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Inauguration of New Premises

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लेखों तथा अन्य रचनाओं में व्यक्त किए गए विचार लेखकों के निजी विचार हैं । लेखकों द्वारा व्यक्त किए गए विचारों के लिए संस्थान किसी प्रकार से उत्तरदायी नहीं होगा ।

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MISSION

The mission of the Institute is to develop professionally qualified and competent bankers and finance professionals primarily through a process of education, training, examination, consultancy / counselling and continuing professional development programs.

ध्येय

संस्थान का ध्येय मूलतः शिक्षण, प्रशिक्षण, परीक्षा, परामर्शिता और निरंतर विशेषज्ञता को बढाने वाले कार्यक्रमों के द्वारा सुयोग्य और सक्षम बैंकरों तथा वित्त विशेषज्ञों को विकसित करना है ।

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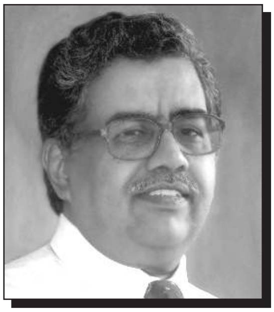

Dr. R. Bhaskaran
Chief Executive Officer,
IIBF, Mumbai

It is indeed a matter of great happiness that the Corporate office of the Institute has been shifted to spacious premises having well equipped conference and training halls at Kohinoor City in Mumbai. The new corporate office and training center will help the Institute to offer class room support in some of its courses and also offer innovative training courses.

This state of the art new corporate office complex was inaugurated by His Excellency Shri K. Sankaranarayan, Governor of Maharashtra on May 11, 2011. The speech delivered by His Excellency after inauguration is carried in this issue. The Governor congratulated the Institute for its outstanding services through education and training for the last 83 years to the banking and finance sector. While recalling the decision of the late Prime Minister of India Smt. Indira Gandhi on nationalization of 14 major banks in 1969, His Excellency emphasized the need for banking services to the needy and poor. The Governor requested the bankers to equip themselves to expand the banking services to the poor and help them in coming out of poverty. His Excellency felt the need for building a large number of customer friendly, knowledgeable and multi-tasking bank officials to meet the present day challenges. The Governor appreciated the efforts of the Institute in designing and developing various innovative programs and courses in keeping pace with the requirements of the industry.

Shri M.V. Nair, CMD, Union Bank of India and Vice President of the Institute, in his welcome speech, indicated that this is the beginning of a new chapter in the history of IIBF to meet the requirement of knowledgeable and skilled manpower for the banking sector. While recognizing the changing face of the Institute and its increased efforts to support and supplement the banking sector's efforts in training and skill development of employees, he highlighted the challenges before the Institute to meet needs of skill up gradation and banking education.

In this issue of Bank Quest we also carry articles on a variety of subjects. In today's globalised business environment, with the world markets being integrated as never before, use of technology indeed provides the cutting edge. The essay on "Harnessing ICT Systems - The Spring Board of Innovation" by Dr. K. Srinivasa Rao, mentions that ICT should be used for further diversification of more value added services, pursuing Financial Inclusion, with more PoS terminals, developing CRM data, better mapping of manpower competence, setting up data warehousing and MIS architecture to reduce dependence on operational units for monitoring and control.

The Institute conducts the annual 'Micro Research Competition' every year. The members who participate in the competition submit essays covering different facets of banking and related *areas. The papers submitted by the participants were judged by the Institute's Research Advisory Committee comprising of eminent bankers and academicians. In year 2010, six articles were awarded prizes. In our Bank Quest Oct.-Dec. 2010 issue, we had published three prize winning articles. In the current issue, three remaining prize winning articles are featured.*

The first of the three consolation prize winning articles is on "Rebranding and Product Branding in Indian Banks - A Study" by Ravi Kumar Sharma. The paper has made an attempt to analyze the branding practices in the banking industry. The author says that banks cannot and should not depend on rebranding without bringing in innovations in their products and services to suit the needs of their consumers.

The next article is on "Work Life Balance - Dilemma of Indian Bank Manager" by Dr. Narayan Kayarkatte. This paper has outlined certain measures to achieve work life balance in one's life and has also highlighted the roles of the Bank Managements and the individuals in achieving the same.

The last article in the series of Micro Research papers is on the most debated / discussed issue, namely "Financial Inclusion : Involving the Uninvolved through Product, Channel and Marketing Innovations", by Sachin Joseph. The basic theme of this article is that through the use of technology, innovations and marketing strategies, Financial Inclusion can prove that 'small is beautiful'.

Education especially higher education is gaining momentum during these days. Education loans are an important product of Banks in their business. Shri. V. N. S. Pillai shared the findings of his study of life insurance policies taken as security for bank loans in Kerala. This article provides an insight to the bankers to take necessary precautions before taking life insurance policies as security for bank loans and to safeguard the interest of the bank.

The research article by Shri. M. R. Das 'Census 2011 Provisional Results: Impact on Banking Variables and Outlook' makes an attempt to measure the impact of population variables on banking variables. The study has found a strong correlation between population and the number of bank offices. The findings in the study help understanding the future of banking against the backdrop of Census 2011 provisional results.

In the book review, we carry 'Banker's Beacon: The Story of Union Bank of India' written by Shri M. V. Kamath which is a valuable contribution to the literature on the history of banking. This book has been reviewed by Shri. P. N. Joshi. We are sure that the review will be of great use to readers.

During this period the Institute has launched web classes in the form of recorded talks / lectures for the benefit of JAIIB / CAIIB candidates.

We hope that you find this issue of Bank Quest is enjoyable and interesting to read. Your suggestions and feedback for improving the contents are, as usual, welcome.

(R. Bhaskaran)

Harnessing ICT Systems : The Spring-Board of Innovation

Dr. K. Srinivasa Rao *

Indian Banking system, in the last over a decade, witnessed metamorphosis. Over a period of time, the main driver of innovation of transformation has been the fast adoption of Information, Communication and Technology (ICT) based systems in the banks. The huge red ledgers, row of racks of ledger holders, cash scrolls, registers, clearing cheque scrolls, totaling machines, long rolls of paper ribbons often gazing the floor formed part of hardware in the branches. It was also common to see staff hiding behind the tall branch counters, row of signature cabinets standing between the counters and supervisory staff, customers eyeing frantically on movement of ledgers and cheques until their transactions were done. But in the post bank reform era, more particularly after the ICT enablement there has been sematic changes and innovation in the quality of customer services. Manual operations and its attendant features have become a thing of the past.

Moreover, the beeline of customers standing in queue in bank branches staring anxiously at the staff, their eagerness to catch up bank timings to log in transactions, searching for known employees to deposit / receive payments late at the counters, receiving wads of currency notes in retail payments at the counters, waiting for updating pass books, receiving drafts, grumbling over the bad hand writing of some of the employees were also the common features of manual banking. They are now no more relevant. The banking work space has changed for good.

Bank branches are now sporting a smart look with refurbished interior, radiating corporate color, well dressed bank logos, wide glass doors, plush interiors and well developed customer lounges etc. The well painted signage, clear guidance in the branch, customer information, display of product information, enquiry kiosk, smiling relationship assistants in some banks adds to the modern and reinvented branch set up. The low height counters manned by trained employees wearing inviting look, customers having one to one interface with departments, banking halls buzzing with clicks of mouse, laptops, computers, currency notes zipping through the counting machines form part of modernized attire of bank branches at least in metro cities. The eerie silence of customers and staff, an assured quick servicing system provides an atmosphere for maintaining focused quality of service in the branches. The adoption of ICT driven models have enabled Public Sector Banks too to innovate their quality of service as a unique differentiator in the market to compete with their peers.

The on site ATMs, teller counters, swipe machines / kiosks have speeded up standard transactions of every day needs of consumers. With the onset of alternative delivery channels, even the branch timings are not very significant. Phone and mobile banking, smart cards, debit cards, rechargeable electronic purse are also some of the modern day banking facilities that allow round the clock access. With the profile and aptitude of bank consumers fast changing towards the use of ICT facilities, the popularity of e-channels of banking are set to assume more significance. Banks are fast gearing up to introduce add-on services to attract young generation of customers.

* Deputy General Manager, Bank of Baroda, Mumbai.

It can further be observed that with most of the banks migrating to Core Banking Solutions (CBS), the transaction platform has become common facilitating use of ATMs of any bank at the ATMs of any other bank / institution so long as they are connected with a common payment system like VISA / Mastercard. This connectivity has removed even the limitations in the use of debit / credit cards.

In this background, let us critically analyze the present and potential role of ICT in transforming banks to catch up international standards. The present paper is divided into five sections. Section-I deals with the development of technology and its progress in the banking industry. Section-II deals with the development of ICT based products / services. Section-III reflects on the key challenges of banking industry which can be better addressed with the help of ICT. Section-IV discusses further scope of application of ICT models to tackle key challenges. Section-V would summarize the closing views.

Section - I

Development of technology in banks

The ICT driven value proposition has transformed the whole range of banking services to customers. It has proved to be a great customer centric enabler for banks to induce innovation. It has made the life of bank employees much better. The skill sets of employees could also be diversified and synchronized with current needs. The rigors of reconciliation, matching of entries, the time spent earlier on house-keeping are now better used for business development. Though technology brought relief to both banks and consumers, its entry into banking system was initially sluggish. The resistance to change is always a challenge. But the foundation for large-scale induction of IT in the banking sector was provided on the recommendations of the committees headed by Dr. C. Rangarajan, in 1984 and 1989.

Subsequently, in 1994, the Reserve Bank constituted a committee on 'Technology Up-gradation in the Banking Sector'. This committee too made a number of recommendations covering payment systems including setting up of an autonomous centre for development and research in banking technology. The Institute for Development and Research in Banking Technology (IDRBT), Hyderabad, was created as a sequel. It has established and operates the INdian FInancial NETwork (INFINET), conducts research in banking technology and provides consultancy services to banks apart from providing educational and training facilities for the banking sector.

It plays the role of an incubator for bringing innovation in banking technology. It has expanded its scope to cover intense research in technology to bring about better standard of technology and works on evolving suitable security systems to protect the mass of bank data. It sets a framework for sustained scaling up of ICT capabilities of the banking industry to move towards international standards.

1. Progress in the entry of ICT in banks :

Banks began using IT with entry of Automated Ledger Posting Machines (ALPMs) followed by stand alone PCs with migration to Local Area Network (LAN) connectivity. The system of intra branch connectivity with a common software continued for few years before inter branch connectivity could be thought of. But with the advancement, innovations and development of ICT support more sophistication in its application could be possible. Thus, the stand alone IT infrastructure in banks developed in early 2000 began to migrate to core banking platform for facilitating access to bank account from any where. Thus going beyond the gathering, processing, analyzing and providing service at the counters locally within the branch, IT moved to provide anywhere and anytime banking. The new innovation of products based on CBS technology brought sea change in banking services.

The big change came from the move from localized banking to world-wide banking services through core banking solution, which provided the ultimate comfort to customers. Further the advancement of ICT now makes possible to network bank customers as a member of the whole financial system that facilitates inter bank transactions. The payments, remittances and credit to accounts against outstation cheques can now move from one bank through electronic connectivity to another. The facilities which were beyond imagination earlier were made possible now with the onset of CBS platform and its innovative use.

2. Density of CBS operations in Banks :

Having moved to CBS, banks began to introduce e-banking products and expanded network of on-site and off-site ATMs. The statistics of RBI of March 2010 indicates that 90.0% of Bank branches are on CBS mode. Of the remaining 10%, 7.8% are fully computerized, while 2.2% branches are partially computerized. The total number of ATMs has reached 60153, of which 45.7% are off-site ATMs. The service charges on use of other bank's ATMs have been dispensed with in first five transactions in a month. The Regional Rural Banks (RRBs) have also begun to move to CBS mode. The cumulative ICT spent in banks from September 1999 up to March 2010 works out to Rs 22052 crores. In order to justify the spent, banks will have to derive the synergy of innovations to increase revenue streams of banks.

CBS enables use of central shared database support located at the Data Centre. Business processes in all the branches of a bank update a common database in a central server located at Data centre, which gives a consolidated view of the bank's operations. Branches function as delivery channels providing innovative range of value added services to the customers. CBS is an integrated application that supports real-time, multi-banking and multi-channel services. The single biggest achievement of implementing the CBS is that each customer is truly the customer of the Bank and not just the customer of the Branch, where his / her account is maintained. With the interlinking of ATMs, the customer has been further transformed into constituent of the financial sector rather than a bank.

3. Diversification of ICT delivery channels :

The benefits of ICT based products in day-to-day banking are quite well known. Diversification and setting up more delivery channels led to more facilities. There is 'Anywhere banking' and 'Anytime Banking' through 24/7/365 delivery channels such as Automated Teller Machines (ATMs), and Net and Mobile banking in some banks. In addition, ICT has enabled the efficient, accurate and timely management of the increased transaction volume that comes with a larger customer base. It has also improved the capability of banks to handle large number of transactions economically and facilitated the movement from class banking to mass banking and removed the limitations.

In the process, the Banks have also undergone a massive change in terms of improvement in the IT communication network, which has greatly facilitated, not only the networking of the internal communication processes, but the integration with the external payment system gateways as well. CBS can also be used to process customer relationship management, treasury, ATM application, electronic banking, management information system, internet banking, mobile banking, smart card operations, biometric ATMs; chip based electronic purse and such other customer convenient innovative electronic devices.

Section - II

Development of ICT based products / services

1. Key ICT led value propositions :

The application of ICT facilities goes much beyond the CBS. It is one of the enablers for driving innovation and to provide superior customer experience. On line electronic payment systems, generation of SMS alerts against transactions, online swiping of transactions against debit / credit cards, online internet / e-banking, mobile banking, operations through point of sale terminals (POS) and a host of other products are some of the value added innovations.

As a result of such innovations in ICT and application of global interface, further developments in the communication network and messaging system in India could be seen. The emergence of Indian Financial Network (INFINET), Structured Financial Messaging System (SFMS), VSAT connectivity, cable and leased line connection, fiber optics channels, etc., have contributed in using ICT more aggressively for customer convenience. There have been marked improvements in the Indian payment and settlement systems in the form of popularizing and strengthening of Real Time Gross Settlement (RTGS), Centralized Fund Management System (CFMS), Electronic Clearing System (ECS), National Electronic Fund Transfer (NEFT), Cheque Truncation, National Financial Switch (NFS), developments and initiatives at Clearing Corporation of India Limited (CCIL), ATMs, electronic banking channels etc., to name a few.

2. Electronic Clearing and Cheque truncation - The quick innovations :

The Electronic Clearing System (ECS) is another popular and widely used product. ECS Debit / ECS Credit is introduced to facilitate execution of electronic standing instructions for timely settlement of payments. Banks are also in the process of shifting most of the back-office activities to remote processing centres, so that branches are in a better position to attend to customer needs. These trends indicate that technology will be able to hive off many of the branch activities to a different location to enable branch employees to move in the market and satisfy the customer needs. The ICT has thus, come to be a strategic business enabler and a means for bringing innovation. The customers also have begun to enjoy the blend of technology in banking services.

However, despite the use of electronic methods of payments, the use of cheques will continue for some more years. In order to improve efficiency, reduce operational risk and time taken for cheque processing, the Reserve Bank has initiated steps to introduce a Cheque Truncation System (CTS) whereby scanned images of cheques will travel to their destination in the place of physical cheques. A pilot project has commenced in the National Capital Region in Delhi where processing volumes have picked up substantially and about 70% of the cheques are being routed through the CTS. They are now expanding the CTS to other centers. Ultimately the whole country would be connected through 6 or 7 Grids. The stabilization of cheque truncation facility will benefit the customers immensely.

3. RTGS / NEFT a gateway for money transfers :

As a remittance product, RTGS / NEFT are becoming more popular. RTGS is a large value payment system which processes both customer and inter-bank transactions of Rs.1,00,000 and above, while the NEFT is essentially a retail payment system. Further, while RTGS is a real-time gross settlement arrangement, NEFT is a near-real time system with settlements taking place at hourly intervals. Both systems are operated by the Reserve Bank. The facility of RTGS and NEFT is available in over 70,000 branches with 119 members and 99 banks participating in the respective systems. The volume and value of transactions processed through the two systems has shown an impressive growth in the last two years as under :

Bank Group-wise Number of Transactions in RTGS and NEFT

(Number of transactions in million)

Bank Group	RTGS		NEFT	
	2008-09	2009-10	2008-09	2009-10
SBI Group	3.3	7.4	2.7	6.7
Nationalized Banks	3.5	9.0	2.2	7.7
Foreign Banks	2.2	5.3	12.4	21.6
Private Sector Banks	4.2	11.3	14.4	29.3
Others	0.1	0.3	0.03	0.2

Source : Report on Trends and Progress in Banks : 2009-10, an RBI Publication, November 2010

The advantages of popularizing the electronic transmission of funds are twofold. One is the enhanced speed and efficiency. The other is to ensure compliance with the bank's KYC policy. Funds coming through the banking channels have more authenticity. Going much beyond remittances, banks have begun to use the ICT systems to facilitate centralization of back office operations to ensure more efficiency in serving customers.

4. Centralization of work processes :

Accordingly, many banks improved the application areas. Besides the customer interfacing electronic channels, banks have developed several centralized ICT based innovative processing centers. Centralized Loan Processing HUBs, City Back Offices, Regional Bank Offices, Call Centres, Centralised Sales Outfits and such other batch activities are getting pooled in one place. Such centralized processing centers meant for handling back office work relieves branches of the rigors of non-customer centric activities. Such approach enables branches to operate on thin model and able to convert into efficient customer centric sales and service outfit. The new lean branch models are emerging as customer focused entities providing superior customer experience.

5. Advantages of technology in improving banking services :

Overall, technological innovation has facilitated speedy processing and transmission of information, provided easy access to the data for marketing of banking products and improved access of banking service to customers. The development of ICT has facilitated diversification of product range, broad based product development, and opened up new service channels. It has moved beyond the scope of inter branch connectivity to interbank connectivity. The financial services industry has thus become virtually more connected with the ICT enablers. Most banks made visible efforts to keep up with the new systems and processes to deliver improved services to customers.

Moreover the spurt in broad band internet users from 35 mio in 2007 to 50 mio in 2010 is likely to increase density of internet banking base substantially. By 2020, the internet users are set to reach 250 mio opening up new vistas of growth. The promotion of Internet services is an extensive, low-cost and convenient innovative online service. It has facilitated delivery of banking services to customers, anywhere and anytime. Further the integration of e-trading with internet banking and banks' websites is also a notable feature. These ICT advancements have enabled banks to gradually replace manual work by automated procedures with on-line real time processing.

Use of ICT in a large way provides relief in the form of more effective work processes, capacity building to handle larger volume of transactions with remarkable ease. There is no pressure of incremental rise in the volume of transactions and rise in number of customers / users. The system would not feel the presence of such large number of transactions unlike in the manual mode where the physical queue always posed discomfort.

Thus taking the help of technology, banks are fast moving from 'brick and mortar' banking to virtual banking, though physical presence is going to stay in India due to the unique nature of Indian banking and varied Indian demographic pattern. Personal touch and relationship management in banks in India continues to hold significance as a value proposition to customers despite the massive automation of banking services.

Section - III

Emerging Challenges in the Banking Industry

1. Financial inclusion :

In better organizing multi faceted application of ICT, a discussion on the emerging challenges in the banking industry will be pertinent. Among the key challenges, Financial Inclusion and Risk Management are two major areas where ICT can be more effectively explored. Besides opening new branches in potential centers, setting up large number of ATMs, massive expansion of Point of Sale (PoS) terminals etc., are needed to be planned to reach out to the hinterland. Banking system has the agenda to initially expand presence to over 109000 villages with population of 2000 and above by March, 2012.

Appointment of Banking Correspondents (BCs) on a large scale can be done only if ICT model is scaled up to meet the larger requirements. The connectivity of base branch operating on CBS with the PoS terminals available with BCs will be used by the customers. Therefore, the entire success of implementation of Financial Inclusion Plan of banks will rest on wider usage of ICT platform and innovation of low cost delivery models.

2. Risk Management :

Similarly, the up-gradation of the risk management modules and for better ALM, technology support needs to be strengthened. The credit risk management systems presently operating on standardized approach under Basel-II in most banks are set to be migrated to Internal Risk Based (IRB) module. Thereafter to advanced IRB module. These will require collection of historical data of minimum five year. The increased use of technology will be able to hasten the process of adopting higher modules of risk management. Moreover, ALM systems can also be further refined to capture residual maturity profile of assets and liabilities on online basis. In view of recent experience of global financial crisis, Bank for International Settlement (BIS) at the behest of global regulators have come out with the concept of Basel-III framework that calls for more fine tuned risk management system. ICT can be better used to refine risk management systems.

3. Customer Relationship Management (CRM) :

Another big challenge is to develop customer data that can support cross selling. In India the culture of cross selling is low. The average number of banking products sold to per customers in India is significantly lesser than the global bench mark. It is a tough challenge to harness the significant potential for cross selling. As of now the average products used by each bank customer in India is 2.2 and 2.1 in PSBs. According to the global benchmark, the best practice range is 6. That means each customer with the bank should possess six types of products. In that case the cost of acquisition of customers will substantially come down. But the gap in the sales is wide. One of the enabler could be collection and collation of CRM data from the customers. Given that cross selling is the most cost effective mechanism to develop business, an increased use of ICT will be able to address this issue.

4. Leveraging ICT :

The most challenging task will be to make customers use technology. The e-Banking, ATMs and PoS needs to be extensively used to reduce transaction cost. The procurement of ICT infrastructure is huge. The marginal utility of it can be increased with greater number of transactions. The basic purpose of using technology is two fold. One is to enhance the quality of service. The other is to reduce transaction cost. Banks would be in a better position to offer affordable banking service to a larger number of customers. Imparting technology literacy among customers for wider use of ICT delivery model will be one of the key lasting strategies of the bank that will open up new vistas of growth. Putting customers on technology mode is an entrepreneurial task that requires a greater interface between bank and customers.

As a part of harnessing technology, wide publicity of benefits of ICT based products must reach consumers. Spreading awareness among the customers about the benefits of technology is to be taken up along with financial literacy launched as part of Financial Inclusion. This needs to be done on a mission mode to achieve optimum benefit of ICT. Innovations can be possible only if number of users is substantially increased. The cost of per transactions in the branch on an average works out to ₹40 while in ATM it is ₹17. Through a call center the cost is still cheaper at ₹8. It comes down to ₹2 per transaction in net banking and will be only 50 paise in mobile banking. The transactions limit in mobile are now limited to ₹5000 due to security reasons. The more customers are migrated to alternative delivery channels, the more will be the reduction in costs. Hence leveraging ICT will be a critical differentiator for the banks to innovate and save costs.

5. Management of human capital :

Banking industry has an immense intellectual skill set which needs to be mapped to deploy them in best fit assignments. ICT can be used as an effective tool to capture the skill sets of employees and the data base can be used for optimum usage of human competence. In one of the recent studies by McKinsey & Company in its publication (Aug 2010) "The human capital key : unlocking a golden decade in Indian Banking", it points out that "Over the decade, the Indian Banking Industry is poised for unprecedented growth but only if it can dramatically strengthen its human capital. For banks to realize their full potential, developing robust leadership capability and improving productivity will be critical".

Mentoring, grooming, skill building, training and upgrading human competence and leadership can be possible only if the various capabilities are captured as part of HR function. In order to do so, ICT can be leveraged to parameterize and capture the granular set of competence. Gap analysis can be done. Skill gaps can be identified. Then the exercise of building up the missing skill sets will be possible. The ICT can be a good enabler for such critical improvements.

Section - IV

Scope of application of ICT models to tackle key challenges

Innovation at every level is possible only if the key challenges could be addressed. An integrated application of ICT in customer facing and back office operations would substantially reduce the turnaround time of transactions and bring about improvement in the quality and efficiency of service. Many banks are in the process of integrating more activities into back office processing to derive full synergy of ICT capabilities. The benefits of ICT can be broadly classified into the following :

1. Branch level
2. Back Office level
3. MIS level

Many banks have completed the first level of usage and have migrated to the second level to integrate back office operations. In a dynamic ICT environment, up-gradation of technology and expanding scope of its usage is an ongoing process. As far as deriving synergy of technology for improving MIS is concerned, there is lot to be done. Banks have to adopt Automated Data Flow (ADF) system by developing data warehouse.

A systematic ADF and Data Warehousing seeks to fulfill this requirement in which data is seamlessly transmitted from the host systems to the recipient system without any manual intervention thus making the whole process more efficient, consistent and reliable. At the same time, as a major spin-off benefit, the system of automated data flow also streamlines the information sharing mechanism at the host level thus serving as a potent MIS tool and encourages good data management practices. It should help banks not just to deliver robust and reliable services to their customers at a lower cost, but also generate and manage information more innovatively and effectively.

On the whole, the banking system is well on course to setup ICT driven delivery models to improve quality of customer services. In the area of centralizing back office operations and ADF, more action is needed to derive its full synergy. In this background, the challenges that banks have to face as part of competition and meeting customer aspirations could be well perceived.

Section - V

Conclusion :

The discussions in the paper brings out a gist of developments in banking in post reform period, the all pervading ICT led products / services and a host of innovations that could be possible. It can be observed that the universal application of ICT could change the way banking has been perceived. Beginning with the customer centric services, back office set up, MIS needs of banks many dimensions of innovations and change in quality could be seen.

The paper also brings out some pointed strategies for the future scope of using ICT for innovation. Its application should further be used for diversification of more value added services, pursuing financial inclusion with more PoS terminals, developing CRM data, moving more non-customer activities to remote locations, better mapping of manpower competence, setting up data warehousing and MIS architecture to reduce dependence on operational units for monitoring and control.

As the banking system moves forward, since the business levels in relation to India's GDP is still at a low level, there is ample scope for growth opportunities. The infrastructure, manufacturing, service sector and agriculture are well poised to catch up new dimensions of growth. In order to handle such heightened business levels, banks will have to build up capabilities. ICT is the right means to build capacity to serve larger number of customers. It will therefore work as a spring-board for innovation in the banking industry.

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The Concept of Shadow Banking

The shadow banking system or the shadow financial system consists of non-bank financial institutions which play an increasingly critical role in lending businesses the money necessary to operate. The term "shadow banking system" is attributed to Paul McCulley who coined it at the Jackson Hole Conference in 2007, where he defined it as "the whole alphabet soup of levered up non-bank investment conduits, vehicles, and structures", though the concept of credit growth by unregulated institutions (if not the terminology) dates back to 1935 by Friedrich Hayek (1935). By definition, shadow institutions do not accept deposits like a depository bank and, therefore, are not subject to the same regulations. Some complex legal entities comprising the system include hedge funds, SIVs, conduits, monolines, investment banks, and other non-bank financial institutions. Many "shadow bank"-like institutions and vehicles emerged in American and European markets, between the years 2000 and 2008, and played an important role in providing credit across the global financial system.

Operationally, shadow institutions, like investment banks, borrowed from investors in short-term, liquid markets (such as the money market and commercial paper markets), meaning that they would have to frequently repay and borrow again from these investors. At the same time, they used the funds to lend to corporations or to invest in longer-term, less liquid (i.e., harder to sell) assets. In many cases, the long-term assets purchased were MBSs / CDOs. When the housing market began to deteriorate and the ability to obtain funds from investors through investments such as mortgage-backed securities declined, these investment banks were unable to fund themselves. Investor refusal or inability to provide funds via the short-term markets was a primary cause of the failure of Bear Stearns and Lehman Brothers during 2008.

Technically, these institutions are subject to market risk, credit risk and especially liquidity risk, since their liabilities are short-term while their assets are more long-term and illiquid. This creates a potential problem in that they are not depositary institutions and do not have direct or indirect access to their central bank's lender-of-last-resort support.

Therefore, during periods of market illiquidity, they could go bankrupt if unable to refinance their short-term liabilities. They were also highly leveraged. This meant that disruptions in credit markets would make them subject to rapid deleveraging, meaning that they would have to pay off their debts by selling their long-term assets.

In early 2007, lending through the shadow banking system slightly exceeded lending via the traditional banking system based on outstanding balances. Analysts have placed significant blame for the freezing of credit markets on a "run" on the entities in the shadow banking system by their counterparties (Geithner, 2008). The run on the shadow banking system has been described as the "core of what happened" to cause the crisis (Krugman, 2009). It has also been stated that the so-called shadow banking system, including securitisation of loans, is likely to be smaller and subject to more regulatory oversight than before the financial crisis (Bernanke, 2009).

Source : Report on Currency & Finance 2008-09, RBI

Re-branding and Product Branding in Indian Banks - A Study

Ravi Kumar Sharma *

- Consolation Prize

Branding is a process that is used by businesses to utilize marketing strategies to enhance their product or service image so that it is more readily recollected by the customer. Branding helps the product or the service to make a favourable impact on the target customer.

The important aspect of any branding is the brand itself. A brand is a collection of experiences and associations attached to a company, organisation, product or service. More specifically brand refers to the concrete symbols such as name, logo, slogan, and design scheme. A brand is a symbolic embodiment of all the information connected to a company, organization, product or service. A brand often includes explicit logos, fonts, colour schemes, symbols, sound which may be developed to represent implicit values, ideas, and even personality.

In the past the Indian banks have hardly taken branding seriously. In the last few years we have observed that Banks have started taking care of their brands. They have become conscious about their brands, its image and the brand personality. Since, most of the public sector banks are century old and have large customer base, customers have been loyal for generations and the banks have realized this fact. With the brand positioning strategies of the Private sector bank especially ICICI bank, Public sector banks also thought of revamping their brand image. They have now realized the value of the brand equity they enjoy in the market. In recent years we have witnessed brand strengthening exercise by State Bank of India and rebranding exercise by banks to project their image in the minds young youth of new generation. Most of the banks customer base is old and they have to attract and retain new generation to maintain their customer base. In this step the banks are repositioning their image.

Strongest brands have enjoyed significantly better business performance than less valued brands over time. Not only do strong brands result in better investment performances, but they also decrease acquisition costs since customers are more likely to repeatedly purchase a product/service that they have come to trust and to whom they have demonstrated loyalty. The strengths of these relationships directly affect the bottom line : evidence shows that it is much more expensive to acquire a customer than to keep one.[1]

This paper is an effort towards analyzing the branding practice in the banking industry.

Realising the benefits of branding, the banks with brand value have even gone to the extent of changing their appeal, their logos and have taken new logos, which signifies their new avatar. Some of the recent rebranding stories are as follows -

1. Canara Bank
2. Bank of Baroda
3. AXIS Bank
4 South Indian Bank
5. Jammu and Kashmir Bank
6. Union Bank of India

1. Canara Bank :

In the words of Canara bank, the new brand identity is based on the idea of a bond and is a representation of the close ties between the Bank and its many stakeholders- from customers and employees to investors, institutions and society at large. The two seamlessly connected links capture the essence of this partnership.

* *Manager - Marketing, Punjab National Bank.*

1. *Branding for Banks, UBS News for Banks IV/2003*

Old Logo

New Logo

The colour palette and typography has been carefully chosen. The rich blue represents stability, scale and depth. This contrasts with accents of bright yellow that evoke optimism, warmth and energy. The Canara Bank logotype has been handcrafted. Its classic, serif letterforms communicate heritage and stature.

This whole exercise shows that the new logo of Canara bank has been designed to bridge the gap between its stake holders and also to bring a new look with the new age definitions, keeping its association with the past while maintaining its rich heritage.

A survey conducted of a few respondents indicated that the new logo of Canara Bank was instantly captured and had good recall among the customers. The customers and the public quickly forgot the old logo. Canara Bank managed to promote its new brand and the associated message to the public at all levels. This helped it to position its brand in the minds of the customers.

2. Bank of Baroda :

The new brand logo of Bank of Baroda also called the Baroda Sun has brought new identity to the bank.

Old Logo New Logo

Bank has also gone for aggressive marketing after the change of logo. The bank's regional image also transformed to a national image.

Earlier people used to treat Bank of Baroda as a Regional Bank but after the change of logo the perception of the people changed and the new logo gave bank a national image which was a new transformation.

The bank's slogan also changed to 'India's International Bank' which gave it the image of having the maximum number of overseas branches while in reality other bank's have larger number of international branches in comparison to Bank of Baroda. The bank was able to gain back the market share it lost to competition. It was one of the banks which has successfully harnessed the potential of re-branding and re-positioning of its brand- the Baroda sun.

3. AXIS Bank :

The change of logo by UTI Bank to AXIS bank was not by choice but by compulsion. The UTI bank logo or in other words the brand UTI belonged to UTI Asset Management Company. The new identity retained its burgundy colour and the word A was taken as logo from the first letter AXIS bank. The new logo depicts a strong growth path for the bank supported by a strong base, indicating that the bank is moving on from a position of strength. AXIS bank spent around 50 crores on the rebranding exercise.

Old Logo

New Logo

4. South Indian Bank :

South Indian Bank wanted to shed its image of being a traditional regional bank so it went for a makeover and changed to a new logo which had bright colours. With this new look it is looking forward towards better customer service and new image in the minds of the customers.

The bank tends to achieve new heights with the induction of new logo and design.

Old Logo

New Logo

5. Jammu and Kashmir Bank :

Jammu and Kashmir Bank has also shed its traditional image and changed to a new look and design. J & K Bank wants to project its image as a forward-looking modern bank with a rich heritage. The new logo depicts the message of modern banking.

Old Logo

New Logo

6. Union Bank of India :

The rationale as explained by Shri. M. V. Nair, Chairman of Union Bank of India for rebranding exercise- "We realised that the population is getting younger, technology is all pervasive and the relevance for the banking industry is increasing as more and more foreign banks are coming to India."

Old Logo

New Logo

The Mudra group which has designed the logo for Union Bank of India has gone through focussed group interviews to come to the final design. As expressed by Madhukar Kamath, MD and CEO, Mudra group - "The challenge was to embark on customer centric exposition to get the reason for the change. We had to reflect the dynamic face of the brand without destroying what lies at the core".

If all the above examples are analysed carefully then we will observe a great similarity among them. Except AXIS Bank which had to change its name from UTI Bank to AXIS Bank by compulsion. All other banks had to re-brand image to shed their image of being a regional bank.

All the banks were looked upon as a traditional bank and their logos also strengthened their image. The new logos being chosen by them are more vibrant and are having bright colours which shows their having a modern look. The young generation customers who are the key to the future, would like to associate with such a bank which matches their personality. Customer tends to associate with the brand whose personality matches with the individual personality of the customer.

But all are not in the favour of the re-branding being done by the Indian banks. Many have suggested to be cautious before going for a rebranding exercise. Banks work on trust. Thus the success of any re-branding exercise campaign lies in integrating the new look by retaining the old allure. It's like old wine in a new bottle. The packaging has changed but the quality remains the same. The re-branding should also reflect the change in the attitude of the employees and a new approach to servicing the customers. If the re-branding is not supported by the increased service approach and better service then the gain obtained by re-branding is soon lost and the brand positioning suffers in the eyes of the customers as the customer's expectation towards the service rendered increases with the re-branding. This may lead to devaluation of the brand. This may be detrimental for the brand in the long run.

Shri. K. Srinivasan, President and CEO, Prime Point Public Relations Pvt. Ltd. and Prime Foundation, Chennai during Indian Banks' Association and Consumers Association of India's conference said -

"Re-positioning and follow up needed not re-branding!

Another area, wherein the Public Sector Banks have now started spending hundreds of crores is the 'Re-branding' exercise. They change the logo and spend huge amount towards stationery, painting of boards, huge advertisements, etc. Recently, few banks have gone for such massive re-branding exercise.

Public Sector Banks carry more than 100 years of expertise and skills. Public Sector Banks have to dwell on their strengths. And their strengths are many. In order to shake out the perception of the people that the bank is a old fashioned one, they need to're-position' themselves. This re-positioning does not cost much.

Re-positioning is different from re-branding. They need to use their expertise to bring in innovation of products and services to suit the customer needs. They cannot depend on the new logos, without improving their products and services. Instead of spending such huge hundreds of crores of rupees on redesigning their logo and connected expenditure, they should have invested one-tenth of the amount towards improving their PR and Communication strategies and services. Even after spending, they need to follow up through integrated marketing communication.

Public Sectors are copying the unwanted strategies like 'change of logo' from the private sectors and MNCs, which are not suited for Indian mass banking. Unfortunately, they fail to adopt wonderful practices from them. I am just putting on caution that with the activism of Right to Information Act and Public Interest Litigations, such practices may lead to unwanted criticisms and allegations. All the unwanted huge costs on technology and re-branding are adding only the cost to the customers, without any benefit."[2]

So, it can be concluded that re-branding exercise is a tricky affair. Merely changing a logo is not re-branding, the real re-branding is when the service approach and attitude of the staff changes. The re-branding reflects in action and not in picture or communication. The re-branding should be reflected in the service delivery process. Brands are powerful assets that must be carefully developed and managed. Brands with strong equity enjoy competitive advantage. So, there is need for a detailed study towards measurement of brand effectiveness in the changing brands or re-branding exercise being undertaken by various banks. Some banks like Bank of Baroda have done careful post re-branding assessment. Sample- Bank of Baroda has lost business the size of a Dena bank in the 5 years before its re-branding. Its market share shrunk from 5 percent to 3.5 percent but in two years after the re-branding exercise and roping in Rahul Dravid, its brand ambassador, BoB claims to have gained business the size of Vijaya Bank.[3]

Product Branding

A careful analysis was being conducted of the product branding exercise of different private and public sector banks. The results of the findings of the study are enumerated below -

The whole of the product branding study can be divided into three parts based on the product segregation in the banking sector -

a. Asset Products (Loan Products)
b. Liability Products (Deposit Products)
c. Third Party Products and Services.

There is no specific strategy being adopted by the banks for branding their products but on careful analysis the following observation arises from the study.

A. Asset Products (Loan Products) :

From our study we found that most of the public sector banks adopt either the functionality as the branding study and umbrella branding was being adopted for branding the Asset products. Few examples are -

1. Car Loan :

Canara Bank names its car loan product as Can Mobile (Here Can Stands for the umbrella brand Canara and mobile depicts the functionality or the objective of the loan), similarly Syndicate Bank names

2. K. Srinivasan, President and CEO , Prime Point Public Relations Pvt. Ltd. and Prime Point Foundation, Chennai.
3. List of re-branding banks grows 2010-07-25 Sify.com

its car loan product as 'Synd Vahan' (Synd stands for the umbrella brand name Syndicate and Vahan is Hindi name for vehicle). Bank of India extends its Star umbrella brand name to all the products and in this case also it names its car loan product as 'Star Auto finance' (where Star stands for brand BOI and Auto finance depicts the vehicle loan purpose). But not all banks use such distinct brand names for naming their vehicle loan or car loan products. Many of the banks simply name it car loan or vehicle loan or four wheeler loan to just depict the objective or the purpose of loan.

In case of private sector banks we have observed that they simply name the car loan product as 'Car Loan' or 'vehicle loan' or 'Four wheeler loan' with an exception to AXIS bank which names its car loan product as 'Power Drive'.

2. Home / Housing Loan :

In case of housing loan some banks name it just housing loan but few public sector banks name it as below -

- Syndicate bank - Synd nivas (Synd the umbrella brand for Syndicate bank and Nivas in Hindi means living place)
- Bank of India - Star home loan (Here is another example where Bank of India's Star is prefixed to the home loan product).

  Private sector banks simply name housing loan products as home loan again with the exception of AXIS Bank, which names its housing loan product as 'Power Home'. In case of AXIS Bank it has been observed that the loan product is prefixed by Power depicting empowering the customers by AXIS Bank.

3. Education Loan :

All major banks utilise the name of Education Loan for promoting the education loan but various banks have branded the education loan as well. Some of the examples which name it differently are as below -

- Punjab National Bank - Sarvottam Shiksha, Vidyalakshyapurti (Here branding has been done to differentiate the two product offerings by naming them differently but the branding fails to differentiate the objective and distinction between the two offerings. In this case no umbrella branding strategy has been adopted).
- Syndicate Bank - Synd vidya (here we observe the Synd umbrella brand being prefixed to the product objective- Vidya meaning education).
- Canara bank - Vidyasagar (Here we observe that no umbrella branding strategy has been adopted, just Vidyasagar)
- Bank of India - Star Education Loan (Simply the umbrella brand 'Star' of bank of India has been prefixed to education loan product).
- AXIS Bank - Study power (In other cases we had observed that Power was prefixed to the product but here power has been suffixed to the Study the objective of education loan).

  Other banks name their education loan product as education loan.

4. Loan for Travel :

Few examples to quote the type of branding for this type of product are given below :

- Punjab National Bank : Paryatak Loan (In this case Paryatak in Hindi means tourist, to define the class of loan or the target segment of the loan product. No umbrella branding strategy being adopted).
- State Bank of India : Easy travel loan (The travel loan is the objective of the product and the word easy denotes the convenience and ease of getting the loan but no umbrella branding strategy being adopted.)
- Bank of Baroda : Desh Videsh Yatra Loan (No umbrella branding but the words in Hindi defines the purpose of loan).
- Canara Bank : Can Travel (Can is the umbrella brand and the Travel depicts the purpose of the loan).
- Bank of India : Star Holiday scheme (Star is the umbrella brand of BOI and the Holiday denotes the loan objective for leisure and travel during holidays).

- Observations : It is being observed that most of the banks are not resorting to umbrella branding strategy in case of travel loan products but the loan product nomenclature is not universal in appeal. The Hindi naming of the products may appeal to the northern Hindi speaking belt but may not appeal to the audience of the non Hindi speaking belt. Nomenclature of a brand should be in such a way that it has Universal appeal.

5. Other products :

SBI utilizes the product branding name for few of the products as given below :

- Teacher's Loan : Teacher plus scheme (Based on the target segment to whom the product is being targeted).
- For soldiers : Sainik plus scheme (Based on the target segment to whom the product is targeted)
- PNB (For soldiers) : Sainik bachat khata yojana (Based on the target segment to whom the product is targeted)
- General observation : In asset product branding we found that most of the public sector banks prefix their short names before the products. For example Canara Bank prefix 'CAN' before asset products, Punjab National Bank prefixes 'PNB' before products, Bank of Baroda prefixes 'BoB', Syndicate Bank prefixes 'Synd', Bank of India prefixes 'Star' before product names.

B. Liability Products (Deposit Products) :

In case of liability products hardly any branding strategy is being observed in the banking industry. Except few products all the products are named simply according to the functions like Saving fund account, Tax saver deposits, Current account, Fixed Deposit, Recurring deposit, Student account etc. but few banks have branded a few products differently which are targeted at either a premium customer group or at a particular segment. Few examples are -

1. Student Account :

Punjab National Bank names its Student Account as PNB Vidyarthi, ICICI Bank names its student account as Young Stars.

2. No Frill account :

PNB names its no frill account as PNB Mitra saving account, SBI names its no frill account as Basic Banking No Frill A/C, Syndicate Bank names its no frill account as Synd Samanya SB A/C, Bank of Baroda names its no frill account as Nagrik bachat khata, Canara Bank names its no frill account as Can Saral Saving A/C.

3. Saving fund sweep account :

PNB names its saving fund sweep account as Prudent sweep account, SBI names it as Saving plus account, Syndicate Bank names it as Synd Super Premium Saving Bank A/C, Bank of Baroda names it as Super saving account, Bank of India names it as BOI Saving Plus Account and ICICI Bank names it as Special saving account.

Except the above distinct account names generally no specific branding strategy is being adopted in the case of Liability products. Private sector banks adopt simple branding approach based on the objective of the account and the target segment. Some of the accounts are classified according to target segment like Classic, Premium, Gold, Diamond etc.

C. Third Party Products and Services :

No specific branding strategy is being adopted for third party products. Sometimes, the name of the selling bank is being associated with the product. Since, the third party products are not the core products of the bank and the bank sells it as value added service to the customer and earns commission on sales therefore bank cannot brand those products as its own. Secondly, the products being sold by the bank are owned by some other institution and they have separate branding strategy of their own so banks cannot brand someone else's product as its own.

From the above observations and analysis it is very clear that the banking sector in India doesn't adopt a particular branding strategy for branding its product nor the principles underlying the product and services branding is taken care of while branding the products like product name recall, brand recognition etc. Private sector has tried to keep branding at minimal in respect of realign products. They have encouraged branding of the bank as a whole. The product names have been kept simple in order to have proper understanding among the customers. Too complex names or names having regional influences have negative impact on the minds of the customer. Corporation Bank although names its product traditionally but also mentions the core product in brackets for better understanding of the customers. Banks in India have to realize that product branding is aimed towards the customers and if the customers are not able to understand the product and the given attributes then the efforts of branding such product is lost.

There is need and scope for further study to develop a proper product branding strategy and to understand the need of re-branding of the banks. The re-branding of the banks involves heavy cost and it involves all the stakeholders of the bank. Therefore, it is a must to analyse the need of re-branding. Re-branding may alienate the bank from its loyal customers who would like to be associated with their old brand while the new image may or may not project the right image of the banks at the target audience. Similarly, the product branding needs to be looked into more deeply. A detailed study is required to be done to analyse the right approach towards product branding, as the product branding conveys the purpose or objective to the target customer segment as well as differentiates itself from other similar products in the minds of the customers. Today, the customers are more educated and well informed. The customer mindset is changing rapidly so the brands have to be in accordance with the customer's taste and preferences and only then would a brand be successful in achieving its objective.

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Work Life Balance - DILEMMA of Indian Bank Manager

Dr. Narayan Kayarkatte *

- Consolation Prize

Introduction :

“I have not seen my husband's face in sunlight on weekdays during last six months since the day he was promoted as Branch Manager” said Rohini, a housewife (Manager's Wife) during the research interview. The case was no different with many other similar home makers though their responses were different. Almost each and every, the Manager's wife, felt that she did not receive the time and attention from her husband to the extent she needed from him. On the other hand, most of the Managers also felt that they were not able to give proper attention to their families as well as to their work. So, the mismatch was evident in most of the cases, that there lies a marked imbalance in the work-life of, especially, the middle level Bank Managers in the bigger cities and metros.

The Conceptual Framework :

Work-life balance (WLB) is a broad concept denoting the balance between the professional life and personal life of an earning person and includes proper prioritizing between "work" (career and engagements) on one hand and "life" (pleasure, leisure, family and spiritual development) on the other. Other terms for this concept often used are “lifestyle balance" and "life balance” (Wikipedia). The expression[1] was first used in the late 1970s to describe the balance between an individual's work and personal life. In the United States, this phrase was first used in 1986.

Despite the worldwide quest for Work-Life Balance, very few have found an acceptable definition of the concept. It is pertinent to note that Work-Life Balance does not mean an equal balance as it varies over time. The right balance for one when he / she is single, will be different when one marries, when one begets children, when one starts a new career and when one is nearing retirement. The best work-life balance is different for individuals because they have different priorities, different objectives and, of course, different partners and family members hailing from distinct socio-economic backgrounds.

Impact of Technology :

Over the past few years, there has been a considerable increase in work which is felt to be due, in part, by information technology and by an intense, competitive work environment. Long-term loyalty and corporate community feelings have been eroded by a competitive performance culture that expects more and more from their employees threatening the job security. Probably we thought that technology would eliminate most household chores and provide us with much more time to enjoy leisure activities; but what turned out is a more hectic, impersonal and mechanical work atmosphere leading to more burn out situations.

Review of Related Literature :

Employee Assistance professionals say, there are many causes for this situation ranging from personal ambition and the pressure of family obligations to the accelerating pace of technology. According to a recent study[2] for the Center for Work-Life Policy, 1.7 million people in West consider their jobs and their work hours excessive because of globalization. These difficult and exhausting conditions are having adverse effects. According to the study, sixty-four percent of workers feel that their work pressures are "self-inflicted" and they state that

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1. *'New Ways to Work', 2006, Publication of The Working Mother's Association, United Kingdom.*
2. *Anderson, Jennifer, 2005, Report Highlights, Gap Between European and US Vacation Time. Ergo web, retrieved 20 June 2010*

it is taking a toll on them. The study shows that seventy percent of US respondents and eighty-one percent of global respondents say their jobs are affecting their health. Between forty-six and fifty-nine percent of workers feel that stress is affecting their interpersonal and sexual relationships. Additionally, men feel that there is a certain stigma associated with saying "I can't do this".

According to a new study by Harvard and McGill University researchers, the United States lags far behind nearly all wealthy countries when it comes to family-oriented workplace policies such as maternity leave, paid sick days etc. Jody Heyman, founder of the Harvard-based Project on Global Working Families and director of McGill's Institute for Health and Social Policy, states that, “More countries are providing the workplace protections that millions of Americans can only dream of. The U.S. has been a proud leader in adopting laws that provide for equal opportunity in the workplace, but our work / family protections are among the worst.”[3]

Relation between Stress and Work-Life Balance :

The number of stress-related disability claims by American employees has doubled in the past ten years according to the Employee Assistance Professionals Association in Arlington, Virginia. Seventy-five to ninety percent of physician visits are related to stress and, according to the American Institute of Stress, the cost to industry has been estimated at $200 billion-$300 billion a year.[4] Steven L. Sauter, chief of the Applied Psychology and Ergonomics Branch of the National Institute for Occupational Safety and Health in Cincinnati, Ohio, states that recent studies show that "the workplace has become the single greatest source of stress".[5]

It is clear that problems caused by stress have become a major concern to both employers and employees. Symptoms of stress are manifested both physiologically and psychologically. Persistent stress can result in cardiovascular disease, sexual health problems, a weaker immune system, frequent headaches, stiff muscles, or backache. It can also result in poor coping skills, irritability, jumpiness, insecurity, exhaustion, and difficulty in concentrating. Stress may also perpetuate or lead to over eating, smoking, and alcohol consumption.

One of the major reasons for work stress can be traced beyond the workplace to the role conflict one undergoes due to the pulling of family and organizational demands in opposite directions. Role conflict exists when an individual in a particular work role is torn by conflicting demands or doing things he or she really does not want to-do or does not think will give job satisfaction.[6]

Gender and WLB

It is often felt that if a woman takes time off to care for her children or parent, employers tend to see these people as less than fully committed. When they go for maternity leave, many women resign and then re-enter, by even accepting lesser positions or lower wages. Research conducted by the Kenexa Research Institute (KRI)[7], a division of Kenexa, evaluated how male and female workers perceive work-life balance and found that women are more positive than men in how they perceive their company's efforts to help them balance work and life responsibilities. The report is based on the analysis of data drawn from a representative sample of 10,000 U.S. workers who were surveyed through Work Trends, KRI's annual survey of worker opinions. The results indicated a shift in women's perceptions about work-life balance. In the past, women often found it more difficult to maintain balance due to the competing pressures at work and demands at home.

Women in Banking :

The nationalization of the Indian banking sector in 1969 served as the first major step to reduce gender discrimination against women in banking jobs. The general perception of the private sector bank recruiters appears to be that women are more diligent towards their duty, and have a much smaller incidence of being involved in corrupt and fraudulent activities against the interests of the bank. However, at the same time, another perception mindset that goes against women rising to

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7. *Kenexa Research Institute, 2008, Work-life balance perception by women, Kenexa Report July 25, 2007.*

higher management positions in banking seems to be that women are not as ambitious as men, and largely have a clerical working mindset.

The new employment mantra for the banking organizations as well as for the women aspiring to reach the top in India's banking sector is perhaps best summed up in the words of Ms. Chanda Kochhar : "While many women have moved forward in ICICI, they have done so because they have worked as hard and as many long hours as men have. That's the way going forward. Organizations should look at merit and not discriminate based on gender. Similarly, women should not expect any special advantages or favors. If they want to grow, they have to put in the hard work and the hours and the travel that's required."[8]

Women who are looking to strike a better balance between work and familial responsibilities tend to prefer jobs in the banking sector. Banking jobs are perceived to provide a better stability, lesser travel, regular working hours, and a secure work environment, unlike many field jobs. Nevertheless, for top management banking positions, the wind still appears to blow strongly in the favor of men in terms of sheer numbers. But there are shining examples like Ms. Naina Lal Kidwai of the HSBC, Ms. Manisha Girotra of the Swiss Bank UBS in India, and Ms. Chanda Kochhar of the ICICI Bank, who have made it to the very top in Indian banking.[9] Today, Indian banking has many Women Executive Directors and Chief General Managers.

Impact of Imbalance :

Though an ideal work life balance may be far from reality, extreme imbalance is harmful to the individual and the organization. The impact of imbalance may manifest in psychological, behavioral and sometimes even health disorders in the person as well as among the family members. The effect is more visible generally in either or both spouses and to a certain extent on children and dependent parents. The extreme end results may lead to a discord in marital life, neglected children and dejected parents.

The Indian Bank Manager :

The word Bank Manager, for the purpose of study, refers to all those officers who head the Bank branches and includes those who are solely responsible for certain business verticals like Manager (Deposits), Manger (Credit cards), Sub Manager (Credit) or any other responsible officers, in whatever designations they are identified. The public sector banks and old private sector banks have almost similar designations for these managers and their work responsibilities and accountabilities are also similar. They are in the middle level management and are generally in the fast promotion track and happen to be quite ambitious and achievers in their careers. The responsibility is all pervasive, accountability is focal and the developmental role is deemed as 'with unlimited scope'. Manager is the single point spokesperson answerable to top Management, employees, operational level unions and customers. All the correspondence received by and emanating from the branch are addressed to and attended by these Managers. Therefore the Managers wear a self stitched gown of a 24x7 professional role.

A study on job stress of Nationalized and Non Nationalized Bank Employees by Prof. Dileep Kumar[10] has found a significant difference in the level of occupational stress between Nationalized and Non-Nationalized bank employees. He found that occupational stress was higher among Non-Nationalized employees compared to Nationalized Bank employees. The technology led new generation private sector banks have a different set-up compared to Public sector banks and demand higher performance levels from heads of strategic business units (branches).

Study of WLB with Respect to Bank Managers :

A pilot study on work life balance of Managers was conducted with descriptive as well as exploratory approach. The study revealed certain interesting facts in the professional life of Managers and also came across some innovative coping strategies adopted. A few

8. *Interview given to Knowledge Wharton Network, a global publication of the Wharton School of the University of Pennsylvania, published on Feb. 6, 2008. http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4257*

9. *"The Power list in retrospect" Business Today, October 2, 2008*

10. *Dileep Kumar. M, 2006,"A Study of job stress of Nationalized and Non Nationalized Bank Employees", Research paper, www.indianmba.com / Faculty column.*

individual cases were studied in detail therein using personal interview and observation techniques. In addition to the Bank Managers, their spouse was also contacted to explore more details of their work life balance. The area of study was limited to Mangalore city only. Though interviews were structured, some open ended questions were loaded to understand individual details. Though the individual cases may not be sufficient to generalize and draw inferences, the findings definitely could throw light and give direction for further exhaustive study on the subject.

The Findings of the Study

The average age group of Managers of PSU Banks is past fifty. Forty percent of them are diabetic and about ten percent are taking medicines for hypertension. Most of them agree that they are not tech savvy. Except for the usual mail checking or using the available software for accounting, they would not be able to apply any new features. They are unable to even understand, rectify simple hardware related issues. Many of the Managers live away from families and meet their family once in a week or fortnight. In some cases, the travel to work place alone consumes more than three hours prime time per day, which they feel is neither available to the bank nor to the family.

On the positive impact of technology, they feel that the mobile telephones, Skype / email facilities help them a lot in coping with work-life demands. Most of the managers have children grown up or settled and do not need close personal attention, where as in private sector banks the managers are younger, and have to take care of young children for schooling and medical needs.

There is a lot of change in the food and eating styles. Family expects to be accompanied for a change to restaurants and food courts at least once in a week. Even at home, members rarely share the table at the same time. They feel that they are unable to view their favorite TV programs or folk arts like Yakshagana (specific to Mangalore) together with family, partly attributed to time constraints caused by the work schedule.

Managers feel that the imbalance (WLB) is severe in the initial six months and there after coping and adjusting takes place both in family front and office situations. The thought of retirement and even voluntary retirement quite often passes through their mind. The feeling of imbalance is more among single working families compared to the cases where the spouse is also employed.

Some Suggestions :

Until recently, most organizations have taken a one-sided “systems” approach to their work-life efforts. Their focus has been on adopting organization policies, benefits, and procedures to solve the work-life-balance problem. Although helpful, the systems approach overlooks a critical fact : At its core, work-life balance is more an individual issue that affects the organization than an organizational issue that affects the individual.

The systems approach asks, “What can the organization do to create a better work-life balance for the individual?” The other half of the work-life strategy, the “individual” approach, asks, “What can individual employees and managers do for themselves to create their own best work-life balance?” This is popularly known as the two legs of the work-life strategy.[11]

Role of the Bank Managements

Employers can offer a range of different programs and initiatives, such as flexible working arrangements in the form of part time, casual and telecommuting work. More proactive employers can provide compulsory leave, strict maximum hours and foster an environment that encourages employees not to continue working after hours. Research[12] by Kenexa Research Institute in 2007 shows that those employees who were more favorable toward their organization's efforts to support work-life balance also indicated a much lower intent to leave the organization, greater pride in their organization, a willingness to recommend it as a place to work and higher overall job satisfaction. The various WLB initiatives enlisted here (Table-1) may help to select, modify, adapt and implement the strategies in the banks.

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11. Jim Bird, 2006, “Work-life balance, Doing it right and avoiding the pitfalls”, Employment Relations Today, Autumn 2006, Vol. 33, No. 3, Wiley Periodicals, Inc

12. Kenexa research paper2007, op.cit.

Table - 1 : WLB Initiatives in the Western Countries	
Country	**WLB Initiatives**
The United Kingdom	- Partnership and Challenge Funds - Support for Employers - The Right of Parents to Request Flexible Working Arrangements - Development of Management Standards to Reduce Work-Related Stress
New Zealand	- Awards Program - Key Provisions in Current Legislation - Parental Leave and Work-Related Stress
Australia	- Australia's National Work and Family Awards - Evaluation Guide for Employers - Legislative Role in Enforcing Work-Life Balance Practices
The Netherlands	- Adjustment of Hours Law - Work and Care Act - Long-term Care Leave - Flexible Use of Holiday Entitlements and "Leave Saving" - The Life-Course as a Central Policy Focus
Denmark	- Longer and More Flexible Paid Maternity / Parental Leave - Amendments to the Act on Part-time Work - Recent Discussions about Work-Life Balance
Sweden	- Flexible and Extended Parental Leave Benefits - Work-Life Balance and Sick Leave - Action Plan for Better Health in Working Life - Flexible Working Time - Sabbatical Leave
France	- Reduction in Working Time
Belgium	- Introduction of Time Credits
Ireland	- Ireland : From Family-Friendly Work Arrangements to Work-Life Balance for All
The United States	- Resolution to Proclaim "National Work and Family Month"
Source : http://www.hrsdc.gc.ca./eng/lp/spila	

It is generally only highly skilled workers who can enjoy such benefits as written in their contracts, although many professional fields would not go so far as to discourage workaholic behavior. The legal requirements are low in India especially when it comes to officer level employees. Authorities may assure a legal work-life balance framework, for example pertaining to parental leave, diversifying the accountability and allowing the family needs as official.

Another major intervention by Bank Managements is to introduce dual-purpose work and life training for Managers. Dual-purpose learning is education that applies both to learners' on-the-job lives and to their off- the-job lives. It has proven to be the quickest way to accomplish the organization's most critical work objectives and the individual's work-life balance objectives simultaneously. There are experts who can handle such training and also online training and counseling are also available, e.g. www.worklifebalance.com.

Role of the Individual :

The other leg of the two leg theory is the individual himself who has the main stake in his personal and professional life. Bank Managers being empowered as branch heads can also play a role of facilitating WLB to self as well as employees working with them. Renowned occupational therapist Charlotte[13] suggests the following five points :

1. Figure Out What Really Matters to You in Life
2. Drop Unnecessary Activities from your do list.
3. Protect Your Private Time
4. Have courage to say no for what you feel you are not cut for.

13. Charlotte, MD, 2006, www.webmed.com/charlotte-grayson.

5. Find peace at the end of every conflict. Do not delay peace for yourself

Achievement and Enjoyment are the front and back of the coin of value in life. Managers should remember that one without the other can bear no value like a coin with only one side. Trying to live a one sided life is why so many so called successful people are not happy, or not nearly as happy as they should be. You cannot get the full value from life without both accomplishments and enjoyment. The first thing to think should be the organization for achievements and the family for enjoyment.

Celebrate at home your success in office and celebrate at office the good things that happen at home. The promotion parties, birthday sweets and family functions are some such occasions to enjoy. Arrange family picnics, dinners at least once in a month to give a family touch to office life.

Establish a “disconnect from work” vacation policy - no cell phones or laptops at least twice in a year to start with.

Keep the spouse informed about the happenings in office, details of colleagues etc. This enables the spouse to understand and appreciate office pressures and to socialize with colleagues.

Use your cell phone liberally to keep in touch with the family daily, especially when you are on tours.

Incentivize your tours. A manager used to give the savings in each tour and any incentives earned in office to his wife as pocket money to make good for her sacrifices.

Remember always that each case is different and each individual can have his own strategy, but be aware that WLB is something which should not be lost sight of, lest you should suffer in both the worlds i.e. Office and Home.

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What is a macroprudential instrument?

The term "macroprudential" has become so popular since the crisis that its use has spread to many policy measures whose primary goals lie beyond the specific realm of financial stability. Such indiscriminate extension risks impeding and obscuring policy development, and thus undermining public support for macroprudential policy.

Many policy functions - including monetary, fiscal and exchange rate policy - can, and often do, promote financial stability in one way or another. But only instruments operated with the explicit primary objective of promoting the stability of the financial system as a whole, and which have the most direct and reliable impact on financial stability, should be thought of as macroprudential.

Those tools are prudential tools. Macroprudential policy essentially broadens the perspective of traditional prudential policy, whose tools promote sound practices and limit risk-taking at the level of individual financial institutions and instruments. The definition of a macroprudential instrument certainly has grey areas, and the suitability of tools can change as the structure of the economy and financial system changes. For example, reserve requirements are seeing increasing use in emerging market economies for financial stability purposes, and could be seen as macroprudential to the extent that they limit liquidity risk.

Conceiving of the core set of macroprudential instruments as overlays to existing prudential instrument settings, or as adjustments to those settings, has the practical advantage of clearly distinguishing macroprudential measures from microprudential settings of the instruments. Implementation in the form of overlays highlights the independence of the macroprudential function and the difference between the macroprudential and the microprudential perspectives. It clarifies the focus of macroprudential policy, which is to target the stability of the financial system as a whole, rather than that of individual institutions within it. Moreover, this rigorous definition of macroprudential instruments helps keep governance arrangements simple and thus more likely to promote accountability and clear policy.

Source : BIS 80th Annual Report 2009-10.

Inaugural Address by His Excellency Shri K. Sankaranarayan, Governor of Maharashtra

Shri M. V. Nair, Chairman and Managing Director, Union Bank of India, Dr. R. Bhaskaran, CEO, Indian Institute of Banking & Finance, Distinguished Invitees, Members of Faculty of the Institute, office bearers, ladies and gentlemen...

I am indeed delighted to be in your midst today for the inauguration of this magnificent new corporate complex of the Indian Institute of Banking and Finance.

For 83 long years, the Institute has catered to the education and training needs of the banking and finance sector and their professionals. The fact that the Institute has over 700 banks and financial institutions as institutional members and about 400000 of their employees as individual members speaks volumes of the pivotal role, the Institute is playing in the banking and finance sector.

I congratulate the Institute for its outstanding services to the nation and to the banking profession in the country. I also congratulate each one of those associated with the institution on the joyous occasion of moving into this new premises.

Ladies and gentlemen,

Since the time of thinkers like Adam Smith, the role of finance in the development of the economy has been realized.

The philosophy of banking as a vehicle of growth has undergone phenomenal changes over the years. Pandit Jawaharlal Nehru looked at Banks as the most fundamental vehicles for eradication of poverty in the country.

The late Prime Minister Smt. Indira Gandhi, in a historic move nationalized 14 Banks in the year 1969. It is interesting to recall that the decision of Smt. Indira Gandhi was described by the late Shri Jayprakash Narayan as the 'masterstroke of political sagacity'.

Providing banking to common man at a cost affordable to him was a dream of Mahatma Gandhi and I am glad that we are working towards the fulfillment of the dream by bringing customer at the centre of our efforts.

The past two decades has been a challenging time for the banking sector in India. It has coped well with these challenges and has emerged stronger from difficult times.

The conservative policies that we have followed and administered have paid us rich dividends in the form of financial stability.

Today nations of the world are wondering how India could insulate itself from the economic crisis that had gripped the global economy in 2007 and 2008. Thanks to our sound financial system, wise leadership of our Prime Minister Dr. Manmohan Singh and the prudent policies pursued by the Reserve Bank of India, not even a small cooperative bank closed in our country. On the contrary, there has been robust growth of our banks; and their profits are growing.

While the banking sector has responded well so far, there are several challenges that lie ahead. Our banking system needs to equip itself to deal with emerging challenges. We have to go a long way in reaching out to the people to make our banking and financial services inclusive.

In case of rural India, the proportion of population who do not have access to any kind of saving and insurance facility from formal institutions is three-fourth and four-fifth respectively. So the biggest challenge is to increase the outreach of our financial services.

Financial inclusion can help in reducing inequality and poverty in our country. Over a period of time, it contributes to social prosperity. Credit, savings and insurance facilities will enable the poor to take advantage of financial resources beyond their own capabilities.

In the absence of inclusive formal financial system, poor people and small entrepreneurs have to rely on informal sources because of their timely availability and easy accessibility, although at a much greater interest burden.

It would be ideal if banks could adopt the accessibility, flexibility and timeliness of informal sources in providing services like savings and credit to the deserving poor, especially the small and marginal farmers.

There is also need for banks to provide adequate long-term finance to small and medium industries.

India's strength lies in its vast pool of human resources and how we are going to leverage them to our advantage. I do feel that the banking system should play a proactive role in promoting higher and technical education and vocational training in the country by offering education loan to maximum number of needy students. It should also devise attractive schemes to promote enterprise and self-employment ventures among the youth and women.

Reforms in the banking system have brought about a paradigm shift in the way banks function in India. With stiff competition offered by private players, banks today have been called upon to provide all financial products and services under one roof. For this purpose, we need staff and officers who are customer friendly, knowledgeable and can do multi tasking. The role of Indian Institute of Banking and Finance assumes greater significance here.

I am glad to note that the Institute has kept pace with the requirement of the banking industry and has designed various innovative programmes and short and long term courses to suit the requirements of banks. I do hope that the Institute will give its faculty and students international exposure so that they are equipped with the latest trends in banking.

With these words, I congratulate the Indian Institute of Banking and Finance on the joyous occasion of the opening of its new Corporate Office and wish the institution Godspeed in its future endeavours.

Thank you !

हरित आइटी

हरित कंप्यूटिंग अथवा हरित आइटी से तात्पर्य पर्यावरण की दृष्टि से धारणीय कंप्यूटिंग अथवा ऐसी आइटी से है जो और अधिक पर्यावरण-अनुकूल हो। हरित कंप्यूटिंग को कंप्यूटरों, सर्वरों और संबद्ध उप प्रणालियों जैसे मॉनीटर, प्रिंटर, स्टोरेज डिवाइस, तथा नेटवर्किंग और संचार प्रणाली-की डिजाइनिंग, विनिर्माण, उपयोग और निस्तारण का अध्ययन एवं व्यवहार कुशलतापूर्वक एवं प्रभावी तरीके से करने के रूप में भी परिभाषित किया गया है, जिसका पर्यावरण पर न्यूनतम अथवा कोई प्रभाव नहीं होता हो। आधुनिक आइटी प्रणाली मनुष्यों, नेटवर्क और हार्डवेयर जैसे जटिल मिश्रणों पर निर्भर है, अतः एक हरित कंप्यूटिंग प्रयास में इन सभी क्षेत्रों को कवर किया जाना चाहिए। हरित आइटी के दूसरे पक्ष में अन्य उद्योगों के पर्यावरण के प्रभाव को कम करने के लिए आइटी सेवाओं के उपयोग को शामिल किया जाता है।

हरित कंप्यूटिंग का उद्देश्य उत्पाद के जीवन काल के दौरान ऊर्जा की बचत को अधिकतम करना और पुराने उत्पादों तथा कारखाना अपशिष्ट का पुनरुपयोग अथवा जैव अपघटन करना है। हरित आइटी से जुड़े सिद्धांतों को अपनाने से मिलने वाले लाभ निम्नलिखित होंगे : (i) उपकरणों के कम उपयोग और अधिक कुशलता से परिचालन के माध्यम से ऊर्जा लागत को घटाना, (ii) लागत अकुशलता को कम करने के लिए आइटी प्रक्रिया को कारगर बनाना और पर्यावरण के प्रभाव को कम करना, (iii) लचीले और दूरस्थ स्थान में काम करने वाले अधिक सचल तथा प्रवीण कार्यदल को और समर्थ बनाना, अनावश्यक यात्रा के कारण कार्बन उत्सर्जन को और कम करना, (iv) सभी आकार के संगठन परिचालन लागत और उपस्कर लागत को कम करके लाभ उठा सकते हैं।

ऐसा सुनिश्चित करते समय ताकि इसको कार्य के सभी क्षेत्रों में अमल में लाया जा सके, निम्नलिखित सूचनाएं मददगार होंगी :

आइटी सेवाएं

- ऊर्जा बचाने वाले डेटा केंद्र और डेटा केंद्र में बिजली की खपत के लिए नवीकरण योग्य ऊर्जा स्त्रोत;
- कम ऊर्जावाले संचार और नेटवर्किंग उपकरण तथा कम ऊर्जा खपत वाली कंप्यूटिंग डिवाइसें;

आइटी इंफ्रास्ट्रकचर

- इन-हाउस नए एप्लीकेशन चलाने के बजाय क्लाउड कंप्यूटिंग और सॉफ्टवेयर-ऐज-ए-सर्विस सोल्यूशन (एसएएएस) का प्रयोग;
- वर्च्युअल प्राइवेट नेटवर्क जैसी प्रौद्योगिकी और सहयोगी उपकरण विभिन्न स्थानों के कर्मचारियों को एक साथ काम करने में मदद करते हैं;
- सर्वर और स्टोरेज वर्च्युअलाइजेशन;
- एक थिन क्लाइंट स्ट्रेटेजी विकसित करना;

कंप्यूटर और डेस्कटॉप मॉनीटर

- कंप्यूटिंग वर्कस्टेशन, सर्वर, नेटवर्क और डेटा केंद्र के परिगणन के लिए वैकल्पिक ऊर्जा स्त्रोतों का उपयोग कर प्रभावी बिजली प्रबंधन द्वारा बिजली खपत को घटाना;
- कार्य न करने के विस्तारित घंटों के दौरान सीपीयू और सभी उपकरणों को बंद करना तथा स्टैंडबाई सेटिंग को चालू करना;
- जरूरत के अनुसार लेज़र प्रिंटर जैसे अधिक ऊर्जा खपत वाले उपकरणों को चालू करना और बंद करना;
- केथोड रे ट्यूब (सीआरटी) मॉनीटर के बजाय लिक्विड क्रिस्टल डिस्प्ले (एलसीडी) मॉनीटर का प्रयोग करना;

कागज़

- पेपर की खपत को कम करना;
- रीसाइकल किए गए कागज अथवा बिना लकड़ी वाले कागज का प्रयोग करना, कागज़, प्रिंटर और पैकेजिंग अपशिष्ट को समाप्त करना;
- कच्चे नोट के लिए कागजों का पुनरुपयोग करना;

प्रिंटर

- सुनिश्चित करें कि प्रिंटर स्टैंडबाइ मोड में हो, जिसे अल्पावधि के लिए बंद करने के पश्चात चालू किया जाना चाहिए;
- स्वचालित डुप्लैक्स प्रिंटर खरीदे जाएं, डुप्लैक्स प्रिटिंग को डिफॉल्ट के रूप में रखा जाए अथवा दोनों तरफ प्रिटिंग के लिए पेपर को हाथ से डाला जाए;

डिजिटल बनिए

- कागज आधारित से डिजिटल प्रोसेस की ओर संक्रमण;
- कार्यालय के दस्तावेज भेजने के लिए हार्ड कॉपी भेजने के बजाय उन्हें अटैच के रूप में संलग्न कर ई-मेल का प्रयोग;

दूरसंचार और सहयोग को बढ़ावा देना

- बैठकों के लिए यात्रा करने के बजाय वेब कॉन्फ्रेंसिंग का उपयोग;
- दूरसंचार के लिए स्टाफ को समर्थ बनाना;

अपशिष्ट प्रबंधन-कम करना, पुनःप्रयोग, रिसाइकल करना

- ई-अपशिष्ट का सही तरीके से निस्तारण;
- कागज़ के प्रयोग को कम करना और अपशिष्ट कागज को सही तरीके से रिसाइकल करना;
- गैर लाभार्थ संगठनों को दान करना;

Source : Trend & Progress, RBI 2009-10.

Photographs of the Inaugural Function

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Since our inception in 1911, we have always played a key role in transforming the lives of individuals across the nation. The Bank has evolved into an ultra-modern one with contemporary products and services providing cutting-edge technologies, and an ever-growing network of branches.

Our dedication to banking is underscored by numerous pioneering initiatives- from being the truly Swadeshi bank, opening the first Ladies Department way back in 1921, to being the first to introduce the Credit Card and a lot more.

We will continue to strive towards being the first with the best by ensuring customer delight with services that are professional, personalized and pro-active. In fact, we're in the process of further strengthening our efforts in financial inclusion by covering more than 15,900 villages. That is not all. Operation Navchetana opens new doors in efficiency thus enabling the Bank to further strengthen its roots and serve customers better.

सेन्ट्रल बैंक ऑफ़ इंडिया
Central Bank of India
"CENTRAL" TO YOU SINCE 1911

APEX/05-11

Welcome Address

M. V. Nair *

His Excellency the Governor of Maharashtra Shri K. Sankaranarayanan, Distinguished Members of the Governing Council of Indian Institute of Banking & Finance

Eminent Guests

Members of the print and visual media

Ladies and Gentlemen,

It gives me immense pleasure to extend a warm welcome to all of you on this auspicious occasion of the inauguration of the new premises of the Institute at the worthy hands of His Excellency, the Governor of Maharashtra. We are indeed grateful to you Sir for having consented to be the Chief Guest despite the busy schedule.

About IIBF : Background

Today's inauguration heralds the beginning of a new chapter in the life of IIBF that was set up about 83 years ago. India's banking sector is positioned to witness a huge growth and massive increase in number of employees over the next many years. These employees will require special skill sets, and moreover, a continuous re-skilling. In order to cater to the needs of the banking sector, IIBF must expand its horizon and scope. Let me give you a brief background of role played by IIBF in banking development in the country.

As country's premier institute in banking and finance education, IIBF was promoted by some visionary bankers of this great city in the year 1928 for imparting banking knowledge and enhancing the skill levels of the bank employees. Since then, the institute has been extending yeomen service to the bankers of this country and expanded and diversified its activities in tune with the changes that have taken place and are taking place in the banking business.

Previously, banking was under the firm handholding by the regulator in all aspects of banking activities and the knowledge and skill sets required were different. However, when the country adopted the process of liberalization, the first and foremost, many changes have happened in the banking and financial sector. On account of ever increasing competition and on account of technological innovations bankers find that different sets of knowledge and skill levels of the banking personnel are required.

Changing Face of IIBF

To be relevant to the changing needs of the banking professionals the institute has embarked on new areas of training and testing in various new verticals of banking. The institute during the last 5 to 6 years has introduced a large number of new examinations either in a certificate mode or a diploma mode on relevant topics like Anti Money laundering & Know Your Customer, Banking Standards, Micro Finance, Business Correspondents and Business Facilitators. It has also started courses for BPO and IT industry, Debt recovery agents. The institute has also tie ups with other institutions of higher learning and jointly conducts programmes on Project Management, Banking Technology, Advanced Management Programme for practicing bankers etc.

The institute is endeavoring to support and supplement the individual banks' efforts in training and skill development of new recruits by offering an exclusive e-programme meant for such new comers.

Very recently the institute has created the additional facility of web based tutorial classes with the technical support of Cisco. It may not be out of place to mention here that Institute is first in the country to make use of this latest technology in training field and also cloud computing. Institute has recently given access to about

* *Chairman & Managing Director, Union Bank of India & Vice President , IIBF.*

50,000 candidates to take benefit of this new facility of webex classes.

Challenges before IIBF

The challenge before the Institute is to meet the growing needs of manpower in financial sector. For example, public sector banks will need to recruit 5 to 7 lakh employees over the next 10 years compared to recruitment of about 2.0-2.5 lakh in the preceding decade. Moreover, skill sets required today are more exhaustive than they were earlier. Many companies in financial sector, whose needs IIBF caters to, require job-ready candidates.

Yet another pivotal role for IIBF is to impart skills in specialized segment of workforce. For example, IIBF has developed special module for Business Correspondents. In order to cover 6,00,000 villages in the country with banking services, we may need about 2,50,000 BCs. It is a mammoth task before the institute.

National Skill Development Council has been created by the Central Government to promote skill development by catalyzing creation of large, quality and for-profit vocational institutions with overall target of skilling / upskilling 500 million people in India by 2022. It is a big opportunity for organizations like IIBF. Thus, IIBF should decide how it can contribute to this goal that our leaders have set.

New Premises of IIBF

The premises at World Trade Centre in Cuffe Parade in South Mumbai served the needs of the institute during yester years. With the increase in activities of the institute it is felt that a bigger premises with the state of the art Training infrastructure technology is the need of the hour. This premises which is nearer to the banking hub of Mumbai namely Bandra Kurla complex will suit our present needs.

The institute proposes to introduce training classes in the new premises in collaboration with other institutes of higher learning. It is also proposed to intensify the activities related to research.

It is our privilege and good fortune that His Excellency Governor of Maharashtra consented to grace this occasion to inaugurate this modern premises. We are greatly honoured by your august presence, Sir.

About the Governor, State of Maharashtra

Before I request His Excellency to kindly give his blessings and message for this occasion, it is my privilege and honour to introduce him, though being the first citizen of the state he needs no introduction.

Born in 1931, Shri Sankaranarayananji started his public life even during his student days at a tender age of 14 years. He was elected as the general secretary of the district congress committee at the age of 25 years in 1957 and held that post till 1968. He was the state President of his party during 1972-77.

He was elected to the state assembly several times. In his public life he served his home state in various capacities till 2001. His Excellency was also the Minister of Finance & Excise during 2001-04, and, therefore we in the banking community are even more privileged with his presence.

For the first time, His Excellency became the Governor of Nagaland in 2007 which position he held till 2009. During this period he held the responsibility of also governing Assam and Arunachal Pradesh for brief periods. He was instrumental in conduct of state assembly elections smoothly in Nagaland and also in his next stint as Governor of Jharkhand.

As Governor of the state of Maharashtra, he has been taking keen interest in matters of development, higher education, environment conservation and welfare of citizen. He has appointed a committee of experts to ascertain development of backward regions based on a fresh set of indicators. Because of his keen interest in environment protection, he ordered creation of Biodiversity Park in the Governor's Bhavan at Nagpur showcasing rich plant diversity of Gondwana region.

May I now request our chief Guest His Excellency Shri Sankaranarayananji to give his message and inaugurate the premises and training centre. I am sure that the inauguration of the new premises of IIBF at the auspicious hands of His Excellency would be highly rewarding and fulfilling.

Thank you very much.

Financial Inclusion : Involving the Uninvolved through Product, Channel and Marketing Innovations

Sachin Joseph *

- Consolation Prize

Banking is an evolving industry. The invention of new technology has further widened the scope and reach of banking sector. In a country like India with more than a billion population, only 40% of the total population has a proper bank account. Hence there is a vast and lucrative opportunity awaiting the financial sector in India to be tapped. For India to emerge as an economic superpower there is an urgent need for collective economic growth in every strata of our society. Banking the Unbanked opens up new opportunities and challenges. The limitation of traditional banking system has to be overcome by putting into practice innovative products and strategies that have easy accessibility and reach among those sections of the Society which were ignored, all these years by the formal banking system.

Leveraging Technology For Financial Inclusion : Business Correspondent (BC) Model With Hand Held Devices

Branchless banking is a technology enabled low cost alternate delivery channel that facilitates basic banking services to the rural communities at their doorstep through Business Correspondents at an affordable cost, in a secure manner.

The Business Correspondent takes away the physical infrastructure requirement as in traditional banking system and services the customer at their convenience. But this also increases the overall transaction risk as business correspondents or agents of the bank work at an unsupervised location and also they are not as skilled and trained as a regular bank employee. Here comes the role of Smart Hand Held Devices that mitigate the risk in the system and control the operations.

Business Correspondent / Business Facilitator model provides the last mile connectivity to the rural household and in turn provides the basic banking services to the unreached and underprivileged sections of the society. The rural masses who do not get the opportunity to receive service from the traditional banks can utilize the service of approved Field Business Correspondents who are residents of their villages and easily accessible all through the day.

Today Companies Like FINO (Financial Information Network and Operation Limited), BASIX operate as the business correspondents (agents who work on behalf of the bank). They set up fixed locations BC Outlets and establish their own BC's who service millions of customers of various member banks with whom they have tie ups. Thus BC's deliver banking services in a less expensive way as the costly infrastructure required need not be owned by the banks.

Hand Held Devices Operated Through Smart Cards and Bio Metric Scanner

Customers can be provided Smart card which acts as an E-Purse and E-Passbooks and can hold multiple accounts of a customer. According to IDRBT (Institute for Development and Research in Banking Technology) SmartCard is a fully functional computer system built on a single chip. Smartcard needs a host system usually a reader for its power requirement and other operations. However the host can be a low powered equipment that can run on a re-chargeable battery or an automotive battery if need arises.

* *Assistant Manager, The South Indian Bank Limited.*

The enrollment and verification is authenticated by using a finger print scanner which also acts as a printer for generating transaction receipt for the customers. These finger print scanners are linked to a smart card enabled mobile phone using the GPRS Technology and the transactions are authenticated and processed in this manner. The online authentication ensures that the transactions are registered on a real time basis and customers are immediately presented with a printed receipt.

Near Field communication (NFC - a derivative of Bluetooth) is successfully utilized by APVGB (Andhra Pradesh Grameen Vikas Bank). Here the hand held device is operated using the NFC mobile technology. When the smart-card is flashed against the NFC mobile within the range of a decimeter; the mobile reads and displays the content of the card and verifies the electronic cum Biometric data stored in the smart card. The same mobile when placed against the receipt printer, prints the receipt for the latest transaction.

Hence Hand held devices reduce the cost of building a brick and mortar infrastructure and there by enhance easy mobility and provides ease in transactions.

Banking on your Fingertips : Mobile Banking - to reach the Rural Masses

Mobile Technology provides an inbuilt and readymade solution to current challenges faced to spread the arms of Financial Inclusion. Its in built network, reach and scalability and above all cost effectiveness is indisputable. Mobile connection is growing at a rate of 30-40% in the rural; regions of the country. India today has a total of 109.7 million rural mobile subscribers. Mobile phone today acts as a bank-on the move. Bankers and telecom operators are exploring the possibility of a mutually benefiting relationship that will make use of the banking knowhow and the wide network of mobile service agents to tap the rural and semi urban markets. The Telecom agents can act as a business correspondent and utilize the secure Mobile Banking Technology for providing financial inclusion to the villagers. This will eliminate the high cost of setting up branches and ATM networks. The host of services provided in Mobile Banking includes Account Balance enquiry, transfer of funds, request for demand drafts / cheque books, stop payment requests, loan enquiries and payment of utility bills. The use of mobile banking helps the banks to utilse the massive reach of mobile phones even in the remotest part of the country and there by providing financial service to places where banks cannot set up a brick and mortar set up due to non viability.

IT - Telecom Platform

Bankers can utilize existing established outlets to include more unbanked region into the financial networks. The establishments could be rural Post Offices, Kirana stores, Gram Panchayat Office, Anganwadis, Dispensaries etc.

This shared outlet will be linked with the bank's centralized server through the IT-Telecom platform. Once the linkage is established varied transactions can be carried out and more number of accounts can be added. Banks can utilize this network to market smaller ticket financial products but in larger volumes thereby ensuring their profit margin and reducing the cost per transaction over a period of time.

UID - (Unique Identification Number) - A Catalyst for Financial Inclusion

The UID project under the chairmanship of Mr. Nandan Nilekani would combine database of multiple agencies for corroboration. UID project will issue a 16 digit number to each and every Indian citizen giving them a unique identity and the number will act as an authentication of an individual's identity. With the success of this project, the Financial Inclusion programme will be further strengthened as banks can easily comply with their KYC guidelines and UID Number will be a powerful instrument for helping poor people to establish their identity.

A villager from a remote village, which does not have a traditional bank, can walk to a Business Correspondent, which can be his local Kirana shop and withdraw or deposit money by offering his UID Number. The BC would verify the authentication of the number through his cell phone with the central database kept with the UID Authority within few seconds and provide the basic banking services. The back operation (transaction between the BC and the bank) can take place on the existing platform of ATM, Internet or Mobile Banking. The overall cost of equipping a BC with Biometric scanner to authenticate the UID will be a few thousands of rupees and much below the cost of establishing an ATM.

UID can be effectively used by banks to disburse funds to its beneficiaries under various Government Schemes like the NREGA scheme, social security and Social health schemes, thereby roping more and more rural mass as under the banking umbrella.

Technological tie-up between Banks and Microfinance Institutions

The need for informality in credit delivery and easy access is demonstrated by the fact that SHG - (Self Help Groups) and MFI - (Microfinance Institutions) constitute the fastest growing segment in recent years in reaching out to small borrowers. They have been able to penetrate the unbanked people in rural and semi-urban areas. MFI's and SHGs have better contact with people. For sustaining this growth they need technology where banks can play a vital role in bringing the core banking facilities to manage the money of the micro financing agencies that do not have a national presence or expertise to manage their funds. Disbursing loans to these organizations will ensure lower rate of NPA and higher rate of return on investment as seen from past experience. This will also ensure that banks are indirectly associated with their goal of financial inclusion.

ICT (Information and Communication Technologies) for Rural Connectivity

VSAT (very small aperture terminals) can be used for establishing network with remotely located branches with their central database. Reserve Bank of India (RBI) has offered sops / incentives for establishing satellite connectivity for remote area branches. VSAT branches can establish wireless connectivity with the core banking solution platform of their bank via satellite and facilitate banking transactions for the rural populace.

Pre-printed Security Stickers and SMS Based Authentication on a real time basis

Micro finance institution, Equitas based in Chennai, has developed an innovative method of disbursing loan and receiving loan installments. The installments are authenticated through pre-printed security stickers that act as an authenticated receipt for the transaction and also reduce the cost of maintaining a hand held device and other connectivity related problems. These stickers deliver the benefit of hand held devices at a very low cost and require no maintenance cost and the transaction time is also reduced which can be used to provide service to larger number of borrowers in a village. To track the collection on a real time basis Equitas has utilized the SMS (Short Messaging Service) to receive messages from its agents in different locations. After each collection, the agent sends a SMS giving the details of the transaction to the centralized monitoring centre. This network helps in maintaining proper record and reduces the cost of deploying costly infrastructure. This innovative practice helps Equitas to reduce its operational cost which in turn is transferred to its borrowers who are offered loans at much lower rates compared to other players in the market.

OMR Based Automated form Processing System :

MFI (Micro Finance Institutions) Companies like Equitas have implemented innovative ideas in their back Office operations reducing tedious data entry work. To enroll new customers and reduce the time for enrolling a large number of customers they have made use of OMR (Optical Mark Reader) forms. The OMR forms are used to enter customer data and on scanning the OMR sheets, the data is automatically updated at their centralized server and the agent gets more time and energy to spend their valuable time to service more customers. In this way, they reduce the paper work involved and substantially reduce the cost of maintaining such data. Since it is in electronic form there is no risk of loosing the paper forms which may be collected from remote parts of the country. Thus each and every record is kept safe and secure.

Online form Tracking System :

This system involves a work flow integrated online system. The Micro Loan requirements of SHG-Self help Groups are entered online and the disbursal is also sanctioned online. This speeds up the loan disbursal process and reduces the turnaround time. Additionally, the online system reflects the volume of business in the pipeline and monitoring of such loans are also made easy through the online system. The MIS Management Information system tracks the progress of all the loans and sends report to the central monitoring agency. Online tracking system helps in bringing transparency in the system.

MFI's - NBFC (Micro-Finance Institutions as Non Banking Financial Companies) :

It is globally recognized that Micro-Credit has the deepest impact when combined with Micro-Savings. MFIs should be empowered to accept micro deposits and their wide network, reach and scalability will help in developing a habit of thrift among the poorest of the poor who are not serviced by the traditional banking system. Micro-credit and Micro-savings products like Micro-insurance can be provided through these agencies under strict regulatory supervision. In this way the weaker section will be empowered to design their own financial requirements and will have the protection of insurance and savings at the crucial time of need. This will also strengthen the MFI's role in providing complete financial inclusion by acting as Micro Financial supermarkets for unbanked section of the society. Micro Financial institutions are also providing services to their members to identify income generating activities they propose to take up and equip them with the knowledge about project related issues such as pricing, marketing and quality management. In this way MFIs have evolved as consultants and financers to Micro projects undertaken by individuals and Self Help Groups.

CSP (Customer Service Points) Cum Training Institutes :

Financial inclusion will not be successful if the beneficiary customers are not motivated to utilize the opportunity of Micro-credit. Rural institutes run by MFIs and Banks can help in providing training to self-help groups for utilizing the funds in constructive business model. The CSP's can be utilized as a pooling centre / fund management centre for funds collected by Business Correspondents attached to these centre's. Connectivity and technology support to Business Correspondents can be provided by these centres. These Customer Service Points can act as a Micro Satellite branch linked to a fully operational branch of the bank. Hence the risk involved in managing money is eliminated and it also acts as a point of contact between the Bank and Business Correspondents / Financial Inclusion agents. CSP can also be utilized for transforming paper Currency into Electronic Currency form through the platform of Mobile banking just like recharging the mobile phones.

Banking Vans & Mobile ATMs

In order to bring Banks to the doorstep of rural population, banks and financial institutions have come up with the concept of Banking Vans. The main reason for financial exclusion is the lack of a regular or substantial income. In most of the cases, people with low income are not aware of the bank's products which are beneficial for them. The proximity of the financial service is another fact. The loss is not only of the transportation cost but also of daily wages for a low income individual. In case of SHG (Self-Help Group) Bank linkage Model meeting of SHGs is carried out at the village level meeting, wherein all members of the group are present along with a representative from the concerned Bank branch. After completion of the grading exercise successfully, if the SHG qualifies for the loan the process of documentation is carried out at the branch level, wherein, all the members of SHG are required to be present for execution of document. Occasionally it has been observed that due to pre-occupation of the bank officials or non availability of all members of the SHG on the day of documentation, credit linkage of the group is delayed, which adversely affects the financial inclusion of the SHG. In order to facilitate speedier linkage of SHG's removing the inconvenience of the group members coming to the branch for execution of documentation and quick disposal of SHG loan proposal at the spot, banks have developed a new channel of banking using Banking Mobile Vans. This has been successfully put to practice by Baroda Uttar Pradesh Gramin Bank under their pilot project named “Gramin Bank Samooh Rath”. These vans are equipped with latest technology and equipments like digital camera for taking photographs of new customers, laptops for storage of data and projectors for publicizing the process and schemes of the banks along with the public addressing system.

Banks can effectively reach the customers at their place of work and reduce the time and money of the customers. Banking vans can also be equipped with Biometric ATMs that may use Iris or Fingerprint identification for easy and secure banking operations. In this way, rural population can easily access the banking services at their convenience. These Mobile Vans can move from village to village delivering financial inclusion and making it a profitable business through economy of scale, by including more and more unbanked villages.

SHG - Self Help Group :

SHGs have proved to be a major instrument of financial inclusion, by forming and nurturing small, homogenous and participatory Self Help Groups. Self Help Groups among rural India have helped to reduce poverty and develop financial network among the illiterate and underprivileged community. It has also helped in collectively elevating their living condition and socio-economic status.

Self Help Group - Bank linkage programme has proved to be an effective way for channelizing microfinance to the poorest among the poor, in the recent years. In most of the cases people with low income do not qualify for a loan. Getting money for their financial requirement from a local money lender is easier than getting a loan from the bank. Most of the banks need collateral for their loans. It is very difficult for a low income individual to find collateral for a bank loan. Moreover banks give more importance to meeting their financial targets. So they focus on large accounts and avoid small borrowers without proper security backing. Among various poverty alleviation schemes, the SHG - linkage programme has been more beneficial to the banks considering high recovery performance and also reduction in the transaction costs of the banks. SHGs are usually groups of women who get together and pool money from their savings and lend money among them. The SHGs are usually guided by NGOs - Non Government Organizations, who help them in investing the micro loans in economically viable projects. The SHG is given loans against the Group members guarantee. Peer pressure within the group helps in improving recoveries. Through SHG - Bank linkage model, nearly 40 million households are linked with banks.

KIOSK Banking :

E-choupal - Agri information and knowledge dissemination centre set up by ITC (Indian Tobacco Company) has been a great success in procuring Agricultural produce from the farm gate at competitive prices. E-choupals are small Kiosk set up in rural villages that provide crop related information, weather and scientific knowhow on new farming techniques. These Kiosks can be effectively utilized for providing banking services to the large number of farmers that utilize its services. Also financial products like micro insurance, health insurance and crop insurance can be sold to them to make them financially empowered. These centres can also be utilised for paying utility bills. The e-governence projects carried out by various state government can have mutually benefiting tie-ups with banking institution for providing micro credits and saving facilities.

Innovative Business Facilitation Centres :

Railway stations and bus stands are places where millions of commuters utilise the service on a daily basis. Large number of small vendors and daily wage earners use these infrastructure for transporation from home to workplace. Banks can open customer service centres here, where urban poor can utilise banking facility on a 24 hours basis. While returning home they can deposit their daily surplus profit in such centres and when need arises withdrawals can also be made without affecting their daily routine.

Network of Large Retail Outlets :

Large chain of retail outlets like lakes of mobile outlets set up by Nokia mobile over the length and breadth of the country can be effectively utilized as contact points of customers for getting financial help through banking tie-up with these retail outlets. And with the use of new and modern banking technology like mobile banking or internet banking. Postman's spread all across the country and Kirana Shops in every nook and corner of the country can also be effectively made partners in the financial inclusion mission to act as business facilitators for the member banks with whom they can have a tie up, with technology to carry out financial transactions being provided by technology providers. Similarly large number of Ex-servicemen league who have about 44 lakh members distributed all over the country can be utilized for providing financial inclusion as business facilitators.

Interactive Voice Response Systems (IVRS) :

Financial inclusion will not be successful with new technology, if the end users are not comfortable in using the technology. Here come the use of IVRS or Interactive Voice Response systems that interact with the rural masses in their own language in which they are more comfortable. Mobile ATM's with biometric scanners, Interactive Voice Response System and touch screens displays will help in delivering the banking services to the unbanked region in a more acceptable way. Already government is giving a lot of stress in developing regional language softwares and these softwares can be used in financial inclusion projects.

Television Based Financial Inclusion :

Television has proved to be very effective in disseminating financial literacy. The penetration of Television is wide spread even in villages where there is poor infrastructure in terms of proper roads, health care and sanitation facilities. Insurance company like TATA AIG has tied up with Home Shop18 a telemarketing channel owned by network 18 for selling their insurance product through Television. Such media can also be used to sell health / crop insurance as sold through traditional bank branches.

Lottery Based Savings Accounts :

It is seen that in states like Kerala / Goa a lot of money is spent on gambling. This spending usually by urban poor and weaker section of the society can be effectively channeled into savings facilitated by NBFC-MFI's networks, SHG's or Business Correspondents of banks. Financial Institutions can offer lucky draw schemes on a weekly or monthly basis for their small savings holders like the daily deposit account holders. The prize money won by these customers will come back to the bank in the form of fresh deposits. This will give motivation to small depositers in anticipation of a bigger reward without paying for the lottery tickets.

Micro Payments and Remittance System :

Migrant labourers find it difficult to send money of small values to their near and dear ones living in different states in India. By utilizing the large network of MFIs & SHG, banks can help such financially excluded section of the society in sending funds and remittances. NEFT & RTGS facilities which are not understood can be explained and utilised by them when financial literacy is imparted to them through these agencies. Such MFIs and banks through their business correspondents can also have tie up with international players in money transfer business like Western Money Transfer, UAE Exchange, Wall Street or Money Gram to provide foreign remittance from NRIs to their near and dear ones in rural villages at the comfort of their homes. This can be a profitable win-win situation for rural customers and financial institutions as the domestic fund remittance business is estimated to be a ₹50,000 crore business.

Symbolic Saving Accounts :

Innovative symbolic saving accounts can be opened by banks and financial institutions. The rural illiterate customers can be provided with symbolic items / diagram in their passbooks / Smart Cards that depict their future priorities like savings for daughter's marriage or construction of a house or purchasing a two wheeler or for education of their child. Such symbolic account will remind them the purpose for which they are contributing their savings. Each time seeing the symbol would remind them their commitment towards savings, in this way, a habit of thrift can be inculcated and defaults in payments can be reduced.

Sub Saving A/C :

Banks and financial institutions can provide sub-deposits in regular savings accounts. These sub-deposits can be utilized for regularly setting aside money for special future needs like purchasing a house, meeting marriage / educational expenses of children or even purchasing a fridge or a two wheeler.

Conclusion :

Micro-credit and Micro-savings have great potential to alleviate poverty in India. The success of small packaged products and one Rupee Sachets in FMCG sector has shown how selling in small amounts and utilizing the principle of economies of scale can lead to better profit margins. Through regulatory reforms in the field of Financial Inclusion small and large financial institutions are free to expand their range of products and delivery channels in partnership with other stakeholders, to reach the poorest of the poor and still make a profit. Thus through the use of technology, innovation and marketing strategies, financial inclusion will prove that **'Small is Beautiful '**.

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I, Shri R. Bhaskaran, hereby declare that the particulars given above are true to the best of my knowledge and belief.

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R. Bhaskaran
Signature of Publisher

Life Insurance Policy as Security for Education Loan
(With Special Reference to Kerala)

V. N. S. Pillai *

i. Introduction

Life insurance policies are accepted as security against education loans granted by banks. A life insurance policy becomes a security when it is assigned to the bank by the loanee under Section 38 of the Insurance Act, 1938. This study endeavours to see how this aspect is taken care of by the banks and to what extent their interests are protected. The study progresses in five parts : i. Introduction ii. A brief narration of the education loan scheme iii. Problems faced by banks as far as repayment is concerned iv. A study of Section 38 of the Insurance Act, 1938 and its operations in one thousand life insurance policies assigned to banks and v. Conclusions.

ii. Brief narration of education loan scheme

Education loans granted by banks are good business and better politics, which display social commitment by the bankers and statesmen. Loans are granted by banks 'for facilitating pursuit of higher education by poor, but meritorious students'[1] - students to pursue higher education starting with higher secondary education - graduation, post graduation and various professional courses conducted by reputed institutions. The scheme was announced in the Union Budget for 2001-2002 and discussed in the meeting the Finance Minister had with the Chief Executives of banks on 7^{th} April 2001.[2]

Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division) has considered and decided to accept the Model Scheme prepared by IBA for implementation, subject to the following modifications :

i. The condition of minimum qualifying marks in the last examination may be dropped.

ii. No margin may be insisted upon for loans upto ₹4 lakh. However, for loans of higher amounts, the margin requirement may be 5% for inland studies and 15% for studies abroad.

iii. No security may be insisted upon for loans upto ₹4 lakh. However, for loans above this amount, collateral security of suitable value or co-obligation of parents / guardians / third party along with the assignment of future income of the student for payment of installments may be obtained.

iv. Loans up to ₹4 lakh may be advanced at interest rate not exceeding PLR, on above ₹4 lakh, the interest may be PLR+1%.[3]

It was clarified that this Scheme was separate and in addition to and not in super session of the scheme earlier circulated by RBI under Supreme Court orders vide their circular RPCD.SP.BC.10/09.07.01/99-2000 dated 31^{st} July 1999 issued to public sector banks[4].

The security provided for the loans are provided as given below :

Upto ₹2 lacs	:	No security
Above ₹2 lacs	:	Collateral security equal to 100% of the loan amount or guarantee of third person known to bank for 100% of the loan amount.

* ***Principal, Divisional Training Centre, Life Insurance Corporation of India, Kottayam Division.***

1. *RBI Education Loan Scheme ref: RPCD.PLNFS.BC.NO.83/06.12.05/2000-01 dated April 28^{th}, 2001.*
2. *Ibid*
3. *Ibid*
4. *Ibid*

Note : * *The document should be executed by the student and the parent / guardian.* * *The security can be in the form of land / building / Govt. securities / Public Sector Bonds / Units of UTI, NSC, KVP, LIC policy, gold, shares / debentures, bank deposit in the name of student / parent / guardian or any other third party with suitable margin.*
* *Wherever the land / building is already mortgaged, the unencumbered portion can be taken as security on II charge basis provided it covers the required loan amount.*
* *In case the loan is given for purchase of computer the same to be hypothecated to the Bank.*
Banks who wish to support highly meritorious / deserving students without security may delegate such powers to a fairly higher level authority.[5]
Repayment of the loan and payment of interest thereon could be made after a repayment holiday as given here in equated monthly installments.[5]
Repayment holiday / Moratorium : Course period + 1 year or 6 months after getting job, whichever is earlier.
The loan is to be repaid in 5-7 years after commencement of repayment. If the student is not able to complete the course within the scheduled time, extension of time for completion of course may be permitted for a maximum period of 2 years. If the student is not able to complete the course for reasons beyond his control, sanctioning authority may at his discretion consider such extensions as may be deemed necessary to complete the course.
* *The accrued interest during the repayment holiday period to be added to the principal and repayment in Equated Monthly Installments (EMI) fixed.*
* *1-2% interest concession may be provided for loanees if the interest is serviced during the study period when repayment holiday is specified for interest/ repayment under the scheme.*
There have been minor variations in the scheme during the course of the past ten years but the essence of the loan, its repayment and security remains the same. *In this study the life insurance policy as a security is discussed.*

iii. Loans granted and Problems faced by banks as far as repayment is concerned

Educational loan disbursed by all the banks in Kerala increased considerably. At the end of March 2009, ₹3,656.88 crore was sanctioned to 2,32,332 students and the percentage increase of education loan and beneficiaries during March 2008 was 35.53 and 28.55 respectively. State Bank Group has disbursed ₹1,783.39 crore to 1,05,435 students, of which State Bank of Travancore alone disbursed ₹1,077.32 crore to 76,361 students during March 2009. Nationalised Banks disbursed ₹1,478.90 crore to 97,027 students. Regional Rural Banks has disbursed ₹135.15 crore as educational loan to 12,486 students; Private Sector Banks has disbursed ₹244.20 crore to 16,077 students. Canara Bank is in the top most position in disbursement of education loan among the nationalized banks with ₹516.14 crore, to 31,937 students as at the March 2009[6].

The educational loan portfolio stood at ₹2,976 crore as on June 30, covering 1.71 lakh students. The NPA (non-performing assets) in this portfolio are ₹117 crore, or 3.93 per cent. This portfolio recorded a 29 per cent growth during the last fiscal from ₹2,281 crore as on March 31, 2009 to ₹2,947 crore as on March 31, 2010. Significantly, NPAs in this portfolio have increased about 85 per cent from ₹61.33 crore to ₹113.61 crore during this period[7].

The major problems pertaining to these loans faced by the banks may be categorized as :

a) Those that arise while the loanee is alive, and

b) Those that arise when the loanee is no more living.

Besides, the loans granted are of very high amounts and without reference to the probable salary the student might get on the best employment / placement. Even in the best of employments the salary has been going down on account of economic recession. Some educational institutions are keeping their fee structure very high because the student would pay the fee and other allowable expenses from Bank - loans, ignoring the fact that this would place the student on a debt trap where he would never be able to repay the loan. It is like some hospitals charging heavily from patients if they are covered under health insurance.

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5. Ibid
6. RBI Economic Review 2009, Page427, Chapter17 Institutional and Bank Finances
7. The Hindu Business Line dated September 13, 2010, Page 10- 'Banks tightening norms for education loans'

Loans for nursing courses have been among the most vulnerable to defaults, with recovery initiatives finding stiff resistance and creating law and order situations in many parts of the State during the last year. Several agents of colleges of dubious credentials from outside the State have been misguiding gullible students and taking huge amounts as commission which gets added to the course fee, the SLBC (State Level Bankers' Committee) note said. Some organizations have canvassed a number of students on the promise that loans would be arranged and that the students need not pay upfront towards fee. After enrolling them, the organization disappears from the scene leaving students and their parents in the lurch.[8]

a) Problems that arise while the loanee is alive

i. The student has finished the education course, but he or his guardian is not traceable now

ii. The student has finished his education course and is in employment, but the salary is insufficient to pay the EMI. This happens because loan amount is very high but the salary from the employment is low. Many students would be facing this situation as perhaps with the exception of some reputed institutions like IIMs, IITs etc others are not in a position to rope in well paying companies during campus selection.

iii. The student becomes a drop out and is not responding. The loanee and his guardian are not traceable.

b) Problems that arise when the loanee is no more living

i. The student commits suicide

ii. During the course of education the student dies due to natural cause, illness etc.

iii. During the course of employment the student dies, either due to natural cause or in an accident. Employment may be after completing the course successfully or as a drop out.

The need for invoking security arises in many of the above situations :

i. When the loanee student is not traceable his life insurance policy could be surrendered and partial / full repayment of loan could be achieved provided the life insurance policy has sufficient surrender value

ii. When the loanee student's salary is low and he fails to pay the EMI and if his life insurance policy is kept in force - loan could be recovered on maturity of the policy or from surrender of the policy provided surrender value is sufficient to repay the loan

iii. When the loanee student is a drop out his policy could be surrendered and loan closed provided the policy is in force and would provide sufficient surrender value

iv. On death of the loanee student during the course of education the death claim on his life insurance policy would come to the aid of the bank in clearing the loan, provided the life insurance policy was kept in force paying all premiums

v. On death of the student while in employment the death claim on his life insurance policy would come to the aid of the bank in clearing the balance loan provided the life insurance policy was kept in force paying all premiums

vi. If the loanee student commits suicide during the first year of availing the loan, which is also the first year of the life insurance policy, the restrictive clause in policy condition says that nothing would be payable if the life assured commits suicide in the first policy year. However if the policy is assigned for valuable consideration the assignee's interest in the policy is protected by the insurer even in case of suicide within the first year of the policy. Relevant policy condition is reproduced below[9] :

"This policy shall be void if the life assured commits suicide (whether sane or insane at the time) at any time on or after the date on which the risk under the policy has commenced before the expiry of one year from the date of commencement of risk under the policy, the corporation will not entertain any claim by virtue of this policy except, to the extent of a third party's bona fide beneficial interest acquired in the policy for valuable consideration of which notice has been given in writing to the office to

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8. Forum 4 Finance, September 19th, 2010 - 'Banks still not clear with educational loan norms'

9. Suicide Clause from an LIC policy reproduced *which premiums under this policy were paid last, at least one calendar month prior to death."*

iv. Assignment u/s 38, Insurance Act 1938

A bank can deal with the life insurance policy of a loanee student only when the policy is absolutely assigned to the bank under Section 38 of the Insurance Act, 1938. The procedure to be followed for assignment of a life insurance policy is given in Section 38(1) - "A transfer or assignment of a policy of life insurance, whether with or without consideration may be made only by an endorsement upon the policy itself or by a separate instrument, signed in either case by the transferor or by the assignor, his duly authorized Agent and attested by at least one witness, specifically setting forth the fact of transfer or assignment."[10]

The transfer or assignment shall be complete and effectual upon the execution of such endorsement or instrument duly attested but except where the execution or assignment is in favour of the insurer shall not be operative as against an insurer and shall not confer upon the transferee or assignee, or his legal representative, any right to sue for the amount of such policy or the money secured thereby until a notice in writing of the transfer or assignment and either the said endorsement or instrument itself or copy thereof certified to be correct by both transferor and transferee or their duly authorized agents have been delivered to the insurer :

Provided that where the insurer maintains one or more places of business in India, such notice shall be delivered only at the place in India mentioned in the policy for the purpose or at his principal place of business in India.[11]

The positions of one thousand life insurance policies, where the age of the lives assured is between 18 and 25 at the time of commencement of the policy, that are assigned to banks have been studied and the fact that these policies are still kept under valid assignment shows that the loans are still subsisting. Had these loans been repaid the banks would have re-assigned the policies to the lives assured. That means during this study all the policies are owned by banks. Unfortunately not all policies are in force, some are lapsed with nothing payable and some are lapsed with eligibility for some paid up value. The chart-1 shows this :

Chart-1 : Chart showing status wise position of assigned policies

Assignee Bank*	Policies	Paid up policies	Lapsed policies	In-force policies
Union Bank of India	278	16	79	183
Federal Bank	174	34	13	127
Central Bank of India	77	8	11	58
Vijaya Bank	52	18	5	29
Canara Bank	46	10	1	35
South Indian Bank	45	1	9	35
Indian Bank	43	9	16	18
Syndicate Bank	38	8	4	26
Karnataka Bank	32	5	2	25
Allahabad Bank	21	2	7	12
State Bank group	20	3	4	13
PNB	18	6	7	5
Bank of Baroda	17	3	2	12
UCO Bank	17	4	6	7
Corporation Bank	15	3	1	11
City Union Bank	14	0	4	10
IOB	13	1	8	4
Others	80	11	12	57
	1,000	**142**	**19,1**	**667**

* *State Bank Group covers SBI and their Associate Banks. 'Others' cover many banks such as Gramin banks, District Cooperative Banks and banks with less than ten assigned policies in this study. May be some of these policies are not on educational loan but nevertheless they are assigned to banks as security.*

Only 66.7% of assigned policies continue to be in-force and eligible for the benefits of life insurance and 33.3% policies are not eligible for any life insurance benefits since they are either totally lapsed or paid up. 19.1% of assigned policies are lapsed and 14.2% are paid up.

What are lapsed policies? Policies on which all premiums are not paid within the days of grace are lapsed policies and on which no benefit become payable (since the policies are not covered by non-forfeiture regulations). If more number of premiums are paid so that the policies are covered under non-forfeiture regulations and subsequent premiums be not paid the policies are

10. Section 38(1), Insurance Act, 1938 said to have acquired paid up value. In other words the value of a aid-up policy does not become zero; instead it bears a relationship to the sum assured in proportion to the number of premiums paid to number of premiums payable. Some of these policies are eligible for bonus (share of surplus of the life insurance company) additions too.

The numbers of assigned policies that are not in force, i.e. lapsed plus paid up are given below in chart-2 in percentages to show the magnitude of the problem. On a policy that is not in-force no claim would become payable either in the event of death of the life assured or would accident benefit be available. In other words these policies have ceased to be true security for the loans.

Chart-2 : Chart showing lapsed + paid up policies and in-force policies as percentages of assigned policies

Assignee Bank	Lapsed +Paid up	In-force
PNB	72	28
IOB	69	31
UCO Bank	59	41
Indian Bank	58	42
Vijaya Bank	44	56
Allahabad Bank	43	57
State Bank group	35	65
Union Bank of India	34	66
Syndicate Bank	32	68
Bank of Baroda	29	71
City Union Bank	29	71
Others	29	71
Federal Bank	27	73
Corporation Bank	27	73
Central Bank of India	25	75
Canara Bank	24	76
South Indian Bank	22	78
Karnataka Bank	22	78

Why should policies assigned to banks lapse? Who is bound to pay the premium - the life assured or the assignee bank? Section 38(5) reads as follows :

"Subject to the terms and conditions of the transfer or assignment, the insurer shall, from the date of the receipt of the notice referred to in subsection (2), recognize the transferee or assignee named in the notice as the only person entitled to benefit under the policy, and such person shall be subject to all liabilities and equities to which the transferor or assignor was subject at the date of the transfer or assignment and may institute any proceedings in relation to the policy without obtaining the consent of the transferor or assignor or making him a party to such proceedings"[11].

On assignment of a policy the life insurance company sends

i. the assigned policy (bond) after having registered the assignment in their books to the assignee, and

ii. future premium notices to the assignee.

It is within the assignee bank's knowledge realm that the bank shall pay the premium thereafter, for the bank is in possession of the security (policy bond) and the premium notice. The assignee should have paid the premium and for his / its failure to pay the premiums the policies have lapsed. If the assignee has not absolved of its responsibility to pay premiums through a condition in the loan agreement that the loanee would pay all the premiums and keep the policy of life insurance in force. The assignee banks must be answerable for the non-payment of premiums and lapsing of the policies.

Lapsing of policies with eligibility for paid up value has been on the rise over the years. Out of the one thousand policies studied the experience is as follows :

Chart-3 : Policies that became paid up since 2005

Policies that became paid up	2005	6
Policies that became paid up	2006	14
Policies that became paid up	2007	22
Policies that became paid up	2008	14
Policies that became paid up	2009	33

A natural question that should come up is why premium payments are stopped on these policies. Is it that the loan is fully repaid, in which case the policies should have been reassigned to the individuals. The bank is bound to pay the premium till the policies are reassigned to the life assured.

Single premium policies do not lapse. Pure Term assurance policies are the choice of banks while granting loans and since these policies cover only death risk there

11. Section 38(2) Ibid

is no saving element in the policy. Instead banks could think of insisting on long to very long endowment type of policies where some saving element is available though the premium is more but such policies would offer some maturity value to the students and if they so desire (when they are well employed) they could reduce the term and take maturity claims much earlier than the date of maturity stipulated in the policy.

Do mode of premium payment and / or term or type of insurance policy has a correlation with lapsing of policies? The Indian experience on lapsing of insurance policies tells us that as the frequency of premium payment increases the chances of lapsation too increase. The experience of the 333 policies that are not-in-force out of the one thousand policies studied does not tell us a different story. Their mode-wise analysis is given below :

Chart-4

Mode	Number of policies [Paid up + lapsed]
Quarterly	198
Half yearly	62
Yearly	73

Of course, the relationship between the highest frequency of premium payment and number of policies lapsed is established, smaller number of half yearly policies [compared to yearly policies] could be explained in terms of lesser number of total policies with half yearly mode. The old argument of inconveniences in paying premiums by going to the insurer's office every three months need not be a valid argument anymore since the insurer in the case of all these thousand policies accepts premium in any of the Branches of the insurer and simultaneous updating of premium payment takes place. In other words the premium of a life insurance policy attached to a Chennai Branch of the insurer could be paid in another Branch of the insurer in Bangalore or Raipur or Lucknow. Moreover there are many more media for premium payment other than at the insurer's Branches like Premium Points, on-line premium payment etc. Besides premium could be paid in advance too if the customer so desires, subject to certain conditions. So the cause for lapsation is not the argument of inconveniences but could be lack of awareness on facilities and conveniences available for premium payment.

The length of the term selected for insurance could be a discouraging factor. A duration-wise analysis of the 333 policies (that are not-in-force) is given below :

Chart-5

Term selected [Years]	Number of policies [Paid up + lapsed]
0-9	4
10-19	60
20-29	178
30-39	51
40-49	26
50 +	14

A total of 269 policies that are not in-force have a term ranging from 20 to over 50+ years. One thing is obvious here - that neither the loanee nor the bank was interested in the evolving of a savings instrument for the loanee - their interest was in securing a security by way of coverage.

The banks never thought that other than death there could be other situations of non repayment of loan and payment of interest thereon. That is why when whereabouts of a loanee is unknown the assignee bank is not in a position to surrender his life insurance policy and make good their money. By no stretch of imagination one could comprehend the need for term of the policy to be beyond say 20 or 25 years when the life assured is around 20 years of age. That is, the only guiding factor in a longer term is that of reduction in premium. In case of money-back type of policies term is fixed. In case of endowment or whole-life policies term could be very long. These loanees have had a mental conviction not to continue these policies by payment of future premiums; and the bank too did not bother to enquire whether the policies are kept in force or not. This writer strongly feels that the banks should not encourage long to very long

12. Section 38(5) Ibid

term policies if they are not single premium policies. A loanee who opts for a pure term-assurance plan intends to have life cover only, but not so with endowment or money back type of plans where a saving element is built into the premium, which will offer a maturity value (and bonus too) in specific cases.

We shall now look at the plan-wise options or choices exhibited by the loanees.

Chart-6

Type of policies Selected	Number of policies [Paid up + lapsed]
Whole life	27
Endowment	185
Money-back	65
Term Assurance	49
High risk	6
Others	1

In whole-life policies the claim is payable on death and maturity claims may be considered at a very advanced age. On endowment policies a death claim is payable on death during the term and maturity claim is payable at the end of the term. In money-back type of policies too the death claim is payable on death during the term and maturity claim is payable at the end of the term. However installment benefits are payable in the form of survival benefits when the life assured survives a certain defined term, say 4 years or five years, 8 years or 10 years etc. Even after payment of survival benefit claims, if a death takes place full sum insured becomes payable. Term assurance policies provide for death cover only, for those policies mentioned here there is provision for premium refund on maturity date. The high-risk policies provide for payment of double the sum insured or three times the sum insured in the event of death during the term. These benefits are available only when all premiums are paid and the policies are kept in-force. In addition to the death claim / maturity claim accident benefits are provided for in some policies.

Why should a bank give a loan to a student and keep a security of no value? Whose interest is protected in this transaction? Every bank Branch is anxious to grant more and more loans as this statistics is a reflection on the Branch's 'performance'. Beyond this the enthusiasm and anxiety fades and by the time the need for invoking security comes the Branch would be manned by a whole set of different individuals. We may reach a situation where many education loans will have to be written off.

v. Conclusions

The concept of transfer of property through a life insurance policy is not properly understood by many bank officials. Consequently wrong policies are advised to be purchased as security for loan, wrong terms or periods of insurance are suggested and selected and wrong modes of premium payments are opted. All these wrongs add up to a big 'wrong' that leads to the lapsing of the security. A security with zero value is no security. Banks shall ensure that all premiums on the assigned policies are paid regularly by the loanee or the bank and polices are kept in force. There should be a periodical follow up of all assigned policies. Moreover the security shall come to the aid of the bank not only in the event of death of the loanee but also in situations of drop out cases or when the loanee can not be located or he is unheard of or he meets with an accident and is permanently disabled.

Census 2011 Provisional Results : Impact on Banking Variables and Outlook

M. R. Das *

Introduction

The Census 2011 provisional population totals were announced on March 31, 2011 by the Registrar General and Census Commissioner who deserves to be complimented for these quick results. The print and electronic media have reported on various aspects of the provisional results, the most important being the declining child sex ratio. Light has also been thrown on how to capitalize on the demographic dividend that India enjoys.

Motivation

However, a search in www.google.co.in yields no results as to what the provisional figures imply for the banking sector. Banking sub-sector, a jewel in the crown of the services sector, plays a pivotal role in the Indian economy and more importantly, people are important considerations for banks. Therefore, it is crucial that we interpret the Census 2011 provisional results from the viewpoint of banking developments in the country. The paper is an attempt in this direction.

Objectives

The general objective of the study is to assess how the banking variables would be impacted by the Census 2011 revelations. The specific objectives are as under :

i) To evaluate whether the number of bank offices has any correlation with the stock of population;

ii) To measure what has been the impact of population growth on bank deposits and loans; and

iii) To read the future of banking against the backdrop of Census 2011 provisional results.

Framework of Analysis

In order to work out these objectives the paper analyzes the data relating to 35 States / UTs for two Census, previous Census (2001) and current Census (2011) by juxtaposing these against the banking data relating to number of offices, deposits and credits.

Methodology

It is a state-wise analysis focusing on a comparison of situations obtained in 2001 and 2011.

Database

Census data have been collected from the Website of the Registrar General and Census Commissioner (www.censusindia.gov.in). Banking data have been collected from RBI's Website (www.rbi.org.in) as disseminated in its quarterly publication titled “Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks.” Data from two volumes of the RBI publication have been used : October - December 2001 volume released on April 2, 2002 and January - March 2011 volume released on February 15, 2011. These two periods have been chosen, since these are the nearest to the Census results of 2001 and provisional Census results of 2011, respectively. In fact, this can be treated as one of the limitations of the study as mentioned below.

Limitations

The paper concentrates on all scheduled commercial banks (ASCBs) only. The cooperative banks are excluded, as their data are not reported in the above-mentioned quarterly publication.

Findings

1. Population and Bank Offices

Table-1 presents some statistical results derived by us from data pertaining to state-wise distribution of population and number of bank offices.

* ***AGM, State Bank of India.***

Table-1 : Some derived statistics relating to state-wise population and number of bank offices				
Statistics	2001		2011	
	Population	Offices	Population	Offices
Average per State	2.93 crore	1,893	3.46 crore	2,454
Coefficient of Variation (CV)	127.70	113.29	128.61	111.98
Correlation Coefficient (r)*	0.9591		0.9345	
R^2	0.9198		0.8733	
** between state-wise population and number of offices.*				

Highlights

- Average population per state has registered a compound annual growth rate (CAGR) of 1.68%. As against this, the average number of offices has registered a much higher CAGR of 2.63%.
- Values of CV, a measure of dispersion, indicate that both population and offices are highly scattered over the 35 states / UTs in both the years. This is quite but natural in the face of the presence of north-eastern states and several other small UTs on one hand and states with metropolitan areas on the other.
- Values of Correlation Coefficient (r), a measure of degree of association between two variables, show that there exists a strong positive correlation between population and offices. In other words, states with higher population have higher number of offices. However, the extent of correlation has weakened over the decade from 0.9591 to 0.9345.
- R^2 values indicate that while in 2001, 91.98% of the variation in offices was explained by variation in population, in 2011, this had declined to 87.33%. This large decline could be due to several factors, the prominent one being rapid mechanization of banking operations over the decade which obviated the need for banks to go on opening offices as aggressively as in 2001. The most important aspect of mechanization has been the large-scale ATMization by banks and their interconnectivity without charges for users. There are other technological factors like the facility of non-home transactions, electronic funds transfers and internet banking which should not be lost sight of.
- The second factor could be the cost control measures by banks which led to consolidation of existing offices and / or Business Process Reengineering (BPR) instead of organic growth by opening of new offices. The expansionary policies that existed in bankers' minds in 2001 had yielded the space in 2011 to profit or margin motives.
- The third factor could be the recent emphasis on alternate channels by the banks such as Business Correspondents. Even though it must have facilitated giving banking services at the doorstep of the poor and underprivileged thus obviating the need for opening branches in far-off and inaccessible areas, we feel that it could not be a major factor.
- Finally, the role of infrastructure availability and business prospects in various states, which do determine the office expansion by banks, cannot entirely be ruled out.

2. Population per Office

Table-2 presents the distribution of states according to the number of people each bank office served, i.e., population per office.

Table-2 : Transition matrix for population per office			
Population per Office (in 000)	Number of States		
	2001	2011	Variation
Up to 10	9	15	+6
11 - 20	22	16	-6
21 - 30	4	3	-1
Above 30	0	1	+1
Total	35	35	

Highlights

- Most of the states served 11 - 20 thousand people per office in both the reference years.
- Improvement has been observed over the decade as the number of states serving up to 10 thousand people increased by six.
- On all-India basis, population per office reduced to 14 thousand from 15 thousand over the decade.
- However, in our opinion, it is not ideal to take Census figures of population to arrive at "population per office". This is because the Census data refer to an aggregate

measure which includes those people who are not in a position to avail of banking facilities despite there being offices, i.e., the "financially excluded"[1] at one end of the spectrum and those people who are so rich and busy that they do not go to bank offices on the other end.

- In view of the above, it is recommended that the Indian Banks' Association (IBA), the confluence of banks in India, should mount a survey to find out how many people "actually" use the services offered by bank offices. The same survey should go one step ahead and also determine a norm which should indicate the "adequacy" of bank offices in each state, taking into account their demographic and topographic features.

3. Banking Business

Table-3 presents data relating to banking business, i.e., "Deposit per capita" and "Credit per capita" for the two reference years.

Table-3 : Banking business

Banking Business per Capita	2001	2011	CAGR (%)
Deposits (₹)	9,943	38,626	14.53
Credit (₹)	5,688	28,415	17.45

Highlights

- Per capita banking business, both deposits and credit, demonstrate sound growth rates considering 14.10%[2] CAGR in per capita GDP (factor cost) at current prices during the reference years.
- Table-3 also establishes that banks are doing their financial intermediation function quite well as "credit per capita" has grown at a much higher clip (17.45%) than "deposit per capita" at 14.53%. This nails down the critics who allege that banks are just deposit gobbling machines, instead of credit dispensers. This is also corroborated by the fact that the credit : deposit ratio improved phenomenally from 57.21% in 2001 to 73.56% in 2011.

4. CAGR of Per Capita Banking Business

Let us assess the position of states according to the CAGR of per capita deposits and credits between the reference years.

Table-4 : States according to per capita banking business

CAGR (%)	Number of States	
	Per capita Deposit	Per capita Credit
Up to 10	2	0
11 - 20	31	28
21 - 30	2	7
Total	35	35

Highlights

- Most of the states showed CAGRs in respect of "per capita deposit" and "per capita credit" in the range of 11-20%.
- Higher number of states reported higher CAGR in respect of "per capita credit" (7) than in respect of "per capita deposit" (2).

5. Inequality in Banking Business Distribution

We also examined the inequality in distribution of "per capita deposit" and "per capita credit" among the states. Results are presented in Table-5. State-wise dispersions are presented in the scatter diagrams that follow Table-5.

Table-5 : State-wise inequality in banking business

Business	Coefficient of Variation	
	2001	2011
Per capita Deposit	133.78	139.41
Per capita Credit	237.01	212.35

Highlights

- The distribution of "per capita deposit" and "per capita credit" over the states was highly skewed with the respective CVs at much elevated levels.
- The CVs in respect of "per capita credit" were higher than the CVs for "per capita deposit". This could be due to large number of small-value credit emanating from Government-sponsored programmes vis-à-vis small-value deposit.
- While in the case of "per capita deposit" the CV moved up slightly over the decade, in the case of "per capita credit" it moved down by a larger margin. This may indicate slowdown in disbursement of small loans over the decade.

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1. According to the Finance Minister, banks have identified 73,000 unbanked inhabitations (Union Budget 2011-12 Speech).
2. Our calculation.

Outlook

Given the recent demographic trend, i.e., decline in growth rate of population and banking trend i.e., deliberate (and to a large extent desirable also) sluggishness in bank office expansion, "population per office" is expected to decline in future. This would facilitate better attention by the bankers to their customers. Eventual maturity of alternate channels of delivering banking services on one hand and increased pace of mechanization would help bolster customer service further.

Banks, instead of just achieving absolute business targets, should also pay attention to more even distribution of deposits and credits over various population groups. This would preclude many socio-economic tensions. This could only be achieved through better "financial inclusion" which should be a continuous process. There is a need to change the mindset of bankers in this respect. However, the Government should do its bit to provide adequate real sector infrastructure to make financial sector infrastructure prosper.

Literacy rate has increased by 38.82% over the decade - 31.98% for males[3] and 49.10% for females - and hopefully this would continue in future. With higher literacy rate, banks would find it easier to implement their Financial Literacy Programmes both in RUSU and URMET areas, which are lacking the required momentum at the moment. Higher incidence of literates means higher customer awareness. Therefore, banks in future should prepare themselves to answer every reasonable query of the customer. It may be appropriate to mention here that the Right to Information (RTI) Act is becoming increasingly popular, even in RUSU areas. Moreover, banks will have to accord greater importance to their educational loan schemes. Higher literacy rate is a boon for HR professionals in corporates including banks.

The child sex ratio at 914 is the lowest since Independence. Drastically declining child sex ratio can be tackled to some extent by enhanced co-operation by banks, as corporate citizens, through their corporate social responsibility (CSR) channels, since bank offices are almost ubiquitous. Bank offices are present cutting across all population groups. Bank branches can tie up with SHGs / NGOs financed by them to drive the movement against declining child sex ratio. CSR as a policy of sound corporate governance should be taken in right earnest by all categories of banks, not only the public sector banks.

References

1. www.censusindia.gov.in
2. www.rbi.org.in
3. www.mospi.nic.in/cso.htm

3. Higher increase in literacy rate for females compared to males is a promising feature, indeed.

BOOK REVIEW

Name of the Book : BANKERS' BEACON - The Story of Union Bank of India

Author : M. V. Kamath

No. of pages : 548

Reviewed by : P. N. Joshi

Union Bank of India has done well to bring out a copious account of its creditable performance during the last more than nine decades. It is a weighty publication written on glossy thick paper by the veteran legendary octogenarian journalist Shri M. V. Kamath. A financial seedling planted in 1918 by the great visionary Late Seetharamji Podar, blossomed into a giant banyan tree of more than ₹3,00,000 crore business. A variable and praise worthy record indeed!

In a sense, in the memorable words of Leo Tolstoy, "All happy families are alike..." the life history of almost all successful banks is similar - an infinitesimally small beginning and developing into a mighty organization. Almost all public sector banks in India have traversed almost similar path, encountered difficulties and cashed on opportunities. Union Bank of India also had its share of problems including a run on the Bank and the threat of a merger with the Central Bank of India in 1960. Withstanding all such predicaments, it came out stronger after every testing time.

Union Bank had the rare privilege of having its main office in Apollo Street, Mumbai inaugurated at the hands of Mahatma Gandhi, Father of the Nation on 21 July, 1921. Mahatmaji's advice on the occasion to the management, "to have the ability to carry on a big bank to manage efficiently crores of rupees, in the course of our national activities" has been ably put into practice by the Bank.

The Bank took rapid strides in business only after Mr. F. K. F. Nariman took over as the General Manager in 1951. The first branch of the Bank in the South was opened in Cochin on September 3, 1954, to be followed by a branch at Madras on November 10, 1955. In December 1962 the Bank took a policy decision to absorb small regional banks to enlarge its operations and took over selected assets and liabilities of three banks in the South viz. Perambavoor Bank, Catholic Union Bank and Nadar Mercantile Bank.

In the first half of the twentieth century, textile industry was flourishing in Bombay and therefore, the Bank's major borrower clients were related to textile business. 'Badla' business was handled through brokers / broker firms in Bombay. "Trust Receipt Loan" was also common. The Bank took special efforts to improve forex business by sending Mr. F. K. F. Nariman to eastern countries, viz. Hongkong, Singapore and Japan in the mid-fifties. Business mix of banks in those years had major advances relating to trading and movement of goods rather than "manufacturing".

After the Bank became free from the Managing Agency of the Central Bank of India, Mr. F. K. F. Nairman invited Mr. D. A. Bijoor whose contribution to Bank's growth and progress was exemplary.

Geographically and functionally Indian banking system recorded noteworthy progress only after social control (1967) and nationalisation of banks in 1969. Chapter-VIII of the Bank's history, "Government - The New Owner" gives a thrilling account of the circumstances that led to implementation of Mrs. Indira Gandhi's "Stray Thoughts on Bank Nationalisation". Nationalisation of 14 major banks including Union Bank of India on July 19, 1969 was a thunderous event. Opponents of Mrs. Indira Gandhi called it, "indecent haste". After nationalisation Mr. F. K. F. Nariman became the custodian. He was the chief architect of Lead Bank Scheme which became the main plank for taking banking services to the 'masses' in rural and semi-urban areas. On 15th July, 1970 Mr. Nariman retired from the Bank after 37 years of meritorious service.

Mr. P. F. Gutta succeeded him. After nationalisation, the Bank was required to furnish to the Department of Banking, Ministry of Finance, as well as to Department of Banking Operations, Reserve Bank of India copies of the agenda and the minutes of all Board meetings. For the first time, the Vigilance Cell was set up during 1970. On December 4, 1972, P. F. Gutta was designated Chairman and Managing Director. It goes to the credit of Mr. Gutta that he imparted professionalism to operations in the Bank and transformed the mindset of the staff.

Bank was making progress after nationalisation under different Chairmen and Managing Directors' leadership but it was during Mr. Pannir Selvam's time that the Bank made real, rapid progress in many spheres with his dynamic vision. His working philosophy, " sincerity never goes unrewarded and God supports when the cause is just", enthused rank and file in the Bank. Earlier, in the late eighties Mr. M. U. Kini, the Executive Director - popularly known as the "bare foot banker" was virtually the change agent who galvanized the branch operations.

Mr. V. Leeladhar, CMD (April 2000 to September 2004) endeared himself to one and all by mingling freely with the staff at all levels. He unreservedly attended "Satyanarayan Puja" at the Bank's branch and even in the house of any staff member. A rare feat for CMD of the Bank. He was chosen to be the Deputy Governor of Reserve Bank of India.

An exhaustive interview with Mr. M. V. Nair, Chairman and Managing Director of the Bank since April 2006 has been showcased in Chapter XXII of the history. It was during his time that the Bank's logo was changed to a more meaningful double 'U' - one 'U' capping the other. Nav Nirman Projects through "Reflection and Resolve Summit" marked the fusion point of ambitious business goals.

The history also includes some excerpts from the lengthy interview of Dr. Manmohan Singh with Public Broadcasting Service (PBS) which provided insights into the economic liberalization of 1991. In fact, the publication has many macro historical references, which have a bearing on the birth and growth of banking in India. The book opens with a synoptic review of developments following the First World War (1914-18), return of Mahatma Gandhi to India, the Swadeshi movement and establishment of banks in the first two decades of the twentieth century. Title of the history therefore, is rightly christened, -- "BANKERS' BEACON - The Story of Union Bank of India".

The publication has many memorable photographs, reminiscences of the leading lights of the Bank. Interestingly, it reproduces an apt description of the significance of good customer service in banks attributed to Mahatma Gandhi. It reads, **"A customer is the most important visitor on our premises, he is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so".** Of late, such placards are missing in branch premises. Perhaps, they have outlived their utility!

"BANKERS' BEACON" is a valuable contribution to the literature available on history of banking. It is an attractive publication. It serves as a reference volume. It is a must read volume for all.

Books Added to the IIBF Corporate Library			
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1.	Analysis and Use of Financial Statements with CD, 3rd edition	Gerald I. White & Others	Wiley India, 2006
2.	Art of Effective Leadership : Simple Techniques to Light Up the Leader in you	Virender Kapoor	Matrix Publishers, 2010
3.	Art of War for Managers : 50 Strategic Rules updated for today's business, 2nd edition	Gerald A. Michaelson & Steven Michaelson	Adams Media, 2010
4.	Communication Counts : Business Presentations for Busy People	Mary Civiello & Arlene Matthews	John Wiley & Sons, 2008
5.	Credit Management in Banks	S. C. Bihari & Others	Skylark, 2011
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7.	Economic Survey 2010-2011	Government of India	Government of India, 2011
8.	Financial Policies and Everyday Life : the Indian Context	S. S. Tarapore	Academic Foundation, 2010
9.	Five Point Someone : What Not To At IIT	Chetan Bhagat	Rupa, 2004
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