



Indian Chamber of Commerce

"Indian Banking: What's in Store?"
Session with Smt. Arundhati Bhattacharya
Chairman, State Bank of India
December 5, 2015, Taj Bengal, Kolkata

PRESS RELEASE

"Make in India and the Spirit of Entrepreneurship can Transform the Country into a Manufacturing Hub": Smt. Arundhati Bhattacharya, Chairman, State Bank of India.

Smt. Arundhati Bhattacharya, Chairman, State Bank of India, in her speech mentioned that there are many challenges in front of the Indian banking sector however there are ample of opportunities as well.

She informed the gathering that PMJDY is a great initiative taken by the new government, nearly seventy thousand account is getting operational everyday under this initiative.

She mentioned that As the Indian economy expands, a state-dominated banking sector fraught with problems such as the accumulation of Non-Performing Assets (NPA) will ultimately be unable to keep pace with demands for capital investments in public or private projects, and public-private partnerships (PPP). This discrepancy is especially problematic for infrastructure projects and other long-term development initiatives.

While talking about technology she said that the problem of resistance from workforce has largely been neutralized over the years, but the primary issue involved with the adoption and rapid integration of technological processes within banks still related to human resources- the availability of technically skilled resources is scarce. Technology is not among the core competencies of financial institutions, which necessitates outsourcing. Hence there is a tremendous need to develop / upgrade the technology.

Besides, a serious concern in implementing complex technologies is protection against frauds and hacking. Security concern slows down technology adoption significantly for

the banking industry. A fast pace of development of security systems is imperative to the adoption of large scale innovations in the industry.

She also mentioned that strategies to combat the problem of high risk perception must be taken up by banks on priority basis. Increased usage of rating services must be employed to reduce risk. Besides, SME specific risk management procedures must be setup to make the business more viable, as the risk perception associated with lending to small enterprises is generally very high. Further, the banks would also be required to acquire skill for managing emerging risks resulting from innovations in financial products as well as technological advancements.

She also said that the major area of concern for any bank is the customer service and customer satisfaction, thus just like the private sector banks, it is high time that the public sector banks also start concentrating more on the customers and the services provided to them. Top most rank held by a private bank is a clear indicator of the better performance of the private banks due to their higher concern towards customer feedback, their efficient management and thus yielding to higher productivity and networks throughout India. To strive the cut throat competition given to the public sector banks by the private sector banks, the public sector will have to pull up their shoes to be at the better half part of the race else the time is very near which can make these public sector banks just a memory or a history for everyone.

Digital communication is the need of the hour to meet the demands of the digital customers, and banks have a crucial opportunity here to present themselves in a new light. Deepening the customer relationship, in a seamless fashion and in step with the user's lifestyle, precludes any thoughts of being too present – this is the key of knowing customer preferences and thinking, how much presence, when and in what ways. Getting it right reaps rich rewards over the long-term; getting it wrong portends a potential lost generation of customers.

She said that having too little capital in the system may leave it crisis-prone and in need of regular bail-outs. Too much capital, on the other hand, could result in huge swathes of the banking business becoming unprofitable. This might result in higher borrowing costs and slower economic growth, though nobody knows for sure. A more pressing danger is that money and risk will flow into more dangerous and unregulated parts of the economy, possibly making the system even less stable.

India lacks well-developed credit markets to provide long-term capital and a robust asset-backed market that allows for securitisations. Under such circumstances, shadow banks can make a big difference. She informed that the shadow banking sector is not very highly regulated. However, there is relation between shadow banking and banking sector. Therefore, a crisis in the shadow banking greatly affects the banking sector.

While summing up she mentioned that the economy appears to have bottomed out and the sector can look forward with enthusiasm to exciting times ahead. Challenges remain and in a dynamic and growing economy new ones will surface but the sector should be hopeful that with the fresh thrust to balanced growth initiatives by the Government and support from RBI with appropriate monetary policies, the banking industry shall achieve greater heights.

Mr. Atanu Sen, former MD & CEO, SBI Life Insurance and Chairman – ICC National Expert Committee on Banking & Finance in his speech said that this is high time for Indian banks to cut their expenses and look for better alternatives. He should concern over current Indian GDP and current account deficit.

In his brief remarks he highlighted that Indian banks should take more risks and explore alternative channels to reduce cost and increase capital.

Taking about human resource, he said the public sector banks are suffering from skilled man power. This is high time that the public sector banks focus more on man power and skill development.

Mr. Shiv Siddhant Kaul, President, ICC

In his remark he showed concerned over Indian GDP and lack of investment in the country and high inflation rate. However, he said that with time Indian economy is getting transformed, with several policy initiatives set to be rolled out shortly.

Dr. Rajeev Singh, Director General, ICC offered the formal vote of thanks.

Copy forwarded with compliments for favour of publication.

Rajeev Singh, Director General