: Technological integration among banks strengthens financial stability

The table examines perceptions of whether technological integration among banks strengthens financial stability,

categorized by gender. Male respondents constitute 45.96 percentage of the total responses, agreeing that technological integration enhances financial stability, while 10.48 respondents disagreed. Female respondents account for 53.22 percentage of the responses, expressed agreement and 0.06 expressed their disagreement. The Transgender respondents represent a very small proportion (0.80 percentage), with one

respondent agreeing and none disagreeing. Overall, a significant majority of respondents (81.45 percentage) believe that technological integration among banks strengthens financial stability, whereas only 18.54 percentage disagree, indicating a strong consensus on the positive role of technological integration in ensuring financial stability.

Table 3: Challenges in integration of banking system

Indicators	Cybersecurity risks	Regulatory differences	High implementation cost	Lack of digital literacy	Total
Male	24(19.35)	9(7.25)	6(4.83)	18(12.51)	57(45.96)
Female	29(23.38)	10(8.06)	2(1.61)	25(20.1)	66(53.22)
Transgender	0(0.00)	1(0.8)	0(0.00)	0(0.00)	1(0.80)
Total	53(42.74)	20(16.12)	8(6.45)	43(34.67)	124(100.00)

Source: Primary Data

The table highlights the major challenges to banking system integration by gender. Male respondents 45.96 percentage and female respondents 53.22 percentage, both identify

cybersecurity risks as the most significant challenge, followed by lack of digital literacy.

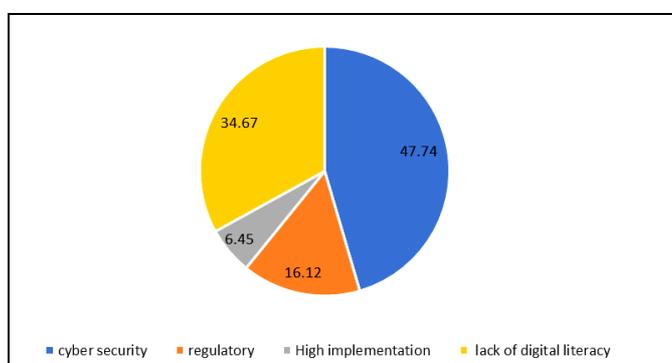


Chart 3: Challenges in integration of banking system

Regulatory differences and high implementation cost are perceived as less critical. Transgender respondents 0.80 percentage identify regulatory differences as the primary challenge. Overall, cybersecurity risks 42.74 percentage and lack of digital literacy 34.67 percentage emerge as the key barriers to effective banking system integration.

Testing of Hypothesis

Hypothesis 1: Integration of the banking system contributes to overall economic growth

The analysis strongly supports the hypothesis that integration of the banking system contributes to overall economic growth. In the context of the present study, banking system integration refers to the seamless coordination of banking services, technologies, and operations across public and private sector banks to enhance efficiency and accessibility. The survey results clearly indicate that a substantial majority of respondents 87.90 percentage agree that banking system integration positively influences economic growth, while only a small proportion 12.09 percentage express disagreement. Further, Table 1 reveals consistent agreement across gender categories, with both male 40.31 percentage and female respondents 46.76 percentage predominantly affirming the positive impact of banking integration, alongside unanimous agreement from transgender respondents. This widespread consensus reflects a strong perception that integrated banking systems facilitate improved financial inclusion, efficient capital flow, and economic expansion. Overall, the empirical evidence obtained from the survey validates the proposed hypothesis and confirms that integration of the banking

system plays a significant role in promoting overall economic growth.

Hypothesis 2: Technological integration among banks strengthens financial stability

The findings provide strong evidence in support of the hypothesis that technological integration among banks strengthens financial stability. In the context of the present study, technological integration refers to the adoption of interconnected digital platforms, shared payment systems, and real-time information exchange among banking institutions. Survey results reveal that a significant majority of respondents 81.45 percentage agree that technological integration enhances financial stability, while only a small proportion 18.54 percentage express disagreement. Further analysis of Table 2 shows consistent agreement across gender categories, with both male 35.47 percentage and female respondents 45.15 percentage largely affirming the stabilizing role of technological integration, alongside positive agreement from transgender respondents. The widespread support reflects a strong perception that integrated banking technologies improve risk management, reduce operational inefficiencies, and enhance transparency within the financial system. Consequently, the empirical evidence obtained from the study supports Hypothesis 2, confirming that technological integration among banks plays a crucial role in strengthening financial stability.

Conclusion

The research underscores the vital importance of banking

system integration in promoting economic growth and strengthening financial stability. The findings reveal a clear positive relationship between the integration of banking systems and improved economic outcomes, with respondents recognizing that technological and operational integration enhances efficiency, accessibility, and financial inclusion. Additionally, the results affirm that digitally integrated banking frameworks contribute to greater financial stability by reducing systemic risks and improving risk management capabilities. The study also highlights that reduced banking integration could adversely affect GDP growth and inclusive development. Overall, the evidence emphasizes that comprehensive banking integration, supported by robust digital infrastructure and effective policy measures, is essential for sustainable economic growth and stability in an increasingly interconnected financial environment.

Suggestions

- i). **Strengthen Digital and Technological Infrastructure:** Banks should invest in advanced digital platforms and interoperable systems to ensure seamless integration across public and private banks, improving efficiency and service delivery.
- ii). **Harmonize Regulatory Frameworks:** Regulatory authorities should work toward uniform standards and coordinated policies to reduce regulatory disparities that hinder effective banking system integration.
- iii). **Enhance Cybersecurity Measures:** With increased digital integration, banks must adopt robust cybersecurity frameworks, regular audits, and risk-mitigation strategies to safeguard financial data and maintain financial stability.
- iv). **Promote Financial and Digital Literacy:** Governments and financial institutions should implement awareness and training programs to improve digital literacy among customers, ensuring inclusive participation in integrated banking systems.
- v). **Encourage Policy Support for Financial Inclusion:** Targeted policy initiatives should be introduced to expand integrated banking services to underserved regions, thereby supporting inclusive economic growth and strengthening the overall banking ecosystem.

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