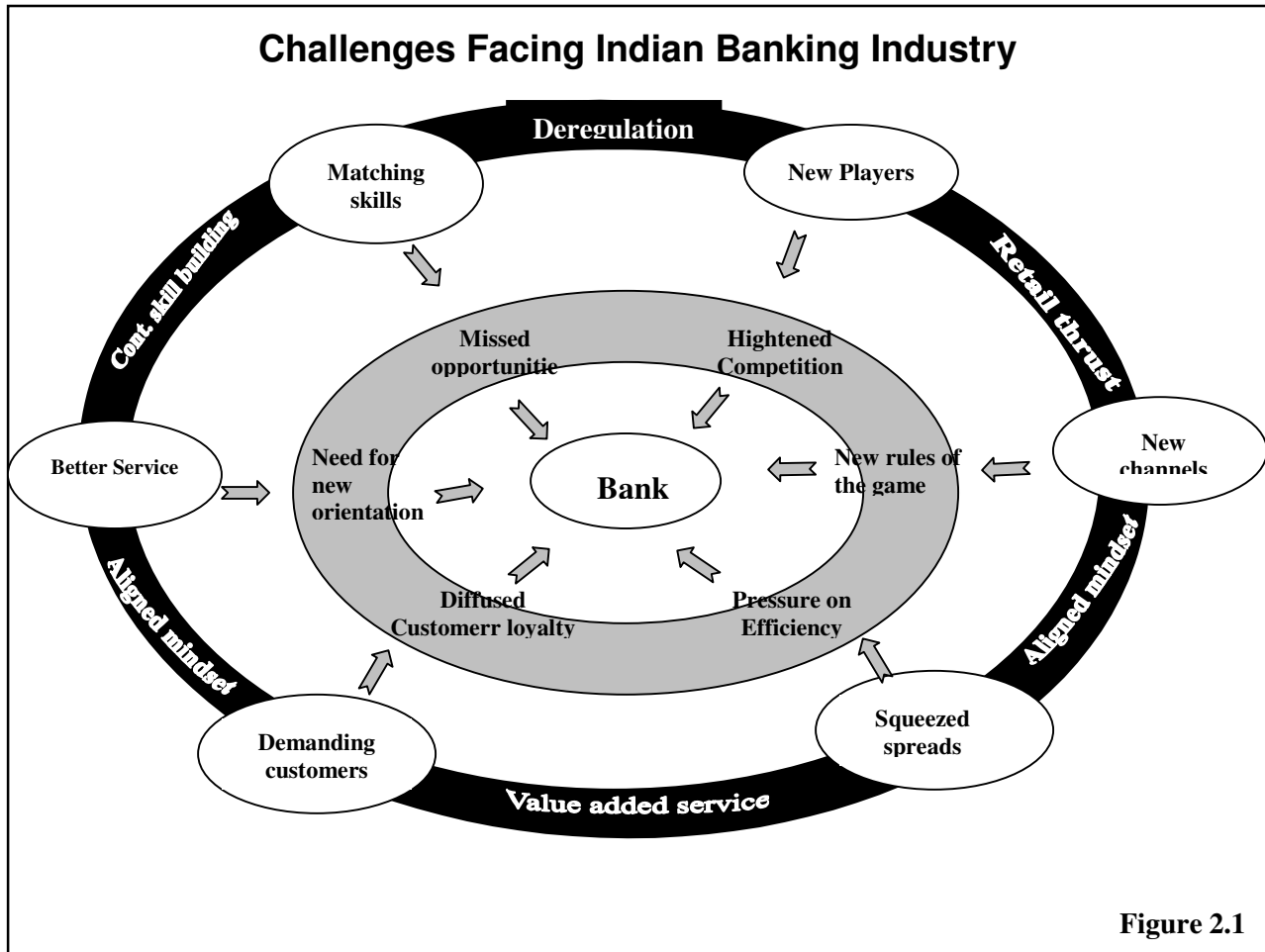


Challenges facing Banking industry in India

The banking industry in India is undergoing a major transformation due to changes in economic conditions and continuous deregulation. These multiple changes happening one after another has a ripple effect on a bank (Refer fig. 2.1) trying to graduate from completely regulated seller market to completely deregulated customers market.



- **Deregulation:** This continuous deregulation has made the Banking market extremely competitive with greater autonomy, operational flexibility and decontrolled interest rate and liberalized norms for foreign exchange. The deregulation of the industry coupled with decontrol in interest rates has led to entry of a number of players in the banking industry. At the same time reduced corporate credit off take thanks to sluggish economy has resulted in large number of competitors battling for the same pie.
- **New rules:** As a result, the market place has been redefined with new rules of the game. Banks are transforming to universal banking, adding new channels with lucrative pricing and freebies to offer. Natural fall out of this has led to a series of innovative product offerings catering to various customer segments, specifically retail credit.

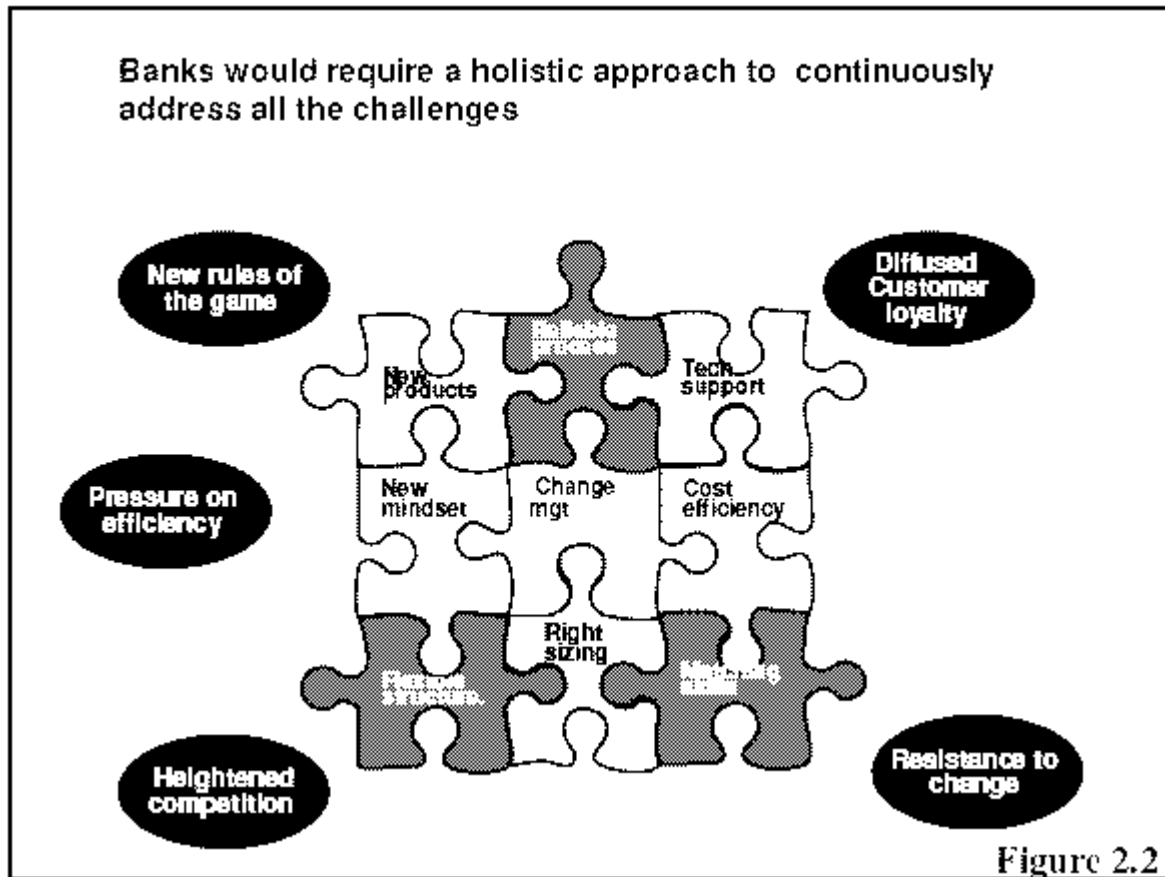
- **Efficiency:** This in turn has made it necessary to look for efficiencies in the business. Banks need to access low cost funds and simultaneously improve the efficiency. The banks are facing pricing pressure, squeeze on spread and have to give thrust on retail assets.
- **Diffused Customer loyalty:** This will definitely impact Customer preferences, as they are bound to react to the value added offerings. Customers have become demanding and the loyalties are diffused. There are multiple choices, the wallet share is reduced per bank with demand on flexibility and customization. Given the relatively low switching costs; customer retention calls for customized service and hassle free, flawless service delivery.
- **Misaligned mindset:** These changes are creating challenges, as employees are made to adapt to changing conditions. There is resistance to change from employees and the Seller market mindset is yet to be changed coupled with Fear of uncertainty and Control orientation. Acceptance of technology is slowly creeping in but the utilization is not maximized.
- **Competency Gap:** Placing the right skill at the right place will determine success. The competency gap needs to be addressed simultaneously otherwise there will be missed opportunities. The focus of people will be on doing work but not providing solutions, on escalating problems rather than solving them and on disposing customers instead of using the opportunity to cross sell.

Strategic options with banks to cope with the challenges

Leading players in the industry have embarked on a series of strategic and tactical initiatives to sustain leadership. The major initiatives include:

- Investing in state of the art technology as the back bone to ensure reliable service delivery
- Leveraging the branch network and sales structure to mobilize low cost current and savings deposits
- Making aggressive forays in the retail advances segment of home and personal loans
- Implementing organization wide initiatives involving people, process and technology to reduce the fixed costs and cost per transaction
- Focusing on fee based income to compensate for squeezed spread, (e.g. CMS, trade services)
- Innovating Products to capture customer 'mind share' to begin with and later the wallet share
- Improving the asset quality as per Base II norms

Transformation initiatives needed for banks



The ECS value proposition for helping banks in their transformation agenda

We at ECS have vast experience in partnering with leading players in banking for addressing these challenges in a holistic manner. Our expertise is reflected in our product offerings for addressing the key challenges. A select few are outlined below:

▪ Strategy

- Sales & Marketing strategy for both retail & wholesale banking
- Expanding geographies

▪ Brand

- Understanding the values of the brand
- Repositioning the brand to communicate the values

- **Organization restructuring**
 - Re organization of the bank in line with the strategic thrust
- **Re engineering of the key business processes**
 - Redesign of Sales processes to increase conversion ratio
 - Six Sigma process improvements for branch channel, Call Center & back office processes
 - Centralization of branch operations and deferred processes to free up resources
- **Cost efficiency**
 - Reduction in Total cost of acquisition
 - Reduction in transaction costs
 - Reduction in fixed and overheads cost
- **Right sizing and matching of skills**
 - Manpower modeling for branch & back office at various volume scenarios
 - Productivity improvement for sales & service functions
 - Competency Assessments & profiling
- **Creating a high performing organization**
 - Define new roles & responsibilities, KRA
 - Assessing competencies of people across levels and match the position with the skill set
 - Designing and implementing a new PMS for restructured organization
- **Change management & creating a new mind set**
 - Developing critical mass of champions and drive 'Change' across the organisation to move from conventional banking to new age banking