बैंक क्वेस्ट

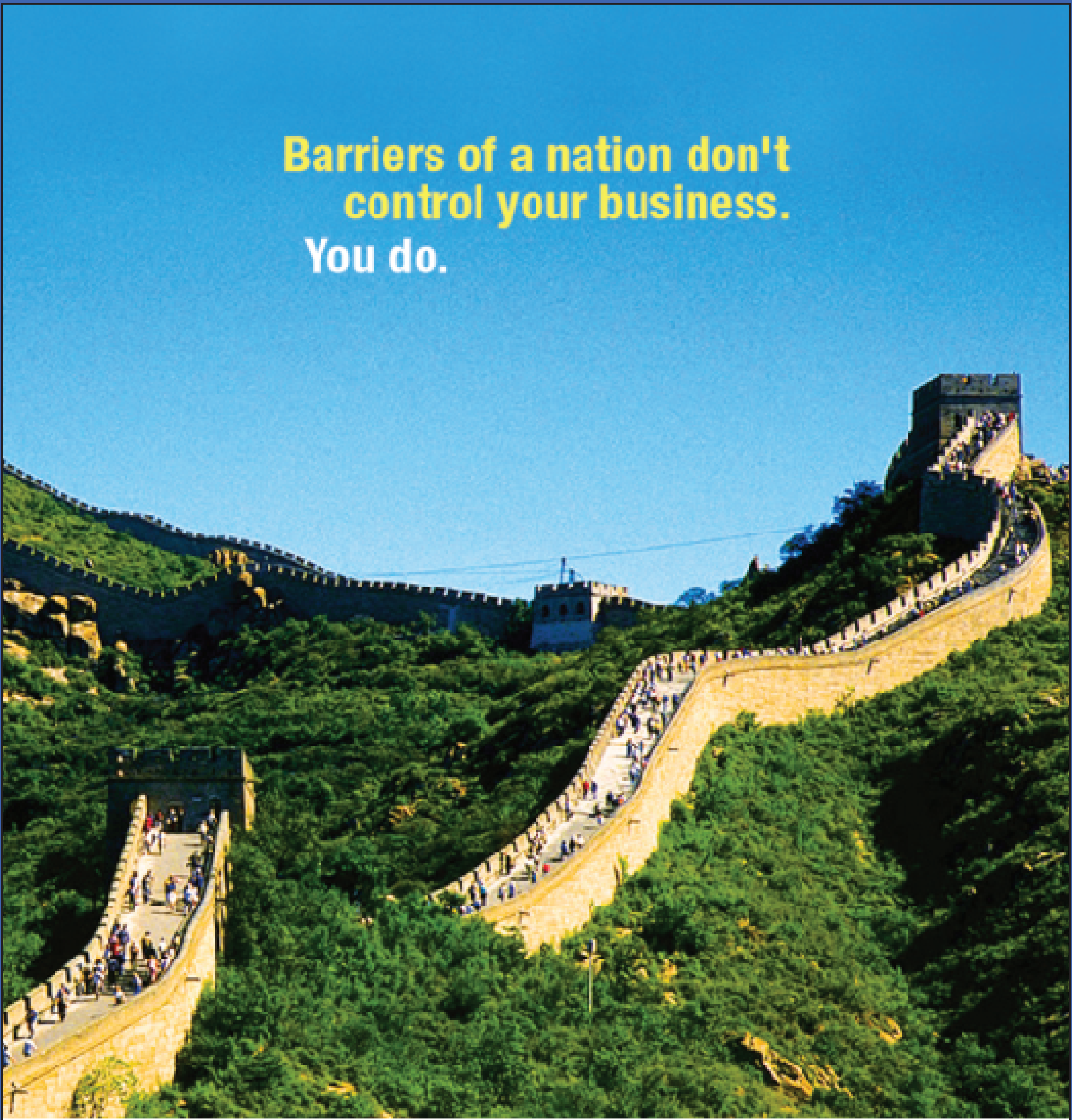
Bank Quest

Committed to professional excellence

Rs. 40/-

The Journal of Indian Institute of Banking & Finance

खंड. / Vol. 81 ● अंक. / No. 2 ● अप्रेल - जुन 2010 / April -June 2010


Barriers of a nation don't
control your business.
You do.

CONTENTS

From the Editor

Special Features

Book Reviews

Bank Quest

Vol. : 81 ◆ No. : 2
April - June 2010
(ISSN 0019 4921)

INDIAN INSTITUTE OF BANKING & FINANCE
'The Arcade', World Trade Centre, 2nd Floor, East Wing, Cuffe Parade, Mumbai - 400 005.
Tel. : 2218 7003 / 04 / 05 • Fax : 91-22-2218 5147 / 2215 5093
Telegram : INSTIEXAM • E-mail : iibgen@bom5.vsnl.net.in
Website : www.iibf.org.in

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

Printed by Shri R. Bhaskaran, **published by** Shri R. Bhaskaran on behalf of Indian Institute of Banking & Finance, and **printed at** Quality Printers (I), 6-B, Mohatta Bhavan, 3rd Floor, Dr. E. Moses Road, Worli, Mumbai-400 018 and **published from** Indian Institute of Banking & Finance, 'The Arcade', World Trade Center, 2nd Floor, East Wing, Cuffe Parade, Mumbai - 400 005. **Editor** Shri R. Bhaskaran.

editorial

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

In the past, the branch was the only known face of banking. Today, in addition to the ubiquitous branch there are many other channels such as ATM, Cards, Mobile Banking, Internet banking and agency banking that one can access for banking services. Another noticeable change is the payment and settlement system which was facilitated as much as it was constrained in the past by the clearing houses. Arrival of RTGS and NEFT coupled with the capabilities of Core Banking Solutions has revolutionized the payment and settlement system. It appears that in a not too distant future the Demand Draft, the only surviving mode of money transfer of the past, will also be extinct along with instruments such as mail transfer. Already the traveler's cheque is much less popular and has been almost replaced by credit cards and travel cards.

All these changes have been possible on account of the adoption of Information Technology in the banking operations. Be it fund transfer or investment in the market, transactions of large volume take place with mind boggling speed and with greater efficiency than in the past. Banking cannot be now thought of without IT. Technology had helped the banks to deliver the services to customers not only in quick fashion but with a great degree of efficiency and effectiveness.

At the same time there are new challenges that the banks have to face; challenges in data management front, in managing technology and in keeping pace with the rapid strides in technology. In the meantime risk management has become the most important driver of the banking sector. It appears that technology, if not understood properly and if the vendors are not appropriate, can add to the risk.

In this issue, we bring to focus certain facets of banking technology in terms of reduction of operations cost by opting for full fledged online banking, strengthening new service channels like mobile banking and using the latest technology to improve customer satisfaction and customer service. Authors discuss on how to improve the branch business by using Technology, collect, collate and analyze data more efficiently etc.

Currently, technology is helping in improving the efficiency and effectiveness of the banking operations and the on-line banking is just catching up. Online banking would help in providing a range of services and will cost 85% less than manned banking, says Dr. Shekhar Kirani in his article "Today's Solutions are Inexpensive, Easy to Use and Ready for India's Banks". The author states that, currently only 16% of Indian users are accessing internet banking / online banking. The low utilization could be due to 'trust' problems. The author discusses on how to implement "2" factor analysis which will build the trust in net banking customers in using online banking.

"Mobile Solutions - The Next Technological Frontier" by Shri Vivek Mannige is about the mobile solutions for a bank. It is indicated that mobile banking will be the next big banking channel through which most of the banking operations would be conducted. The article discusses the pros and cons of the mobile banking solutions and constraints faced in implementing the mobile banking solutions on a wider scale.

Shri Sreekanth Lapala, in his article "Technology Advances Enable Financial Institutions to Improve Customer Experience as well as Drive Operational Efficiency" writes on how the *technology implementation and its advances has enabled banks and financial institutions to improve customer service and customer experience while simultaneously improving the operational efficiency of banks. The article delves upon the right approach to technology which will help in increasing revenue and reduction in the overall cost of bank services. It also talks about the need to understand the business process flow and create the solutions to carry out the business process.*

The article on "Keys to successful Branch Transformation" by Shri Satyan Gopalan, provides insight on how a bank branch can be transformed to succeed in its operations. It further states that the branch transformation project can only be successful when it matches the bank and its products. It further periodically captures the bank branch of past present & future.

Ms. Suganthi Shivkumar in her article on "The need for data quality in banks", says that banks may suffer due to poor quality of data. She articulates the importance of Basel-II compliance and provides the ways to test the accuracy of data by quantifying, documenting and creating robust processes. It also presents the "BASEL-II DATA ACCURACY SCORECARDS" which are really important to any bank.

In his article "Next Generation Banking in India Silent (r)evolution" Shri Karthik Balasubramanyam critically evaluates what is there in store for the Indian Banks in the future. The article adds that the current easy growth business models of banks appears difficult to sustain in terms of productivity and profitability in the medium term. Market consolidation and re-alignment of business models will be on the agenda for many banks. The article suggests that non-performing banks should concentrate in improving customer relationships, re-positioning the role of bank's branches, aligning people and performance management, comprehensive reward mechanism across sales & services, structuring long term incentives, re-assessing the employee profiles and indentifying the winners in a bank among others.

The article on "Secure internet banking and It's fundamentals" by Shri Ashutosh Pandey covers e-channels of banking and their security. The article analyses the security solutions available in the market and their limitations. It covers, SSLs, OTP tokens, Challenge response mechanisms, client side digital certificates and "2" factor authentication. The article also proposes the possible solutions to overcome the limitations of security solutions by implementing the mechanisms such as : mutual authentication, by creating a secure environment using technology, by creating secure technology channels and by using Out-of-Band Transaction Verification and Authentication.

As banking technology is evolving rapidly with new tools, the inputs given in the issue would be of use to readers to update their knowledge level. Institute endeavours to provide the latest information from multiple sources. Hence the Institute had approached practitioners in the IT field to share their perspectives on the subject.

Dr. N. A. Mujumdar in his article, adapted from his key note address, on "Global Economic Crisis, Asia and the Indian Experience" has discussed in detail the causes that led to the crisis, how the India economy escaped the mayhem, the resilience of the Indian economy and the lessons for the world at large from this economic disaster.

The issue also carries an article in Hindi on "भारतीय अर्थव्यवस्था के लिए वैश्विक मंदी के सबक" *and three book reviews. We would like to thank all the authors and technology companies who responded to our request to write exclusively for the Bank Quest. We hope the selection of articles and book reviews would be of interest and use to the readers and we look forward to suggestions for improvement.*

(R. Bhaskaran)

Don't Let Fraud Ruin the Promise of Online Banking in India

Dr. Shekhar Kirani *

Online banking in India offers enormous promise both for banks and their customers. India counts some 81 million Internet users, representing a market penetration of just seven percent. For banks considering offering services online, India's potential is exciting : Internet usage here has soared 1,520 percent since 2000.[1]

Yet realizing the potential of online banking in India is fraught with challenges :

- Economic, due to a global recession and increasingly competitive marketplace;
- Cultural, as banks try to balance long-held traditions with the need to generate profit;
- Demographic, by instituting a “mass over class” approach to providing bank services to all Indians;
- Security, as banks and their customers face increasing threats from fraud cartels and identity thieves.

Lately, it's the economic challenges that impact banks the most. India's public and private sector banks are striving to halt the escalating costs of doing business. The need to reduce operating costs has prompted banks to find more cost-effective ways to serve customers. Online banking offers a way to provide a range of services to anyone with even occasional access to the Internet. It's vastly more convenient for customers, and it's much more cost-effective than in-person tellers and call center agents. How much? An Internet banking transaction is 85 percent cheaper to process than a typical transaction.[2]

So why haven't more banks engaged this potentially lucrative channel?

The Trust Problem

While only 16 percent of Internet users in India are expected to be banking users in the short term,[3] that number can grow rapidly if banks are able to establish trust with an understandably wary public.

But Internet users know the threats are real and spreading. India is specifically targeted in roughly 10 percent of the world's phishing scams designed to lure online users to look-alike Web sites, where they are tricked into providing their personal account numbers, passwords, credit card numbers and more. In 2008, banks in India were subjected to more than 400 phishing attacks over the course of a few months.[4]

A popular technique executed by identity thieves and e-fraud cartels, phishing scams can be set up quickly at very low cost. On the Internet's global black market - where stolen identities are bought and sold 24 hours a day - e-criminals can even purchase “phishing kits” that enable them to create a fake Web page that convincingly mimics a bank's log-in page.

Even in the face of these threats, however, India's banks aren't adequately protecting themselves or their customers. According to NASSCOM, more than 80 Indian banks lack the security safeguards they need to thwart attacks from phishers and identity thieves.[5]

Foiling Fraudsters with Two-Factor Authentication

For banks around the world, the answer to establishing trust with online customers is two-factor authentication. Also known as strong authentication, two-factor authentication goes beyond simple username-and-password sign-on, which is easily circumvented by phishers.

With two-factor authentication (2FA), each user provides not just a username and password, but also a unique one-time password (OTP) generated by a special security credential. When the bank's 2FA service

* *Country Manager, VeriSign India.*

provider matches the OTP to the customer, then the user is authenticated.

The latest 2FA solutions are simpler and more convenient for users as well. OTP credentials are available in a variety of formats, allowing bank customers to choose the credential that best suits their lifestyle. These include stand-alone hardware tokens, credit card-sized form factors, Short Messaging Service (SMS) codes for mobile phones as well as a downloadable application that turns a mobile phone into a OTP generator.

As logging on with two-factor authentication requires something the user knows (his username and password) and something he has (his 2FA credential), it is much more difficult for fraudsters to gain unauthorized access to accounts. Because of this, 2FA has been proven to be effective against unauthorized access to online accounts, stopping potential fraud before customers and banks sustain financial losses.

Some IT managers may have experienced 2FA in its former iteration as a costly, self-managed solution that is difficult to scale as user populations grow. Today's 2FA solutions, however, are available as cloud-based (or managed) services that drive down per-user costs while enabling on-demand growth. Managed 2FA services allow banks and other organizations to achieve total cost of ownership (TCO), savings of 40 percent on capital expenditures and operational costs, when compared to traditional on-premise solutions.[6]

Most recently, the costs and logistics of distributing 2FA credentials to millions of users have effectively been eliminated with the introduction of mobile applications that transform mobile phones and PDAs into credentials that generate OTPs on demand. Since most online bank customers are mobile phone users, they don't have to carry an additional credential to generate an OTP for strong authentication. Instead, the device they carry all day, every day doubles as their 2FA credential, creating a new level of convenience. And the application costs them nothing.

A Relationship Built on Trust

For Indian banks aiming to introduce or expand their online services, establishing trust with customers, is a crucial first step. With its proven ability to keep fraudsters and identity thieves from gaining unauthorized access to customer accounts, two-factor authentication should be a core part of any bank's online offering.

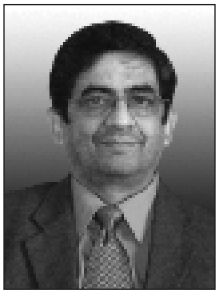
As financial institutions around the world already recognize, 2FA :

- Protects banks and their customers from financial losses stemming from online account takeover. Signing on to a 2FA-protected bank Web site requires users to provide something they know and something they have - a combination that e-criminals will find difficult, if not impossible, to acquire.
- Is cost-effective and scalable. A cloud-based 2FA solution keeps implementation and administrative costs down while enabling deployments to scale on demand.
- Is easy to use. A variety of 2FA credentials - including mobile device-based applications that provide the ultimate in convenience - make strong authentication easy for bank customers.

India's banks have a promising future online - but only if they provide the right safeguards against e-criminals. Those safeguards should include two-factor authentication.

Source

1. Internet World Stats, Miniwatts Marketing Group, www.internetworldstats.com/asia
2. “Indian Banking Industry,” India Infoline Ltd. 2004, http://www.mindbranch.com/Indian-Banking-R642-0002/
3. “Online banking redefined with new service,” YES Bank Press Release, Sept. 30, 2008. http://www.ciol.com/Enterprise/BFSI/News-Reports/Online-banking-redefined-with-new-service/30908111071/0/
4. “Online Fraud in Asia” Asian Channels, June 2009 http://mediabuzz.com.sg/asian-channels/june-2009/503-online-fraud-in-asia
5. “Online Fraud in Asia” Asian Channels, June 2009 http://mediabuzz.com.sg/asian-channels/june-2009/503-online-fraud-in-asia
6. “Two-Factor Authentication : A Total Cost of Ownership Viewpoint”by VeriSign, April 2005; http:// www.verisign.com/static/029263.pdf



Mobile Solutions - The Next Technological Frontier

Vivek Mannige *

Mobile Solutions are enterprise-wide solutions that work on mobile phones and enable an employee who is away from an office to retrieve information on to the mobile phone screen, from the core system and update data collected on the field in real-time. They essentially change the way business is done by extending the domain of an enterprise system from within the confines of an office to where the action actually is, at the customer's location. In banking there are numerous activities that are conducted outside the bank's walls, such as sales, relationship management, loan origination, field investigation, collections where employees or agents can now become more effective by being connected anytime and anywhere, to the banks' core systems.

Back in 1997, on witnessing a demonstration of a Java-based Internet solution for loan processing for banks, at a major IT event in Orlando, USA, people were extremely skeptical about such a solution being of any use. Today similar solutions are used by nearly all major banks. The solutions then and now are essentially the same, with of course increased levels of security. Then what has changed? It is the mindset of the adopters. Anything new is met with a degree of hesitation. Very few people can step where no-one has stepped before. Others wait and watch to see how the early adopters have fared before stepping in themselves. This is a natural process and naturally takes time. Mobile solutions for banks have essentially followed the same pattern. The previous decade saw a telecom revolution as never before. Mobile phones became more powerful and cheaper while telecom networks became faster. People started adopting mobile solutions but most stayed with e-mail and other collaboration applications. Then of-course there are those adventurers who started using mobile solutions for their business processes, some with successes and others with failures.

Factors Affecting Success of Mobile Solutions

Mobile solutions and their implementation may bring to one's mind a sense of deja vu. Remember when e-business was getting popular, how many software development companies sprang up to address that market? And then a lot of them fell by the wayside as they were unable to meet the demands of IT-savvy users. The same could happen for mobile solutions. Just as in conventional solutions, it is easy to build mobile solutions that look good and even perform well in a small scale. But then when changing requirements of a bank need to be met and more users get on board then the “easy-to-build” mobile solutions start falling apart. By then it may be too late for a bank's CIO to take corrective action and a lot of time and money would have been spent in an unsuccessful project. CIOs should dig a lot deeper into the underlying technology of a mobile solution before taking the shortest and easiest path.

Another unusual difficulty faced by organizations is that unlike conventional business solutions that are restricted to a place of business, mobile solutions can be perceived by end-users as possibly invading their privacy. Once, at the end of a training session, a young sales executive enquired whether his movement in the field would be tracked by the mobile solution. He was genuinely concerned and it is such concerns that could often result in resistance at the user level and consequently in unsuccessful implementations. Banks must train their field workers adequately to allay such fears before they introduce mobile solutions.

* *Managing Director, Accel Tree Software*

Some Misconceptions Regarding Mobile Enterprise Solutions

Enterprise software gurus have observed that just as the Internet changed the way companies do business, "mobility is now becoming the next competitive frontier." Yet mobile solutions which are the backbone of enterprise mobility are not fully understood by enterprises.

The first reaction of a manager is that as the mobile is a very small device, it may be difficult to use it for any significant amounts of data. That is not so as the mobile screen can scroll down to display quite a large set of information. There exists a mobile applications for field verification that can display and modify over 40 items of data for each customer and store this for an entire day's work, all on a low-end mobile phone!

Mobile solutions are often relegated to a secondary function something that supports a core process. Thus managers believe that unless the enterprise processes are in place and stable, which hardly ever happens on schedule, mobile solutions cannot add value. In most cases that is not correct. A mobile solution brings in a change in the way business is conducted in the field. It is a process in itself and in most situations can subsist on its own.

Balancing Cost of Mobile Solutions & their Value

Mobile solutions are like any other software solution where you can get huge variations in price. Then how do you decide which way to go? The best approach a CXO could take in such a situation is to engage an independent consultant to evaluate different solutions and find the best one where value and cost are balanced. In the face of it two solutions having huge difference in cost may appear the same but when the consultant goes into various aspects such as flexibility for enhancements, ability to easily connect to core systems, ability to handle increased user load in future, hidden costs and a host of other factors and of course overall value generated, the solution chosen might be quite a surprise. The CXO should tread carefully and take a calculated decision.

Presenting Value to the Management

A business head in a bank was convinced that mobile solutions would help his customer-contact representatives out in the field. He knew that the process would get streamlined and his managers would be able to manage the field force with greater efficiency and that significant time and effort would be saved in daily reporting and call tracking. The IT organization conducted live pilot projects and after detailed evaluation selected a vendor for supply of the mobile solution. The business head then prepared a formal request for executive sanction for the investment, highlighting that a 10% improvement in productivity would be expected. Yet the executive committee rejected the request because the benefits were largely intangible and moreover as the actual field force was employed by external agencies and not by the bank, a lot of the benefit would accrue to them and not to the bank. This could happen in organizations contemplating enterprise mobility. Executives taking investment decisions would like to see tangible measurable results immediately and not "in the future".

Convergence of Visual Data & Mobile Solutions

Many mobile phones today have cameras and quite a few mobile entertainment applications exist, that invoke the camera facility. It is now the turn of mobile enterprise solutions to utilize the camera phone for business use. Applications can control the camera, capture a picture and then pass it along with other information to a central server for processing. All along, the picture is treated like another data item and thus catalogued in a database for easy retrieval later. Mobile photo applications are used by inspectors for visually recording an asset's condition, by loan sales persons to capture documents; and the list can go on, encompassing any application where a visual record needs to be taken for processing. An innovative application of mobile camera is one where barcodes on redemption vouchers are read, verified and accounted for immediately, with just an ordinary camera phone instead of an expensive portable barcode reader. It is just a matter of time that mobile photo applications will become common-place in the enterprise world.

Mobile Applications for Marketing

Marketing through mobile phones has been around for some time now. It mainly consisted of a means to send text messages (SMS) to the target, promoting a product or service or offering a discount when the message is shown at a retail outlet (these discount coupons are called m-coupons). What these mechanisms lack is a means to generate pull from the consumer, that is, an incentive for the consumer to actually search for special offers. In addition, most of these SMS marketing offerings lack subsequent analytics to determine efficacy of the marketing efforts. In this regard a complete mobile marketing solution is one when the consumer sends an SMS, clicks on a link to download an application that offers an attractive and easy-to-use means to pull mobile-coupons of interest. The coupons can be presented at a participating retailer where they can be redeemed. Banks using such a service can set up their own marketing campaigns and throughout the campaign duration can track consumer actions relevant to the promotions and also generate valuable analytics.

CXO's Guide to Enterprise Mobility

CXOs and business heads are often in a quandary with respect to investment decisions on mobile enterprise solutions. They have numerous questions that cannot be easily answered because enterprise mobility is not yet a mature practice like e-commerce. These questions may clarify :

Q : What are the measurable benefits of mobile solutions to the organization?

A : Mobile solutions improve processes by redefining them and their value can often be computed in advance, but their greater value in improving the way business is conducted is often un-measurable at the micro level. The result will be contribution to an increased top-line and profits, however, the contribution cannot be easily assessed and isolated.

Q : How can we be sure a mobile solution will succeed?

A : A mobile solution is like any other computerized solution in that the benefit it accrues to an organization depends largely on how effectively it is implemented. And the onus of that lies not with the managers down the line but with the top executive management.

Q : How do we choose the right vendor for mobile solutions?

A : That is a tough decision. Just like when you choose a music system for yourself, you have to examine all the qualities of the system, understand the company manufacturing the system and check out customer feedback, not just one or two that could have been fabricated, similarly you need to see the "big picture" when choosing a mobile solutions vendor.

Q : Should we not wait for others to try out mobile solutions first instead of being "guinea pigs"?

A : If your competitor gets the benefits of mobile solutions first then you will, most likely, be left behind. Why wait, when you are convinced that mobility will give you benefits?

Q : We are in the throes of implementing a new core banking system. What will be the right time to get into a mobility project?

A : Mobile solutions change the way business is conducted out of the office. Most standard implementations of core systems cater to the processes within the workplace. Hence as mobility is contributing a set of new processes, it can be implemented independently. There is no need to wait for a core implementation to be completed, to get the benefits of mobility.

Q : Then won't the IT team get stretched while implementing Core and Mobility at the same time?

A : Ideally, Mobility should be implemented by the business department and not IT. There is very little of IT involved particularly as a lot of mobility implementations can be started quite rapidly.

Q : What are the issues in integrating mobile solutions with our Core System?

A : Unless real-time data is essential, a batch model for transfer of data to and from the core system is ideal, and that is often a non-issue. It will also reduce the on-line load on the core system. Integrate in real-time only when required and keep that in mind when selecting a mobility solution vendor.

Q : Our Core System vendor has a mobile solution; would we be better off implementing that?

A : That is a decision that can be taken only after you have examined the core system vendor's mobile solution with respect to your requirements. A vendor who specializes in mobile solutions would probably be more agile than a general systems vendor, in meeting your dynamically changing mobility requirements.

Q : What is the single biggest issue encountered when implementing mobile solutions?

A : The biggest issue is lack of focus. Day-to-day operations tend to divert the attention of senior management from a mobility project, because mobility projects are often considered "nice to have" but not essential.

Q : How do we rapidly implement mobile solutions?

A : A senior manager vested with authority should be made responsible for implementing a mobile solution. This person should be dedicated for the job and should have the backing of the bank's leadership.

Report of the Electronic Banking Group of BCBS on "Risk Management Principles for Electronic Banking"

The principles put forward by the Electronic Banking Group (EBG) of Basel Committee on Banking Supervision (BCBS) can be categorised into three groups : (1) board and management oversight, (2) security controls, and (3) legal and reputational risk management.

According to the EBG, vigilant management oversight of the board of directors is very important in facing the challenges posed by e-banking. Since e-banking modifies and raises some of the risks faced by the banking operations, the board of directors should undertake a review of the risk appetite of the bank before entering into the e-banking business. Further, the additional requirements for the risk management of e-banking operations should be tailored with the overall risk management strategy of the bank. Additional care may be taken to explore the risks related to cross border e-banking services before getting into the business abroad. EBG further emphasised that the expertise of the staff and management should be commensurate with the technical nature and complexity of e-banking services. The vigilant monitoring of systems operability, customer satisfaction and appropriate incident reporting to the board are very important to maintain the reputation of the bank. The board of directors should take adequate interest in maintaining security control infrastructure with the latest available technological innovations to safeguard the bank's electronic data base and e-banking operations from both internal and external threats. Further, the board of directors should also establish 'comprehensive and ongoing due diligence and oversight process' for managing the risks related to outsourcing of some of the e-banking services to the third parties.

As a first measure to manage the security risks raised by e-banking services, EBG suggested that the banks should have measures to authenticate the identity of the customer. This is extremely important in the case of cross border e-banking operations where the probability of unauthorised persons getting access to the bank's system is very high. The EBG suggested that the banks can use a variety of methods such as personal identification numbers (PIN), passwords, smart cards, biometrics, digital signature, etc., for ensuring the identity of the customer. Equally important is the authentication of the transaction, i.e., proof of origin and delivery of the electronic transaction. The segregation of duties, especially between those who initiate static data and those responsible for verifying its integrity within the e-banking operations is important in eliminating the fraud. Thus, banks should ensure that appropriate measures are in place to promote adequate segregation of duties. Further, banks should ensure that proper authorisation controls and access privileges are in place for e-banking systems, databases and applications. The failure to ensure this may allow unauthorised individuals to alter their authority, circumvent segregation and gain access to e-banking systems. Banks should also give adequate attention to maintain the data integrity of e-banking operations, records and information. Proper audit trails and measures to preserve the confidentiality of key banking information should be in place for all e-banking transactions.

To protect the legal and reputational risks of the bank, the banks should provide adequate information about the bank's identity and its regulatory status in the website to allow the customers to take an informed decision whether to avail the e-banking services of the bank. Further, banks should adhere to the customer privacy requirements of each jurisdiction, wherever the bank is providing e-banking services. Another important factor in maintaining the reputation of the bank is the consistency and timeliness in providing the e-banking services to the customers. Thus, the banks should ensure that they have adequate capacity to provide e-banking services in a timely and consistent manner in accordance with the customer expectations. Further, the bank should also have adequate infrastructure to handle any type of contingency that may hamper the smooth functioning of e-banking operations.

Source : RBI

Technology advances enable financial institutions to improve customer experience as well as drive operational efficiency

Sreekanth Lapala *

Banks worldwide continue to invest in new technologies as they strive to bring products and services to the market quicker, reduce operational cost, meet ever changing regulatory requirements and improve their operational efficiency. The extent of adoption and investment in technology, vary by institution and globally by region frequently driven by competitive pressures.

The recent economic downturn has seen most banking institutions focus inwardly on reducing costs, with technology investments prioritized towards that goal. While during that time, other industries have seen continued advancements in user (customer) facing experience.

The Indian banking industry today is in the midst of innovation and transformation. The market dynamics are ever changing and highly complex, requiring banking institutions to constantly evolve their products and services. The combination of competitive pressures, market opportunity and regulatory risks and compliance requirements is pushing the banking sector to rapidly adapt technology.

A key challenge for any institution is to identify the appropriate approach to project and technology that will drive the most benefit in terms of increase in revenue and / or reduction in the overall cost of services. Take the case of one global financial institution (FI) with a large prime brokerage business. Prime brokerage comprises a set of services offered by investment banks and securities firms to hedge fund clients. These services can include securities clearing, securities lending, financing, reporting and support. In this instance, the financial institution was providing settlement services to its hedge fund clients. Part of the service entailed working with the client on trade exceptions and margin alerts. The financial institution had a back office team that manually compiled and provided this information to its client. Communications were handled primarily by email between the hedge fund and the FI's staff. The financial institution embarked on a modernization effort to bring efficiency and automation into its operations. In particular it focused on how to improve the trade exceptions process both for the customer and for the bank. Exceptions as they were being handled were resulting in : missed SLA for on-time resolution of exceptions, manual paper driven operations leading to higher data errors and ultimately higher costs for exceptions management and compliance risks. This effectively meant that there was very little straight through processing in place.

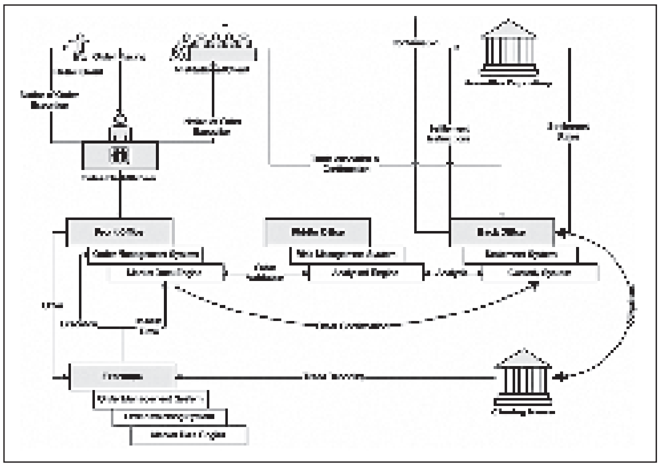
On the management side, there was no real ability for the management to access intra-day data to monitor how operational activities were carried out and what changes could be made around the team.

Key goals for the initiative were to improve the customer service representative desktop through the following means :

- Provide readily available information in structured format
- Create the ability for clients to act on the information immediately
- Allow more customer control in the form of self service and the ability to monitor SLA's being met
- Provide the Bank's operations team with visibility and monitoring tools

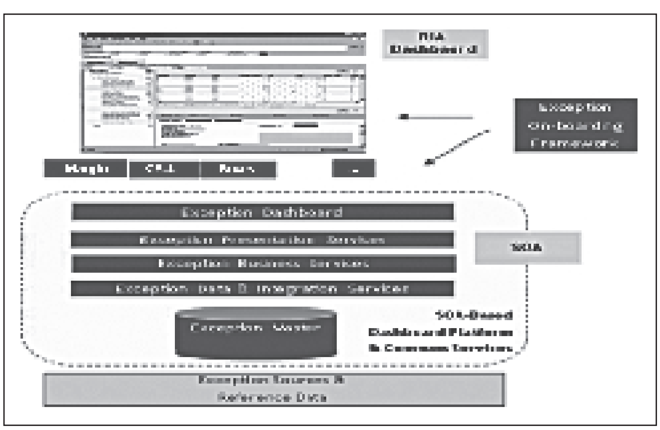
* Director - Delivery, Virtusa (India) Pvt. Ltd.

The bank set about the project to achieve the above goals. The diagram below illustrates the high level flow of the process. It shows a number of steps that are required to complete trade processing.



After understanding the current business process flow, the next step was to choose the right technologies for the project. Upon analyzing the project needs, it was ascertained that there was the need for rules, workflow management, integration, reporting and a strong user interface (UI) to allow customers access.

The solution approach was combined with these elements by creating a flexible 'Real Time Monitoring Dashboard' supported by a Service Oriented Architecture and leveraging a rich internet application (RIA) to create a dynamic user interface. The design goal was to be able to support the entire trading life cycle for any financial exceptions events. The first event rolled out was margin exceptions.



Subsequent events like 'Corporate Action', 'Account Opening', 'Account Transfer' and 'Wire Transfer' were easily added on.

The result was a consolidated, single portal view into lifecycle stages across all financial transactions that provided real-time monitoring and transparency of processes, helped in achieving the productivity gains for Customer Service Representatives and enabled prioritizing critical and sensitive exceptions for customers.

From a technology standpoint, the benefits of implementing this solution can include :

- Holistic view to identify, monitor and control events and exceptions
- Transparency in the exceptions which improve risk management
- Faster resolution time which benefits both the bank and its clients
- Significant Improvement in productivity of CSR and Collateral Managers
- Increased customer satisfaction through better access to information and a platform to manage and control exception.

In this era of increased competition, demanding customer needs, rapid technology advancements and stringent regulatory requirements, speed and efficiency in executing financial transactions is crucial for success. The implementation of a Real Time Monitoring Dashboard helps banks to monitor exceptions, triggers workflows for successful resolution of exceptions and supports the banks in their quest for faster transactions, reduced risks and lower costs.

Keys to a successful branch transformation

Sathyan Gopalan *

A branch transformation project will only lead to success when it matches a bank and its products, when employees can identify with it and when it supports customer requirements.

The branch network is one of the most valuable assets for any retail bank. More than 80% of all sales are made within the branch. So it seems unimaginable that a few years ago banks in many western markets closed branches because they were regarded as cost centres and that the future of banking was online.

Those banks that reduced their network have had to eat humble pie as they realised they lost contact with customers and revenues suffered as a result. Now that the branch is back in a big way and bankers all over the globe are attempting to redefine the branch experience by adopting fresh new designs, innovative IT, self-service zones, new sales and customer service cultures to drive revenues with an eye to keep costs under control.

Clearly, banks want to renew their branches and then ultimately push them to function as strategic retail centres that act as a hub of interaction. However, the branch continues to be a complex delivery channel, so banks are intensifying their efforts to run them more efficiently and profitably, without impairing customer service.

India is no exception as banks and their customers have benefited from the wave of core banking system implementations. And as a result, banks have augmented their delivery channels from simple branch concepts to multiple touch points that incorporate self-service ATM / POS, mobile, internet and phone banking. These delivery channels provide multiple options to a customer to interact with his bank at his / her own convenience.

It also gives banks an opportunity to become more sales focused and cross-sell or up-sell additional products and services in the branch or through other channels. But the next step to reach the goal of becoming more akin to retail centres is to transform branches. And this means introducing new processes and solutions to enable rapid expansion of branch networks in a standardized method : processes and solutions also need to be scalable to effectively ensure they are future-proof to a certain degree.

But a branch transformation project can only lead to success when it matches a bank and its products, when employees can identify with it and when it supports customers. That means conducting rational analysis using appropriate data to map the future of the branch network.

Specifically, collecting data on transaction times and volumes, employee abilities and self-service usage rates is a necessity otherwise it will restrict a branch's potential. Also, banks have to decide the optimum number of tellers, ATMs, cash deposit systems, pass-book printers, transaction kiosks they should deploy in a branch and how to plug them into the back-office systems of the bank.

It also means anticipating the needs of customers today and tomorrow. That means asking lots of questions : How much branch networking is needed? Do customers want more or less service? Do customers avoid bank consultants, and if so why? How much security do they need? And how much independence do customers want in their decision-making?

Meanwhile, banks can improve their efficiencies by double digits, by realigning their networks to the size of wallet, demographics, current share and competitor presence in their respective markets, according to a retail bank branch report published by the Boston Consulting Group in March 2010.

* *Managing Director, Wincor Nixdorf India*

Those that do their homework can then make the operational and paradigm shifts needed to create an improved experience that will strengthen customer relations over a longer period of time and allow banks to grow sustainably.

Only when banks have a clear understanding of their underlying needs can they determine the impact that these will have on their branch transformation. Every change can have an impact and efficiency can be compromised if the facility is not structured to support them. For instance, what happens if teller counters are reduced and replaced with self-service terminals? How long are waiting lines, when customer frequency reaches more than 100 percent on an average day? What employees are working at what capacity at what times? What is the impact of all these scenarios on customer satisfaction?

Only then can banks properly weigh their needs and how they align with customers, employees and their own product mix. Banks are under tremendous pressure to understand their customers and to rethink their service behaviours. Cost-income ratios aside, the process of adapting and converting existing business processes is also complex. Considering that over 80% of all sales are made within the branch, a failed branch transformation would come at a very high price. There would be the immediate loss of investment, as well as a reduction in customer service levels.

A one-size-fits-all approach to the branch is no longer viable, yet laggard banks have been slow to revise tactics. Industry leaders however have achieved important automation and cash logistics benchmarks, challenging traditional notions of size, shape and format, compared to their traditional bricks-and-mortar counterparts. While the results might vary, the underlying theme is the same : a common ability to grow revenues and profits, and to exceed customer expectations through integrated processes and infrastructure, as well as ability to create innovative spaces that feel like retail centres.

An example of a new approach is the mobile branch, a small 'instant' bank that can be set up to provide basic services such as cash deposit or withdrawal. It can be easily moved within a branch to allow banks to meet the requirements of its changing needs. For instance, it can be used for 24-hour banking, as an additional self-service counter during peak hours, or as a fixed banking option within a branch. This format is beginning to be widely adopted by locating the mobile branch near the bank or near major shopping malls in order to place the financial institution in the path of the pedestrian.

Mini branches are also becoming increasingly popular as a means to bridge banks' need to keep costs down and ensure customer proximity in underserved or rural areas. Since small branches are at increased risk of robbery, automatic teller safes with a set time delay should be embraced, to eliminate tellers' direct access to cash, and to deter criminals.

Another retail banking format is to offer assisted online banking. Instead of pushing customers to use the internet banking channel at home where relationships with customers can become disconnected, a new concept is to bring them back into a branch that is located in a retail mall.

Customers can perform various internet banking tasks such as open a savings account, transfer money or invest in a new investment fund with or without the help of a bank consultant. The difference is that when a customer has a question or it is not clear about a product, a bank consultant is on hand to provide that advice. This new format was adopted by the United Mutual Savings Bank of Griesheim - Weiterstadt in Germany and executives also adopted attention-grabbing elements such as a two-meter high, six-meter wide indoor projection screen, to draw attention to different promotional themes, as well as a coffee lounge to make the location more inviting to customers.

In India, it is important to keep in mind the new imperatives of containing cost with smaller, optimally staffed branches, especially in rural or under-banked areas, while the other related trend has been risk-management driven : to in-source sales related activities for a range of products into the branch from external agencies.

Cutting-edge branches worldwide share several common characteristics that simplify customer interaction and business processes. Here are five key elements to consider :

1. Successful branches pair security with customer convenience.

Customers seek branches that are able to successfully combine a comfortable atmosphere with trust and security. Therefore, banks are designing branches to enable a seamless flow between self-service, assisted service and consulting zones.

In the front office, banks have installed discrete video systems at the counter, teller and self-service zones, right down to the terminal level, to make consumers feel secure. Biometrics is also being used as a user-friendly means to limit access to critical applications and sensitive data.

Behind the scenes, branches also need to secure the back-office environment. This means elevating security to shield sensitive business processes across all stations against internal and external attacks. This includes protection of the self-service application, the operating system, and the communication and network systems against manipulation.

2. Successful branches focus on consulting and sales innovation.

A bank and its branch network must adopt customer service techniques that make visitors feel welcome.

Fortunately, many customers feel more comfortable visiting a branch when they need to make complex financial decisions. In fact, a study by KPMG suggests that the higher the household net income, the higher the interest consumers have in seeking a financial advisor. That means that branch employees need to be properly trained to behave as consultants in order to provide added value to customers.

Banks also need to find ways to refresh relationships and create more opportunities for more spontaneous contact and conversations with existing and potential customers. Digital signage that features seasonal promotions or topics can create those opportunities to interact with customers and understand their needs.

3. Successful branches limit unsecured cash in the Branch by using cash management technology.

This is not just about reducing the level of cash in self-service systems. Increasingly it means monitoring how the bank's money flows along the entire chain. If processes in the money supply and collection chain are streamlined, annual savings can be as high as 40%. The main areas of savings include : over-the-counter payments and deposits, self-service machine operating costs, automatic authenticity and fitness checks, and interest on unnecessarily high cash levels in ATMs and teller positions.

Automating processes, extending information management and outsourcing cash logistics also can help to reduce costs. An example of process automation at the branch level is the use of cash recycling systems that shorten the cash cycle and significantly reduce replenishment and collection costs.

In this context, financial institutions can also consider the outsourcing of complete business processes such as ATMs and cash management. This step would continue measures already put in place by numerous banks that have chosen to outsource services such as maintenance and security support, repairs and rollouts to external providers.

4. Successful branches automate standard processes.

ATMs draw customers into branches. So, there are several benefits to transferring numerous standard banking processes to the self-service channels : a significant reduction in costs, higher system availability for customers and improved service through a 24-hour self-service zone.

Banks are making greater use of self-service as a marketing and sales channel, to increase revenues and raise profits. In many countries, customers now rate self-service ahead of newspapers, TV, internet and e-mail when it comes to attentiveness, credibility and a personalized approach.

Strategic investments in specialized software are needed to turn self-service into a revenue and profit centre. For example, direct marketing programmes run through the ATM can highlight bank or third-party promotions and have a positive impact on revenues. It could also be a tool to conduct customer surveys, which is a useful avenue for honest customer feedback.

5. Success equals scalability.

Channels - The challenge for banks is to ensure that new processes and solutions can be scaled to meet increased demand. This means using a solution based on service-oriented architecture (SOA) to deliver identical services on all systems and channels even if these originate from different vendors.

This creates a unified experience and keeps costs down. Besides its service benefits, SOA also plays a pivotal role in improving security by improving efficiency and eliminating risk. This is especially important for smaller and optimally-staffed branches, especially those in under-banked areas.

Strong IT supports processes, rather than the other way around. And SOA allows products to be rolled out faster, cutting time-to-market and simplifies the changeover to managed services, and if necessary, the complete outsourcing of entire departments.

The potential payoff for an aligned branch is considerable. Winning banks are excelling in dynamic branch transformation management which results in faster reaction time, improved customer loyalty, optimized sales channels and increased productivity.

Chart : The bank branch journey

Yesterday	Today	Tomorrow
Focus : Rationalization	**Focus : Renewal**	**Focus : Transformation**
• Cost reduction	• New branch concepts	• Revenue generation
• Efficiency	• Customer & sales focused	• Sustainable growth
• Branch closure	• Customer wallet share	• Branch specialization (customers & solutions)
• Process automation	• Cross-selling or up-selling	• Customer lifetime value
		• Personalization
		• Industrialized processes

Source : Wincor Nixdorf

Need for data quality in banks, Data quality in risk management and Basel-II

Suganthi Shivkumar *

Most organizations today suffer from the problem of data quality. Unfortunately, for most organizations, operational challenges have become a part of their day-to-day activities making them devise both simple and complex work-arounds to compensate for the data's shortcomings.

Organizations involved in financial risk exposures suffer from poor data quality, but nonetheless are able to function with apparent efficiency. For example, a Data Quality Assessment revealed that a particular bank had over €2 billion in corporate loan exposures without maturity dates. (Source : Informatica)

This is a classic case of both poor data quality and poor business process. While the repercussions can be appalling, such lack of data quality did not seem to have affected the bank's business up until the recent credit crunch. So in the past, the bank would not have prioritized this data deficiency. It would have deemed other issues more worthy of attention and budget. Now senior level executives recognize data quality as critical in supporting a range of banking reports.

Basel-II is one of the major drivers of change within the banking world. Because it is used to assess risk, the underlying quality of the data is critical to being able to deliver a report with any level of confidence. Today, Basel II is adopted by financial institutions not simply because it is a compliance directive but also because it is for many, the embodiment of best practice.

Regulations

Basel-II (and particularly Pillar-II of the Accord) puts responsibility on financial institutions in the area of data quality and data management. Banks must look at the accuracy of their risk exposure calculations throughout the entire business. For many, this encompasses the exposures from businesses in many different countries.

Regulators such as the Financial Services Authority / FSA (United Kingdom), the Federal Reserve (United States), and the Bundesbank (Germany) have made it a requirement that banks self certify the accuracy, completeness, and appropriateness of Basel-critical data. Banks must now tailor their data management strategy to meet this requirement. Talking about India in particular, even the RBI has recently issued a notification laying down a time schedule for all scheduled commercial banks operating in the country for implementation of the advanced approaches for the regulatory capital measurement under Basel-II framework.

An example of the explicit requirements for data quality is highlighted in the FSA's application pack for internal ratings-based (IRB) approvals :

“Describe how the firm ensures that IRB (internal ratings based) data standards are met, and in particular how it ensures the accuracy, completeness, and appropriateness of the data underlying the firm's regulatory capital calculations.”

This criterion effectively moves data quality out of the “it-would-be-nice-to-fix” status into an issue that must be addressed to comply with banking regulations.

Banks need to establish quantified and documented targets and robust processes to test the accuracy of data in the following ways :

- Reconcile inputs and outputs of capital calculation with accounting systems

* *Managing Director, Informatica, South Asia*

- Assign every exposure a probability of default (PD), loss given default (LGD) and, if applicable, a credit conversion factor
- Establish key risk indicators to monitor and ensure data accuracy
- Fully document processes for business and IT infrastructure
- Set clear and documented standards on ownership and timeliness of data
- Develop a comprehensive quantitative audit program

These new priorities require consolidated data collection across the institution, so that data from all business units is brought together into a single source, typically a data warehouse from which reports are generated for risk and Basel-II related decisions.

Data Quality and Basel-II

Most leading banks are addressing these key priorities by investing in the data infrastructure : data warehouses, risk engines, business intelligence (BI) layers, and data integration software.

But at no point in the data stream is data quality managed as an explicit function. Instead, it is dealt with by tools not designed specifically for the purpose. This is an important oversight because data quality is a vital intersection point of infrastructure and the business. More importantly, data quality is an explicit requirement for Basel-II compliance.

Score carding

Score carding became a focal point for data quality in Basel-II when the FSA's CP 189 proposed score carding as an external audit point.

BASEL-II DATA ACCURACY SCORECARDS

High standards of Data Accuracy : We propose quantifiable targets to cover completeness and accuracy that will rise over time.

Robust control and systems environment : Firms are encouraged to develop automated data capture processes to safeguard the integrity of the calculation and reporting process with full and appropriate levels of documentation.

Proposed standard : A self-assessment data accuracy scorecard (DAS) that includes a mix of regulator and firm specified targets that can be accessed through quantifiable tests that we will agree with firms on an individual basis.

Structure of Data Accuracy Score card : We will set core targets that will apply to all firms. Firms will set supplementary targets and we will agree to these on an individual basis depending upon relevance to the firm. The tests that are applied will be firm specific and agreed with us.

Scorecard will comprise prescribed areas, attainment targets and tests

For example, 'completeness' is an area (all assets have to be captured), the target is 100%, and the test is reconciliation to the report and accounts.

(Financial Services Authority)

Data Quality Firewalls

The chosen solutions should extend this compliance score carding approach to apply “data quality firewalls” in front of the risk engines, be they in-house ones or those from third parties.

The firewall's main function is to identify poor data quality before it goes into the engine, which removes the requirement for manual data remediation on the risk engine's log files and ensures that only high-quality data enters the risk engines. Firewalls perform both automated and manual tasks. For example, errors in non-transactional client reference data can be automatically standardized, cleansed, and / or enriched on the fly. Errors in transactional data are identified and presented to business analysts for rapid remediation.

The ideal risk solution should perform analysis on all types of master data : Customer and counterparty data, market and credit data, financial, reference, and transactional data.

Therefore, this includes key data related to : Probability of default, loss given default, exposure at default.

Risk and Basel-II DQ Management

The chosen solutions should provide a data quality management framework that gives the business total assurance to :

- Manage data quality on an aligned and integrated basis, meeting best practice on legacy data management and new business development
- Measure and to monitor the data quality using : Existing and newly created internal reference data sources, third-party reference data sources, the solutions own reference data
- Act on areas identified for improvement without threatening the quality of existing data
- Handle change requests and new developments without threatening the quality of existing data
- Guarantee to senior management and the board about the accuracy of the data being stored, being generated, and being used for decisions
- Match data against trusted reference sources for validation and enrichment
- Monitor and cleanse, on an ongoing basis, gaps in data accuracy and identify incidences of non-conformance
- Deploy a data quality firewall ensuring that new data is consistent with the risk management and Basel-II requirements, among others

DQ Starter Pack : Risk & Basel-II Management

While deciding on the starter pack for Risk & Basel-II Management, the chosen solution should allow users the following benefits :

- Framework data quality rules in such areas as key attributes for : Risk weighted asset calculation, probability of default calculation, exposures (dates, amounts, and limits), obligors (dates, basic address), ratings (obligor and product), and securitization.

All of the rules are extendable for customer-specific requirements.

- A scheme for BI vendor independent reporting that supports : High-level aggregated data quality metrics for senior management, drill-down by multiple dimensions, detailed results, including indicators of potential loss on a per business rule basis.

Revision of the Banking Ombudsman Scheme 2006 (BOS)

Based on the experience gained since January 1, 2006 in implementing the BOS, the Customer Service Department of the Reserve Bank has revised the BOS during the year. The salient features of the amendments carried out to the Scheme 2006 are as follows :

The scope of BOS was widened to include deficiencies arising out of internet banking. Under the amended Scheme, a customer would also be able to lodge a complaint against the bank for its non-adherence to the provisions of the fair practices code for lenders or the Code of Bank's Commitment to Customers issued by the Banking Codes and Standards Board of India (BCSBI). Further, non-observance of the Reserve Bank's guidelines on engagement of recovery agents by banks has also been brought specifically under the purview of the Scheme. The amended Scheme, however, does not include certain banking transactions, such as failure to honour bank guarantee or letter of credit. Complaints on these areas of banking services are insignificant in number.

Any customer who has a grievance against a bank can complain to the Banking Ombudsman in whose jurisdiction the branch of the bank complained against is located. Some banks have centralised certain transactions, like housing loans and credit cards. If there are complaints regarding such transactions, complaints would have to be made to the Banking Ombudsman in the State in which the bank customer receives the bill/ statement of dues. As per the amended Scheme, the Banking Ombudsman can award compensation not exceeding Rs.one lakh to the complainant in the case of complaints arising out of credit card operations, taking into account the loss of the complainant's time, expenses incurred by him/her as also, harassment and mental anguish suffered.

In addition, the Reserve Bank has also simplified the format for lodging complaint with the Banking Ombudsman. Though the complainant need not lodge the complaint in a specific format, the Scheme now provides for an easy-to-fill format for lodging complaints, in case complainants prefer to use the same. The jurisdictions of the Banking Ombudsman at Kanpur, New Delhi, Chandigarh, Chennai and Thiruvananthapuram have been rationalised to include/exclude certain areas taking into account the geographical proximity of those areas to the respective Office of the Banking Ombudsman. For wider dissemination, the Reserve Bank has asked all banks to place a copy of the Banking Ombudsman Scheme on their website.

Wherever any of the complaints are not redressed within one month, the concerned branch/controlling office should forward a copy of the same to the concerned nodal officer under the Banking Ombudsman Scheme (BOS) and keep him updated regarding the status of the complaint. To ensure that the customer is made aware of his rights to approach the concerned Banking Ombudsman in case he is not satisfied with the bank's response, banks were advised to indicate in the final letter sent to the customer regarding redressal of the complaint, that the complainant can also approach the concerned Banking Ombudsman if he / she is not satisfied with the bank's reply or redressal action.

Source : RBI

Next Generation Banking in India - Silent (r)evolution

Karthik Balasubramanyam *

The Indian financial services industry stands at the cusp of its second structural (r)evolution. While policy makers debate the pace of measured deregulation, banks must cope with multiple dimensions of change involving regulation, technology, new competitors and business models, capital pressures, and constantly changing customer demands.

Winners in the future are likely to move away from the rest of pack at a brisk pace, sailing through the potentially heavy headwinds ahead. These firms will make intelligent choices with respect to their operating models, customer-centric acquisition and management approaches, product portfolio, and partnerships apart from planned international expansion. Most often than not, technology and innovation would be integral to their choices and the themes they choose.

Indian Banking Next 'Eldorado'?

With the Indian economy enjoying a long spell of robust growth over the last five years, the Indian financial services industry has seen accelerated growth - with strong performance in each segment, namely, banking, asset management and insurance. This has come on the back of positive developments over the last decade wherein, the sector now compares favorably with banking sectors in the region on metrics such as growth, profitability and non-performing assets (NPAs). In addition, select banks have made steady progress in global rankings both in terms of asset base, capital and business growth. The market is far from saturation with the economy projected for sustained GDP growth, opportunities to service a large, young, working middle class[1] population, apart from managing the needs of emerging Indian multinationals with global horizons. In addition, there is a large 'un-banked'[2] population pointing to a larger market requiring access to fundamental products at affordable prices.

Regulation and control have been on the forefront protecting the industry from global financial and currency crises that have occurred in other markets. The government and central bank continue to exert considerable control and protection, both in terms of regulation and influence in the market place through state-owned banks. This benign environment has aided an era of unbridled growth and strong returns for most banks. Banks, independent of ownership groups and size, have initiated or completed the first technology leap by adopting core processing platforms and deployment of remote channels. Recent entrants have caught up with more entrenched players and have made investments to shift gears towards a world-class environment that supports integrated sales and service, risk management and organizational performance.

Many senior executives in banking would probably claim that they understood the challenges facing the industry. In a sense, they would be right. The challenges of change, increasing regulation, tough competition and more demanding customer expectations are routinely

* *Senior Consultant in TCS Banking and Financial Services practice and is currently based in Singapore.*

1. *More than 360 million Indian people have incomes above the National Council for Applied Economic Research's (NCAER) threshold for 'middle class' of more than $2,000 per person per annum. 90 million earn between $4,500 and $22,000 per annum. Their purchasing power is much higher than it would appear in dollar terms ($3,000 per annum is seen as the threshold for buying a car in India, for example). The NCAER expects the 'middle class' to reach 560 million people by 2010. (The Great India Market, 9.8.05).*
2. *An un-banked is defined as any individual of 15 years of age or older who does not have a saving or deposit account nor access to loans in a commercial bank or any alternative financial institution (AFI) such as state owned agricultural, development and postal banks, member-owned savings and loan institutions, other savings banks, low-capital local and rural banks, and specialized microfinance institutions.(Technology and Innovation in Financial Services : Scenarios to 2020, World Economic Forum report, 2008).*

expounded. But in a more profound sense, the industry is yet to encounter genuinely threatening developments arising from disruptive innovations, whether these focus on new technology, new business processes or completely new business models. To date, Indian banking has avoided such disruptive shocks often guided by state-guided intervention.

As the headwinds of change strengthen, Indian financial services needs to embrace its second structural shift wherein both the market regulators as well as participants can evolve and re-work their strategies. The regulators and policy makers are focused on injecting digestible capsules of change whilst prompting deregulation and accelerating the creation of world-class infrastructure (e.g., payments, asset reconstruction companies (ARCs), credit bureaus, back-office utilities)[3]. Given the state's interest and shareholding in the banking system, market consolidation - either state and / or market-driven influences are required to minimize pressure on the exchequer for additional capital infusion to help the state-run banks meet Basel-II requirements aligned to international standards.

The banks themselves, even today's winners, have to deliberate on the degree of cultural and business transformation that they need to adopt to tide over the magnitude of change ahead of them. The current 'easy growth'[4] business models appear difficult to sustain both in terms of profitability and productivity, in the medium term. Fuelled by fundamental product engines where demand outstripped supply and geographic expansion led to tapping customers looking for responsive services, these models have become a part of regular hygiene and are being adopted by most, if not all. Easing of restrictions on foreign bank entry and investments across banking, capital markets and insurance - should increase competition for traditional profit pools. In addition, non-banks (e.g. Reliance Capital and IDFC) apart from niche players (e.g. Rabo) who continue making in-roads, create business slivers that cut slices from traditional revenue streams of mainstream banks. Added to this, de-regulation and the adoption of international norms require banks to craft policies linked to market realities and their business strategy without guidance support of central bank directives.

Market consolidation and re-alignment of business models will be on the agenda with only a few large players being able to sustain multi-asset full-service business models. Competition will be on the rise to allow participants to tap into newer profit-pools. Market leaders will eventually control such arrangements and rules permitting roll-up of these ventures and smaller players. Some banks will need to look at their product portfolio strategy across banking, securities, cards, leasing, mortgages and bancassurance businesses. This, alongside additional capital requirements, could trigger some market-driven sales / divestments in the next near term.

While the overall action agenda and roadmap around reforms is chalked out by the government and regulators, banks need to evolve and craft approaches that support some of the decisions around business model, product portfolio, customer management, human capital and policy, product management (pricing, bundling), and often leveraging solution and capabilities made available by technology and innovation. The winners are likely to get their basic ingredient right and develop a future strategy that exploits opportunities presented at the industry level. Rest of the banks would need to work on their fundamentals with the aim to defend their asset and customer base.

Customer Paradigms - Crafting a Winning Mindset and Delivering an Enriched Experience

With the race towards operational efficiency made possible by advances in technology, most Indian banks have focused on lowering costs, and some banks have achieved that. By focusing on managing costs and profitability within product business and units, banks have been able to make marked reductions in their cost to income ratios. While many banks claim and have made large investments in Customer Relationship Management (CRM) systems, the way they are managed suggests that their CRM tools are underutilized in generating 'real' insights to help

3. *Indian Banking 2010 : Towards High Performance, Mckinsey & Co, 2008.*
4. *India Financial Services Good Long-term Potential - but Structural Weaknesses Need to Be Addressed (Morgan Stanley / Oliver Wyman, 30 September 2008).*

anticipate customer needs and understand customer profitability.

Despite the rhetoric and nice sounding campaigns, some banks tend to leave customers out of the picture. The inward focus on operational efficiencies did not align with differentiated customer services. One division's most valued customer is another's occasional purchaser; but customers view their experience in totality. A poor experience with one division causes a ripple effect of dissatisfaction across boundaries. As a result, the bank is vulnerable to high rates of customer attrition. While executives may recognize the problem, they have tended to see it as a necessary trade-off in the pursuit of operational efficiency.

The goals of operational efficiency and customer focus are not mutually exclusive - they are complementary. Success hinges on adopting a different way of thinking, and having a customer focus embedded in the cultural 'DNA' of the organization. Evidence from other industries has found that truly customer-centric companies think of and manage themselves in a fundamentally new and different way. They deeply understand the profitability not only of products and business lines, but also of individual customers', both present and potential value. They make extensive use of customer and market data and are obsessive about identifying emerging trends and opportunities, and use this insight to guide management and investment decisions.

Customer-centric institutions consider themselves as a portfolio of customers; a mix of highly profitable customers providing today's profits, and those with a calculated potential for growth. They also know how to successfully re-balance / re-price and divest themselves of unprofitable customers with poor prospects for improvement. In addition, the investment in iterative testing of value proposition is an option that is fast becoming a necessity in today's economic climate. Some of the most enlightened retail banks have started recognizing that other industry sectors have a great deal to teach them about customer-centric product bundles and related pricing. Even in emerging markets like India, the telecom and digital television players offer their customers an increased choice of flexibility to tailor their packages (to very specific segments or even a segment of one). Supported by technology enablers, these institutions put in place a modular approach to product management that allows for customized and need-based packages that can be appropriately priced, both at an aggregate as well as at a product / component level.

Role of Branch - Changing the Role and Positioning

Many banks have set out on a path to branch improvement; although, arguably few have embarked on total transformation. Simply refreshing the brand and refurbishing the branch network is not enough. Only a unique, differentiating and compelling proposition is likely to succeed.

In India, most institutions have skipped the emphasis on institutionalizing the more difficult components of a proactive sales and service culture, while spending too much time and money on easier initiatives such as new branding and branch designs as part of their technology upliftment initiatives. In the last ten years, banks have attempted to reinvent and experiment with branch strategy in a quest to transplant traditional retail practices into financial services. Most banks have used direct banking for optimizing costs and shifting customer traffic to self-service and remote channels. Apart from new design and a selective sales focus, old habits still thrive. It is not unusual for a branch to have a lesser customer floor space allocation relative to the bank sales and support staff. In addition, limited leverage of established merchandizing principles have led to the haphazard placement of communication collateral in branches.

Banks in India would also do well to learn from the mistakes of their western counterparts in shaping their overall branch strategy. Bankers in Europe and North America learned invaluable, albeit costly, lessons when applying retail concepts and ideas that were not closely aligned to a supporting strategy, namely, that customers do not visit a bank branch to browse. There was a period when many bankers wanted to believe customers would think of the bank branch as a destination point, a place to learn about financial solutions. Once again, without a sound strategy, this wishful thinking led to complicated and costly branch zone strategies, whereby branches had zones dedicated to market segments such as seniors, young professionals, home-buyers, travellers and college students.

As part of the second phase, Indian banks will need to focus on 'the experience economy' - a period of expanded awareness of the total customer experience, comprising everything the customer sees, hears, feels and, ultimately, does with the bank. It is this context that the branch is likely to take center-stage - being best placed to deliver the right mix of convenience, value and service. Beating the competition with a differentiated service-led proposition should include a pivotal role for branches as they remain the key channel through which banks can reconnect with their customers. Towards this, banks would need an action plan including :

- Supports sales and service choreography, and design-a-concept stores to enact scenarios and capture desired actions and behaviors of customers. Some leading banks have used these concept stores to test new products, service concepts, often involving the customer in the co-creation process
- Enabling tools and technologies that support customer recognition; welcoming as well as queue management; sales advisor tasks and 'less paper' / more digitized environment
- Design a 'privilege of the moment'[5] approach that addresses sales and service response paths to customers who visit branches for transaction, information and service fulfilment needs.
- Support multi-branch formats and the ability to customize key elements linked to place / footfalls and nature of product / service requests

Leading banks around the world have used concept stores more often to test the above mentioned concepts.

Human Capital - Aligning People and Performance Management

For the planned transformation to be successful, a shift in mindset from board-level down is required. Investment dedicated to increasing the level of customer-centric behavior and empowerment to deliver high-quality service is required. Creating the right people-strategy is thus fundamental to delivering overall transformation. It is the glue that holds together all other aspects of transformation.

In India, the human capital challenge stems from a virtual freeze in recruitment by some segments of the industry. The resultant higher average age of staff imposes a significant challenge in re-skilling the staff with changes in technology and customer expectations. As part of the second phase, Indian banks will need to focus on 're-working their people strategy with a clear focus to investing in critical skills and leveraging partners for other requirements'. Towards this, banks would need an action plan that includes :

- *Comprehensive reward mechanisms across both sales and service :* Reward systems are currently too focused on short-term sales targets, and are driving behaviors that do not enhance the long-term value of customers' relationships with their bank. This can produce the wrong behavior at face-to-face and direct banking customer touch points. Reward systems urgently need to change to promote service-led experiences and advice-led sales. New performance indicators should be put in place to acknowledge the employee's role in creating good service and lead generation.
- *Structuring long-term incentives :* Staff incentives must be designed to build longer-term customer relationships and advice-led selling. The pressure to sell products against weekly targets may well prevent employees from building quality relationships based on putting customers' needs first. The rewards system should be stacked to pay-back on an annual basis and reward loyal service. Rewards should therefore be approached from a staff development perspective- and not be driven by sales. Long-term incentives may not only encourage branch staff to foster long-term relationships with customers, but could also help reduce staff churn and retain skills and experience at the branch level.

5. *Frontier in Finance; Branch effectiveness : Delivering a high performing sales culture. (KPMG, March 2008).*

- *Reassess the employee profile :* Emergence of new entrants has led to reasonably high attrition rates driving up costs and putting in constraints on the path to an effective service culture. Most banks will need to reassess the profiles of their staff from the perspective of current and future roles. Some will need to step up recruitment to fill in visible gaps.

In short, the people strategy and related policies will need serious scrutiny and need to be supplemented with training that supports an effective service culture.

Identifying Winners :

The next couple of years will test the mettle of most Indian banks. More importantly, banks must realize that the 'easy growth' era is over and the industry is poised to undergo some fundamental shifts. Most banks could potentially be in a better shape leveraging their capabilities and resources - provided they take action now. Those who do not recognize the change and make necessary adjustments to their strategies could potentially end up as losers in the next five years.

Institutions that have started planning, making investments and decisions to combat and identify growth opportunities, both in domestic and select international markets - can lead the industry in the next wave of growth and maturity.

Important Notice to the Candidates for the CAIIB Examination

The Institute will be launching the modified structure for CAIIB examination from December, 2010 onwards. For this purpose the Institute has completely revised and restructured the syllabus for the CAIIB Examination in consultation with all its stake holders.

Revised (2010) Syllabus

Candidates to the new CAIIB examination will have to write two compulsory papers and one optional paper. The list of compulsory papers and elective papers are given below. Among the eleven elective papers the candidate will have to chose one elective paper.

I. COMPULSORY PAPERS

1. Advanced Bank Management
2. Bank Financial Management

II. OPTIONAL PAPERS (Select one)

1. Corporate Banking
2. Rural Banking
3. International Banking
4. Retail Banking
5. Co-operative Banking
6. Financial Advising
7. Human Resources Management
8. Information Technology
9. Risk Management
10. Central Banking
11. Treasury Management

The course content has been carefully developed so as to be relevant to the modern banking workspace and SBUs of the banks particularly in an era of vertical based banking operations.

The details of the syllabus & course content, examination rules can be viewed at http://www.iibf.org.in.

Courseware for the compulsory and elective subjects are under print and will be published by end of July 2010. The translation of the courseware in Hindi is underway and in due course the candidate should be able to download the same from the Institute's portal.

January 2011 Exam

The revised syllabus is being introduced from Dec 2010 / Jan 2011 examination.

Therefore both (a) Candidates enrolling first time for the CAIIB examination and (b) candidates who desire to re-enroll for CAIIB examination i.e. after having availed four (4) permissible consecutive attempts and not completing examination will have to submit their applications under the Revised (2010) Syllabus. These candidates cannot apply for the examination under previous syllabus. In fact the institute will not accept any new application under the old pattern. Accordingly the old pattern examination will cease to exist after Dec 2011.

It is recommended that candidates who had enrolled for CAIIB for December 2009 examination and have completed two attempts in the CAIIB examination as of June 2010 without passing any paper so far may consider applying under the new syllabus instead of enrolling for 2nd block of 2 attempts under the old syllabus.

For Candidates already enrolled for CAIIB examination under old syllabus :

- The present time limit of four consecutive attempts for passing the examination will continue.
- Candidates can however move to the Revised Syllabus (2010) even before availing all four (4) permissible consecutive attempts.
- Candidates will not get credit for subject/s passed, if any, under the old syllabus as the course has been completely revamped and re-structured.
- No new candidate for the old syllabus will be enrolled effective from November 2010. New candidates necessarily need to enroll for revised syllabus only.

For those who have already passed CAIIB.

In order to address the needs of continuous professional development, candidates, who are already CAIIB, can appear for elective subjects of their choice. On passing the same the candidate will be given a certificate on the given elective as a post CAIIB qualification. However as the Examination of all elective papers will be conducted simultaneously, candidates can apply for only one elective paper at a time. In due course the institute will link such additional qualifications for the award of its Associate Membership to the candidates.

For details of syllabus, application forms and dates of examination etc., visit http://www.iibf.org.in.


6 more milestones to
PNB Technology Highway
pnb Mobile Banking
pnb Smart Invest (ASBA)
pnb Xpress Remit
PNB Pre-paid Card
PNB – World Travel Card
PNB Merchant Acquiring Business
All types of Point of Sales (POS)
Useful for SME, Current and Cash Credit Segments
PNB – Xpress Remit
Faster NRI Remittances
Send remittances faster to beneficiary account
Anywhere in India
Instant Credit to beneficiary's account
PNB Smart Invest (ASBA)
No need to issue Cheque
Funds are Blocked in the customer's bank account till allotment
Money remains in the account
Earns / Saves Interest
PNB Mobile Banking
View account Statement, balance/details
Online Mini Statement (Quick View & stop payment of cheques)
Cheque Book Request & Status inquiry
Change of Password(s)
Online Trading
PNB Global Credit Card
Online Tax Payment
Online Rail/Air Ticket Booking
PNB Insta-Remit (RTGS/NEFT)
More than 1 Million Internet Banking Users
More than 10 Million Debit cum ATM Card holders
Over 3600 Automated Teller Machines (ATMs)
6 PNB sponsored RRBs with 100% CBS
100% CBS with more than 5100 SOLs
57 Million Customers
Over the years, PNB has introduced many path-breaking IT initiatives to redefine banking convenience. Look forward to better banking with us!
For further details, contact your nearest PNB Branch or Dial 0124-2340000 or All India Toll Free 1800 180 2222
www.pnbindia.in
पंजाब नैशनल बैंक ...भरोसे का प्रतीक !
punjab national bank ...the name you can BANK upon !

Secure Internet Banking 3.0
Need to work on the fundamentals

Ashutosh Pandey *

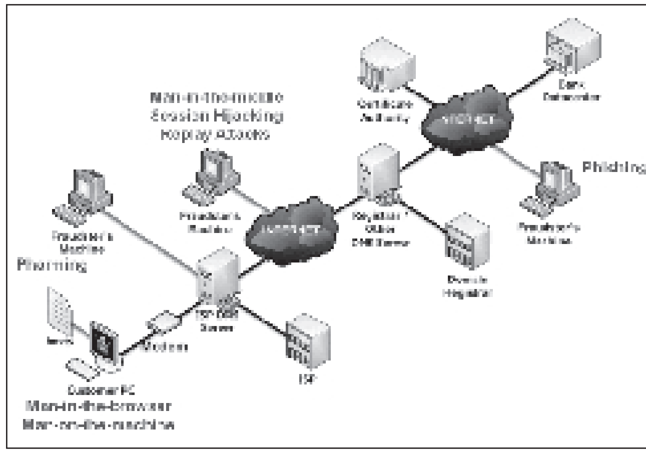
There was a time when expanding a bank's customer base and growing its business meant opening up newer branches at remote locations. Banks would offer retail banking services for a fixed number of hours on five or six days a week, with the rest of the day being allocated for back-office operations; and the customers could transact only within these timelines. Any unfinished business would have to be attended to on the next working day.

Technology has completely transformed the way we do banking today. Centralized Banking System implementations have computerized all the banking processes, ATMs dispense cash to customers 24x7 and Internet Banking has enabled customers to transact from the convenience of their homes. No long queues at the bank counters or multiple trips to the local branches and HOs. Transactions, bill payments, trading, investing, ordering cheque books, transferring funds, setting up FDs, etc., can now all be accomplished with a few mouse clicks in a matter of minutes.

Most importantly, from the banks' perspective, e-Channels (Internet based service offerings) or Internet Banking offers the lowest cost per transaction by virtue of being the least expensive channel (as compared to the cost of servicing a customer at a physical branch). And it facilitates market penetration and growth in customer base without any geographical constraints or time-based limitations.

E-Channel Security Concerns

While the Internet offers multiple benefits, it is still an extremely unsafe place to conduct a financial transaction. Cyber criminals use a variety of methods (that are increasingly getting more sophisticated by the day) to capture the customers' credentials or



authentication information (login ID / password, one-time passwords and even personal digital certificates) and use this information to commit fraud. An illustration of the existing infrastructure that the customer uses to access his bank's internet banking services and the various attacks possible on such an infrastructure is provided above.

Customers today have no way to ascertain whether their bank's website being displayed in their browser is authentic or not (as it can be exploited by methods such as phishing, pharming etc.) and whether the transaction they are initiating is reaching the bank correctly or not (as it can be prone to man-in-the-middle and man-in-the-browser attacks).

Additionally, the customers' computer is typically infected by some malware or the other such as key-loggers, screen-scrapers and Trojans that can capture the keystrokes and mouse-clicks of the customer and send it to a fraudster for later (ab)use. Most customers are not technically qualified to know what malicious programs are resident on their systems and how to

* *Business Manager, UNIKEN*

remove them in order to ensure a safe environment for doing financial transactions online.

Since banking services are delivered over a public network like Internet that is not owned by the bank, using an access device (the customers PC and browser) over which it does not have any control, the bank has no choice but to leave security and the entire consumer experience of banking online at the mercy of fate and hope no untoward incidents happen. This is fundamentally different from providing branch banking or ATM banking where the bank controls all these factors and can provide a safe environment for the customers to conduct banking transactions.

As a result, both banks and their customers are still largely wary of using the Internet for online banking and secure financial transactions, thereby continuing to rely on the age-old branch banking channel, which significantly increases the bank's operational costs.

'Solutions' available in the market and their limitations

The solutions available in the market that claim to provide security to Internet Banking are as follows :

1. *SSL Certificates :* Almost all the banks use SSL certificates and HTTPS for providing access to their Internet banking applications. They inform their customers to look at the “lock” icon in the browser and if they see the icon, they are safe.

   While SSL does provide an encrypted channel between the customer's browser and the bank's server, it does not provide authentication of the website that the customer is going to. The browser only validates whether the SSL certificate is valid or not and does not authenticate whether the certificate indeed belongs to the Bank (except in the case of EV-SSL). Hence, the customer might see the “lock” icon in his / her browser and still may be connected to a malicious website that can steal their credentials.

2. *One-Time Password (OTP) Tokens :* One-time password tokens generate a single-use password that the customer has to enter in addition to the regular Internet banking password for authentication.

   The OTP may be generated on a hardware device, a software program on PC or a mobile handset, or may be generated by the authentication server and sent to the user using SMS, Email or automated IVR systems.

   The limitation with OTP systems is that the customer still enters this OTP on an unauthenticated page and on an insecure communication channel. The OTP cannot assist the user in authenticating the server hence it is prone to man-in-the-middle attacks.

   In addition to this, hardware OTP tokens have to be distributed to the customers and have to be renewed / reissued every 3-5 years. This specific limitation increases the cost of rolling out and maintaining an OTP solution and makes it cost-prohibitive for large-scale deployments.

3. *Challenge-response mechanisms :* In a typical challenge-response mechanism the server sends a challenge to the client, and the client sends a response based on a pre-shared algorithm. Based on the response the server decides whether the client is authentic or not. Some banks have also implemented challenge-response mechanisms on both the customer as well as the server side (a two-way challenge-response mechanism) for additional security.

   Challenge-response mechanisms suffer from the same shortcomings as the OTP tokens in which the response is still being submitted on an unauthenticated page and sent over an unauthenticated channel. This makes it vulnerable to man-in-the-middle attacks in which the fraudster can just relay the challenge and response between the server and the customer and be able to successfully authenticate himself to the bank.

4. *Client-side Digital Certificates :* Some banks have issued digital certificates to their customers. Typically the customers install the digital certificate in their PCs or carry the digital certificate on a USB token. The client-side digital certificate is used to authenticate the customer and to encrypt and sign the data being communicated between the bank and customer.

However, rolling out client-side digital certificates is a big logistics problem. In addition to this, managing the entire digital certificate infrastructure, CRLs, certificate reissue & expiry is a daunting task for the bank. This high cost of issuance and management of digital certificates has prevented banks to adopt this solution on a large scale.

Why can't only 2-factor authentication solve the problem?

The approach being adopted by banks till now is to provide customers with additional authentication mechanisms in order to authenticate themselves to the bank. However this has not been able to solve the problem because the customer can still submit his additional authentication information on an unauthenticated channel. The browser, being a universal client would connect to any website or server, including that of a fraudster, and the fraudster can then entice the customer to provide all the authentication information, including OTPs (one-time passwords), which the fraudster can simultaneously use to login on behalf of the customer. Even biometric authentication is susceptible to this kind of attacks commonly known as man-in-the-middle attacks.

On top of this, the browser need not even connect to the wrong server for the fraudster to steal the authentication information; this can simply be done by installing a small piece of software on the customers' browser to do the same damage that a man-in-the-middle would do. This kind of attacks, commonly known as man-in-the-browser attacks would easily defeat other authentication mechanisms such as challenge-response, device fingerprinting, IP-geolocation, risk-based authentication and even client-side certificates.

Secure Internet Banking 3.0 : What should banks do to solve these problems?

Following are the security essentials for any Internet banking technology in order to qualify as the next generation internet business channel.

1. Ensure the security and integrity of the access device being used for accessing internet banking and that no malicious program has access to the banking environment on the access device.
2. Ensure that the client authenticates the server and the server authenticates the client before any identity credentials are shared - this means providing connection level authentication rather than application level authentication.
3. Ensure that a Secure Network is created and maintained between the client and the server over which banking services are provided. Essential characteristics of such network are mutual authentication, end-to-end encryption and ability to create a private network on the internet
4. Ensure that the data being transmitted is not revealed in clear at any point in time to any network element.
5. Ensure that the access device cannot connect to any other server except the banking server - a dedicated access device for banking services

Ideal Solution

The bank should have complete control on the communication channel and the banking environment that the customer is using to access banking services. Any solution that the banks implement for ensuring all of the above should ideally offer the following :

1. *Mutual Authentication :* The customer should always connect to the bank and to nobody else. Authentication between the bank and the customer should be mutual with both the bank and the customer authenticating each other simultaneously.

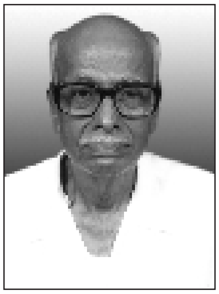
   Mutual authentication protocols ensure that the customer's PC and the bank's server both authenticate each other before a communication channel is established. Protocols such as RMAP (Rel-ID Mutual Authentication Protocol) provide mutual authentication at the protocol level. This ensures that the customer would not connect to any hacker on the Internet and would connect only to the bank's servers for internet banking. This technology prevents attacks such as phishing, pharming and man-in-the-middle.

Device fingerprinting means capturing the access device details of the customer and verifying these on each connection. Device fingerprinting on its own cannot be very secure. It has to be used as an additional technology after implementing mutual authentication and secure access device for Internet banking

2. *Secure Environment :* The customer's banking environment should be protected from malicious software installed on the customers PC and / or browser. One of the approaches is to provide customers with a dedicated secure access client to access internet banking. This client connects only to the bank's website and has components such as secure desktop and secure browser that protect the customer from various types of attacks due to malicious programs on the PC. A brief description of these technologies is given below :
   - Secure Desktop Technology : The secure desktop technology is a technology that creates a secure virtual environment on the customer's PC, which prevents malicious programs from having access to the programs running in the secure virtual environment. This technology is capable of protecting against malicious programs such as keyloggers and screen scrapers that capture customer's credentials
   - Secure Browser Technology : The secure browser technology works in a similar fashion to the secure desktop technology in which the browser runs in a secure sandboxed environment where it does not load any browser add-ons or BHOs (runs the browser in safe mode). This prevents any malicious add-ons from loading along with the browser and protects from Man-in-the-browser attacks.
3. *Secure Channel :* The connection between the bank and the customer should be authenticated and encrypted. The customer should always connect to the bank over an on-demand private communication channel. End-to-end-encryption should ensure that all the data that is being sent by the customer is encrypted right in the browser up to the Internet banking database. The data is not available in clear text even within the bank's environment. This coupled with adequate security policies, protects the data from being stolen in the Bank's environment by an insider.
4. *Out-of-Band Transaction Verification & Authentication :* Out of band transaction verification and authentication ensures that the transaction has not been poisoned by any MITM or MITB and that the customer is indeed executing a particular transaction and not a hacker. Transaction verification and authentication can be achieved by using a private mutually-authenticated and encrypted channel on the Internet or by using another network altogether such as phones (IVR) and mobile phones (SMS based One-time passwords).

Work on the Fundamentals - be a Game Changer!

Security is a never ending battle. No one solution can claim to be completely secure from all the existing and future threats in the world. However, if banks diligently work on these security fundamentals related to network and end-point security as discussed above, and adopt a smarter and different approach to security, they can change the game for cyber fraudsters, making it more difficult for them to carry out their malicious intentions. Banks have to upgrade their technology to such a point that it is no longer cost-effective for hackers to do frauds on the Internet. And that's when Internet Banking 3.0 will have finally arrived!



Global Economic Crisis, Asia and the Indian Experience*

N. A. Mujumdar **

We are meeting at a defining moment in the history of global economic system. The collapse of the American capitalist model in 2008 was as traumatic as the collapse of the communist model of Russia in 1991. Perhaps more traumatic because the U.S. "economic crisis of historic proportions", to use the words of President Barrack Obama, culminated in the "Great Recession" of the world. The World GDP contracted by 0.8 per cent and the Volume of world trade declined by 12 per cent in 2009.

Although the world recession has bottomed out by now, the fuller implications of the crisis have not been adequately appreciated, even by the policy makers in emerging and developing economies. The global economic crisis of 2008-2009 was ferocious and it has changed dramatically the institutional and policy making landscape.

The crisis has challenged some of the basic tenets of macro economics and for us in Asia it is important to spell out these implications.

Asia, which was a victim of misdemeanours elsewhere has now witnessed a strong recovery but this can lead to a false sense of complacency and we need to guard against it. The Indian experience is particularly interesting and it may offer some lessons for other countries.

First, about macroeconomics. We may not have our own Reagonomics or Thatcherism to bury but our contemporary policy makers are soaked in the market theology of IMF / World Bank. Market fundamentalism embodied in the neo-liberalism based on the notion that markets are self correcting, allocate resources efficiently and serve the public interest well has collapsed. The "Washington Consensus" in favour of privatisation and liberalisation now stands stripped of sanctimonious robe. It has now become clear that unbridled market forces are not self-correcting, regulation and direction of some sort is needed. The state has a central role to play in the management of the economy. The intellectual support for privatization has all but vanished, as we will demonstrate later.

The collapse of the American capitalist model in 2008 was as traumatic as the collapse of the communist model of Russia in 1991.

The Asian Drama

Let us begin with the Asian situation. For about six months beginning from October 2008 Asia fell into deep economic crisis but beginning from the second quarter of 2009, emerging Asia staged a remarkable recovery. The global crisis affected the region mainly through the trade channel with a sharp decline in exports. There was also the factor of flight of capital, reverse flow of funds. What were the factors responsible for recovery in such a short period? First, the epicenter of the crisis was located, unlike in the case of the Asian crisis of 1997, in the U.S.A. and the U.K. Hence, the Asian economies suffered only a collateral damage. Second, Asia's financial institutions held very small amounts of U.S. toxic assets in their assets portfolios.

Third, East Asian economies responded to the crisis quickly by introducing large fiscal stimulus packages which worked.[1] On the whole, the possibilities of continued strong growth in Asia are high and the balance of world economic power continues to tilt in favour of Asia.

* *This is the edited version of the Keynote Address, given on March 4, 2010 at the International Conference held at H. K. Institute of Management studies and Research, Mumbai.*

** *Former - Principal Adviser, RBI*

Indian Experience

When the icons of American and European financial system-commercial banks, investment banks, mortgage houses, and insurance giants-collapsed like a pack of cards, what happened to the mythology built around the private financial institutions like capital adequacy norms, Basle norms, provisioning requirements, asset-liability management, risk weighted lending rates, credit rating - all of which we have been trying to super- impose on our banking systems? Why did not this paraphernalia of devices emit warning signals that the whole edifice is about to crumble? Professor Stiglitz in a recent interview to an Indian TV, channel said : “Our (US) financial system collapsed because we did not have a Dr. Reddy at the helm” the reference is to Dr. Y. V. Reddy, Former Governor, Reserve Bank of India. There cannot be a better tribute to the management of the Indian financial system. Even those Indian financial wizards who scoffed at Dr. Reddy's go slow policy towards structured financial products have remained to pray.

In the global financial conflagration, when the major private sector icons of banks and financial institutions perished both in the U.S. and Europe, the Indian institutions dominated by the public sector, stood rock-like unscathed. Indian public sector banks have made us proud.

Against the background of the global financial crisis, the Committee on Financial Sector Assessment (CFSA) assessed the financial soundness of the Indian banking sector in 2009 and found that commercial banks have withstood the shocks of the global meltdown well and none of the key financial parameters in September 2008, namely capital ratio, asset quality, earning and profitability, pointed to any vulnerability.

In the global financial conflaggeration, when the major private sector icons of banks and financial institutions perished both in the U.S. and Europe, the Indian institutions dominated by the public sector, stood rock-like unscathed. Indian public sector banks have made us proud.

There were two main reasons for the stability of the Indian banking system. First, the effects arising from direct exposures of foreign branches of Indian banks to the sub-prime mortgage was negligible. Secondly, the indirect impact of the overseas crisis on Indian stock market and the consequent effect in the context of Indian banks' exposure to equity investments was minimal, since prudential limit on bank's exposure to capital markets is in place. With the rationalised norms on capital market exposure being applicable from April 2007, the regulatory limit on individual bank's total exposure to capital market is now capped at 40 per cent of bank's net worth as at end of March of the previous year. Further, bank's direct investment in shares, convertible bonds / debentures, units of equity-oriented mutual funds and total exposure to venture capital funds should not exceed 20 per cent of its net worth. Several regulatory requirements prescribed by Reserve Bank (RBI) ensure that bank's participation in the capital market is within safe limits.

RBI's recent assessment is that the Indian banking system is in good health. “Balance sheets of the banks appear healthy and little affected by the unsettled conditions in financial markets. The asset quality and soundness parameters of the Indian banking sector have improved significantly in the recent period”.[2]

India has a well-diversified financial system dominated by the public sector institutions : commercial banks, cooperative banks, non-banking financial institutions (NBFIs) and the insurance sector. Commercial banks dominated by public sector banks (PSBs) together with cooperative banks account for nearly 70 per cent of the total assets of the Indian financial system.

Over the years, there has taken place significant financial deepening : this is reflected in credit-GDP and M3-GDP ratios. What is more, this financial deepening has resulted in a dramatic rise in savings rate. The rate of domestic savings has shot up from 23.5 per cent of GDP in 2001-02 to 37.7 per cent in 2007-08. This in turn facilitated the step up in investment rate from 22.8 per cent to 39.1 per cent during the period. India's growth story is thus primarily the story of domestic savings and this in turn is to a large extent the story of public sector banks' contribution to bolstering domestic savings.

The global financial crisis has had understandably a catastrophic impact on bank credit in the U.S. and in Europe. Not so in India. There was high growth in credit deployment by the banking sector, credit expanded at an average annual rate of around 30 per cent during the three years before the global crisis.

As the recent Growth Report has emphasised, there is no generic formula for growth. "Each country has specific characteristics and historical experiences that must be reflected in its growth story".[3] This pronouncement applies with equal force to financial growth models. We need not mimic the Anglo-Saxon model or the American model, as we tried to do in the financial sector reforms in the initial phase since 1991. We were obsessed with replicating "international best practices". In a way, we have now gone beyond "international best practices" and evolved our own model which resonates to the needs of the real sector. Amidst all the chorus for privatisation, it is to the credit of the Reserve Bank that they have openly commended the Indian banking model….. "Indian Banking is a success story in the midst of the financially triggered global crisis of 2008, thanks to the regulatory environment in place and the structural banking drivers".[4] RBI states with pride that Indian banking has many practices worth emulating by other countries.

The point is, we in Asia should not be swayed by the temptation to mimic "international best practices" or to copy the American or Anglo-Saxon banking models. Financial sector reforms should be country-specific. Let me illustrate with reference to India.

Three Core Issues

In the contemporary financial scenario in India, there are three core issues : inclusive growth or broad-based, decentralized growth in the real sector, the new architecture of the financial system to facilitate such growth, and the inequitable interest rate structure. Logically, the reinvention of the next generation financial sector reforms should have emerged from a holistic analysis of these three core issues.

In terms of priorities, developing a market for complex structured credit products, like credit derivatives, important as it is, can wait : but addressing these core issues cannot brook any delay in terms of food and employment security, and in terms of reducing of poverty. Inclusive growth in the real sector has now become a growth and development imperative : growth, because a high GDP growth like the 8 or 9 per cent targeted in the Eleventh Plan (2007-2012) can be sustained only if other sectors or segments of the economy, which have been sluggish because of a number of reasons, including policy neglect, can be activated. Development, because this is perhaps the best route by which the bulk of the poor can be provided with livelihood and food security. In other words, we can no longer depend on "autonomous" forces for growth of the real sector; this growth has to be policy-induced with a view to enabling sections of the population, whom the growth process has by-passed, to fully engage themselves with the development process. The trickle down theory or percolation theory of growth is dead. While wealth may accumulate, men may decay. An interventionist and pro-active policy is therefore warranted. This should be the starting point for designing what are now called the next generation financial sector reforms. In this context, the contemporary experience of China is illuminating. China's Township and Village Enterprises (TVEs) provided increasing job opportunities outside agriculture and this phenomenal expansion of non-farm sector played a critical role in reducing poverty.

The micro, small and medium enterprises (MSME) sector has been affected adversely by the recent global financial crisis. MSMEs particularly related to exports like textiles and garments, gems and jewellery, have been facing problems like slackness in demand for their products and delayed payments of dues by large undertakings.

To ensure that the special problems faced by this sector are addressed, there is merit in the proposal to set up a dedicated Development Finance Institution (DFI) with a mandate to provide refinance to banks for on lending to micro enterprises. Such an umbrella institution should be also able, in addition to facilitating adequate flow of credit, to provide consultancy services.

The second core issue is the institutional infrastructure. Micro finance is expected to play an important role in promoting financial inclusion and inclusive growth. It is a sort of supplementary credit delivery system that is cost effective and user friendly for both banks and the poor borrowers. RBI's initiatives in promoting this channel of credit delivery have centred around two models, namely SHG-Bank Linkage programme and Micro Finance Institutions (MFI) model. At the same time, the co-operative credit structure is being reorganized, on the lines recommended by the Vaidyanathan Committee. Similarly, the more recent developments reveal that regional rural banks (RRBs) could become the main institutional mechanism for providing credit to the poor.

The blue print for the future institutional structure should clearly indicate how the pyramid comprising banks, RRBs, Cooperatives, micro finance institutions and SHGs needs to be built.

The final point relates to interest rates. At present there is intense lobbying by the private corporate sector for a low interest rate regime. It is necessary to caution that this may prove counter-productive. If India's growth story continues to be intact, despite the global financial mess, it is because India has emerged as a high saving economy. As the recent Growth Commission puts it : "Capital inflows over the past several decades have a mixed record. Our view is that foreign saving is an imperfect substitute for domestic saving, including public saving to finance the investment a booming economy requires". In India, investment as a percentage of GDP increased from 25 per cent in 2002-03 to 38 per cent in 2007-08. Of this 13 percentage points increase, as much as 10 percentage points was financed domestically through higher household, public sector and corporate savings. As a result of reducing lending rates recently, banks have already reduced deposit rates. If banks are compelled to reduce lending rates further, banks may reduce deposit rates even further. Such very low deposit rates and rates on savings accounts may eventually result in shrinking overall savings. This is particularly so because household sector is a major contributor to overall savings and household savings are sensitive to interest rates. We must guard ourselves against this danger.

Revelation of corporate crookedness and accounting scandals have shaken the very foundations of the American capitalist model.

To sum up, any blue print for future financial sector reforms cannot be meaningful, if it does not address these three core issues.[5]

Reverting to macroeconomics, India did not face a recession, but there was a significant slowdown in GDP growth. GDP which had recorded an annual average growth of 9 per cent during the previous three years, declined to 6.7 per cent in 2008-09. Exports declined by 20 per cent in 2009-10. India provided substantial fiscal support to counter the negative impact of the global recession and as a result GDP growth rose to 7.2 per cent in 2009-10. The medium term outlook for growth is bright, with the economy's fundamentals like savings and investment continuing to remain robust. The economy may soon resume its long-term growth path of 9 or 10 per cent.

Philosophy of Corporate Culture

One of the by-products of the global economic crisis is the emergence of a new corporate philosophy. The issue of predatory capitalism has assumed a contemporary relevance with the fall from grace of the American Capitalist image. The word predatory is defined in simple terms as "addicted to, or characterised by a tendency to exploit or destroy others for one's own gain". Revelation of corporate crookedness and accounting scandals have shaken the very foundations of the American capitalist model. The depth of degradation to which unbridled corporate greed can lead has become all too obvious. The Enron, Worldcom and Xerox and Global Crossing exposures have unveiled the ugly side of western style capitalism under which, in the quest for short-term gain, wrong doings are overlooked. These developments cannot be dismissed, as some apologists of American capitalism seem to be doing,

The CEO of one of the bigger banks which was sinking helped himself to a hefty bonus. There was public outrage that some executives of an insurance giant were helping themselves with handsome bonuses from out of the bail-out package extended by the U.S. government.

as isolated incidents. As Professor Lester C. Thurow puts it : “The Enron and Worldcom are not abnormalities in a basically sound system scandals are endemic to capitalism”. The London Economist summed up the situation : “Chief executives and accountants have become a despised breed less trusted than politicians and Journalists”. Again, take the current financial crisis in the U.S. which started as a sub-prime mortgage crisis. The litany of actors involved and the sharp practices followed is long. A fast growing new breed of lenders were luring many people into risky mortgages they could not afford. With incentives for aggressive loan disbursements, banks poured billions of dollars of loans into poor households often with incomplete documents. The unquestioned faith in the status of triple-A credit rating led to buying of billions of structured bonds which later turned out to be worth nothing, since the market for a number of structured products became non-existent during the period of financial meltdown. Thus it was not only mortgage houses, but investment banks, accountants and credit raters were also involved in the melodrama. Have the financial professionals also joined the breed of CEOs mentioned above by the Economist?

The CEO of one of the bigger banks which was sinking helped himself to a hefty bonus. There was public outrage that some executives of an insurance giant were helping themselves with handsome bonuses from out of the bail-out package extended by the U.S. government. The peanuts - monkey philosophers could do well to ponder over the statement of the Financial Services Authority in the U.K. that overgenerous remuneration practices in the financial industry contributed to the market crisis, since they motivated staff to pursue “unduly risky practices”. The multimillion dollar bonus culture of investment banks has been blamed for contributing to the risky behaviour, which brought about the near-collapse of the world financial system. In fact author Michael Lawis has called bonuses by banks bailed out by the U.S. Government as “a very elegant form of theft”. With the U.S. President Obama talking openly of “massive profits and obscene bonuses”, a new corporate philosophy of 21st century seems to be emerging. Predatory capitalism is now dead and we seem to be moving towards what can be broadly described as community-centred capitalism. In this area India has a lot to contribute. Mahatma Gandhi had distilled the core of Indian philosophy and had evolved his own philosophy which enunciates that the basic needs of the common man should be the first charge on the society's resources. From times immemorial, Indian philosophy has maintained that the all-round development of a society is best achieved through betterment of individuals, which no doubt includes economic well being but extends well beyond it.

One of the ancient scriptures of India Brihadarnyak Upanishad enjoins us that our life must be guided by the following three “Das” - Damyata, that is control yourself, Datta, that is give to others, and “Dayadhwam”, that is be compassionate. Thus we must practice self-control, charity and compassion. Collectively, these three characteristics constitute development conscience. Building up such conscience among all sections of the population would go a long way towards evolving a compassionate Society an ideal which the Mahatma sought to achieve.

Incidentally, it is interesting to add here one point. Modern, social analysts have been confirming, year after year, Denmark's status as a “happiness superpower”. The secret of this achievement is low expectations of Danes who are not trapped in the hedonic treadmill. This modern research merely endorses what traditional Indian philosophy has been advocating centuries ago. It was left to Mahatma Gandhi to distil this wisdom and evolve a practical programme of a code of conduct.

> **"We should never forget that the economy is not something that is beyond our control. The market has to be our servant, not our master.**

It is not surprising that thinkers in America have already started to move in this direction. Thomas Friedman writes about Dow Sekhman's recent efforts to build ethical cultures into corporates (Needs adults here, please, Thomas L. Friedman, New York Times News Service, reproduced Economic Times, February 2010). Sekhman distinguishes two kinds of values : "situational values" and "sustainable values". Companies guided by situational values do whatever the situation allows, to maximize its profits, irrespective of the impact of its policies on the community as a whole. The sub-prime crisis in America is an instance in point. This is what I have called "Predatory Capitalism".

In contrast, companies by sustainable values will behave in ways that sustain "my employees, my customers, my suppliers, my environment, my country and my future generation". This is what I call as community-centred capitalism.

In other words, even American thinkers are rediscovering Mahatma Gandhi's philosophy of trusteeship. Indian business management experts are thus better placed to evolve a new corporate philosophy of community centred capitalism for the 21st century.

Finally, in terms of market theology, Dr. Reddy former Governor, RBI, quotes Mr. Rubens Ricupero.

"We should never forget that the economy is not something that is beyond our control. The market has to be our servant, not our master. The economy is not like the planetary system or the genetic code; something that is given once and for all and which one cannot alter; it is a product of culture, it is a product of human choices, of choices of values. That is why we have to choose the right values and to put competition exactly in the balance with other values and decide what are the higher values for us. We have particularly to provide people with tangible reasons to hope for the future".[6]

References

1. Crisis Contained, Archana Kumar, Finance and Development, IMF, Washington, D. C., December, 2009.
2. Report on Trend and Progress of Banking in India, 2008-09, Reserve Bank of India, Mumbai, 2009.
3. The Growth Report - Strategies of Growth and Inclusive Development, World Bank, Washington, D. C., 2008.
4. Report cited in 2 above page-1.
5. For fuller discussion of financial sector reforms, see Journey Towards Holistic Development From Milton Friedman to Mahatma Gandhi, N. A. Mujumdar, 7th Professor Diwan Memorial Lecture, 12 September, 2009.
6. Life After Global Financial Crisis, Dr. Y. Venugopal Reddy, India International Centre, New Delhi, November 30, 2009.

भारतीय अर्थव्यवस्था के लिए वैश्विक मंदी के सबक

निधी चौधरी *

किसी भी अर्थव्यवस्था के सकल घरेलू उत्पाद वृद्धि दर में होने वाली नियमित गिरावट मंदी कहलाती है। यद्यपि मंदी अर्थव्यवस्था में नियमित रूप से हुई अभिवृद्धि के बाद सामान्य वित्तीय चक्र के कारण होने वाले उतार के रूप में आर्थिक विकास की सामान्य अवस्था है तथापि जब मंदी का यह दौर अधिक लंबा हो तो अर्थव्यवस्था के सभी क्षेत्रों को गंभीर रूप से प्रभावित करता है जिसमें निवेशकों का अर्थव्यवस्था से विश्वास उठ जाता है, फलस्वरूप बाज़ार में उत्पादों और सेवाओं के लिए मांग में गिरावट, उत्पादन में कमी, रोज़गार तथा नौकरियों में कटौती आती है। परिणामतः समूची अर्थव्यवस्था विशेषतः स्टॉक बाज़ार, विदेशी व्यापार और सकल घरेलू उत्पाद चरमरा जाती है।

हाल ही में वैश्विक अर्थव्यवस्था अमरीका के सब प्राइम संकट के परिणामस्वरूप मंदी की चपेट में आई। वर्ष 2008 के मध्य तक अमरीकी संकट का असर दुनिया के सभी देशों में दिखाई देने लगा और कई अर्थशास्त्रियों ने इस वैश्विक मंदी को तीसा की मंदी से भी अधिक नुकसानदेह करार दिया, जिनमें विश्वप्रसिद्ध अर्थशास्त्री पॉल क्रुगमैन एवं जोसेफ स्टिग्लिट्ज भी शामिल हैं। इस संकट की चपेट में कई महारथी वित्तीय संस्थान जैसे लेहमन ब्रदर्स, वाशिंगटन म्युचुअल, जनरल मोटर्स इत्यादि धराशायी हो गए और कई अन्य दिवालिया हो गए। वहीं वैश्विक अर्थव्यवस्था में विकास दर अंतर्राष्ट्रीय मुद्रा कोष के अनुमान के अनुसार वर्ष 2009 के लिए मात्र 1.4 प्रतिशत होगी। मंदी के फलस्वरूप विकसित देशों में विदेशी व्यापार, विनिर्माण, निवेश, उद्योग, रियल एस्टेट, बैंकिंग, बीमा इत्यादि कई क्षेत्र बुरी तरह प्रभावित हुए। प्रारंभ में यह माना जा रहा था कि अमरीकी सब प्राइम संकट का असर विकसित देशों तक ही सीमित रहेगा और भारत जैसी उभरती अर्थव्यवस्थाओं पर इसका असर सतही ही होगा, किन्तु 2008 के आते-आते यह स्पष्ट हो गया कि दुनिया का शायद ही कोई ऐसा देश हो जो मंदी के प्रभाव से अछूता रहा हो। यह सही है कि मंदी का संक्रमण उभरती अर्थव्यवस्थाओं में विकसित अर्थव्यवस्थाओं जितना गंभीर नहीं है, तथापि भारत समेत अमूमन सभी राष्ट्रीय अर्थव्यवस्थाएँ इससे किसी न किसी रूप में प्रभावित हुई हैं। दुनिया भर के देशों को आक्रांत एवं त्रस्त कर देने वाली इस मंदी के प्रभावों की समीक्षा हमें भविष्य के लिए सबक सिखाती है जिनका मूल्यांकन भविष्य में जोखिमों का नियमन करने में सहायक होगा।

विकासशील देशों पर प्रभाव

अंतर्राष्ट्रीय मुद्रा कोष के अनुसार वर्तमान वित्तीय संकट विकसित अर्थव्यवस्थाओं समेत सभी उभरती बाज़ार अर्थव्यवस्थाओं को भी चोट पहुँचाएगा। इन अर्थव्यवस्थाओं पर मंदी का जोखिम मुख्यतः वैश्वीकरण के कारण विकसित देशों के साथ व्यापार एवं वित्तीय संपर्कों से हुआ है। आईएमएफ के अनुसार "**अमरीकी जीडीपी में 1% की गिरावट होने पर यूरोपीय अर्थव्यवस्थाओं में 0.5% की गिरावट आती है और इन दोनों के संयुक्त प्रभाव को हिसाब में लेने पर उभरती बाज़ार अर्थव्यवस्थाओं में 0.75% की गिरावट की संभावना रहती है।**" स्पष्ट है कि भूमण्डलीकृत विश्व में कोई भी देश स्वयं को अलग-अलग करके नहीं रह सकता है। ऐसे में, अमरीकी अर्थव्यवस्था जिसके पास वैश्विक अर्थव्यवस्था का 30 प्रतिशत सकल घरेलू उत्पाद है, में आई मंदी से अन्य देश प्रभावित हुए बिना नहीं रह सकते हैं।

यही कारण है कि विकसित देशों में आई मंदी ने अनेक उभरती बाज़ार अर्थव्यवस्थाओं में भी मंदी ला दी है तथा पूंजी आवक की संभावना भी समाप्त होती दिख रही है। उन अर्थव्यवस्थाओं पर मंदी का अधिक असर पड़ा है जो अमरीका के साथ भारी मात्रा में व्यापार करती हैं अथवा जो अपनी वृद्धि के वित्तपोषण के लिए ज्यादातर बाह्य देशों पर निर्भर करती हैं।

* प्रबंधक, भारतीय रिज़र्व बैंक, कोलकोता

एक शुभ संकेत यह है कि विगत कुछ वर्षों में उभरती अर्थव्यवस्थाओं का परस्पर व्यापार बढ़ा है और अमरीका के साथ घटा है। उभरती विकासशील अर्थव्यवस्थाओं के मंदी से अप्रभावित रहने की उनकी योग्यता तथा उनके लचीलेपन की मात्रा निम्नलिखित कारकों पर निर्भर करेगी –

1. वैश्विक अर्थव्यवस्थाओं में निरन्तर समेकन से उत्पादकता लाभ कमाना;
2. मुक्त बाज़ार अर्थव्यवस्था का स्वरूप;
3. विनियामकीय संस्थाओं की स्थिति विशेषकर बैंकिंग, बीमा एवं वित्त के क्षेत्र में;
4. सरकार एवं शासन का स्वरूप;
5. देश के भीतर जनसंख्या, विकास दर आदि कारकों के कारण विद्यमान घरेलू मांग; एवं
6. समष्टि आर्थिक नीतिगत ढांचे में सुधार से स्थिरीकरण लाभ।

भारतीय रिज़र्व बैंक की वार्षिक रिपोर्ट 2009 में भी स्पष्टतया लिखा गया है कि मंदी के बावजूद जो उभरती बाज़ार अर्थव्यवस्थाएं अब तक उल्लेखनीय रूप से प्रभावित नहीं हुई हैं, उनमें तीव्र गति से वृद्धि जारी रहेगी तथा वे वैश्विक वृद्धि का समर्थन करेंगी क्योंकि घरेलू मांग उभरती बाज़ार व्यवस्थाओं में वृद्धि की मुख्य चालक है।

हाल की वैश्विक मंदी का भारतीय अर्थव्यवस्था पर प्रभाव

जहां तक भारतीय अर्थव्यवस्था पर अंतर्राष्ट्रीय आर्थिक मंदी के प्रभाव का प्रश्न है, यह सच है कि भारतीय अर्थव्यवस्था का अंतर्राष्ट्रीय पूंजी बाज़ार और विदेशी व्यापार में हिस्सा नगण्य है तथापि अस्थिर विनिमय दर, वैश्विक तरलता साख में उत्पन्न जोखिम और गिरती हुई स्टॉक कीमतों के संपदा प्रभावों में होने वाले परिवर्तनों की वजह से भारत भी मंदी के प्रभाव से पूरी तरह उन्मुक्त नहीं है। अक्तूबर 2008 में निर्यातों का गिरना और कम्पनियों के लिए कर्ज से लेकर शेयर बाज़ार पूंजी तक के सारे स्रोतों का सूख जाना मंदी के प्रभाव को दर्शाता है। रियल एस्टेट, लौह-इस्पात, सीमेंट, कपड़ा, जवाहरात, हस्तशिल्प, चमड़ा उद्योग एवं पेट्रो रसायन जैसे महत्वपूर्ण उद्योगों पर मंदी का असर पड़ा है। औद्योगिक विकास दर में हाल ही में आई नकारात्मक वृद्धि एवं सकल घरेलू उत्पाद में आई गिरावट इस तथ्य की पुष्टि करती है कि वैश्विक मंदी के प्रभावस्वरूप भारतीय अर्थव्यवस्था में भी विकास दर मंद हुई है, जिसका निम्नलिखित शीर्षकों के तहत वर्णन किया गया है-

आर्थिक विकास दर

निवेश, व्यापार और वित्तीय संबंधों के ज़रिए अमरीका में आई मंदी ने देश की विकास दर को काफ़ी सीमा तक प्रभावित किया है जैसा कि तालिका-1 से स्पष्ट है कि पिछले 5 वर्षों से 8 प्रतिशत से अधिक की दर से बढ़ रहा सकल घरेलू उत्पाद वर्ष 2008-09 में घटकर सिर्फ 6.7 प्रतिशत रह गया है जो वर्ष 2005 के बाद की सबसे कमज़ोर विकास दर है। भारतीय रिज़र्व बैंक के हाल ही में जारी वार्षिक नीति विवरण में वर्ष 2009-10 के लिए आर्थिक विकास दर घटकर 6 प्रतिशत रह जाने का अनुमान लगाया गया है।

तालिका-1 : 1999-2000 मूल्यों पर कारक आधारित वृद्धि दर (प्रतिशत)

	2003 - 04	2004 - 05	2005 - 06	2006 - 07	2007 - 08	2008 - 09
कृषि, वानिकी, मत्स्यन	10.0	-	5.8	4.0	4.9	1.6
खनन	3.1	8.2	4.9	8.8	3.3	3.6
उत्पादन	6.6	8.7	9.1	11.8	8.2	2.4
विद्युत, गैस एवं जलपूर्ति	4.8	7.9	5.1	5.3	5.3	3.4
निर्माण	12.0	16.1	16.2	11.8	10.1	7.2
व्यापार, होटल एवं भोजनालय	10.1	7.7	10.3	10.4	10.1	9.0
यातायात, भंडारण एवं संचार	15.3	15.6	14.9	16.3	15.5	9.0
वित्त, बीमा, रियल एस्टेट एवं वाणिज्यिक सेवाएँ	5.6	8.7	11.4	13.8	11.7	7.8
सामुदायिक, सामाजिक एवं निजी सेवाएँ	5.4	6.8	7.1	5.7	6.8	13.1
सकल घरेलू उत्पाद (कारक मूल्य पर)	**8.5**	**7.5**	**9.5**	**9.7**	**9.0**	**6.7**

स्रोत : केन्द्रीय सांख्यिकीय संगठन

वित्तीय क्षेत्र

वैश्विक मंदी का सर्वाधिक असर सभी देशों में वित्तीय संस्थानों बैंक, बीमा, स्टॉक कम्पनियां इत्यादि पर पड़ा है। तालिका 2 से स्पष्ट है कि लेहमन ब्रदर्स जिसकी सकल परिसंपत्तियां कुल 639 खरब डॉलर थी वर्तमान वैश्विक मंदी की मार में दिवालिया होकर अब तक का सबसे बड़ा दिवालिया होने वाला संस्थान बन गया है।

तालिका-2: सर्वाधिक परिसंपत्तियाँ वाले दिवालिया संस्थान			
	संस्थान	परिसंपत्तियां (खरब डॉलर)	दिवालिया घोषित करने की तिथि
1.	लेहमन ब्रदर्स	639.0	सितम्बर 15, 2008
2.	वर्ल्डकॉम	103.9	जुलाई 21, 2002
3.	एनरॉन	63.4	दिसम्बर 2, 2001
4.	कॉनेस्को	61.4	दिसम्बर 18, 2002
5.	टेक्सको	35.9	अप्रैल 12, 1987
6.	एफसीए	33.9	सितम्बर 9, 1988
7.	रेफको	33.3	अक्तूबर 17, 2005
8.	इंडीमेक	32.7	जुलाई 31, 2008
9.	ग्लोबल क्रॉसिंग	30.2	जनवरी 28, 2002
10.	केल्पाइन	27.2	दिसम्बर 20, 2005
स्रोत : www.bankruptcydata.com			

विकसित देशों के प्रतिकूल भारत में मंदी के परिणामस्वरूप वित्तीय क्षेत्र में मंदी जरूर आई है, लेकिन हमारी वित्तीय संस्थाएँ अब भी आंतरिक रूप से सशक्त हैं। बैंकिंग जगत में भी एसबीआई एवं आईसीआईसीआई जैसे दिग्गज बैंकों के अंतर्राष्ट्रीय बाज़ार में एक्सपोज़र को लेकर अफ़वाहों का बाज़ार गर्म हुआ किन्तु आरबीआई ने स्पष्ट किया कि इन बैंकों को एक्सपोज़र वैश्विक बाज़ार में इतना नहीं है कि कोई बड़ा नुकसान हो।

विदेशी व्यापार

भारत विश्व व्यापार व्यवस्था में शामिल जरूर है, लेकिन उसका व्यापार सामान और बाज़ार के आधार पर विविधता से भरा है लेकिन वैश्विक मंदी का असर भारतीय अर्थव्यवस्था पर होने की चिंता बनी हुई है, क्योंकि हमारा देश अपने उत्पादों के निर्यात और विदेशी पूंजी जुटाने के लिए कुछ सीमा तक अमरीका पर निर्भर है। चालू वर्ष में निर्यात के लिए निर्धारित लक्ष्य को प्राप्त करने में 20 प्रतिशत की कमी रहने की संभावना है। अमरीकी तथा कई अन्य यूरोपीय बाज़ारों में आई मंदी के कारण पिछले 7 वर्षों में निर्यात में पहली बार नकारात्मक प्रवृत्ति देखी गई और निर्यातों में अक्तूबर 2008 में 12 प्रतिशत और नवम्बर 2008 में 10 प्रतिशत गिरावट आई। अमरीकी संकट का असर तब सामने आया जब विदेशी निवेशकों ने सितम्बर-अक्तूबर 2008 में 13.3 बिलियन अमरीकी डालर भारतीय बाज़ार से खींच लिए परिणामस्वरूप डालर की तुलना में भारतीय मुद्रा 21.2 फीसदी की दर से अवमूल्यित हुई जो वर्ष 1991 के आर्थिक संकट के बाद सबसे बड़ा अवमूल्यन था।

पूंजी बाज़ार में गिरावट

मौजूदा आर्थिक संकट में एशिया में सर्वाधिक प्रभावित बाज़ारों में भारतीय पूंजी बाज़ार भी है, जो 20873 के अंश से गिरकर अक्तूबर 2008 में 9969 पर आ गया और भारतीय बाज़ार को अकेले जनवरी 2008 में 450 बिलियन अमेरीकी डालर का नुकसान उठाना पड़ा। भारतीय शेयर बाज़ार में उछाल से जो कंपनियां अरबपति बन गई थीं, मंदी के असर से उनकी संख्या 227 से घट कर मात्र 139 रह गई है। यहां यह बताना मुनासिब होगा कि अमरीकी बाज़ार डाउ जोन्स में होने वाली कोई भी हलचल से भारतीय स्टॉक बाज़ार घनिष्ठ रूप से प्रभावित होता है विशेषकर संकटपूर्ण स्थितियों में। तालिका 3 से स्पष्ट है कि अगस्त 2007 और दिसम्बर 2007 में डाउ जोन्स में हुई भयानक गिरावट से भारतीय बाज़ार भी उतनी ही गंभीरता से प्रभावित हुआ।

भारतीय शेयर बाज़ार में मंदी के कारण आई गिरावट आंशिक रूप से विदेशी संस्थागत निवेशकों द्वारा कोषों को वापस लेने से प्रेरित है, लेकिन लेहमन ब्रदर्स जैसी अंतर्राष्ट्रीय वित्तीय संस्थाएँ जिनका साझेदारी नोट, विशेष उद्देश्यी वाहन (special purpose vehicle) इत्यादि के मार्फत भारतीय बाज़ारों में ऋण निवेश भी था, के दिवालिया होने का असर भारतीय स्टॉक बाज़ार में होना अवश्यंभावी था। इसका असर इतना हुआ कि टाटा और हिंदाल्को जैसी कम्पनियों ने प्रेफरेंस शेयर जारी करना बंद कर दिया है। यह हमारी अर्थव्यवस्था के मूलतत्त्वों जैसे सकल घरेलू उत्पाद, ऋण विस्तार, ब्याज दर इत्यादि में आए उतार से और गंभीर हुआ है।

विदेशी पूंजी भंडार

विगत दशक में सुदृढ़ आर्थिक मूलभूत तत्वों के साथ बड़ी मात्रा में विदेशी पूंजी के अंतर्वाह से भारत में विदेशी मुद्रा भंडार बढ़ा है किन्तु मौजूदा वित्तीय संकट में भारत में विदेशी प्रत्यक्ष निवेश और विदेशी संस्थागत निवेश घट सकता है तथा विदेशी निवेशक अपनी पूंजी वापस भी खींच सकते हैं। साथ ही, भारतीय कम्पनियों को विदेशी बैंकों के पास पूंजी का अभाव एवं ब्याज दरों में वृद्धि से वित्तीय संसाधन जुटाने में कठिनाइयां हो सकती हैं।

तालिका-3 : बीसई सेन्सेक्स एवं डाउ जोन्स के मध्य अंतर्सम्बन्ध (%)	
अवधि	**कोरिलेशन कारक (Correlation coefficient)**
2005	0.31
2006	0.38
2007	0.56
अगस्त 07	0.48
सितम्बर 07	0.86
अक्तूबर 07	0.05
नवम्बर 07	0.48
दिसम्बर 07	0.53
जनवरी 08	0.67
फरवरी 08	0.21
मार्च 08	0.07
अप्रैल 08	0.74
मई 08	0.89
जून 08	0.90
जुलाई 08	0.51
अगस्त 08	0.32
सितम्बर 08	0.79
स्रोत : ब्लूमबर्ग डाटाबेस	

बैंकिंग

भारत में पिछले कुछ वर्षों में बैंकिंग क्षेत्र की लाभप्रदता और आस्ति गुणवत्ता सम्बन्धी मानदंडों में तीव्र सुधार हुआ है जिससे इस क्षेत्र में लचीलापन आया है किन्तु वर्तमान संकट में जिस तरह देश के कई नामी बैंकों के बारे में अफ़वाहों का बाज़ार गर्म हुआ उससे स्पष्ट है कि मंदी से बैंकिंग तंत्र भी प्रभावित हुआ है। चूंकि भारतीय बैंकों ने अमरीका की तर्ज पर सब प्राइम ऋण नहीं दिए हैं और भारतीय रिज़र्व बैंक द्वारा बैंकिंग क्षेत्र का कई प्रकार से नियमन किया जाता है अतएव हम अमरीका के समान प्रभावित नहीं होंगे। फिर भी भारतीय बैंकों का संकटग्रस्त वैश्विक बैंकों या संस्थाओं के साथ व्यवसाय नुकसानदायक हो सकता है। हमारे नौ बड़े वाणिज्यिक बैंकों जिनमें एसबीआई, आईसीआईसीआई तथा एचडीएफसी बैंक भी सम्मिलित हैं, का अमरीका के उन वित्तीय संस्थानों जो वैश्विक मंदी में दिवालिया हो गए, में 420 मिलियन डॉलर का एक्सपोज़र था। विशेषकर आईसीआईसीआई बैंक को विदेशी बाज़ारों में एक्सपोजर के कारण नुकसान उठाना पड़ा तथापि इस एक्सपोजर का काफ़ी भाग अमरीकी सरकार की अंतर्निहित गारंटी के अधीन होने की वजह से उस अनुपात में इनके नुकसान कम हो गए हैं। मंदी के कारण ब्याज दर में वृद्धि एवं शेयर बाज़ार में गिरावट से बैंकों में अनर्जक परिसंपत्तियों का स्तर कुछ सीमा तक बढ़ा है। भारतीय रिज़र्व बैंक और केन्द्रीय सरकार द्वारा संयुक्त रूप से गठित विशिष्ट समिति (CFSA) के अनुसार भारतीय वित्तीय तंत्र मूलतः सुदृढ़ है और भारतीय बैंक वर्तमान वैश्विक संकट का सामना करने में पूर्णतः सक्षम हैं।

भुगतान संतुलन

उच्च विदेशी मुद्रा भंडार के कारण भारत की स्थिति विगत वर्षों में भुगतान संतुलन के लिए अच्छी बनी हुई है किन्तु मंदी के कारण प्रवासी भारतीयों के बेरोजगार होने या आमदनी कम होने से उनके द्वारा भेजी जाने वाली रकम में गिरावट आई है, निर्यातित माल की मांग में कमी हुई, देशी-विदेशी कंपनियों द्वारा कारोबार का पैमाना घटाने से रोज़गार के अवसरों में कटौती, डॉलर के मुकाबले भारतीय मुद्रा के विनिमय मूल्य के ह्रास होने से भुगतान संतुलन प्रतिकूल हुआ है।

निवेश

वैश्विक मंदी का सबसे ज्यादा असर पोर्टफोलियो निवेश पर पड़ा है जिसका प्रत्यक्ष असर विदेशी हस्तांतरण रिज़र्व पर पड़ा है किन्तु भारत के पास विदेशी मुद्रा का पर्याप्त भंडार मौजूद है, इसलिए किसी भी नकारात्मक प्रभाव को असरहीन करना संभव है। शेयर बाज़ार की गिरावट से उन निवेशकों का नुकसान हुआ है, जिन्होंने पैसे से पैसा बनाने के फेर में कम अवधि के लिए पूंजी लगाई वहीं ऐसे निवेशक जिन्होंने दीर्घावधि निवेश किया है, उन्हें घाटा नहीं होगा। जहां तक पेंशन का प्रश्न है, अधिकतर सरकारी और निजी कंपनियां पेंशन का पैसा प्रायः बाज़ार में नहीं लगाती हैं, किन्तु यदि किसी कंपनी ने बाज़ार में पैसा लगाया है तो मंदी के दिनों में सेवानिवृत्त हो रहे लोगों को नुकसान होगा। आज भारतीय पूंजी बाज़ार में निवेशकों का विश्वास पुनः जाग गया है और शेयर बाज़ार फिर 17000 के आंकड़े को पार कर चुका है।

रोज़गार

इस मंदी के परिणामस्वरूप अनेक विदेशी निवेशक भारत से अपने हाथ खींच सकते हैं जिनसे जुड़े तमाम लोग बेरोज़गार हो सकते हैं। उदाहरणार्थ लेहमैन ब्रदर्स ने ही भारत में कई लोगों को रोज़गार विहीन बना

दिया। देश की पाँच प्रमुख बीपीओ कंपनियों- टीसीएस, इंफ़ोटेक, विप्रो, सत्यम और एचसीएल टेक्नोलॉजी में कार्यरत 23 लाख युवकों की नौकरियां खतरे में पड़ गई है क्योंकि इनकी सेवाओं के खरीददार मुख्यतया अमरीकी कॉरपोरेशन है। वाणिज्य मंत्रालय द्वारा कराए गए एक सेम्पल सर्वेक्षण के अनुसार अगस्त से अक्तूबर 2008 के बीच 109,513 लोगों ने केवल निर्यात सम्बन्धी कम्पनियों जैसे वस्त्रोद्योग, चर्मोद्योग, अभियांत्रिकी, आभूषण उद्योग, हस्तशिल्प आदि में नौकरियां खोई हैं।

ऋण बाज़ार में तरलता संकट

विश्वास में आई गिरावट स्टॉक बाज़ार से ऋण बाज़ार में पसरती गई जिससे गंभीर तरलता संकट उत्पन्न हो गया है। नकदी मांग तरलता से ज्यादा है जिससे ब्याज दर पर बहुत अधिक दबाव बढ़ गया है। इसका प्रभाव न केवल निजी विनियोग पर, अपितु लेनदेन की लागत पर भी महसूस हुआ है। इस बीच विदेशी पूंजी के बाह्य प्रवाह में उछाल आया। सन् 2008 के पहली छमाही में भरतीय बाज़ारों से 7 बिलियन डॉलर विदेशी संस्थागत वित्त वापिस लिया गया तब से अक्तूबर 2008 तक रुपए के मूल्य में 13.13 प्रतिशत का ह्रास हुआ है।

रियल एस्टेट

वैश्विक मंदी का सर्वाधिक असर जिस क्षेत्र पर पड़ा है वह है - भूमि एवं भवन निर्माण क्षेत्र। मौजूदा तरलता संकट बहुत से रियल एस्टेट निर्माताओं को अपनी परियोजनाओं में देरी करने को बाध्य कर रहा है और रियल एस्टेट में आई इस मंदी के तब तक जारी रहने के आसार हैं जब तक कि बैंकों एवं आवास वित्त से जुड़े संस्थानों द्वारा गृह ऋण पर ब्याज दरों में की गई गिरावट के सकारात्मक परिणाम सामने नहीं आ जाते। वैश्विक मंदी के प्रभावस्वरूप रियल एस्टेट की अगुआ कंपनियों डीएलएफ़, यूनिटेक और अंसल्स प्रॉपर्टिज़ आदि का बाज़ार उखड़ गया है वहीं आधारभूत क्षेत्र की जयप्रकाश एसोशिएट, जेपी हाइड्रो, रिलायंस पावर और रिलायंस इंफ्रास्ट्रक्चर का भी कमोबेश यही हाल है।

कॉरपोरेट क्षेत्र की परेशानी

वैश्विक वित्तीय संकट ने उन भारतीय कॉरपोरेटों के लिए उधार की लागत को बढ़ा दिया है जो देश के बाहर से उधार लेना चाहते हैं। भारत में विदेशी प्रत्यक्ष निवेश तथा विदेशी संस्थागत निवेश पर पहले ही प्रभाव पड़ चुका है तथा निकट भविष्य में इसके दबाव में आने की संभावना है। 2007 के अंत तक भारत को दुनिया का सर्वोत्तम निष्पादक इक्विटी बाज़ार माना जाता था जो वैश्विक मंदी की चपेट में आने के बाद से अभी तक पूरी तरह से उभर नहीं पाया है। भारत के वे विशालकाय कॉरपोरेट जो अपने कोषों के लिए अमरीकी ऋण संस्थाओं पर निर्भर थे, समस्याग्रस्त हो गए हैं।

हाल की वैश्विक मंदी के सबक

इस मंदी से उभरने के लिए सभी देशों द्वारा आवश्यक कदम उठाए गए हैं जैसे अमरीकी काँग्रेस ने सात खरब डॉलर के बैल-आउट पैकेज की घोषणा की है, जर्मन ने भी अपने बैंकों को दिवालियेपन से बचाने हेतु बड़ी मुक्ति-राशि की घोषणा की है इत्यादि। ज़रूरी है कि मंदी प्रभावित संस्थान शीघ्रातिशीघ्र अपने असली और पूरे नुकसान को स्वीकारें ताकि पारदर्शी तरीके से वास्तविक नुकसान का आकलन करके तदनुरूप सुधार लागू किए जा सकें। जहाँ तक भारतीय अर्थव्यवस्था का प्रश्न है हम आर्थिक मंदी से अधिक प्रभावित नहीं हुए हैं और 2009 के उत्तरार्ध में हमारी अर्थव्यवस्था फिर से विकास की राह पर चलती दिखाई दे रही है और सभी बाज़ारों (वास्तविक, मुद्रा, शेयर, इक्विटी, द्वितीयक आदि) में सकारात्मक अभिवृद्धि दर्ज की गई है। यहां तक कि मंदी से सर्वाधिक प्रभावित होने वाले क्षेत्र विनिर्माण, रियल एस्टेट, उद्योग, विदेशी निवेश, रोज़गार इत्यादि भी विकास की राह पर लौट आए हैं। सार रूप में हम कह सकते हैं कि मंदी यदि समुद्र के मध्य में भँवर बनकर आई है तो इस भँवर में सर्वाधिक बर्बादी विकसित देशों की हुई है वहीं उभरती अर्थव्यवस्थाएं किनारे की हलचलों की भांति ही प्रभावित हुई हैं, किन्तु वैश्विक समाज की इन हलचलों ने भी भारतीय अर्थव्यवस्था के विभिन्न क्षेत्रों को प्रभावित किया है। वर्तमान वित्तीय संकट से बचने के लिए हमें वित्तीय इंजीनियरिंग एवं विनियमन के माध्यम से व्यवस्थित प्रयास करने होंगे। वर्तमान वैश्विक मंदी के प्रभावों की समीक्षा भारत जैसे विकासशील देशों को कई सबक सिखलाती हैं जो निम्नलिखित शीर्षकों के तहत स्पष्ट किए गए हैं -

आर्थिक सुधार

सरकार को चाहिए कि वर्तमान वैश्विक मंदी के मद्देनज़र बैंकिंग, बीमा और पेंशन आदि अतिसंवेदनशील क्षेत्रों में उदारीकरण, विनिवेश अथवा

नियमन में कमी के किसी भी प्रस्ताव को काफ़ी सोच विचारकर लागू करे। अमरीका की अर्थव्यवस्था में आया तूफान मूल रूप से संचालन की पूर्ण स्वतंत्रता और नियमन की कमी का ही नतीजा है। हमें इन क्षेत्रों में अत्यन्त ध्यानपूर्वक विनिवेश एवं विनियमन की प्रक्रिया को लागू करना होगा ताकि इनमें लगी जनपूंजी के साथ किसी भी प्रकार के नुकसान एवं जोखिम को दूर किया जा सके। इसी तरह सार्वजनिक क्षेत्र के नवरत्न, मिनी रत्न एवं महारत्न उपक्रमों जिनमें उत्पादकता एवं लाभदेयता विद्यमान है, उन पर सरकारी प्राधिकार बने रहने देना चाहिए और विनिवेश को 49 प्रतिशत से अधिक नहीं बढ़ने देना चाहिए। लोक उपक्रमों में इक्विटी प्रवाह को धीरे-धीरे खोलना चाहिए लेकिन इन पर सरकारी नियंत्रण व जन उत्तरदायित्व को विरल होने नहीं देना चाहिए।

मौद्रिक सुधार

अमरीका में वित्तीय संकट के पीछे मुख्य कारण मौद्रिक क्षेत्र में पूर्ण खुलापन और विनियमन की कमी थी, जबकि भारत मंदी के झटकों को बर्दाश्त कर पाया क्योंकि आज भी भारत में पूंजी खातें पूरी तरह से परिवर्तनीय नहीं हैं और मौद्रिक संस्थानों पर भारतीय रिज़र्व बैंक का प्रभावी नियंत्रण विद्यमान है। वर्तमान वैश्विक मंदी ने हमें हमारी आर्थिक एवं बैंकिंग सुधार नीतियों की नए सिरे से पुनरीक्षा करने का सबक सिखाया है। आज जबकि पूंजीवाद का पुरोधा राष्ट्र अमरीका भी मंदी से उभरने के लिए मौद्रिक विनियमन की राह पर चल पड़ा है तो हमें दुनिया की देखा-देखी या किसी के दबाव में अंधाधुंध उदारीकरण की राह नहीं अपनानी चाहिए वरन् देश में विद्यमान स्थितियों, हमारी वित्तीय संस्थाओं की अवस्था इत्यादि और उनकी परिपक्वता के मद्देनज़र ज़रूरी नियमन बनाए रखना चाहिए। जिस तरह आक्रमक मौद्रिक नीति अपनाकर भारतीय रिज़र्व बैंक ने भारतीय अर्थव्यवस्था में विद्यमान मुद्रा स्फीति और बाद में मंदी से उभारने में भूमिका निभाई, वह निस्संदेह सराहनीय है।

बैंकिंग सुधार

बैंकों और वित्तीय संस्थाओं को सतर्क करने और उन्हें उन उधारकर्ताओं के प्रति जागरूक करने के लिए, जिन्होंने अन्य उधारदाता संस्थाओं के प्रति ऋण अदायगी में चूक की है, एक सुद्दढ़ ऋण सूचना प्रणाली स्थापित करनी होगी। यही कारण है कि भारतीय बैंकिंग प्रणाली को अधिक समुत्थानशील बनाकर सर्वोत्तम अन्तर्राष्ट्रीय प्रतिबद्धताओं के साथ पंक्तिबद्ध करने के लिए भारतीय रिज़र्व बैंक ने भारत में कार्यरत वाणिज्यिक बैंकों पर (ग्रामीण क्षेत्रीय बैंकों को छोड़कर) मार्च 31, 2009 से बासल-II के संशोधित ढाँचे को लागू कर दिया है। पूंजी पर्याप्तता मानदंडों तथा परिचालनगत अनुशासन को सुनिश्चित करना आवश्यक है ताकि बैंकों द्वारा उधार दिया गया प्रत्येक रुपया लागत प्रभावी हो। साथ ही, भारत को अपने बैंकिंग तथा वित्तीय क्षेत्र के प्रबंधन में आधारभूत परिवर्तन करने होंगे, जैसे - (क) संपर्क बैंकिंग को बढ़ावा (ख) वैश्विक संकट के मद्देनज़र ब्याज दरें घटाना, (ग) अर्थव्यवस्था में राजकोषीय नियमों से हटकर विस्तारवादी नीतियां अपनाना तथा (घ) वित्तीय क्षेत्रों में सरकारी हस्तक्षेप का विस्तार।

दीर्घावधि निवेश

मंदी के परिणामस्वरूप सेंसेक्स 21 हज़ार से घटकर 9 हजार से भी नीचे पहुंच गया था किन्तु शेयर बाज़ार की यह गिरावट मुख्यतः वैश्विक अंतर्सम्बध्दता विशेषकर डाउ जोन्स से घनिष्ठ अंतर्सम्बन्धता का नतीजा है जिसे ऊपर स्पष्ट किया गया है। यही कारण है कि शेयर बाज़ार ने फिर से वृद्धि का रुख पकड़ लिया है क्योंकि भारतीय कम्पनियां एवं अर्थव्यवस्था अन्य देशों के मुकाबले सुद्दढ़ है। फिर भी नियामकीय संगठनों एवं सरकार को चाहिए कि वे निवेशकों को बाज़ार में लंबी अवधि के लिए बने रहने तथा लघु कालिक बिकवाली नहीं करने हेतु प्रोत्साहित करें। निवेशकों को चाहिए कि वे दीर्घकालीन दृष्टिकोण के साथ निवेश करें और व्यवस्थित विनियोग योजना जैसे उपायों के माध्यम से कुशल परिसंपत्ति आबंटन का सहारा लें।

डेरिवेटिव बाज़ार का नियमन

भारत में बहुत से बैंक डेरिवेटिव के लेन-देन की तकनीकी क्षमता नहीं रखते हैं। अतः इस क्षेत्र में अपनी क्षमता बढ़ानी चाहिए अथवा जटिल लेन-देन से बचना चाहिए। स्थाई आय परिसंपत्तियों पर बाज़ार जोखिम प्रबंधन करने के लिए जोखिम मानदंडों पर मूल्य की सूक्ष्म समीक्षा करनी चाहिए। बगैर सोचे-समझे एवं तकनीकी एवं मानव-संसाधनिक क्षमता विकसित किए डेरिवेटिव व्यापार को बढ़ावा नहीं दिया जाना चाहिए एवं जहां डेरिवेटिव व्यापार की अनुमति हो वहां पर भी इसके व्यापक एवं प्रभावी विनियमन की व्यवस्था की जानी चाहिए।

ब्याज दरों में कमी

कुछ विश्लेषकों की राय में आर्थिक मंदी 'तरलता' के संकट का परिणाम है अतः इसका निदान भी तरलता में वृद्धि से ही संभव हैं। इसी के मद्देनज़र रिज़र्व बैंक ने सीआरआर, एसएलआर एवं 'रेपो दर' में कमी की, जिससे बाज़ार में 601,700 करोड़ रुपए अंतर्वाह किए गए। यह स्पष्ट है कि हमारे बाज़ार में तरलता की कमी नहीं है क्योंकि बैंकों में एनपीए औसतन दो प्रतिशत से कम है जोकि बैंकों के उत्तम स्वास्थ्य का प्रतीक है तथा उनकी वित्तीय स्थिति ऋण देने के अनुकूल है किन्तु फिर भी अर्थव्यवस्था के मंदी प्रभावित क्षेत्रों में तेजी लाने के लिए ब्याज दरों में कटौती नितान्त आवश्यक है। भारतीय रिज़र्व बैंक द्वारा अपनी मुख्य ब्याज दरों में क्रमशः कटौती करने के परिणामस्वरूप अधिकांश बैंकों ने विभिन्न प्रकार के ऋणों पर ब्याज दरों में कटौती कर दी है जिससे बाज़ार में तरलता लौट आई है।

तालिका-4: 2008-09 के दौरान नियामकीय दरों में परिवर्तन

अवधि	रेपो दर	रिवर्ज रेपो दर	नकद आरक्षित अनुपात
अक्तूबर 2008 से पूर्व	9.0	6.0	6.5
अक्तूबर 20, 2008	8.0	6.0	6.5
नवम्बर 03, 2008	7.5	6.0	5.5
दिसम्बर 06, 2008	6.5	5.0	5.5
जनवरी 02, 2009	5.5	4.0	5.0
जुलाई 29, 2009	4.75	3.25	5.0
दिसम्बर 29, 2009	4.75	3.25	5.0
स्रोत : भारतीय रिज़र्व बैंक			

गैर ज़रूरी आयात पर कटौती हो

भारत सरकार को मंदी से उभरने के लिए बतौर एहतियात गैर ज़रूरी आयातों में कटौती करनी चाहिए। संकटकाल में विकसित देशों ने भी तेल एवं गैर आवश्यक वस्तुओं के आयात में कमी दर्ज की है। वैश्वीकरण के परिणामस्वरूप भारतीय आयातों में निर्यातों की तुलना में अधिक वृध्दि देखने को मिली है जो सुखद संकेत नहीं है। हमें यथासंभव भारतीय माल के लिए भारतीय बाज़ार को परिपक्व बनाने की कोशिश करनी चाहिए।

आत्मनिर्भरता की ज़रूरत

80 के दशक में एशियाई शहरों (थाईलैंड, मलेशिया इत्यादि) का अनुभव यह सिखाता है कि किसी भी अर्थव्यवस्था को केवल बाह्य विदेशी पूंजी पर निर्भर न रहकर आत्मनिर्भर बनाने की कोशिश करनी चाहिए। केवल बाह्य निवेश के भरोसे टिकी अर्थव्यवस्था विदेशी निवेशकों के हाथ खींचते ही औंधे मुंह गिर सकती है। जनवरी 2008 में भारतीय शेयर बाज़ार की गिरावट मूल रूप से विदेशी निवेशकों द्वारा अंधाधुंध अपना निवेश खींच लेने के कारण ही हुई जबकि भारतीय अर्थव्यवस्था का मूलाधार सुदृढ़ था। अतः भारतीय अर्थव्यवस्था को आत्मनिर्भर बनाने हेतु हमें अपने देशी निवेशकों को अधिकाधिक प्रोत्साहित करना चाहिए जिन्होंने दुनिया के दूसरे सबसे बड़े बाज़ार का निर्माण किया है। सरकार को चाहिए कि तेल और तम्बाकू जैसे बड़े अंशदाताओं को छोड़कर सभी उत्पादों पर शुल्क एवं करों का भार कम करें ताकि देश में उत्पादन, औद्योगिकरण एवं रोज़गार को बढ़ावा मिले। साथ ही, पेट्रोलियम उत्पादों एवं कृषि उत्पादों पर सब्सिडी को चरणबद्ध रूप में कम किया जाए और गैर परम्परागत उर्जा स्रोतों को बढ़ावा दिया जाए।

ग्रामीण विकास को महत्व

अपने देश में कृषि की उन्नत पैदावार बढ़ाकर, लघु एवं कुटीर उद्योगों को प्रोत्साहित कर तथा आर्थिक सुधारों को मानवीय पहलू के साथ लागू कर हम वैश्विक मंदी की चपेट में आने से बच सकतें हैं। यह सुविदित है कि भारतीय बाज़ार में मांग बनी हुई है, विशेष रूप से भारत के 72 फीसदी ग्रामीण समुदाय में विविध सेवाओं एवं उत्पादों के लिए मांग लगातार बढ़ रही है, इसे और तीव्र करने के लिए गाँवों में आधारभूत सुविधाओं, रोज़गार के अवसरों आदि में बढ़ोतरी करना नितान्त आवश्यक है। इस समय अर्थव्यवस्था को सिंचाई, जल एवं विद्युत आपूर्ति, खाद, बीज तथा कीटनाशक उत्पादन, कृषि यंत्रीकरण, विपणन, भंडारण सुविधाओं, व्यापक बीमा योजना, ग्रामीण साक्षरता, स्वास्थ्य, आवास एवं बुनियादी सुविधाओं की तरफ अधिक ध्यान देने की जरूरत है ताकि भारत के गाँवों में विद्यमान विशाल बाज़ार के अवसरों को भुनाया जा सके।

आधारभूत संरचना का विस्तार व सुधार

यह नितांत जरूरी है कि सरकार निजी-जन भागीदारी के माध्यम से देश में आधारभूत संरचना (सड़कें, शिक्षा, परिवहन, स्वास्थ्य इत्यादि) का बड़े पैमाने पर विस्तार करें और मौजूदा अभिसंरचना को विश्वस्तरीय बनाने के लिए सुधार करें। सरकार को सार्वजनिक निवेश और लोक उपक्रमों में विनिवेश से अर्जित धनराशि का उपयोग देश में बुनियादी

ढ़ाँचे को बढ़ाने के लिए करना चाहिए। सरकारी अनुमान के अनुसार वर्ष 2007-2012 के मध्य बुनियादी संरचना के लिए 500 बिलियन डॉलर की आवश्यकता है। बगैर इस निवेश और आधारिक संरचना पर ध्यान दिए, देश में घरेलू उद्योगों एवं विदेशी निवेश को बढ़ावा देना संभव नहीं है।

सार रूप में यह कहा जा सकता है कि वैश्विक मंदी का प्रभाव भारत में गहरा न होकर सतही है क्योंकि जो कुछ दिखाई दे रहा है, वह अमरीकी घटनाओं की प्रतिध्वनि भर है। हमें यह सहर्ष स्वीकारना चाहिए कि भारत सरकार एवं भारतीय रिज़र्व बैंक ने विनिमय दर, आर्थिक वृद्धि और मुद्रास्फीति को विवेकपूर्ण ढ़ंग से प्रबंधित करके वैश्विक मंदी के प्रभाव को न्यूनतम करने के लिए सराहनीय प्रयास किए हैं। अंतर्राष्ट्रीय मंदी की वजह से भारतीय बाज़ार में जो हलचल देखी गई वह भी अब स्थिर हो गई है तथा अर्थव्यवस्था पुनः प्रगति की राह पर लौट आई है। अमरीकी बैंकिंग तंत्र और विकसित देशों की कुछ वित्तीय संस्थानों के धराशायी हो जाने के बाद हमारे बैंकिंग तंत्र को लेकर जो आशंकाएं हैं वे निराधार हैं क्योंकि हमारे बैंकों का विदेशों में बहुत कम एक्सपोजर है। स्पष्ट है कि अंतर्राष्ट्रीय मंदी के बावजूद उत्तम वित्तीय नियंत्रण एवं घरेलू मांग बनी रहने के कारण भारतीय अर्थव्यवस्था वर्ष 2009 में 7 फीसदी के आस-पास वृध्दि कर सकेगी और वर्ष 2010 से विकास दर बढ़ने लगेगी। जहां तक विकसित देशों का प्रश्न है वे अब भी मंदी की मार से उभर नहीं पाए हैं। यदि मंदी का प्रभाव पहली दुनिया (first world) के देशों में संकट गहराता है तो भारत पर इसका अधिक प्रभाव होगा। इसके विपरीत घरेलू मांग और अर्थव्यवस्था में बुनियादी मजबूती होने के कारण भारत जैसी उभरती विकासशील अर्थव्यवस्थाएँ लाभ में रह सकती हैं। यह जरूरी है कि हम आर्थिक विकास की तेज रफ्तार को बनाये रखने के लिये कृषि क्षेत्र में वृद्धि, ग्रामीण विकास और आधारिक संरचना के विस्तार पर ध्यान दें तथा सुचारू एवं सुनियोजित विनियमन के द्वारा राष्ट्रीय अर्थव्यवस्था को सुदृढ़ बनाए। आईएमएफ की ताजा रिपोर्ट के अनुसार, **"वैश्विक अर्थव्यवस्था में आ रही वर्तमान हलचलों से भारतीय अर्थव्यवस्था बेअसर रहेगी जिसका कारण भारतीय अर्थव्यवस्था की संरचना और वित्तीय बाज़ार है। भारत वैश्विक अर्थव्यवस्था में तेजी से अपनी हिस्सेदारी बढ़ाता जा रहा है एवं इसमें गिरावट की संभावना शेष विश्व के मुकाबले काफी कम है। वैश्विक अर्थव्यवस्था में मंडरा रहे मंदी के संकट का असर भारत पर दूसरे देशों के मुकाबले बेहद कम होगा क्योंकि भारत में घरेलू मांग की दर सशक्त है।"**

Multi-Protocol Label Switching (MPLS)

Multi-Protocol Label Switching (MPLS), provides a mechanism for engineering network traffic patterns that is independent of routing tables. It is a combination of packet forwarding and label switching through a network, an integration of high speed layer 2 switching with layer 3 routing using label switching. MPLS adopts the usage of Virtual Private Networks (VPN) which enhances the security levels, thereby improving network based telecommunication. MPLS network is an improvement over the leased line network. The Leased Line Network being a partial mesh network, is less scalable, and therefore, adding a new site to the network is difficult. Further, up-gradation of bandwidth is a time consuming and cumbersome process and packet switching is slower in a Leased Line Network as compared to the MPLS.

With the evolution of MPLS, VPNs are poised to herald a radical shift in the world of network computing. Another trend over the last year is that most enterprises are focused on creating highly agile and redundant networks, where MPLS VPN emerged as a trusted Wide Area Network (WAN) connectivity option. Moreover, it improves efficient use of resources and enhances performance of the network. MPLS also enables easy to implement Quality of Service and Class of Service based on application needs. The implementation of Internet Protocol Security (IPSec) tunnels (secure tunnels between which data is encrypted) between CPE (Customer Premises Equipment, i.e., router) to CPE is relatively easy. IDRBT has taken up the project of implementing INFINET MPLS Architecture designed to provide high level redundancy.

INFINET MPLS improves the possibilities for Traffic Engineering and supports the delivery of services with Quality of Service (QoS) guarantees. Its salient features are: (i) Full Meshed communications at all locations (backbone), (ii) Two service providers to enable high speed fault tolerance, (iii) A VPN between two locations could be across service providers, all VPNs between CPEs will be encrypted, and (iv) Availability of QoS (Quality of Service) and TE (Traffic Engineering) on the last mile as well.

QoS is a capability of the network to provide resource assurance and service differentiation, where 'service differentiation' is the ability of the network to treat different applications in different ways, and 'resource assurance' is the ability of the network to provide appropriate service to fit the application requirements, such as bandwidth, packet loss, jitter and latency.

TE is the process of selecting and controlling the paths along which the data travels through a network in order to optimise network resource utilisation and traffic performance ensuring efficient and reliable network operations. The goal of TE is efficient and reliable network operation, optimisation of network resources, handling of link and node failures and Voice and Video delivery over data network with performance and QoS.

Source : RBI

BOOK REVIEW

Name of Book : Deposit Insurance in India

Author : M. R. Das

Publisher : Himalaya Publishing House

Year of publishing : 2010

No. of pages : 232

Price : Rs. 125/-

Reviewed by : Dr. A. C. Chug

In 1962, India introduced deposit insurance - the second country in the world to do so (the first being the United States in 1933). After 48 years of its launch, which covers more than 2300 banks, most of the bank customers are still unaware of this insurance cover of their deposits. It may be due to the absence of proper publicity or a comfort level of customer faith in banks as most of the big banks are controlled by Government. They come to know about it only when the news of any bank's failure is displayed at the frontline of papers.

As many as 32 co-operative banks folded up last year forcing the depositors to invoke insurance guarantee to cover part of their losses. Deposit Insurance and Credit Guarantee Corporation (DICGC), an arm of RBI, who handles the deposit insurance in India, paid nearly Rs.482 crore to these co-operative banks. A fundamental issue in the debate on financial architecture is the adequacy of insurance cover as compared with the international practices. Like-wise, many other issues have been dealt in detail by Shri M. R. Das, writer of perhaps the first book on the subject in India.

The whole gamut of Deposit Insurance has been covered in five chapters which include “Global Scene” and “Core Principles of Effective Deposit Insurance Systems and India's position” besides “Deposit Insurance Reforms in India”. Setting up of International Association of Deposit Insurers (IADI) in 2002, is the latest development on the subject, also finds place in this book. Mr. Das being involved in various committees set up by RBI on “deposit insurance reforms” and having global experience of studying the system of many countries, has been able to present in this book “best practices for an Explicit System of Deposit Insurance in normal times and departures from them” which is worth reading.

The book also contains a list of 91 countries which have introduced deposit insurance, along with e-mil addresses of their related organisations. A study on the “Federal Deposit Insurance Corporation (FDIC)” depicts an overview of Risk-based Premium System which is often debated on International platforms. This book can become a base for further research on the subject. Banks may also prepare information brochure containing “frequently-asked questions” on the basis of this book, furthering the cause of financial literacy. Book would be of use to layman and experts alike to understand the intricacies of this subject, more so in an era when banks have been failing at regular intervals all over the world.

BOOK REVIEW

Name of Book : "OVER VIEW OF FINANCIAL INCLUSION AND MICRO CREDIT"

Author : D. T. Pai

Publisher : 16-108, Saraswati Sadan, Anantnagar, Manipal - 570104. Tel. No. : 6820 - 2570656

No. of Pages : 126 Pages

Price : Rs.125/-

Reviewed by : P. N. Joshi

Financial inclusion and micro credit are the current coins the world over. It is an acknowledged fact that inclusive growth ensures not only equitable and even distribution of benefits of growth but also helps to hasten the process of growth itself. Participation by all sections of the society, thus assists holistic development. Finance is a crucial catalyst of growth and development. Therefore there is global concern for financial inclusion.

Shri. D. T. Pai has rendered yeoman's service by presenting in this concise book an overview of the global efforts made to achieve financial inclusion with detailed focus on the measures taken in India. The book is divided into two parts. Part-I is devoted to discussion on financial inclusion, while Part-II deals with nuances of micro credit, supplemented by case studies. Shri Pai has painstakingly assembled dependable information and statistics and has presented them in meaningful tables and charts; the reader would feel confident that he could quote the facts and figures given in this publication without fear of contradiction.

Financial inclusion is best explained by discussing the impediments or barriers in accessing institutional (banking) services. Non-availabilty of a bank branch in the vicinity, perceived complications of i) banking procedures, ii) high charges and iii) bank's reluctance to entertain low income people are the constraints. Illiteracy, cultural barriers, gender, age, etc., are other impediments for inclusive banking, even in developed countries. The book contains a crisp and compact discussion of the factors leading to financial exclusion in different countries (pp. 6 & 7). Dr. R. K. Hazari, Deputy Governor of the Reserve Bank of India during the 'seventies narrated an interesting anecdote at a function in the main branch of Bank of India near Flora Fountain in Mumbai. He was the Chief Guest at the function. His caustic remarks that prior to bank nationalisation when he was the Professor in the Bombay University, he would not dare to look at, leave alone entering into the branch, the impressive ten-feet glassdoor with armed guard at the entrance. Succinctly this narration depicts the inhibitions of even the highly educated but low income people in entering bank premises. Tabular information about the status of exclusivity in different countries makes an interesting reading.

Efforts made by Government, Reserve Bank of India and banks for achieving financial inclusion are effectively presented in Chapters 2 and 3. In particular, important role of micro insurance and financial literacy project have been highlighted. Technology revolution in banking operations in recent years has lent a new edge to the attempts for inclusive banking. Mobile banking, branchless banking, banking through correspondents, instant payment facilities have kindled new hope to reach banking services to the rugged farmer in villages and tribals in hilly-tracts. The author has succinctly discussed these issues in chapters 4 and 5. He has pointed out the shortcomings in the implementation of financial inclusion (pp.36 &37). Migrant workers, poor infrastructure, absence of suitable' financial products for the masses, lack of appropriate technology and its spread are some of the constraints in operationalising the programmes. Well-intentioned schemes like the Bharat Nirman, Sarv Shiksha Abhiyan, National Rural Employment Guarantee Scheme. National Rural Health Programme etc., suffer from a yawning gap in intention and implementation. Perhaps, a decentralised implementation strategy with autonomy and accountability at local level may be a better way to operationalise such projects. Banks have more than 82,000 branches in the country. Each branch manager could be given the authority to ensure hundred percent inclusive banking in his branch command area. Central and Zonal offices could concentrate on the unbanked areas. Trade union leaders could be induced to play an active role in this endeavour. It is in their enlightened self-interest, as it will increase spread of banking services, generating demand for more staff members.

Next six chapters in part-II, elaborately deal with the nunances of micro finance Inspite of massive expansion of commercial bank branches in rural areas, large number of marginal farmers, agricultural labourers and other low income group people do not have access to the bank finance. Hence, micro finance facilities are encouraged. Micro credit groups fall into three catagories; Self-Help Group (SHG), Joint Liability Group (JLG) and Partnership. Banks find it comfortable to lend to the SHGs and this model is predominant and is functioning sastisfactorily. JLG is intended to help tenant farmers or share croppers and small farmers, who have no proper titles to their land holdings. Collateral free credit is made avaible to them by banks. This model is not widespread. Partnership model is popular among private and foreign banks. ICICI Bank, Axis Bank, ABN AMRO, ING Vysya, HSBC, etc., attempt to fulfill their mandatory priority sector target mainly through this model of micro credit.

Initiatives of NABARD and SIDBI in facilitating spread of micro credit have been ably narrated. An interesting comparision of SHG linkage programme in India with the iconic Bangladesh Gramin Bank made by the author (p. 104) is illuminating. The role of co-operatives and RRBs in achieving inclusive banking-possibilities and limitations - is discussed with the help of case studies.

Over all, the book is a valuable source of comprehensive information about efforts made to provide financial services at affordable cost to all sections of the society, not only in India but world over. Research students in financial intermediation will benefit by the useful and dependable data about inclusivity and micro credit in different countries. Practising bankers, students of banking and finance, policy makers and social workers with concern for the poor will find information in this book highly rewarding.

BOOK REVIEW

Name of Book : Fundamentals of Modern Banking

Author : N. C. Mujumdar

Publisher : New Central Book Agency (P) Ltd.

No. of Pages : 333 Pages

Price : Rs.325/-

Reviewed by : K. Chockalingam

The developments in the field of banking are multifarious suggesting that no amount of literature on the subject is sufficient enough to cover the whole gamut of the changes that have taken place, particularly since the deregulation process started in the early nineties. The present book is a welcome addition on the subject.

Deregulation, coupled with advancement in technology, and expansion and globalization of financial markets impacted Indian banks dramatically. The resultant competitive strategies adopted by banks are having a pronounced effect on products and processes. Banks today are pursuing strategies that aim at strengthening their ability to perform various financial functions - business planning for their retail customers, raising capital for their mid-market segment, cash management services, selling mutual funds and insurance, among other things. The ability to perform such functions increasingly means offering a range of complementary services to customers.

In the process, banks are changing their organisational architecture that basically involved centralisation of certain functions like Payment and settlement mechanisms, Credit processing of even small businesses and medium, small and micro enterprises, and Marketing of products and services. Technological innovations, introduction of ATMs as an additional window for dispensing of banking services, prompt clearance of cheques and bills through RTGS / NEFT, new postulates in risk management based on the Basel Committee norms and the last but not the least, legislation of epoch-making statutes for speedier and summary recovery of bank loans have all contributed to a paradigm shift in banking and changed its face as never before. In short, though the business of banking has by far remained the same, the delivery system of the banking services and the mechanism involved therein have undergone a sea change over the last two decades.

The present book covers the whole gamut of banking operations and development over the years explained in the foregoing paragraphs. The book is a compendium of information gathered by the author. The contents are presented in 28 chapters that can be broadly classified into five categories viz., Conceptualisation, Banking Law & Practice, Banking Operations, Bank Management and Recent Developments in Banking. It would be thoughtful if the author presented the chapters under the above or other broad categories, which would enable the discerning readers to make use of the book as a reference guide in banking.

Starting with the history of money, the author takes the readers through the banking development from the seventeenth century till today. The opening chapters deal with the basic knowledge a banker should possess in varied subjects like economic geography, basic economic principles, statistical techniques, book-keeping & accountancy and business

& banking related laws. A notable omission here is business arithmetic, the usefulness of which for the today's banker cannot be overemphasized. The chapter on loans and advances will be of particular interest to the readers as this includes different aspects of credit appraisal, sanction, documentation, securities, credit monitoring and recovery. Wherever necessary, the theoretical part has been complemented with examples and illustrations. How does the banking technology come handy to banks to unveil what was thought impossible a decade before : in the areas of payment & settlement mechanism, high value clearing, CMS and CBS is well explained in the book as also are the Basel Committee prescriptions, various risk measurement techniques and their implications on capital adequacy of banks. This will help the readers understand the intricacies of risk based capital adequacy framework now set in motion by RBI.

In brief, this is a comprehensive book on banking written in a simple and easy-to-understand language. The book will be particularly useful to the new entrants to the banking industry and also to banks' Staff Colleges and Training Centres for teaching the beginners. Overall, this is a comprehensive and practical guide written by the author which is also a reflection of his four decades of banking experience.

Books Added to the IIBF Corporate Library			
No.	**Title**	**Author**	**Publisher & Year of Publication**
1.	Agriculture and Rural Development in India since 1947	Chandra Shekhar Prasad	New Century Publications, 2009
2.	Bank Lending	Prasad S. Vipradas & J. K. Syan	Himalaya, 2009
3.	Banking Risks : Management and Audit	S. N. Bidnani	Vision Books, 2010
4.	Bankruptcy of India	Rajan Malik	Pearl Books, 2010
5.	Cats : the Nine Lives of Innovation	Stephen C. Lundin	Tata McGraw Hill, 2009
6.	Changing Profile of Indian Agriculture	Surinder Sud	Business Standard Books, 2009
7.	Commerce Banking	B. R. Nanda	Surendra Publications, 2010
8.	Commercial Banks in India : Growth, Challenges and Strategies	Benson Kunjukunju	New Century Publications, 2009
9.	Encyclopadeia of Banking, Finance and Insurance	Sailesh Mehta	SBS Publishers, 2009
10.	Finance Basics for Tough Times	Harvard Business Review	Harvard Business School, 2009
11.	Financial Services and System	K. Sasidharan & Alex K. Mathews	Tata McGraw Hill, 2008
12.	Idea of Justice	Amartya Sen	Allen Lane, 2009
13.	India's Economic Development since 1947, 4th Edn	Uma Kapila (Editor)	Academic Foundation, 2009
14.	Insurance for Everyone	Kshitij Patukale	Macmillan India, 2009
15.	Macroeconomic Policy Environment : an Analytical Guide for Managers	Shyamal Roy	Tata McGraw Hill, 2005
16.	Managing Change : Expert Solutions to Everyday Challenges	Harvard Business School	Harvard Business School, 2009
17.	Marketing Management : a South Asian Perspective	Philip Kotler & Others	Dorling Kindersley (India), 2007
18.	Measuring Performance : Expert Solutions to Everyday Challenges	Harvard Business Review	Harvard Business School, 2009
19.	Mergers, Acquisitions and Corporate Restructuring	Prasad G Godbole	Vikas Publishing House, 2009
20.	Modern Banking in India : Dimensions and Risks	R. K. Uppal & Bishnupriya Mishra (Editors)	New Century Publications, 2009
21.	Oxford Handbook of Banking	Allen N. Berger & Others	Oxford University Press, 2010
22.	Projects : Planning, Analysis, Selection, Financing, Implementation and Review, 7th Edn.	Prasanna Chandra	Tata McGraw Hill, 2009
23.	Regional Rural Banks (RRBs) in India	Meenu Agrawal (Editor)	New Century Publications, 2009
24.	Value at Risk : the New Benchmarking for Managing Financial Risk, 3rd Edn.	Philippe Jorion	Tata McGraw Hill, 2009
25.	World Economic Outlook : Sustaining the Recovery, October 2009	International Monetary Fund	International Monetary Fund, 2009

Invitation For Articles - Guidelines For Contributors

Contributing articles to the Bank Quest : (English / Hindi)

Articles submitted to the Bank Quest should be original contributions by the author/s. Articles will only be considered for publication if they have not been published, or accepted for publication elsewhere.

Articles should be sent to :

The Editor : Bank Quest

Indian Institute of Banking & Finance

"The Arcade", World Trade Centre, 2nd Floor, East Wing, Cuffe Parade, Mumbai-400 005, INDIA.

Objectives :

The primary objective of Bank Quest is to present the theory, practice, analysis, views and research findings on issues / developments, which have relevance for current and future of banking and finance industry. The aim is to provide a platform for Continuous Professional Development (CPD) of the members.

Vetting of manuscripts :

Every article submitted to the Bank Quest is first reviewed by the Editor for general suitability. The article may then be vetted by a subject matter expert. Based on the expert's recommendation, the Editor decides whether the article should be accepted as it is, modified or rejected. The modifications suggested, if any, by the expert will be conveyed to the author for incorporation in case the article is considered for selection. The author should modify the article and resubmit the same for the final decision of the Editor. **The Editor has the discretion to vary this procedure.**

Features and formats required of authors :

Authors should carefully note the following before submitting any articles;

1) Word length :

Articles should generally be around 5000 words in length.

2) Title :

A title of, preferably, ten words or less should be provided.

3) Autobiographical note and photograph :

A brief autobiographical note should be supplied including full name, designation, name of organization, telephone and fax numbers, and e-mail address (if any) or last position held, in case of retired persons. Passport size photograph should also be sent along with the submission.

4) Format :

The article, should be submitted in MS Word, Times New Roman, Font size 12 with 1½ line spacing. A soft copy of the article should be sent either in a floppy or by e-mail to drwazkar@iibf.org.in

5) Figures, charts and diagrams :

Essential figures, charts and diagrams should be referred to as 'Figures' and they should be numbered consecutively using Arabic numerals. Each figure should have brief title. Diagrams should be kept as simple as possible. In the text, the position of the figure should be shown by indicating on a separate line with the words : 'Insert figure 1'.

6) Tables :

Use of tables, wherever essential, should be printed or typed on a separate sheet of paper and numbered consecutively using Arabic numerals (e.g. Table-1) and contain a brief title. In the body of the article, the position of the table should be indicated on a separate line with the words 'Insert Table 1'.

7) Picture / photos / illustrations :

The reproduction of any photos, illustration or drawings will be at the Editor's discretion. Sources should be explicitly acknowledged by way of footnote. All computer-generated printouts should be clear and sharp, and should not be folded.

8) Emphasis :

Words to be emphasised should be limited in number and ***italicised.*** Capital letters should be used only at the start of the sentences or for proper names.

Copyright :

It is important that authors submitting articles should declare that the work is original and does not infringe on any existing copyright. He / she should undertake to indemnify the Institute against any breach of such warranty and consequential financial and other damages. Copyright of published article will vest with the publisher (Institute).

SUBSCRIPTION FORM FOR BANK QUEST / IIBF VISION

I would like to subscribe / renew my subscription to BANK QUEST / IIBF VISION.
Placed below are my particulars :

(IN CAPITAL LETTERS)

Shri / Smt / Kum : ____________________

Membership No. (If a member of the Institute) : ____________________

Existing Subscription No. (If already a subscriber) : ____________________

- for Bank Quest - BQ ____________________
- for IIBF Vision - VN ____________________

Mailing Address : ____________________

____

____

____

Pin : ____________________

Tel. Ph : ____________ Fax : ____________ E-mail : ____________

I would like to subscribe for one copy of the Bank Quest as follows (Put tick in box) :

☐	1 Year (4 issues)	Rs. 140.00
☐	2 years (8 issues)	Rs. 240.00

I would like to subscribe for one copy of the IIBF Vision as follows (Put tick in box) :

☐	1 Year (12 issues)	Rs. 40.00
☐	2 Years (24 issues)	Rs. 80.00

No. of copies required (if subscribing to multiple copies) : ____________________

I enclose demand draft no. ____________ dated ____________ for Rs. ____________

Date : ____________________ Signature : ____________________

PLEASE NOTE

- 'IIBF Vision' is provided every month to all Life Members of the Institute at the address recorded with the Institute.
- Subscriptions will be accepted for a maximum period of 2 years only.
- Subscriptions will be accepted by demand drafts only; drawn in favour of 'Indian Institute of Banking & Finance,' payable at Mumbai.
- Superscribe name & address on reverse of demand draft.
- Mail subscription form and demand draft to :

  The Director of Administration, Indian Institute of Banking & Finance
  "The Arcade", World Trade Centre, Second Floor, East Wing
  Cuffe Parade, Mumbai 400 005.


DELHI 2010
XIX COMMONWEALTH GAMES
Central Bank of India
OFFICIAL BANKING PARTNER
Determination
Helps you to
aim far …
Even when it
comes to ensuring
a brighter future
CENTRAL BANK OF INDIA :
PROUD TO BE OFFICIAL BANKING PARTNERS
TO XIX COMMONWEALTH GAMES 2010 DELHI
सेन्ट्रल बैंक ऑफ़ इंडिया
Central Bank of India
CENTRAL TO YOU SINCE 1911

Registered with the Registrar of Newspapers for India under No. R. N. 6073 / 57