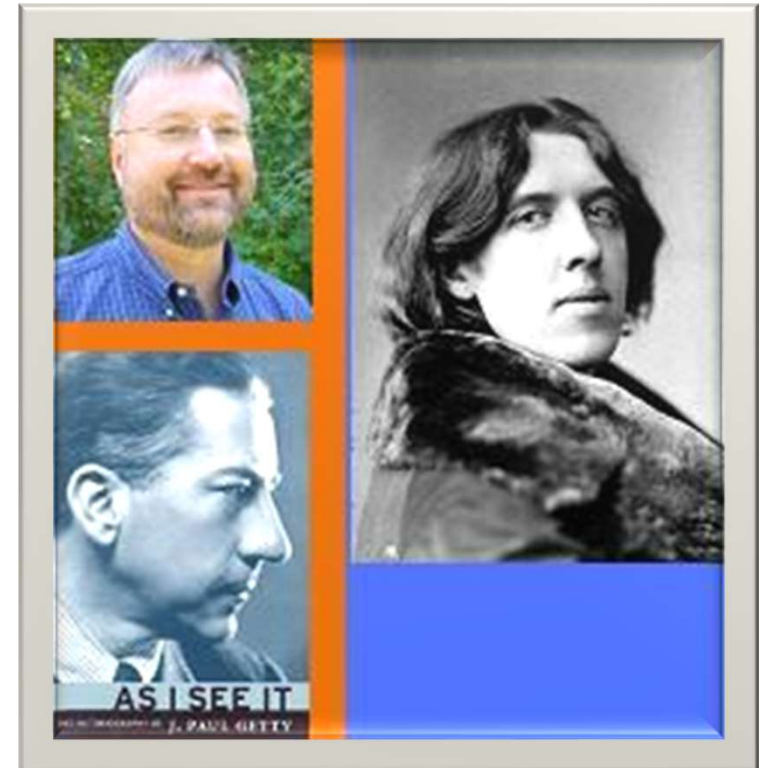


Banking in India



They said

- "More and more these days I find myself pondering how to reconcile my net income with my gross habits."
John Nelson.
- "If you owe the bank \$100 that's your problem. If you owe the bank \$100 million, that's the bank's problem."
JP Getty.
- "We didn't actually overspend our budget. The allocation simply fell short of our expenditure."
Keith Davis.
- "Anyone who lives within their means suffers from a lack of imagination."
Oscar Wilde.



Evolutionary Phases

- Indigenous Reign
- Direct Intervention of the State
- Liberalization
- Transition
- Entry of Foreign Banks



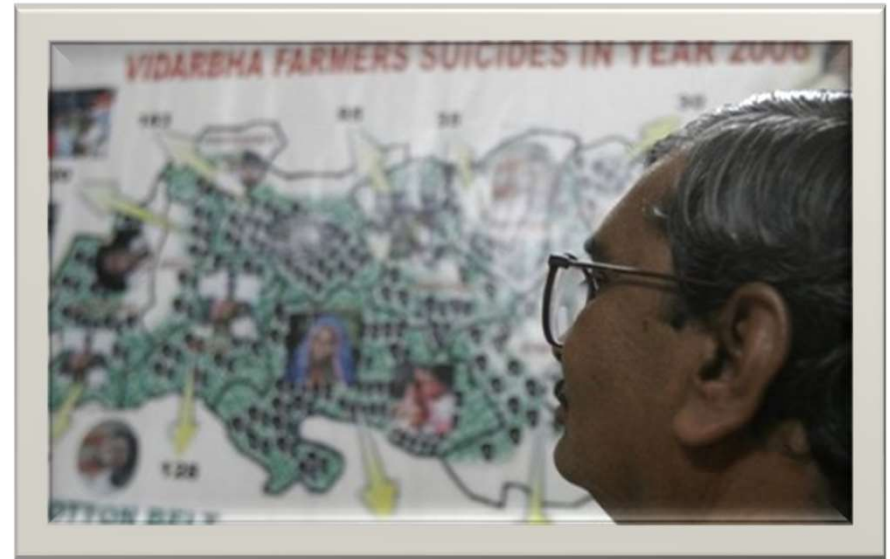
Phase I: Indigenous banks

- Vedas and the Manusmriti:
- Kautalya's Arthashastra: Suggested Maximum and Minimum Interest rate
- Kautalya, Yajnyavalkya and Manu recommended 15 per cent interest per annum on capital.
- British rule almost wiped out these tribes by bringing European Banks from urban
- They moved to villages. They survive even today.



How did Sahukar lend?

- Borrower is known
- Very little documentation
- Sahukar usually a bad guy
- Exorbitant rates of interests
- Compounded Shorter Intervals
- Records Tampered
- Mostly Mortgaged lending on Land, Properties, Jewels etc
- Most cases poor borrowers surrendered their properties.



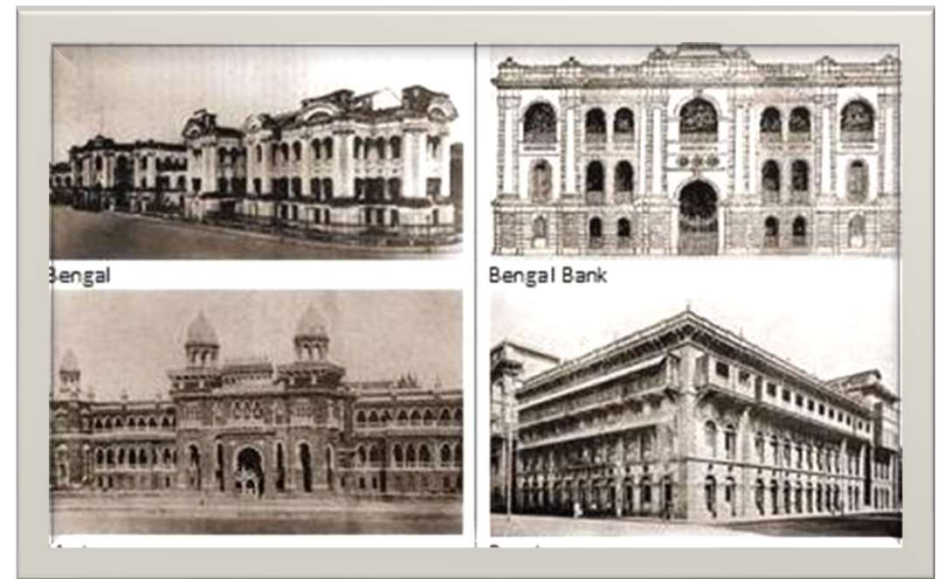
Phase II: Direct Intervention

- Government Interventions began in 1930s
- The Reserve Bank which is the Central Bank was created in 1935 by passing RBI Act 1934.
- The RBI is the sole authority for
 - issuing bank notes and
 - the supervisory body for banking operations in India .
 - Supervising exchange control and banking regulations, and
 - administers the government's monetary policy.
 - granting licenses for new bank branches.



Intervention: Nationalization

- In the wake of the Swadeshi Movement, a number of banks with Indian management were established in the country namely,
 - Punjab National Bank Ltd, Bank of India Ltd, Canara Bank Ltd, Indian Bank Ltd, the Bank of Baroda Ltd, the Central Bank of India Ltd.
- In 1955, Govt. nationalized **Imperial Bank** of India with extensive banking facilities on a large scale especially in rural and semi-urban areas.
- It formed **State Bank of India** to act as the principal agent of RBI and to handle banking transactions



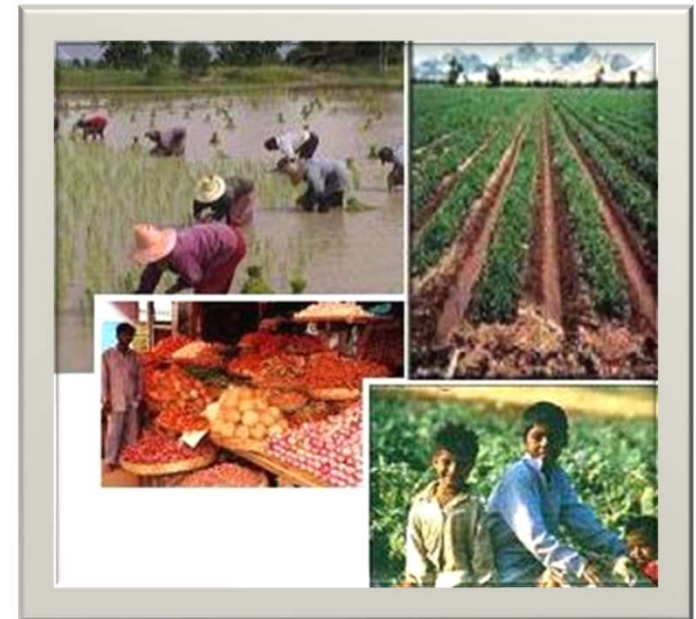
Intervention: Nationalization

- On July 19, 1969, 14 major banks nationalized and
- in 15th April 1980 six more commercial
- 80% of the banking segment in India under Government ownership in 1990.
- the branches of the public sector bank India rose to approximately 800% in deposits and advances took a huge jump by 11,000%.



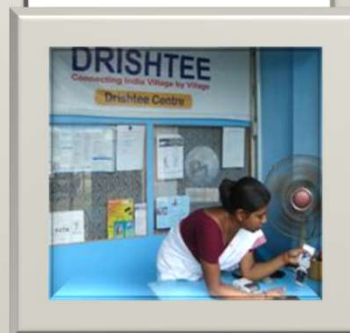
Effect of Nationalization

- the focus of lending
- priority sectors were agriculture, small-scale industry, retail trade, small business and small transport operators
- poverty alleviation and employment generation programs.
- the **success of green revolution** and the increase of aggregate **food grain production**



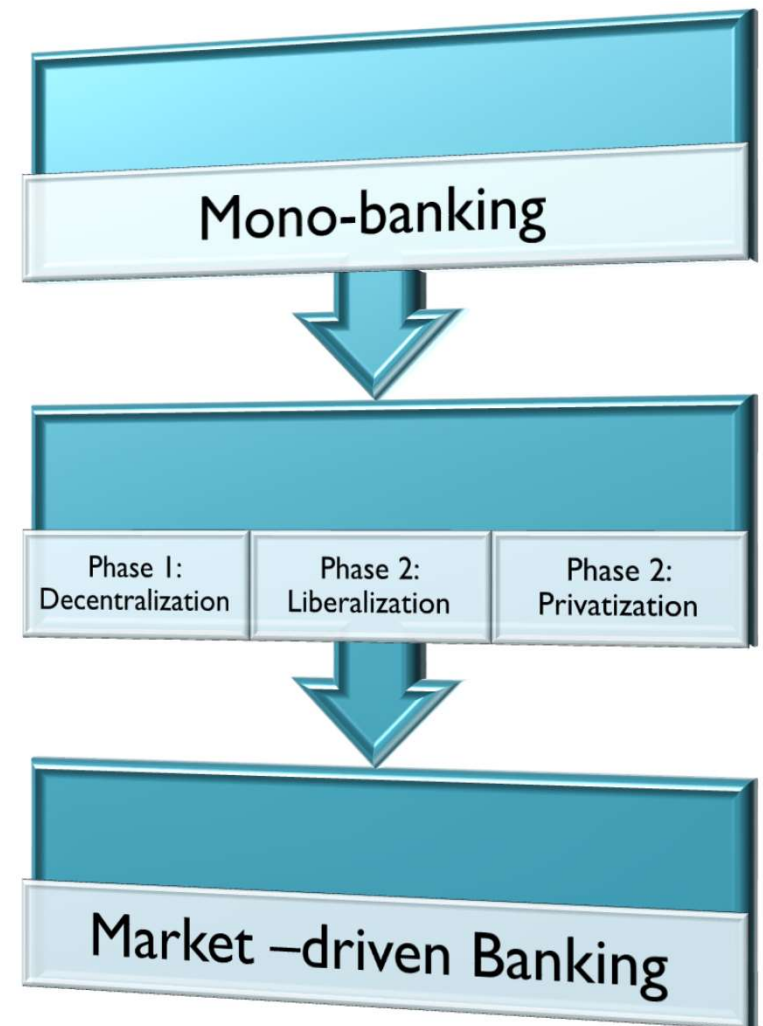
Other sides of Nationalization

- Borrowings and lending restricted, not on business line
- Deterioration of Banker-customers relationship
- Poor Services
- Employees Strikes
- No Healthy competition among banks
- Mounting hidden NPAs



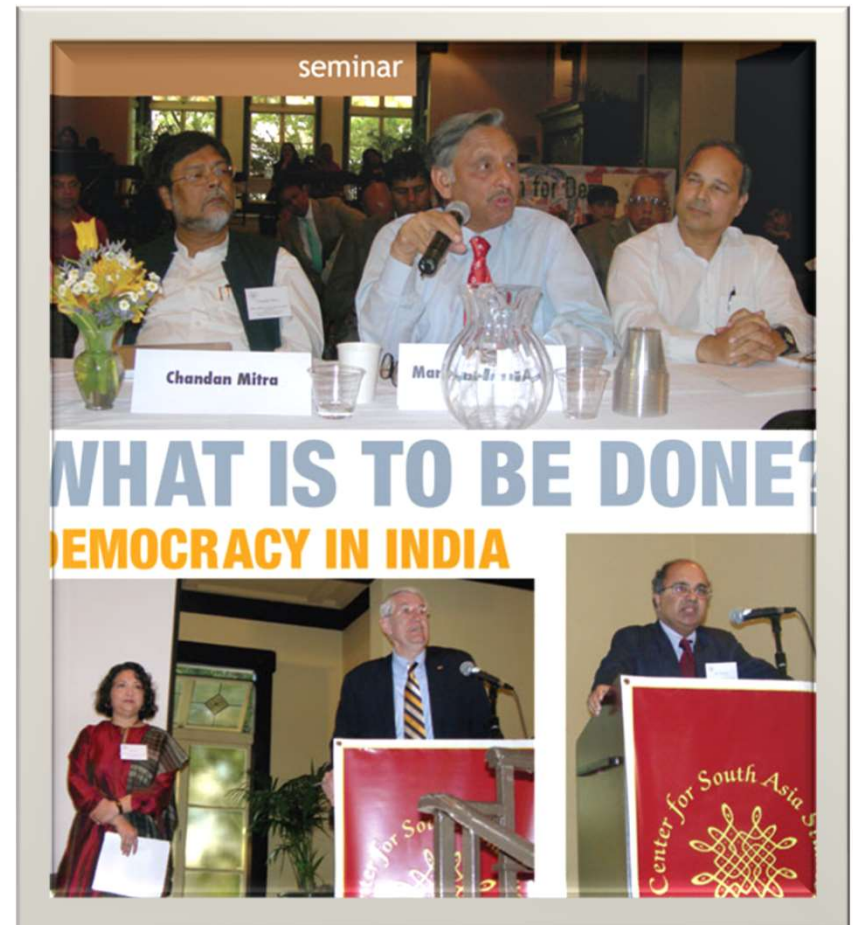
Phase III - Liberalization

- Constitution of Narasimham committee and its report on Banking reforms in 1991.
- It covered the areas of interest rate deregulation & directed credit rules,
- Statutory preemptions and entry deregulation for both domestic and foreign banks.
- Lowering of the CRR and SLR
- Interest rate liberalization
- Did away with Entry barriers. From March 2004, the new private sector banks and the foreign banks share shared almost 20% of total assets
- Prudential Norms act against NPAs



Phase IV: Transition

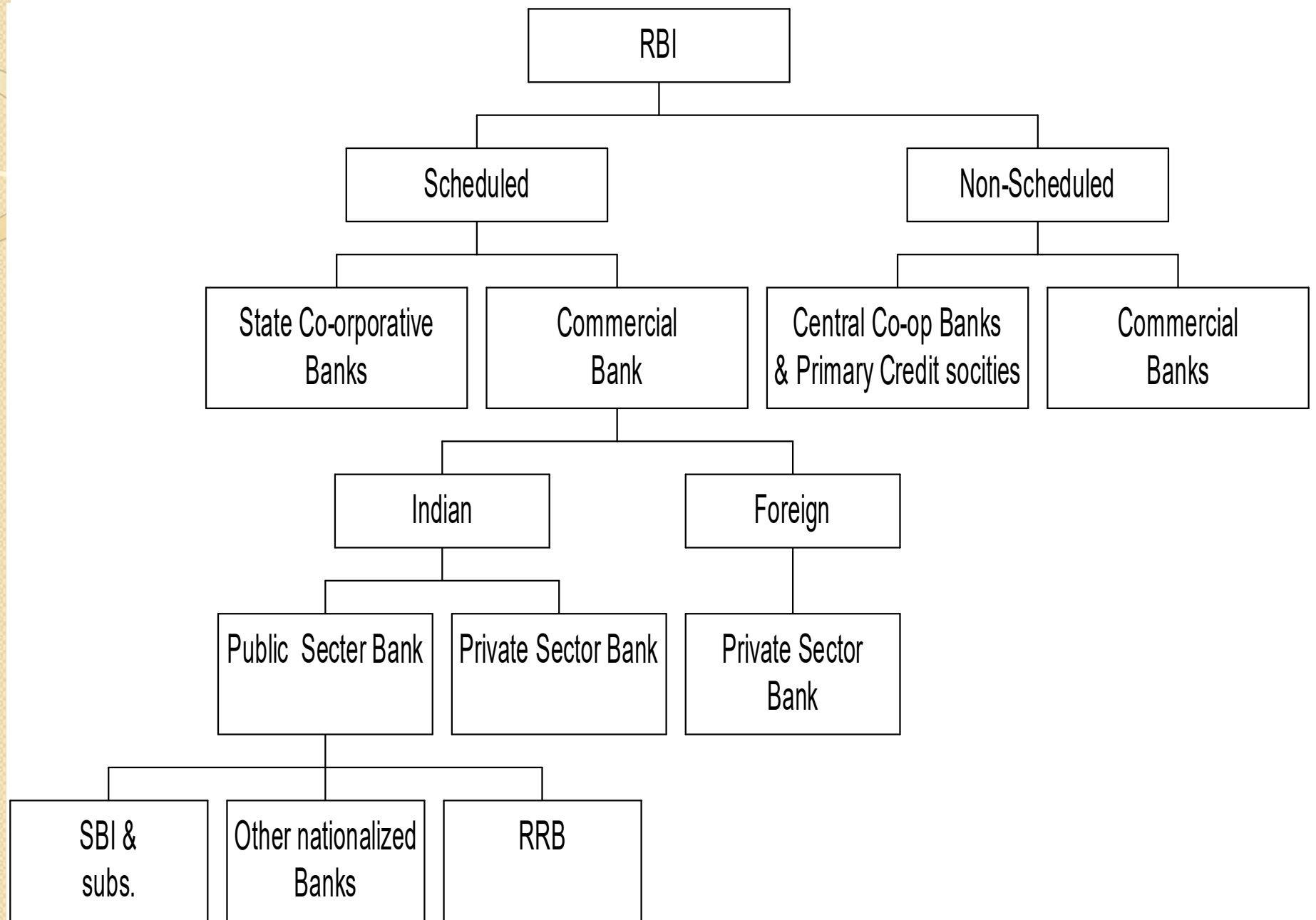
- Most Indian banks lagging behind the areas of customer funds transfer and clearing systems.
- Over-staffed and not able to compete with new generation private banks
- While these new banks and foreign banks still face restrictions in their activities.
- New banks are well-capitalized,
- Use modern equipment and
- Attract high-caliber employees. Indian banks were given time to
- Indian Banks to strengthen their balance sheets, consolidate and overall become more robust, so that they could compete.



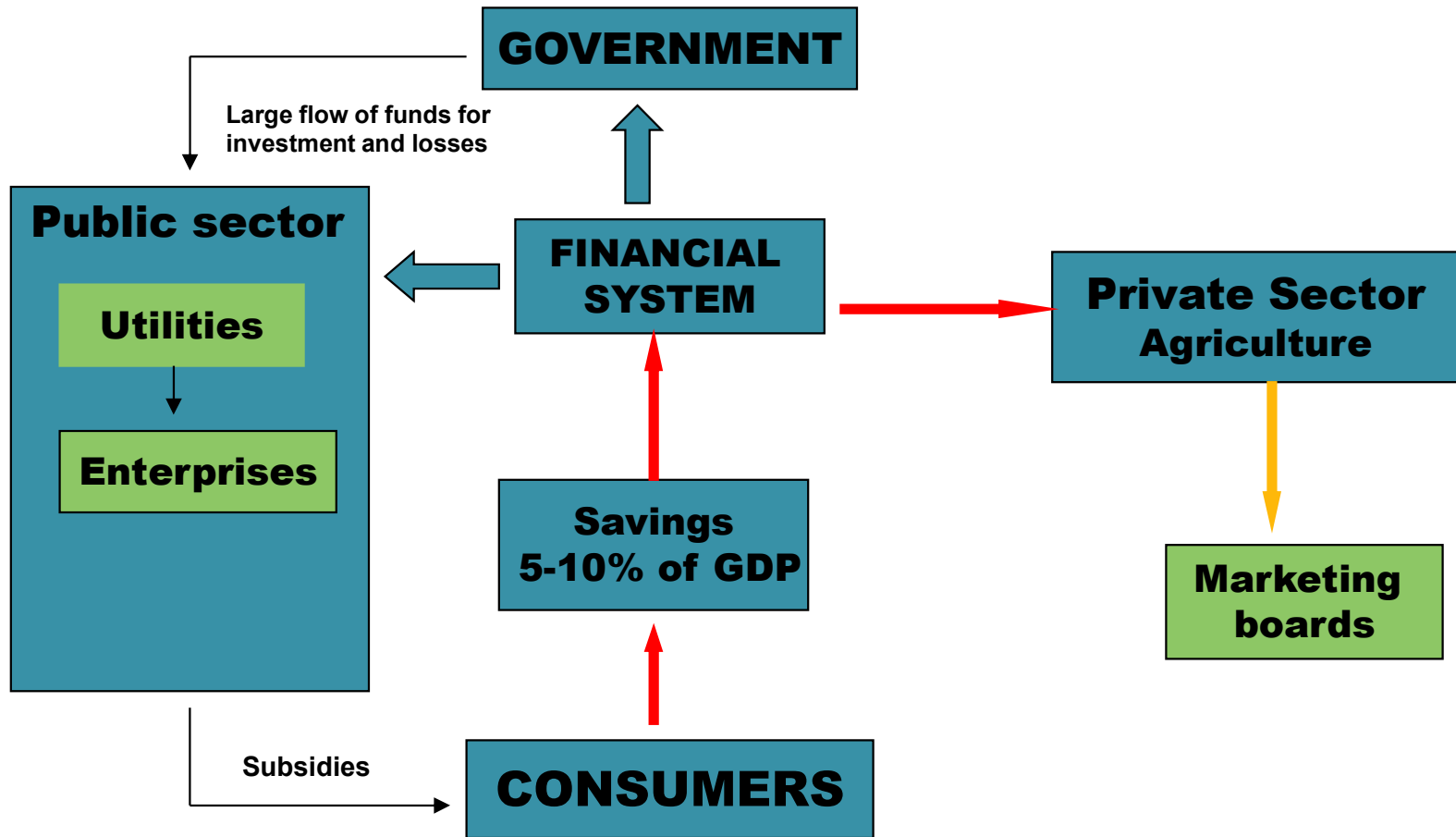
Phase V: Entry of Foreign Banks

- Two of domestic banks in India have turned like Foreign Banks. About 74 per cent of holdings of ICICI and HDFC bank are in the hands of foreigners.
- Phase II of roadmap foreign banks may be permitted to have overall investment of 74 per cent in the private banks of India in April 2009
- New banks to be in India
 - Royal Bank of Scotland
 - Switzerland's UBS
 - US-based GE Capital
 - Credit Suisse Group
 - Industrial and Commercial Bank of China
- Areas of Concentration are Risk Management, customizing the products and Value creation.



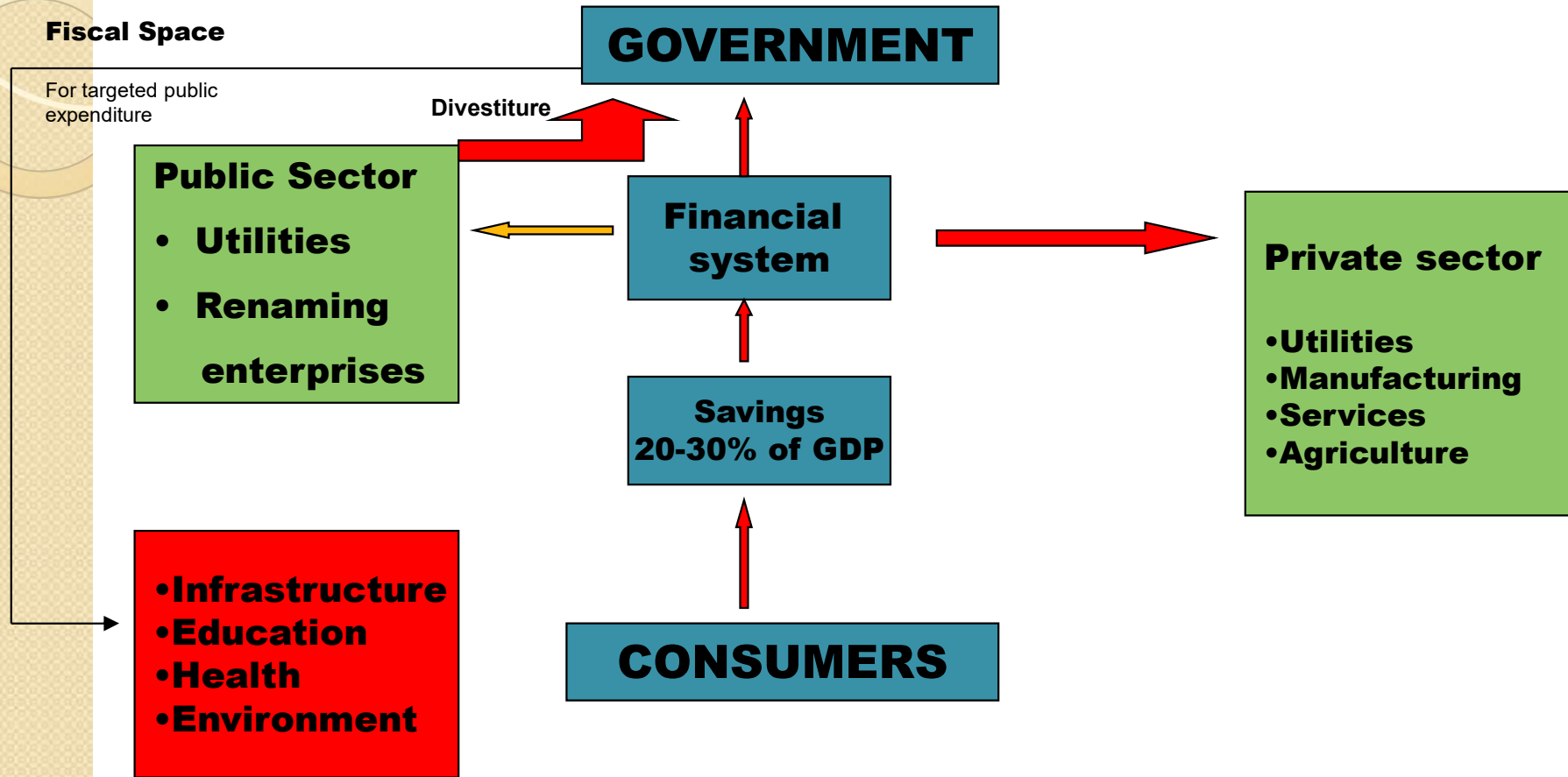


FROM DOMINANT STATE.....



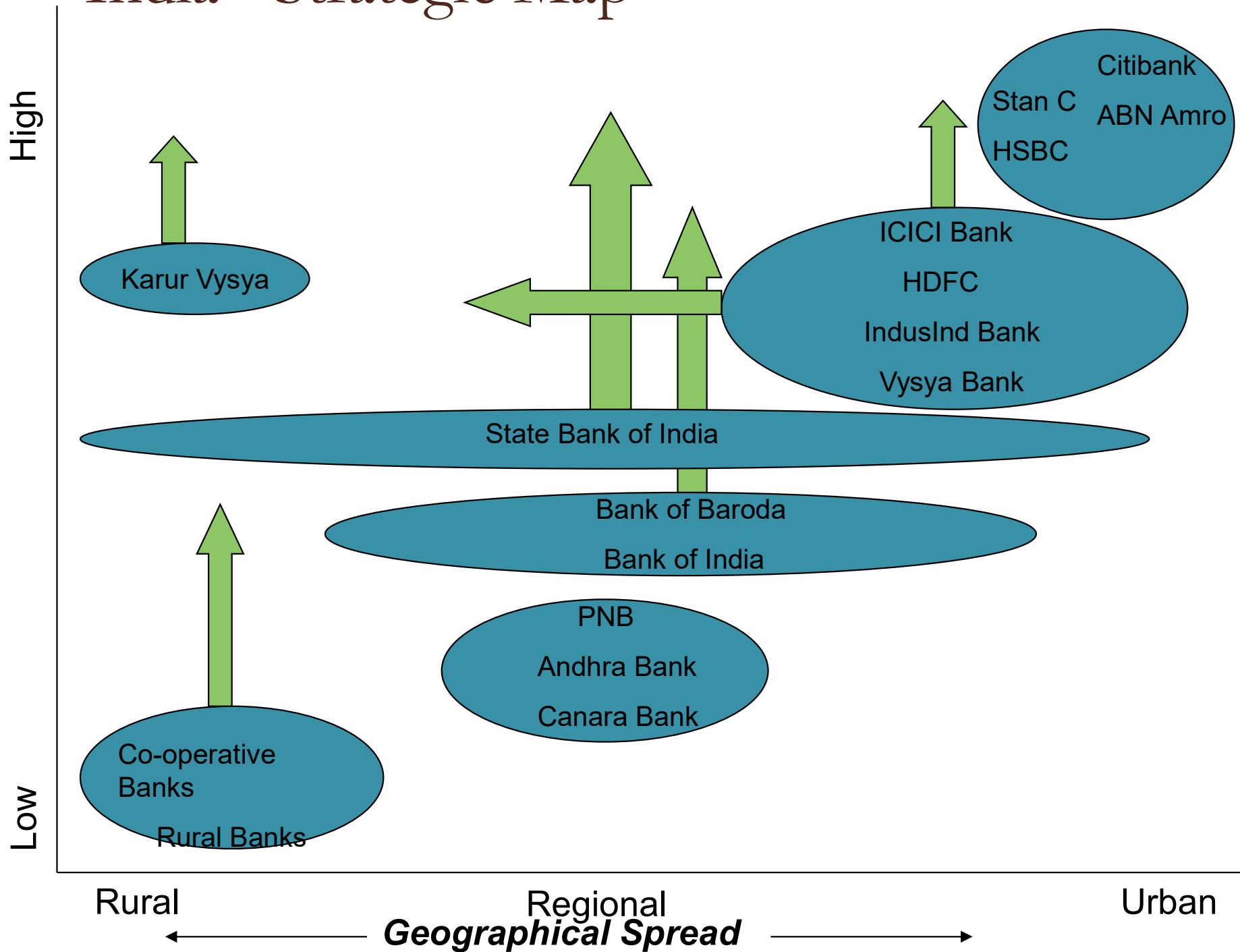
An overbearing public sector and a distressed financial system result in a harsh business environment

.....TO COMPETITIVE MARKET



**A reformed public sector and a robust financial system
create an attractive business environment**

India - Strategic Map



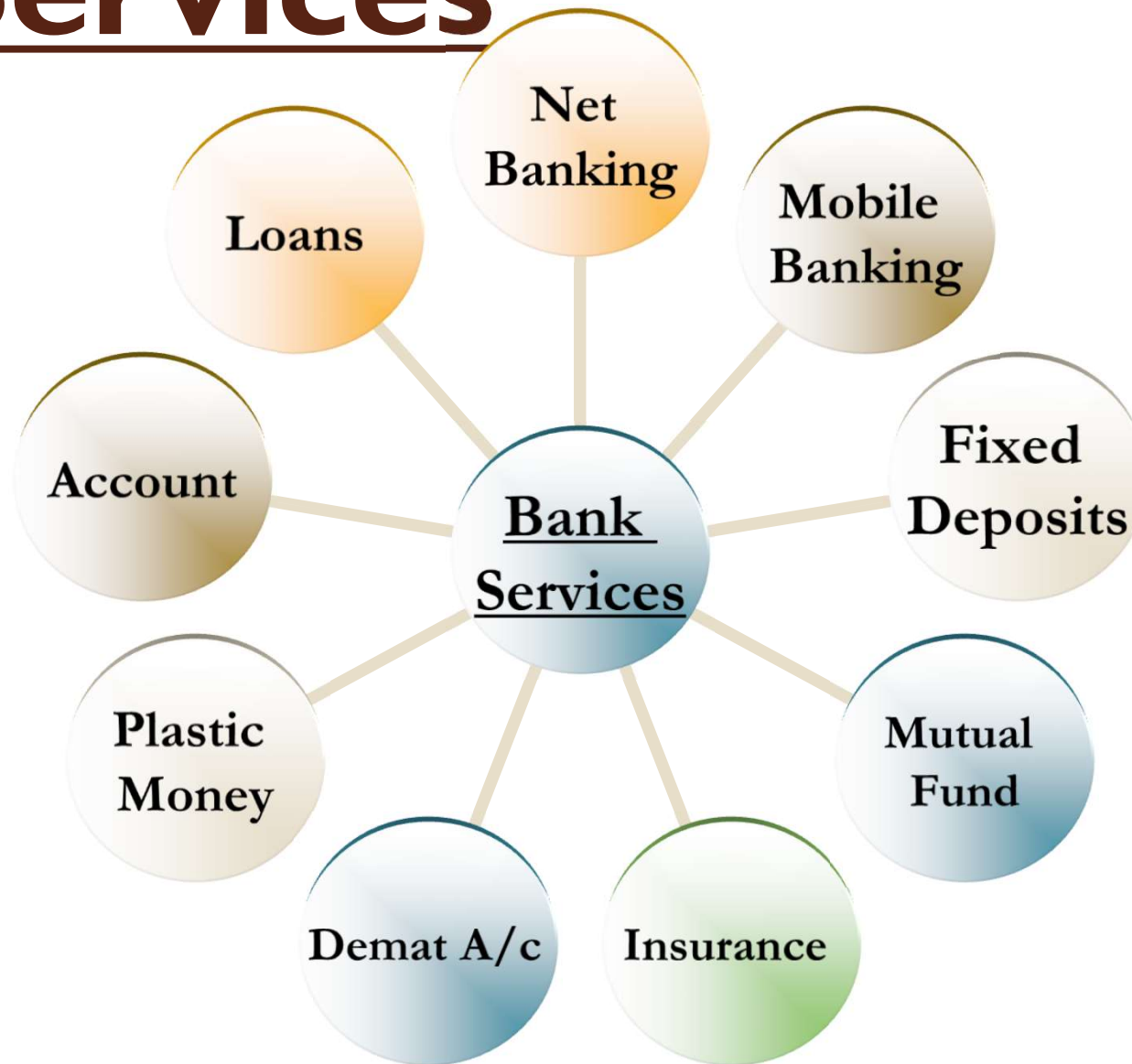
The India Scenario - A Comparison

- Only one Indian Bank in the top 100 Banks in the world
- India's best and brightest, the SBI, is roughly one-tenth the size of the world's biggest bank - Citigroup
- Six Chinese banks feature among the top 25 Asian banks while India has only two representatives - SBI and ICICI Bank.
- Similarly, SBI's consolidated pre-tax profit is \$1.9 billion against Citigroup's \$29 billion, Bank of America's \$25 billion and HSBC's \$21 billion
- The one area where Indian banks are able to compete with their global peers is their return on assets (RoA). Among big Indian banks, ICICI Bank, PNB, Canara Bank and HDFC Bank have a return on assets of over 1 per cent return, while SBI's return on assets is 0.89 per cent. Among Indian banks, HDFC Bank has the highest return on assets -- 1.71 per cent.
- This is lower than that of Citigroup (1.97 per cent) but much better than the RoA of HSBC (1.40 per cent). Our banks are small but efficient. However, if the economy has to grow at over 8 per cent, they must build the scale. India Inc has already announced over Rs 650,000 crore (Rs 6,500 billion) of investment plans. Without the scale, local banks can't possibly support this growth story

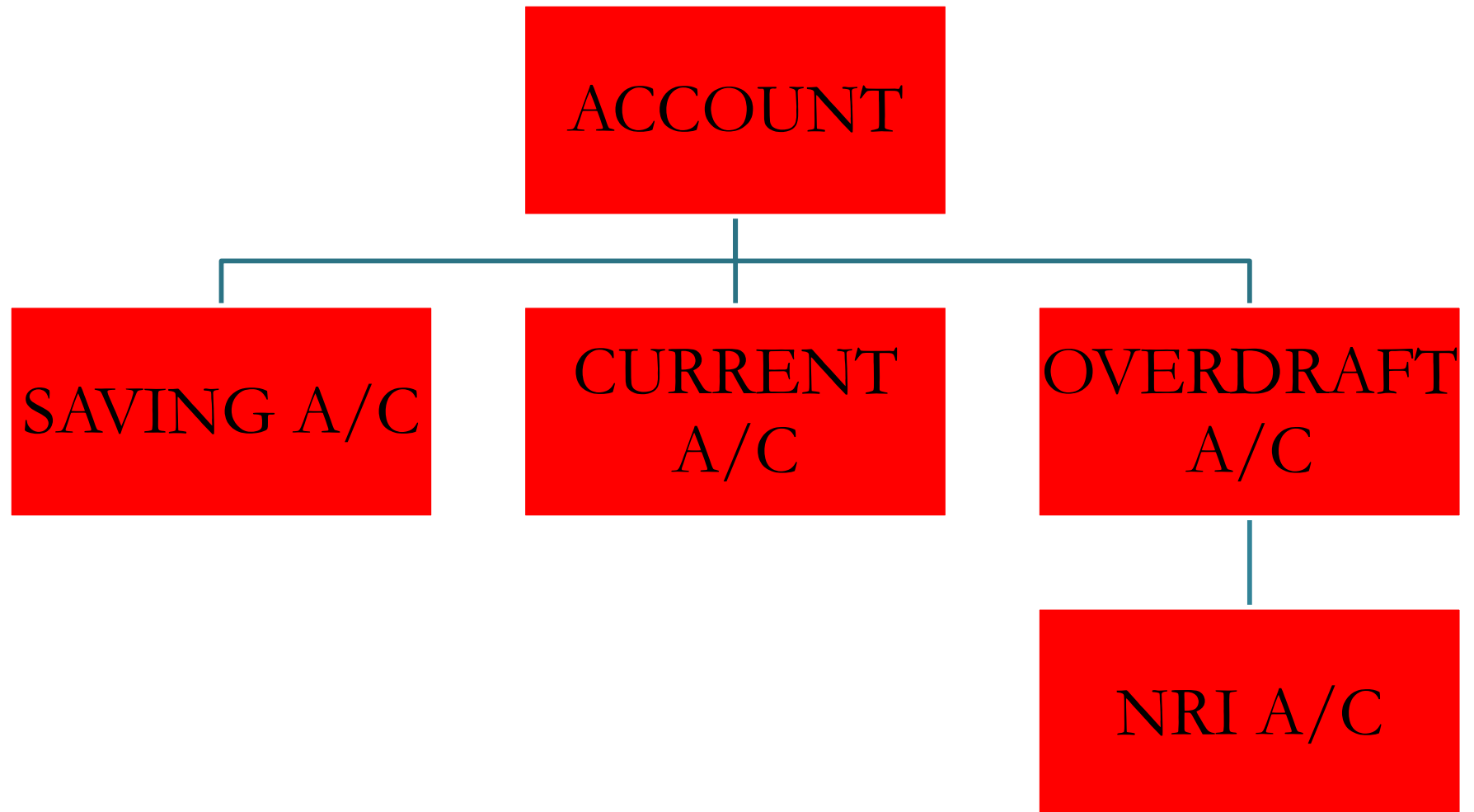
Key Success Factors

- Consolidation: Achieving Strategic Balance
- Retail Renaissance: Bonding with Customers
- The Offshoring Decision
- Transforming the Finance Function
- Monitoring Credit Quality
- Achieving Comprehensive Governance of Risk Management
- Corporate Governance

Services



ACCOUNT



FIXED DEPOSIT

- **It is also termed as term deposit meant for a specified maturity with assured rate of interest by the bank. Maturity ranges from some days to 5 years.**
 - **Rate of interest offering changes with the passage of time and economic environment.**
- * For the senior citizen .05% more than all above scheme**

LOAN

- **PERSONAL LOAN**
- **CAR / TWO WHEELER LOAN**
- **HOUSING LOAN**
- **TERM LOAN**

MOBILE BANKING/ NET BANKING



For paying :-

- Telephone
- Mobile
- Money Transfer
- Insurance premiums
- Credit card Bills
- Getting Physical Currency

PLASTIC MONEY

- **ATM CARD**
- **DEBIT CARD**
- **CREDIT CARD**
- **PETROL CARD**



Other Services

- **Demat**
- **Mutual Fund**
- **Insurance**





THANK YOU