



Igniting Thoughts of Tomorrow

BANKING

WeChat

Prodosh Ganguly

AGM, Reserve Bank of India



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**All Women Bank : A
Farce or A Revolution**



Featured

India :
Bankable?

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May 2013



OUR VISION

“To nurture thought leaders and practitioners through inventive education”

CORE VALUES

Breakthrough Thinking and Breakthrough Execution

Result Oriented, Process Driven Work Ethic

We Link and Care

Passion

“The illiterate of this century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.” - Alvin Toffler

At WeSchool, we are deeply inspired by these words of this great American writer and futurist. Undoubtedly, being convinced of the need for a radical change in management education, we decided to tread the path that leads to corporate revolution.

Emerging unarticulated needs and realities need a new approach both in terms of thought as well as action. Cross disciplinary learning, discovering, scrutinizing, prototyping, learning to create and destroy-the mind's eye needs to be nurtured and differently so.

WeSchool has chosen the ‘design thinking’ approach towards management education. All our efforts and manifestations as a result stem from the integration of design thinking into management education. We dream to create an environment conducive to experiential learning.

Dear Readers,

It gives me great pride to introduce Samvad's issue every month. Our Samvad team's efforts seem to be paying off and our readers seem to be hooked onto our magazine. At WeSchool we try to acquire as much knowledge as we can and we try and share it with everyone. I sincerely hope that Samvad will reach new heights with the unmatched enthusiasm and talent of the entire Samvad Team.



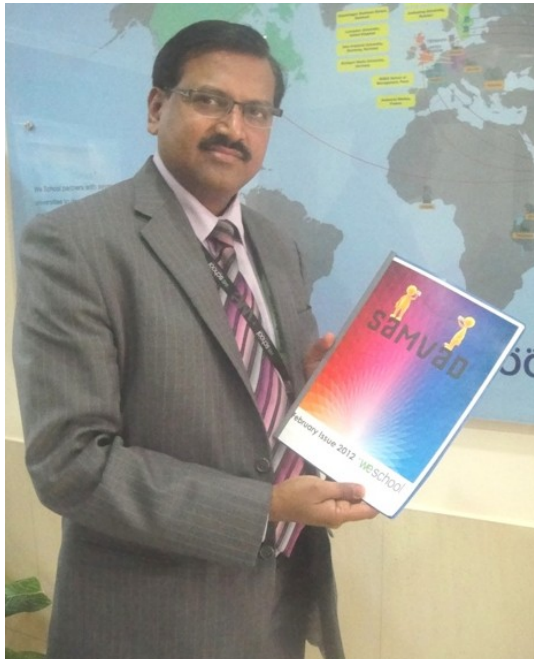
**Prof. Dr. Uday Salunkhe,
Group Director**

Here at WeSchool, we believe in the concept of AAA: Acquire Apply and Assimilate. The knowledge that you have acquired over the last couple of months will be applied somewhere down the line. When you carry out a process repeatedly it becomes ingrained in you and eventually tends to come out effortlessly. This is when you have really assimilated all the knowledge that you have gathered.

At WeSchool, we aspire to be the best and to be unique, and we expect nothing but the extraordinary from all those who join our college. From the point of view of our magazine, we look forward to having more readers and having more contributions from our new readers.

Samvad is a platform to share and acquire knowledge and develop ourselves into integrative managers. It is our earnest desire to disseminate our knowledge and experience with not only WeSchool students, but also the society at large.

Prof. Dr. Uday Salunkhe,
Group Director



Prof. Dr. Uday Salunkhe introducing the first issue of Samvad

OUR VISION

“To facilitate exchange of ideas that inspire innovative thought culture”

MISSION

**To Dialogue
To Deliberate
To Develop
To Differentiate**

As the official student magazine of WeSchool, Samvad is greatly inspired by the words of Alvin Toffler backed by a strong vision of facilitating exchange of ideas that inspire innovative thought culture. Samvad is a platform for the next generation leaders to bring forth their perspective on management to the world and gives the readers an opportunity to learn, unlearn and relearn on a continuous basis.

The team of Samvad is driven by a set of strong WeSchool values which enable us to create a dialogue leading to knowledge gaining and sharing, to deliberate on the information, to develop a sense of creativity and differentiate our minds with innovative thoughts of tomorrow; today.

Dear Readers,

Greetings from Team Samvad!

Welcome to the May Issue of Samvad, a time when some of you are starting a new chapter in your life by entering a B-School for the much needed MBA degree in today's competitive world. For some, it is time to get back to college after completing internship and taking along industry insights and experiences.

This issue of Samvad takes you to the world of Banking. In the current global environment, Banks play a major role in maintaining the stability of the economy of a country. The health of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth.

Banks have evolved greatly in the last decade due to improved technology with emergence of many new trends like mobile banking, internet banking, tele-banking etc. Many new banks are likely to come-up in the next year with RBI already receiving 26 applications for new bank licence. The government has also approved setting up first all-women bank in India named Bhartiya Mahila Bank Ltd. Since India's independence, Banking has remained to be one of the most sought after sector to work and still continues to be a major recruiter specifically for MBA graduates. The articles in this issue try to give a perspective about these recent developments which will help in understanding the banking sector better.

The role of India's central bank – Reserve Bank of India(RBI)- has become increasingly important due to increased volatility in currency, inflation, falling forex reserves etc. Samvad brings you the insights from Mr Prodosh Ganguly - Assistant General Manager of RBI which will help in understanding the role played by the central bank in the banking system.

Hope you will like reading this issue. Feel free to give us your feedback.

Read Better to know Better....!!!

Best Regards

Omkar Kelkar

Co-Editor

Samvad- Igniting thoughts of tomorrow

Team Samvad would like to extend its heartfelt thanks to certain key members of the WeSchool family for their special efforts towards the making of this magazine.

We deeply appreciate the constant motivation & encouragement that our beloved **Group Director Prof. Dr. Uday Salunkhe** has always given us. His vision & result orientation has been the driving force in creating brilliant leaders and making WeSchool a name to reckon with, not only in India but also globally. His focus on the core values of Passion, We Link & Care, Result Oriented Process Driven Work Ethic and Breakthrough Thinking has formed the foundation of all the activities that we undertake as students of this esteemed institute.

We deeply appreciate the help and support given to us by both **Prof. Amarkant Jain** and **Prof. Deepa Dixit**. Their insight and expertise is our driving force to ensure the sustainability of our magazine.

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We are indebted to **Prof. Jalpa Thakker** for all her help and guidance in the making of Samvad. Her insight and suggestions have been of tremendous benefit to us. The Samvad Team would truly be incomplete without her.





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An Interview with Mr. Prodosh Ganguly

By: Team Samvad

(Mr. Prodosh Ganguly is the Assistant General Manager in the Department of Banking Operations and Development of the Reserve Bank of India)

1) Sir, we would like to hear about your Journey so far in Banking. Could you please share with us your background, your experience in the professional arena till date and something more about yourself.

I have a First Class Post-graduate degree in life science from University of Calcutta , which is not directly related to Banking. After joining Reserve Bank, I became a Certified Associate of Indian Institute of Bankers' (CAIIB) and also completed another course on 'Quantitative Techniques for Banking & Finance' also conducted by IIB. Personally I feel, my background did not matter much as much of learning happened on-the - job once I started working with RBI. In RBI, I have been associated with areas related to bank regulation , supervision, and also other areas like establishments, deposit insurance, etc. As you know, regulation and supervision of banks are one of the main functions of the Reserve Bank of India as the Central Bank of the country.

My journey so far in RBI has been very rewarding and satisfactory.

2) The Banking Sector has seen major face-lifts from the time of Presidency Banks to the Banking Sector reforms and eventually internet banking and tele - banking. Where do you see it heading next ?

Yes, banking sector in India has seen sea



changes since its nationalisation in 1969. Changes have taken place in a very broad way.

On one hand there have been consolidation and change in the structure of banking institutions like mergers, formation of RRBs, etc. Have taken place, on the other hand banking products, practices, procedures have changed during last three decades which have changed the face of banking in India altogether, though the basic banking activities of deposit taking and lending remain same. Thanks to technology which has changed the way banks function today. It has totally changed from brick and mortar branch banking to anywhere banking / kiosk banking / internet banking and going forward mobile banking .

On the other hand, the prudential guidelines put in place by RBI following Narashimhan Committee recommendations (Report I & II) starting from late 1990s, have totally changed the way banks function today. Later on, when India decided to adopt the international best practices of banking, we decided to follow the Basel norms on capital requirements as a

prudent measure for risk management. Following that, the Basel norms (Basel I, II and now III) are in the process of implementation (Basel III) in India in a phased manner, which is again changing the way banks looked at its capital and risk management.

Going forward too, I feel while basic aspects of banking will remain unchanged, the emphasis on technology or mobile banking products will change to cater to the needs and convenience of customers. Lots of customer learning should happen to be able to utilise the changed banking services.

3) Financial Inclusion is the word of the day now days. Till what extent is the role of Banks in public and private sector, NBFC's etc. in bringing Financial Inclusion and what are the major road blocks faced in pursuing this Vision?

Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a *fair and transparent manner* by mainstream institutional players.

It is basically the job of the commercial banks to see that more and more people are covered under the banking services / network. Reserve Bank of India, the Central Bank of the country, has taken the main initiative to sensitise both ends, namely banks on one hand and the ultimate users-the people at large, on the other, to bring them together for the purpose. While the initiative to educate people about the banking services, its utilities, etc. have been taken up by RBI, particularly in areas which were hitherto remained unbanked or under banked, commercial banks are also on the job through the financial literacy centres, campaigns, etc. Commercial banks are also on the job to explore areas / segments of people who remained deprived from its

services. Banks are going ahead with their financial inclusion plans, which are being monitored by the respective bank's Boards and RBI. The major hurdle to my mind when you talk about financial inclusion is numbers. Total number of banks and their branches in India are much less as compared to the number of villages / bankable population. I think we have less than 1 lakh branches compared to about 5 lakh villages. Then there is lack of awareness / understanding of banking activities which is another roadblock. People have different levels of education and understanding.

On part of the commercial banks, some of the issues are like – the drive is seen more as an obligation than a business opportunity, there are limitations in scaling up, delivery model are yet to be perfected, though accounts are opened there are less number of transactions and a/c become non-operational, small value transactions, high cost, Infrastructure issues, availability of handheld devices, cards, technology partners, digital connectivity, etc.

4) What are the various core competencies required in the Banking Industry that an aspiring candidate should work on to be a part of the Banking Sector?

In my opinion, banking is multidisciplinary field, and the notion that you need to know only accountancy is no longer valid. Any areas like economics, mathematics / statistics, technology, etc. would be of help to build a career in banking. Awareness of latest technology and its understanding is must as technology will continue to transform and drive the banking sector in the coming days. Another most upcoming and rewarding area is Risk Management. Courses on financial risk management and financial engineering will definitely help an aspiring candidate to have a successful career in banking.

5) What part of Job in Banking Industry can be the most challenging?

Adapting to changes and keeping yourself updated is the key challenge in any industry and Banking industry is no exception. Also, people have to be well versed with technology, products and practices and also developments in financial engineering and accounting norms. Since the International Financial Reporting System (IFRS) is going to be implemented in India also, understanding of the new accounting standards would be challenging as well. I think risk management would remain one of the most challenging part.

6) The recent nosedive of Rupee v/s Dollar has left many students worried about the future of the country and their careers. Please comment on this issue.

There are many aspects in the exchange rate movement and its impact on the economy as a whole. But I do not think students should be unduly disappointed on this type of developments. In the past also (1997-98) rupee depreciated in a large manner and various measures were taken to contain this trend. It is a continuous process. Exchange rate movement takes place largely depending up on the demand for dollar, investments in the country by FIIs, developments in the developed countries, particularly USA, etc.

7) Many new entrants are trying for banking licence. At the same time, there are certain banks which are acquiring other smaller Banks. What do you think on these developments?

There are no specific theories on optimum number of banks and the size of the financial system in a country. Each player in the industry wants to increase their market share. One way of doing it is through mergers and acquisitions. At the same time, government is trying to increase the number of players (banks) as a part of financial

inclusion drive. Number of banks in India continues to be low compared to the other developed countries. Hence, there may a number of interested groups / institutions in private sector to get a banking licence. Well, it is also true that it may be better if we have a few large banks (by merging smaller banks) which are comparable to the size of big banks in developed countries. But then, again I repeat, there is no proved hypothesis that having few big banks is better than having large number of small banks in the system.

8) It is said RBI is a carriage pulled by four horses running in different directions (rupee value, current account deficits, inflation, and interest rate.) How does RBI deal with all these at the same time?

As per the preamble of the RBI Act, 1934 – among other things, Reserve Bank for India is to regulate the issue of Bank notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; The basic aim of our monetary policy is to manage price stability and financial stability. All other functions are necessitated from the above requirements.

In effect, what RBI does is controlling liquidity in the system with the help of policy interest rates, i.e. Repo and Reverse repo rates, and also the Bank rate and Marginal Standing Facility (MSF) rates, which are of course linked with each other, and also by controlling the Cash Reserve Ratio (CRR), a view to controlling inflation and ultimately price.

RBI is not directly responsible for controlling Current Account Deficit (CAD), which is the domain of the Central Government. But, yes, in the recent time, we have taken some measures, particularly relating to gold import, which is the direction of containing CAD.

9) How do you see the banking industry evolving in the future and which are the prominent trends that can emerge in next 10 years?

To my mind, the basic functions of banks may remain the same – deposit taking and lending and credit creation in the process. However, the things will change at the operational level. Technology will continue to evolve and drive banking practices. At the same time financial engineering is also expected to impact many new banking products and practices. At the same time financial engineering is also expected to impact many new banking products and practices.

Further, with the implementation of Basel III Capital requirements in the coming years, the banks in India are expected to become more resilient with firm capital base and better capital management.

10) Lastly, one piece of advice that you would like to give our readers; the future managers who shall soon be graduating and entering various professional domains.

I encourage students to join the banking industry. On one hand, they can contribute to the industry in various ways, and also have a very rewarding career. Myself being associated with Reserve Bank of India, the country's Central Bank, I strongly recommend that students should also think of having a career with the RBI, the regulator and the supervisor of the banking industry.

I believe that whatever area you choose while studying- be it economics, accounting, mathematics / statistics, risk management, IT, you should learn in such a way, so that you can utilise the knowledge for building your career. For having a career in banking, one has to have basic understanding of banking, some knowledge of the economy at large, the relevant statutory provisions, accounting practices or standards, etc. You should have a very strong

understanding / knowledge in at least one area initially. Later on, when you join the industry, you can learn lots of things by dint of your sincerity, efforts, dedication and of course by using your common sense and general intelligence. I believe that the main learning happens on the job when a person starts working in any industry. One has to have passion for any kind of work to develop a successful career in that field, and banking is no exception.

All the best for all your students.

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All Women Bank: A Farce Or A Revolution

By: Prafull Srivastava, MBA(2012-2014), IIFT Kolkata

Perhaps no bill tabled by an Indian Finance Minister can match the reaction and thunderous applause by ruling and opposition parties alike as did the call for an All Women Bank in India. The support Mr. Chidambaram mustered on the move seen as an effort to empower the weaker sex was unprecedented and phenomenal. Mr. Chidambaram expressed a strong desire to start the bank as early as November this Year. He also granted a starting capital of Rs 1000 crore. But the big question at this point should be "Is there anything that this bank can achieve which the existing banking system has failed to achieve?"

While most of us are busy congratulating Mr. Chidambaram, this is not the first time that this domain has been touched in the country. In fact the concept of "Women banking with women" has been prevalent in India since 1974. The SEWA (the Self Employed Women's Association) bank, which essentially serves the "not-so privileged women" in rural belts, currently boasts of a turnover of Rs. 200 crore and 400,000 women as its shareholders. The bank has been a successful model and is serving its objective of women empowerment well. Some PSU banks have also gone for all women branches especially in places where majority of the customers were women. These branches have however not been a banking breakthrough.

Globally, all women banks have been functioning in various countries. Mahra Ladies banking service launched by Ajman bank has been successfully catering to women's financial need in Dubai, Sharjah and Abu Dhabi. The bank credits the success to its women centric products. Pakistan too has an all women bank by the name First women Bank (F.W.B). FWBs success is how

ever debatable because all it can achieve in 14 years of its operation is 38 branches.

A careful analysis of the needs and purpose that can be served by the women centric bank is thus required. First of all if we consider the numbers regarding the banking industry there is a tremendous gender gap. Of all the bank accounts in India only 21% are held by women and these constitute just 18% of all the money. This is a clear signal this large segment of the country is 'under-banked' or even 'unbanked'. The financial security of women becomes important if we consider the fact that India is a patriarchal society and property rights are more often than not bestowed upon male alone.



Image Source: <http://www.thehindubusinessline.com>

Moreover there have been reported cases of women being refused loans unless their father or husband stands as a guarantee. But this is more of a social or more aptly a psychological evil. A banking institution does not look apt to answer this challenge. It is the mindset of people and the corrupt practices that needs to be changed.

Another thing which perhaps we need to consider is that this new bank right now has no presence in the rural and remote corners of the country where the women are far more in need of empowerment. Considering the banking scenario in India it would have been apt to start with the backward areas like the north eastern states or tribal areas of Jharkhand where banking connectivity is next to zero. Instead the finance ministers made the call to start with the 6 corporate hubs. Further, considering a phase wise expansion of this bank, the benefits may take years if not decades to percolate to the bottom of the pyramid. Thus the bank may not serve its most needy target groups for a couple of decades.

The traditional mindset makes women's contact to the outside world a taboo in certain areas in rural India. The proposal does little to throw any light on this issue. The finance minister would have done a better job if he had gone for a network of on field women banking correspondents. This would have made it easy even for these women to carry on the transactions. This coupled with a small step to mandatorily appoint a women helpdesk at each bank would have served the purpose of the women only bank.

Given that the woman bank will accept deposits from men too it is highly unlikely that they will not be entitled to enter these branches. Even if entry is restricted there is no means to see who is pulling the strings in the background. Also will the top management will consist of women only and if it does happen will they be the most efficient set of people to lead the bank?

Even if Mr. Chidambaram felt an ardent need for this bank it could have been started using the network of India Post. The post office network already has over 1.5 lakh branches with more than 90% operating in the rural India. Also a network of 2.69 lakh dak-sevaks could have brought banking to every doorstep. Moreover this network has a firsthand banking experience in form of postal saving scheme. Also with the news of post office applying for a banking license and upgrading its infrastructure and technology, it would have made more sense to avail its services.

Thus on the basis of above discussions I would say that the decision to start an all woman bank is not a prudent one. Though Mr. Chidambaram would argue it as a move to make banking more inclusive to even the fairer sex there is distinctly an element of politics in it. The timing of the move too suggests the same. The move leaves the society with a more pragmatic question too, Is a specialized institution a sole medium of upliftment in any field and if it is do we also need a bank that caters to tribals or Jains or Parsees only. Why should they be kept away from these empowerment drives? Certainly segregation sequestration cannot serve any purpose except short term political gains that is the initiatives taken for the welfare of certain group or class of people in the societies would not be beneficial for the nation in the long run.

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HR Reforms in Banking

By: Rishabh Sehgal

PGDM HRM (2012-2014), Xavier Institute of Management, Bhubaneswar

Introduction

One of the major contributors to India's GDP is banking sector. Banking has always been "People Business". Over the last few decades, there has been a considerable increase in spread of banking services in India. The business profile of banks has transformed dramatically to include non-traditional and investment activities like mutual funds etc. Ever since the banking industry opened for private and international players, the market share of Indian public sector banks has suffered tremendously. These developments have forced the public sector banks to take up serious measures to increase their customer base and profitability, in order to stay afloat in the competition. Human resource management in the banking sector is one of those areas which needs to be transformed in order to streamline the banking operations.

Narasimhan committee (1991) on financial reforms has highlighted a number of issues relating to Human resource management in banking sector such as manpower planning, lower human productivity, lack of commitment to training etc. In this article, I would try to discuss some of these areas briefly.

Manpower Planning

One of the major challenges which the public sector banks are facing these days is the short supply of skilled manpower – both in quality and quantity. And it is therefore, imperative that banks attract and retain key talent for the benefit of organization. The first step for effective manpower

planning is having clearly defined roles for everyone, which as is clearly lagging. Manpower plans should follow a life cycle approach, that is, from the time of recruitment of employee till his/her retirement. And these manpower plans should be clearly integrated with the strategic Business Plan. Implementation of Balance Scorecards would provide public sector banks with a comprehensive measure of how the organization is progressing towards the achievement of its strategic goals.

Recruitment and Selection

While implementing manpower plans, it is extremely important that banks are able to attract, engage and retain the right kind of talent. For this purpose 'Employer Branding' holds the key. Banks should have a carefully calibrated recruitment programs which target the right individuals for the right work. The current recruitment procedure in public sector banks is based on general examination and formal process. These



recruitment tests do not focus on testing the psychological abilities of candidates to ensure that only the ones with right attitude towards the job are selected. And therefore, these banks often end up with people having brilliant minds but incapable of actually delivering on the tasks assigned. Banks should focus on hiring the individuals with better job fitment. They need to seriously look at lateral recruitment as an option to induct specialists at various levels with specific skill sets and experience pool.

Training and Development

New ways of banking require building new competencies. Basic skills like balancing books and posting ledgers etc. have become redundant with the introduction of technology. And therefore, a massive re-skilling of existing workforce and continuous skill up-gradation is the need of the hour. Khandelwal Committee has recommended major up-gradation of in-house training facilities of banks. Developing a competency framework on an organizational level will help in identifying the various skills gaps which can be filled up through Skill Enhancement Programs. Banks should introduce newer training programs as per the changing business scenario.

Performance Management

The current performance appraisal systems are unable to discriminate and differentiate between performers and non-performers. Reforming the performance appraisal system by making it more objective and linked to corporate business objectives is the need of the hour. Key Performance Indicators need to be scientifically assessed and objectively linked to organizational goals so that performance of the employees can be assessed on critical parameters.

Rewards like promotions should be based only on performance and merit. Performance linked reward system will weed out the excessive manpower and attract fresh talent. Remuneration should be as per the industry standards. Banks also need to chart career plans for employees.

Employment Relations

When we talk of employment relations today, it is about managing knowledge workers and there

are some prerequisites for it:

- They should not be treated as subordinates, but rather as associates
- They should not be managed, but led
- Above all, they should not be purchased or bribed, they have to be empowered.

The hallmark of any effective HR system/ process is that it should be objective and transparent. These traits are essential for employees to repose trust in the organization's systems/ processes. Communication with employees is a vital part of the HR process as it helps enhance transparency and therefore, credibility in HR practices. When dealing with employees, it is important to be objective and transparent. The organization must spend time on devising ways and means and lay down appropriate structures/frameworks/guidelines for this purpose.

Conclusion

In this decade, public sector banks are at the point of a unique opportunity –with large numbers of bank employees retiring every year, it is the best time to transform the Human Resource Practices and pave a way for sustainable growth. These measures would determine the future path of public sector banks and whether they would continue to retain their position of pre-eminence in the banking space or would they yield to the pressure from their peers in the private sector. Banks/ Financial services play a major role in the nation building process. The changes implemented now could have a great bearing on the economic future of our country and on the lives of people, many of whom are yet to be touched by the formal financial system.



Guide to Fresher's in Banking

By: Rishi Ahuja, PGDM Rural Management (2012-2014), WeSchool

What does the Operations division do?

The popular image of investment banking is one of slick, fast-moving dealmakers. But deals can only work if the right processes are in place to back them up. That's where Operations comes in. A core function of Operations is to control and manage the processing of trades made by the various other divisions of the bank – chiefly Sales and Trading. And with such a huge number of trades being made every second of the day, it has a complex but incredibly important role to play in the successful functioning of the bank. Operations is a non-revenue making division but it couldn't be more vital. In helping to streamline the processes used by the front office (the revenue generating part of the bank) it can save the bank billions. A key aim, for example, is to allow traders to receive confirmations of trades and statements earlier and quicker than anyone else in the market. With market prices changing in a millisecond you can see why this is so important.

Operations also oversees many regulatory requirements of the bank, as well as resolving discrepancies in trades. Much of its work also needs to take place 24 hours a day 7 days a week, in different markets and different time zones. In many instances, therefore, Operations adopts a 'follow-the-sun' model to ensure processes are able to work continuously around the globe.

In summary, it shouldn't be surprising that Operations is often viewed as the engine of the bank. It works across the whole company to meet the operational challenges of processing transactions, settling trades and satisfying the needs of colleagues and clients across multiple time zones in all major currencies. In a large bank this is a huge undertaking with responsibility for millions of transactions every day.

Partnering seamlessly with other divisions involved in the trade process is vital. It's no walk in the park. With growing trade volumes and increasing transaction complexity, the job of clearing and settling trades requires market-leading processes and dedicated, experienced teams. Don't be fooled into thinking Operations is just the supporting act.

What areas are there in Operations?

Typically, Operations is split into a number of different areas covering a range of responsibilities. If you choose Operations as a career path you will find the opportunities are very broad in a fast-paced and challenging field.

In Operations, we support Transaction Banking and Sales & Trading but also Asset Management and Wealth Management. Of course it depends on which bank you work at but at my bank we support all those four parts of the business.

Sales and Trading is the biggest area we support, which we class as our internal client. Everything they do post-trade (after they've executed a trade and put it into their system) is pretty much down to Operations. That includes all of the trade confirmations, right the way down to settling trades and passing funds between counterparties, as well as booking it to our profit and loss to the Finance team. Any errors that are made throughout that process could potentially cause a lot of financial risk to the bank, so it's obviously a very important part of the bank and the trading process.

Katie, Operations Analyst, London

Image Source: <http://unofficialguidetobanking.com>

Here are some of the operational functions you should expect to find in a bank:

Trade Processing and Support

This is fundamental. Without it, there would be no way for a bank or its clients to make money from trading on the financial markets. Various processes are required to take each transaction or transfer-of-ownership (in the case of securities such as bonds and shares) to completion. Firstly funds must be cleared. Next the confirmation of ownership must be confirmed - or 'settled'. Finally the transaction needs to be reconciled, which means it's documented and reported. All of these vital tasks, sometimes collectively referred to as 'Trading Operations' can fall within the remit of Operations.

Operations Control

One part of Operations Control might be checking data is being effectively communicated from the front office to other areas of the bank. Another might be the measuring and reporting of any operational risks that could arise within the systems in place. In a similar realm is 'Process Management'. On the technical side there will be overlap with Technology but this area involves trouble-shooting problems with internal systems, and looking to streamline the process of settling transactions. The aim is to make processes slicker, faster and ultimately more profitable to the bank.

Monitoring and Reporting

Reporting doesn't stop with Operations Control. Supervising and servicing activities within the bank, while reporting on daily transactions, is another key area.

Client Services

Operations is often referred to as the back office of a bank, which supports the client facing departments in the front office (such as Sales and Trading, Corporate Finance and Wealth Management) and other banks (who purchase their services). But there are still vital client related-roles for Operations to undertake. These can be speaking directly to clients to help resolve

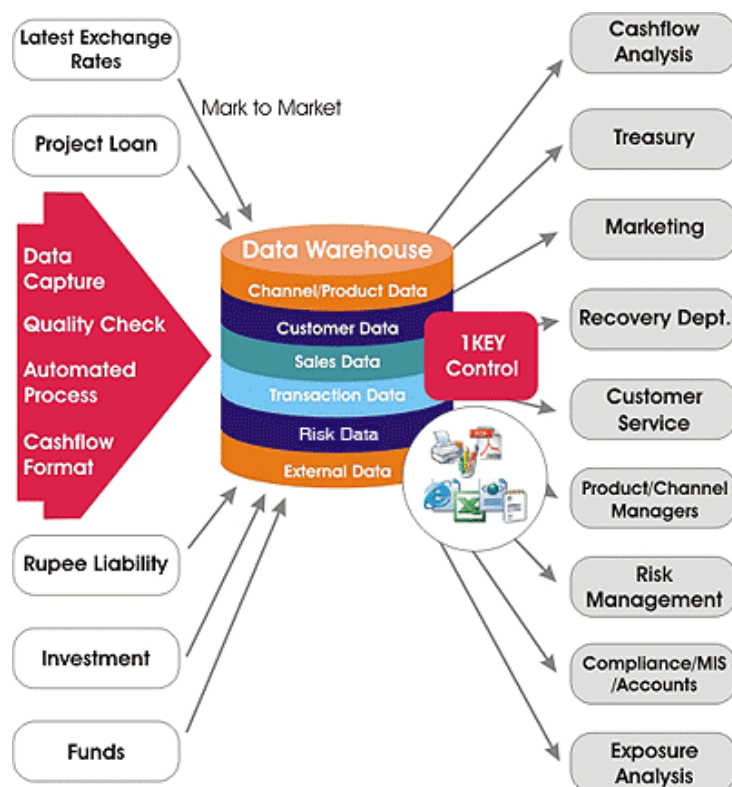
transaction settlements at their end, offering advice and support, and providing information to clients about what's happening with their trades.

Operations can also be involved in longer-term projects. For example, teams might be dedicated to altering and re-engineering systems to meet clients' changing demands. They may also need to set up Operations functions in countries the bank has not been based in before.

What should you expect as a graduate in Operations?

You may find that in Operations you won't know two people who do the same thing. But everyone will be motivated and focused with one key aim – supporting and developing the systems and processes which the bank uses to make money. It's not for people who aren't up for a challenge.

Operations is usually a huge division, given its importance to any bank. As a graduate on a training program you should expect to experience many different operational roles, and even once you've settled into one in particular, you'll probably still find you can move around later on.



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India: Bank-able?

By: Jahn timer Vihari, MMS(2012-2014), WeSchool

One often is bombarded with various bits of news coming from the hallowed halls of the Reserve Bank in the form of rate cuts, changes in internet and electronic banking etc. The governor and his able foot soldiers have weathered the storms of financial crises after crises, not bowing too much to the world's super-power financial fraternity. (Read- The USA, Europe, etc.) Such was the crisis-management efficacy that the US Fed Reserve Chief, Ben Bernanke, spoke of the RBI as the "Example of how a federal bank must conduct its affairs". However, today, somehow, one gets a feeling that Indian economy's halcyon days are coming to a close.

Of all the problems plaguing this country's financial and economic conditions, the burgeoning CAD (Current Accounting Deficit), foreign exchange instability and others, a complete lack of faith in the machinery of the system is most injurious to our recovery plans. The overall sentiment of pessimism, coupled with daily news of corruption and tales of bureaucratic inefficiency, have staunch ed the flow of much needed reforms in all spheres, especially the banking, financial and manufacturing sectors.

The Indian banking fraternity is often applauded for being able to conduct its businesses in the most fair, thorough and water-tight fashion, unlike some of its elite greedy peers. So much is the faith people repose in Indian banks, that HDFC Bank, India's second largest private lender, is the only bank in the world whose shares trade at up to 4 times its book value, the finest banks elsewhere trade at or less than one multiple. The clarity of rules and regulatory practices and the ability to keep one's finances

intact are some of the hallmarks of Indian Banking.

Despite the recession and global meltdown, India was one among few of the developing nations, whose top 3-4 banks did not require assistance funding or bailout packages. Of late though, the RBI and its constant sparring with the government on various policy proposals, the "Great Gold Gamble" which thanks to the Cyprus catastrophe has ballooned the overall Trade Deficit figures (Trade Deficit as of last month= USD 17.8billion, gold accounted for USD 7.5billion) and the humdrum around NBFC reforms are bringing down the image of the banking framework. It is yet to be seen if India can stem the tide of dissatisfaction on the customer and the banker front soon enough.

From among many positives for Indian Banking, the penetration of banking activities albeit slowly, into the rural set-up is encouraging. With a count of 65000 branches in non-metro and non- Tier 1 cities banking is making a conscious effort to reach out to the village classes and simplifying the entire banking experience for them. In a way, it helps eliminate the usurious policies of the money-lenders and allows fairer and more secure ways of investing and saving.

The gap between rural and urban is not completely bridged, but an attempt has been made for the same. The allowances to NBFCs to enter the banking domain will only assist in greater improvement and accelerate the overall growth. However still, banking is in need of a severe jolt of reform.

Greater transparency, making the public sector banks as up to date and technically advanced, and primarily making banking safer and easier to the public at large is still important.

Educating investors on various available policies, fund and other instruments such as infrastructure bonds are vital to the nation's overall growth prospects. Banking plays a huge role here. Banking was often viewed as an impermeable sector for many of those in India unable to access these facilities. It needs to become more of a democratic institution. The investment banking fever-pitch is yet to completely hit home, but as seen from the experiences of our Wall Street brethren, greed may be good but once it turns to lust it is self-consuming.

The problems of the economy are not lost on anyone, but they seem to be fading into oblivion, thanks to the future mandate and other more pressing concerns we are dealing with currently.

The disbursal of huge loans and then failing to recover these, a la, KFA have sent flutters of panic among most people, who question the banks' ability to do homework before putting in the money. On a lighter vein, the prospect of an all-women's bank, as done in Pakistan, was proposed by the honorable Finance Minister, Mr P. Chidambaram during the Union Budget presentation. He suggested this as an alternative to enhance savings and allow greater participation of women, not just as investors but as empowered investors.

As a nation, we do have a lot to be proud of, yet a long way to go, if banking is truly to be made "Bank-able, Believable and All-available". We hold renewed hope that this year can mark the arrival of the much awaited banking reforms and propel this country back on to the same path of financial inclusivity it so strived to achieve and keep since 1992 banking and business revolution.



Image Source: <http://banking-awareness.blogspot.in>

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Licensing Of New Banks-Dawn Of A New Era

By: *Mona Aiyar, MMS (2012-2014), WeSchool*

For well over two decades, since the nationalization of 14 large banks in 1969, followed by another seven in 1980, no private bank had been allowed to establish shop.

Over this period, public sector banks expanded their networks extensively, adding numerous branches, often in remote areas at the behest of political bosses and catering to the socio-economic needs of the masses in a highly regulated industry where the central bank dictated interest rates and directed credit flow. Almost two years after the P.V. Narasimha Rao government liberalized India's economy, on 22 January 1993, RBI issued the first guidelines on the entry of new private banks.

When the sector was liberalized in 1993, RBI wanted to infuse competition and raise efficiency and productivity. This time around, the purpose is expanding the reach of banking services, or the so-called financial inclusion. About 43% of India's population still does not have access to banking services.

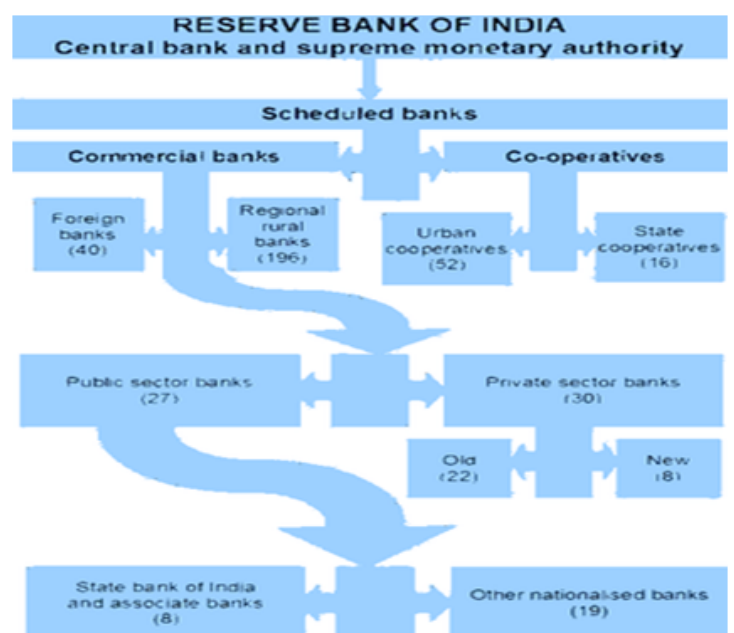
The long wait for new banking licences thus ended in Feb. 2010 with the then Finance Minister, Mr. Pranab Mukherjee that a new set of private banks will be allowed to set up banks. 26 candidates, comprising Non Banking Finance Companies (NBFCs), corporate house, government entities and broking companies have applied for banking licences by 1st of July 2013, which was the deadline. But with stringent clauses and unrelenting requirement of statutory reserve requirements from the central bank, it is left to be seen how the implementation of this radical step the RBI progresses. Most

experts are pinning hopes on NBFCs and government entities with significant penetration in rural areas to win the banking licences.

Key areas of concern for the private players have been,

1. Tight priority sector lending norms and doubts about meeting requirements in terms of CRR and SLR.
2. The banks shall have to open at least 25 per cent of its branches in unbanked rural centres (population up to 9,999 as per the latest census) to avoid over concentration of their branches in metropolitan areas and cities which are already having adequate banking presence.

Also there are several various conditions regarding the Corporate Structure of these new banks, Foreign Holding Caps, and Regulations Regarding the Extent of Exposure.



Source: www.onlinebankwatch.com

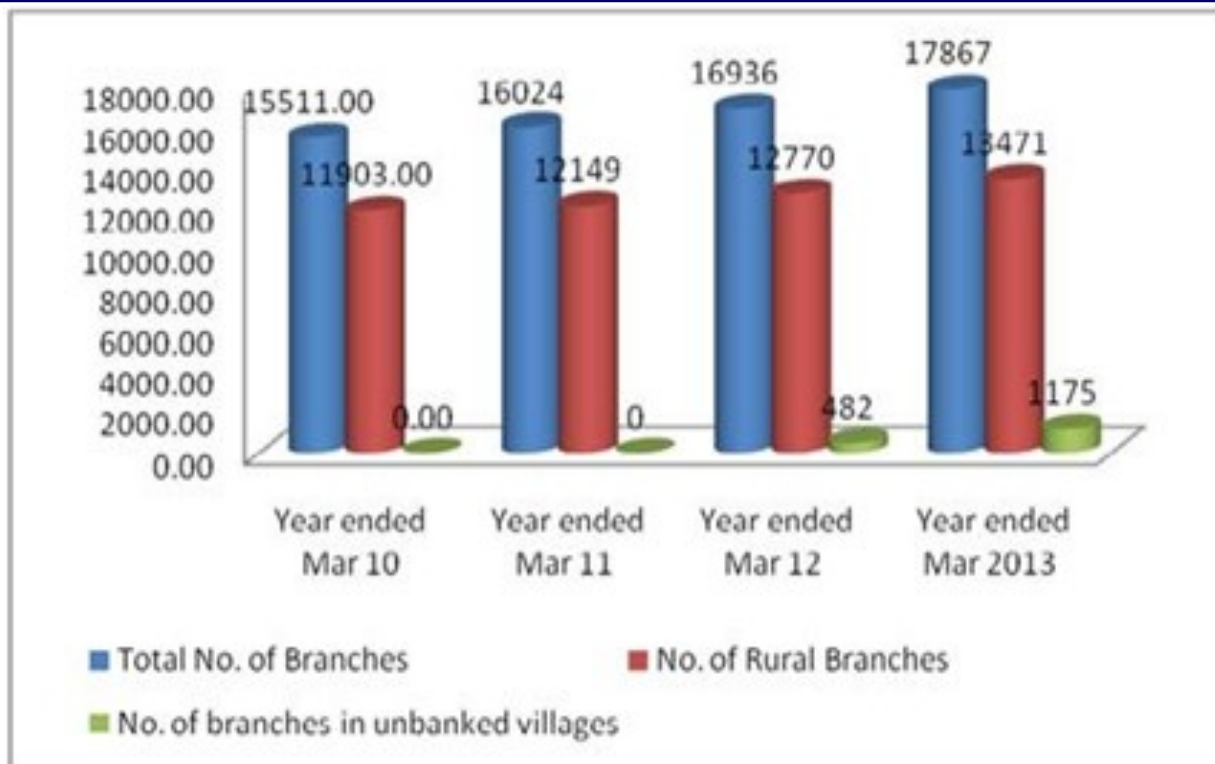


Image Source: www.rbi.org.in

All these stringent conditions notwithstanding, the fact that some of the most well known industrial names of the country like the Tatas, the Birlas and even even public sector enterprises like India Post have applied for the banking licences is surely a heartening sign. With increasing levels of income in the country, the aspirations of the people have also been on a rise.

The increasing levels of consumption in both the urban as well as the rural regions of the country, with the growth in rural spending actually outpacing the growth in urban spending, has given rise to the need for access to various banking services like small personal lending, ATM services, fixed deposits etc. along with the knowledge of other financial instruments of investments and savings. Still, about 43% of the Indian population, mostly from the rural regions does not have access to credit from institutionalized sources like banks or even other banking facilities that are so common to the urban population.

This increase in the inclination to spend and consume along with a glaring gap between the demand and supply for credit for various purposes including agricultural purposes in the rural regions is what the RBI along with the Govt. of India is trying to target while issuing these new banking licences to various players. With the entry of these new players in the banking sector in accordance with the RBI guidelines, one hopes that this would be the ideal stepping stone towards the long standing dream of financial inclusion of even the most backward sections and regions of the country.



Image Source: www.rbi.org.in

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We invite articles for the June 2013 Issue of Samvad.

The Theme for the next month: June 2013 - “**Healthcare Management**”

The articles can be from Finance, Marketing, Human Resources, Operations or General Management domains.

Submission Guidelines:

- Word limit: 1000 words or a maximum of 4 pages with relevant images.
- Cover page should include your name, institute name, course details & contact no.
- The references for the images used in the article should be mentioned clearly and explicitly below the images.
- Send in your article in .doc or .docx format, Font size: 12, Font: Constantia, Line spacing: 1.05' to **samvad.we@gmail.com. Deadline for submission of articles : 30th June, 2013**
- Please name your file as: <YourName>_<title>_<section name e.g. Marketing/Finance>
- Subject line: <YourName>_<Course>_<Year>_<Institute Name>
- Ensure that there is no plagiarism and all references are clearly mentioned.
- Like our Fb pg: [Samvad.WeSchool.Student.Magazine](#).

Samvad Blog

As said by Ann Morough Lindburg, “Good communication is as stimulating as black coffee and just as hard to sleep after.” Samvad, which means 'to converse' in Hindi, is exactly the motive of our team Samvad. Our readers and writers are of utmost importance to us at Samvad. We don't like to interact with you only once when the issue is released. So, we thought, what next? Then came the idea of a blog - the ideal platform for meaningful discussion on a more regular basis. Hence, we present to you 'The Samvad Blog'. The Samvad Blog, as the name suggests is a blog dedicated to sharing of information, insights and opinions that allow exchange of some valuable ideas by stimulating your intellectual senses. It will include some interesting reads on management gurus, book reviews, and relevant articles among many other varieties of food for thought.

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Don't forget to comment with your opinions. Always have a healthy debate we say! As progression lies not in agreement, but debate!



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