

INNOVATIONS IN BANKING SERVICES: A STUDY WITH REFERENCE TO ICICI BANK, HSBC AND SBI

DR. JUSTIN PAUL

Vistas

This paper is an outcome of the effort to document the effect of globalization on commercial banking and discuss about the focus points based on the comparison of services offered by leading banks in India. Through this, an attempt has been made to highlight the business environment in which the banks operate and its importance for the society based on cases of ICICI Bank, HSBC and SBI.

Justin Paul is Asstt. Professor, Indian Institute of Management, Indore

Globalization and Innovations

Globalization has brought about structural changes in the world economy. This includes services, particularly banking and financial services. Although service sector contributes significantly to national output, the impact of globalization on services is yet to capture the attention of researchers and policy-makers in many countries.

Since the mid 1990s, there has been a big increase in the number of branches and ATMs opened by foreign banks in the emerging economies. This is being led by banking crisis, deregulation and globalization of financial services. Most of this foreign entry has been through two routes; (i) acquisition of domestic banks in the host country, (ii) strategic alliances.

The banks do business in foreign countries also and this business has grown slowly over time. The overseas business of banks include provision of trade-related banking services such as negotiation and collection of bills, opening of letters of credit, channelling foreign inward remittances and mobilizing savings abroad. They also provide import and export finance to local businessmen, arrange for foreign currency loans, promote project export, joint ventures and provide merchant banking services.

Case Studies

This section is designed to provide information based on the case studies of three banks in India with focus on innovative products of these banks - the ICICI Bank, The HSBC Bank and the SBI. These banks were selected for case analysis to analyse the effects of recent changes on commercial banks based on the representative character; ie, the ICICI bank represents the private sector, the HSBC bank which is a foreign bank and the SBI which is a public bank. Retail banking products have been focused in the cases.

ICICI Bank

The ICICI Bank was established by the ICICI in the year 1994. The Bank's activities have gained momentum with the reverse merger of the parent company ICICI with the bank. ICICI Bank is



India's largest private bank with about US\$ 21 billion in assets and the second largest Indian bank including all public enterprises. The ICICI Group comprises ICICI Bank and various subsidiaries in the area of life insurance, general insurance, asset management, investment banking and venture capital. ICICI Bank is well known as the first Indian company to list on the New York Stock Exchange. ICICI Bank has created global benchmarks through its US GAAP audit processes, Securities and Exchange Commission (SEC) compliance practice and corporate governance standards. ICICI Bank has been rated above the sovereign rating by Moody's. ICICI Bank business has been driven by the multi-channel distribution through over 600 branches, 1600 ATMs, mobile, telephone and internet banking facilities. They pioneered Internet banking in India and more than 30% of its retail customers are on the Internet. ICICI Bank has set up representative offices and branches in countries such as United Kingdom and UAE..

ICICI Bank has introduced a wide spectrum of innovative domestic and international banking products to facilitate trade, investment, cross-border business and foreign exchange services. The different innovative services and products offered by ICICI Bank are:

Savings Account, Fixed Deposit, Quantum Optima, Recurring Deposit, ICICI Select, Roaming Current Account, Kid-e-bank, Bank@campus, Power Pay, Locker Facility

Innovations in Savings Bank Account

The salient features of savings account are given below: i.e., An ICICI Bank, SB Account holder is eligible for free Debit-cum-ATM card, Internet Banking, Phone Banking, Anywhere Banking, Standing instructions and Nomination facility.

- The ICICI Ncash debit card is a debit-cum-ATM card providing their customers with the convenience of acceptance at merchant establishments and cash withdrawals at ATMs.
- Internet Banking is offered free of cost.
- Anywhere Banking enables the customer to bank at any of their branches across

India. This too is offered at no additional cost.

Cards Offered by ICICI Bank

- Credit Card
- Debit cum ATM Card

Internet Banking

- First Bank in India to launch website - 1996
- First Bank in India to launch Internet Banking - 1997 through www.icicibank.com
- First Bank in India to launch online bill payment - 1999
- Only Bank in India with million online customers
- Monthly average transactions per online customer - 7

ICICI Bank D-mat Services boasts of an ever-growing customer base of over 4 Lac Account Holders. This bank offers various innovative products in their endeavor to offer best of the class services to their customers.

HSBC Bank

The HSBC group is one of the world's largest multinational banking and financial services organizations, with major commercial and investment banking and insurance businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. The group's name is derived from one of its founder members, the Hong Kong and Shanghai Banking Corporation Limited, which was established in Hon Kong and Shanghai in 1865. The HSBC group, headquartered in London, has more than 5000 offices in 80 countries and territories.

Retail Banking and Innovations

HSBC bank offers a wide range of financial products and services, from current and savings account to term deposits, automobile and home loans, mutual funds, loans against shares, gold and silver, Master and Visa credit/debit cards. HSBC provides latest self-service banking

technology including Automated Teller Machines (ATM) in each branch and at off-branch locations and 24 hours telephone banking. They have more branches in the cities of Bangalore, Calcutta, Gurgaon, Hyderabad, Mumbai, New Delhi, Trivandrum, cochin and Vishakapatnam. Innovative products like Smart Money Accounts have been introduced in India. [A product for 400 days with many add-on facilities].

Corporate Banking

Being a multinational organisation, HSBC banks stands for fostering long-term relationships with corporate clients based on its global connections and extensive knowledge of Asian business. The bank provides services including working capital, term finance, syndications, import and export finance.

Treasury

HSBC has five dealing rooms in India linked to its Mumbai treasury. Through one of the most advanced systems, it provides a comprehensive range of services to clients, including foreign exchange, money markets and financial instruments. HSBC's treasury is open until midnight in both Europe and North America on a real time basis.

Investment Banking

HSBC investment banking is a trade name for merchant banking, stock broking and fund management activities of the HSBC group.

HSBC securities and capital markets limited, headquartered in Mumbai, are considered as specialists in research and distribution of Indian securities to both Indian and international institutions. It has a seat on the National stock exchange of India, as well as on the exchange in New Delhi and Mumbai.

STATE BANK OF INDIA (SBI)

The State Bank of India was constituted on 1 July 1955. State Bank of India in its drive for deployment of ATMs, has put in place a record number of over 2000 ATMs - the largest number of installed ATMs in the country. It is worth nothing that SBI did so much expansion work in last 5 years by opening ATMs everywhere in record time. SBI has also taken this 24-hour user-friendly

banking channel all over the country -from metres to small towns to remote places. The big gainer in this drive is the customer in small places and remote corners - the latest technology is now made available to each and everyone.

Innovation through Networked ATMs

SBI had realised the need for more ATMs by the end of 1990s. In order to retain the customers, they started implementing its ATM Networking Project in 2001 and within a short period they deployed largest number of networked ATMs. The bank has procured state-of-the-art Compaq's Tandem Switch and ACI's Base24 software which enables them to scale up to meet the growing requirement.

Innovation -Depository Participant Services and Dematerialization

Depository is an organization, which holds customers securities in the form of electronic book entries. This is being done at the request of shareholders through a Depository Participant (DP). An investor has to open an account with the DP, if he wants to avail services of depository. A depository can transfer securities as per the investor's instructions without actually handling securities, through the electronic mode. The DP maintains the account balances of securities bought and sold by the investor from time to time. The DP also gives the investor a statement of holdings, which is similar to a passbook given to an SB Account holder. SBI introduced this facility immediately after the launch of electronic trading in securities.

Dematerialization is the process by which an investor gets his physical certificates converted into electronic form into his account with the DP. The customer has to fill in Dematerialization request form available with his DP and submit his share certificates along with the above form. If one wishes to convert his electronic shares back to physical shares at a later stage, he/she can still do so by applying for rematerialization through a request form available with his or her DP.

Innovation -Internet Banking

The Internet banking service of the State Bank is being offered through the website www.onlinesbi.com.

Though www.onlinesbi.com one can:

- Access information about transactions and balance status
- Request for transfer of funds
- Ask for issue of chequebooks
- Give instruction for stop payment of cheque
- Request for issue of drafts from the funds in account
- Request for issue and renewal of Term Deposits
- Issue standing instructions

Portfolio Management Services

State Bank of India has set up Portfolio Management Services Section (PMS) to handle investment related concerns of institutional investors.

The PMS forms part of the Integrated Treasury Department of State Bank of India, and is based at Mumbai. The officers of the PMS Section consists of highly experienced officers of State Bank, who have in depth of knowledge to handle large investment portfolios.

Innovation through STEPS

State Bank Electronic Payment System (STEPS) is a highly innovative and effective payment solution developed and implemented by State Bank of India in selected Fully Computerized Branches (FCBs). STEPS provide an end-to-end Electronics Funds Transfer (EFT) with speed and efficiency. STEPS facilities credit of funds to the beneficiary's account at the other branch on the next day.

Conclusion

Getting Global through innovations

Globalization of Indian economy has resulted into modernization and innovation in banks in

India. The importance of sophisticated or high technology for improving the customer service, productivity, and operational efficiency of banks is well recognized. As a part of their action plans, banks in India have introduced many new techniques and also a considerable degree of mechanization and computerization in their operations. Banks have set up exclusive data communication network for banks known as **BANKNET**. For this, the RBI and 36 banks have become members of the Society for Worldwide Inter-bank Financial Telecommunications (SWIFT) and have installed the SWIFT Regional Processor at Bombay. Through this network, any bank will be able to establish connection with its own offices and with any other banks/offices/computers in the national and international network.

Another change taking place is the use of alternatives to cash by most of the constituents of banks. The large scale use of cards for settlement of financial transactions - whether credit cards or debit cards or even the new smart cards proves beyond doubt that cash is slowly losing the prominence of the yesteryears. Banks are quickly adapting to provide non-cash based services. Transactions through the automated teller machines or through electronic mode are gaining importance.

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