

Indian Banks Perception in 2020: Some Issues on Resilient Houses

Kastoori Srinivas

Abstract—Banking the world over is undergoing a rapid and radical transformation, thanks to the all-pervasive influence of Information Technology, telecommunication and Electronic Data Processing. India is no exception. This article attempts to visualise the perception of banks in India in the year 2020, taking into account the initiatives taken in Liberalisation, Privatisation and Globalisation (LPG). From the day human civilisation started money lenders started to lend money to the borrowers for construction of houses subject to submission of original land and plan approval documents of the house in addition to acceptance of few more conditions. In the modern society, the common people generally takes loan from commercial banks, or money lenders for construction of house, marriage of children, education of children, medical treatment to ailing family member, etc., Loans are provided by the commercial banks aiming towards the well being of the people. Housing loans are provided by the banks aiming towards reducing financial hardship of common public when they go for owning a house. Owning a house satisfy one of the three basic human needs. The house provides safe and security to the family members living in the house. As the Geosphere is dynamic, there is a threat to the life of the family members and damage to the houses from natural disasters like earth quake, flood, land slide, tsunami, etc., Therefore at present, there is an increasing trend of construction of disaster resilient houses. The author discusses about the need for ensuring disaster resilient houses, and few issues related to availing housing loans from the Commercial Banks. The author further advocates for construction of disaster resilient houses and supports the culture of prevention for sustainable development.

Index Terms—Housing loan, dynamic geosphere, disaster resilient house, culture of prevention, sustainable development.

I. INTRODUCTION

Millions of people are living in areas prone for natural hazards. Dense population and low income are pushing the poor to the low lying areas which are more prone for natural hazards. India is one of the earthquake prone countries in the world. More than half of India's total area of 3.28 million sq.km. Falls in the seismic zone. Also India is one of the countries where population is growing rapidly. In the list of World's 20 largest cities, the city Mumbai was at 17th Rank, in the year 1950, at 6th Rank, in the year 1990, and is predicted 2nd Rank, in the year 2015. In the list of World's 20 largest cities, the city Kolkata was at more than 20th Rank, in the year 1950, at 9th Rank, in the year 1990, and is predicted 10th Rank, in the year 2015.

Manuscript received March 15, 2014; revised May 5, 2014.

Kastoori Srinivas is with the Commerce Dept, Vivek Vardhini (AN) College, Osmania University, Jambagh Koti, Hyderabad, 500095, India (e-mail: drsrikas@gmail.com).

In the list of World's 20 largest cities, the city Delhi was at more than 20th Rank in the year 1950, at 18th Rank, in the year 1990, and is predicted 11th Rank, in the year 2015. This trend of dramatic urban growth combined with poor building construction and limited preparedness leads to higher death rates and higher property loss when natural or manmade disaster hits the cities.

By 2015, over 600 million people will be living in mega-cities, many of which will have expanded enormously to cope with a trebling of population since 1970. Expansion has often involved encroachment onto marginal, hazard-prone land, such as floodplains and steep hillsides, increasing the exposure and vulnerability of the occupants. Typically these are the poorest, least prepared and most sensitive to natural disasters, living in poor-quality housing in townships with little or no infrastructure and no disaster awareness or preparedness measures in place. This Information borrowed from Ghosh [1] and Cities at Risk [2]. The collapse of a multi-storeyed building in the Laxminagar area at New Delhi on 15/11/2010, causing the death of about 70 people and injuring 80 is one of the examples to cite the consequences of living in poor quality of structures.

The Maharashtra earthquake 1993, killed about 8,000 people and damaged over 230,000 houses. With the help of the World Bank, the government of Maharashtra created the Maharashtra Emergency Earthquake Rehabilitation Program (MEERP). Under this program about 190,000 homeowners took on the responsibility of repairing, retrofitting, and strengthening their houses, with the assistance provided, and ensured that the houses are earthquake resistant. In Gujarat earthquake 2001, many thousands of non engineered constructions have totally collapsed and engineering constructions have also suffered damages of varying degree. From the past earthquake tragedy, the lesson learnt was that precaution is better than cure. It is always economical to spend on pre disaster safety measures than on post disaster rehabilitation and restructuring measures.

A study reports that about 600 million people lives in coastal zones in less than 10m elevation above sea level. The people living in this coastal area are vulnerable to the natural hazards like tropical storms, flooding, tsunami, heat and cold Waves, Fire etc., Many coastal zones are coincident with plate margins, where low-lying oceanic lithosphere sub ducts beneath the higher topography characteristic of the continents. Such destructive plate margins host most of the world's explosive volcanoes and the majority of large to great earthquakes. Half of the world's super-cities are sited close to faults capable of generating earthquakes as large as Magnitude 7.5 or greater. These include Jakarta (Indonesia), Teheran (Iran), Istanbul and Mexico City alongside – in the industrialized countries – Tokyo, San Francisco and Los

Angeles. Between 1990 and 1999 around 300,000 lives were lost and three-quarters of a billion people were affected as a result of windstorms and floods, mostly in the coastal zone. Major economic losses arose from the impact of coastal storms and floods on developing countries such as India. To cite an example, during Mumbai Flood 2005, about half of lives of slum dwellers in Mumbai were twisted to an extent where low middle class cannot afford housing and have to live in slum like conditions because of compelling economy situations. In the year 2000, Hyderabad was impacted by flood disaster, about 350 weak buildings collapsed due to incessant torrential rains. From the past flood tragedy, the lesson learnt was that the foundations of the houses in low lying areas became weak day by day further weakened because of heavy rains and thus reminded the need for strong foundation and other treatment for making the house resilient to disasters. Tokyo, the capital of Japan with a population of over 35 million is one of the good examples of disaster resilient cities which is successfully mitigating the disaster risks by using various types of adaptive practices. On that line, houses in India need to be constructed to mitigate the disaster risks due to thunder, lightning and hailstorms and threats to chemical, biological, radio activity rays activities. This data from Siegel [3] and Mahendran [4].

Many people die in buildings that collapse in a disaster. About 80% of death during earth quake is because of low quality construction of houses. Improving construction method is one of the effective ways in reducing casualties, which can be attended at low cost as an additional value. In addition to the various measures that are covered under the pre-disaster activity as a part of disaster management, another major initiative that need to be taken is to ensure the least amount of damages to the property at the time of occurrence of natural disaster. This can be done by providing appropriate strengthening and construction resistant features in housing and building programmes to be taken up in different vulnerable areas.

Technology has played a vital role in the evolution of banking sector, through speed creation, accuracy and efficiency of operation and reduction in the transaction cost. Banking services are now oriented to “any how, anywhere, anytime and any type” banking. The regulatory requirements and compliance regime in post-BaselII scenario and Sarbanes-Oxley Act and Anti-money Laundering requirements, complicates the processing of voluminous data besides the process of their storage and retrieval in the desired form and at desired speed. Banks may have to move on to behaviour analysis approach for fine-tuning their products.

Definitely by 2020, the vast and enormous differences in the ambience presently noticed between public sector banks and the new- generation private sector as well as foreign banks would be noticeably narrowed down. But the dominance of public sector banks, which accounts for nearly 80% share in the banking sector, is likely to reduce considerably by 2020.

Many financial institutions, particularly banks, may not survive in the new millennium because they are relying on late 1990s surveys to plan third-millennium products and services and thus they may land up with the wrong products,

perhaps designed for consumers who no longer exist. Most people see the future as more of the same. Unless one can visualise tomorrow as history so as to perceive what may happen day after tomorrow, perhaps one cannot visualise what will happen a decade or so later. The likely key drivers in the banking industry are as follows:

II. CHANNELS

Instead of merely providing what the bank concerned could offer from its fold, banking may encompass extension of all the services that are required and dictated by customers. Clients should get services from the banks on a 24x7 basis on an online ATM connected to the network. Whosoever the banker may be, a customer should be able to access his or her bank account through a PC/laptop/mobile or an ATM around the corner. The time spent by the bank with customers would be reduced, thereby improving profitability through low operational cost that would ensure time saving for the customers, as a by-product. A large branch net work is generally considered to be the fountain head of administrative problems. But with IT making inroads into the functioning of banks in the form of virtual banking, e-banking, Internet banking etc., banks would be able to offer banking at customers' doorsteps.

The new- generation banks started off with all branches fully networked and, in fact, some of them now operate with a fully centralised database that optimises costs compared to inter-connection of distributed database in widespread branches. Many banks, including PSU banks, would have online ATMs, phone banking, virtual banking, e- banking, Internet banking, etc. by 2020.

In the last five years, most large financial institutions, particularly banks, underestimated the likely role of the Internet in various spheres of business and administrative functions. There has been solid growth in the number of people going online, as well as in the value of financial services conducted, in the breadth of financial products traded and in the depth of relationships conducted using digital channels. The next conspicuous mistake made by financial institutions is the failure to recognise the power of the digital economy to make a deeper transformation of corporate and wholesale finance. The digital economy has consistently caught financial institutions off-balance, lurching from one leg to another, each time trying to correct a previous mistake. Market research only tells us about today and reveals nothing about tomorrow.

III. TYPES OF ONLINE BANKING

A common assumption is that Internet banking is the only method of online banking. However, this is not strictly the case, as several types of services are available:

PC Banking: The forerunner to Internet banking, PC Banking has been around since the late 1980s and is still widely used today. Individual banks provide software, which is loaded on to an SME's office computer. SMEs can then access their bank accounts via a modem and telephone link to the bank. Access is not necessarily via the Internet. Internet

Banking: Using a Web browser, any user can access his/her account, once the bank's application server has validated the user's identity. Digital TV Banking: Using standard digital reception equipment (set-top box and remote control), users can access their bank account. One of the main selling points is that no account details are transmitted via the Internet. Text Phone Banking: This service allows customers with cell phones to check their balance, pay bills and transfer money via SMS

IV. INTERNET BANKING CAN BE CLASSIFIED INTO TWO DISTINCT GROUPS

Traditional banks use the Internet as an add-on service with which to give business access to their accounts.

New Internet-only banks have no bricks-and-mortar presence and therefore have lower overheads, paving the way to offer higher rates of interest on deposits and lower charges on lending activities. The features available from an online bank account are similar to those available via 'phone banking' or 'visiting the local branch'. Online banking features do differ from bank to bank, but one can typically do the following:

Transfer funds between accounts;

Pay bills; View balance and statements; Create, view and maintain Standing Orders; and View direct debits.

The use of online banking gives an SME power to control finances on a day-to-day basis. SMEs have the ability to transfer funds to a savings account, maximise interest on this surplus, as well as move money back into the account to cover any shortfalls, and avoid paying any bank charges, so to say a sort of 'flexi-deposit account'. The advantages of Internet banking include no queuing, no rushing to the bank before it closes, access to the account 24x7, 365 days a year, low bank charges, faster transmission of funds to settle transactions, and any time access to cash. All this results in better financial management.

The main disadvantages are those related to the fear of the unknown. There is some speculation that Internet-only banks will not be able to sustain their high interest rates. Internet-only banking is perceived to be instantaneous for, when a bill is paid, the expectation is that the transaction is complete with immediate effect. However, this is not the case, till the mechanism of Real Time Gross Settlement is fully put in place. The majority of banks do not charge fees for Internet banking though there are some associated costs. One of the main concerns with online banking is that of security. Fraudulent and accidental security breaches may happen. Banks employ many systems and procedures in order to prevent these incidents. As a result they invest considerable time and money in developing systems that can prevent fraud and unauthorised access. If a security breach is discovered, the bank is liable for all money stolen and, as a result, insures against the possible loss.

V. THE FUTURE OF ONLINE BANKING AND INTERNET BANKING

The continued use of online banking by SMEs and

individuals will lead to the next generation of online banking. Banks will endeavour to improve existing services as well as introduce new ones. Financial institutions are currently developing Short Messaging Service (SMS), Wireless Application Protocol (WAP) and third generation (3G) mobile telephony applications. Some banks are also developing kiosks, which will all own online access. Analysts predict that banks will have to drive services via these new channels to attract customers, and not leave it to the technology. There are some issues that can be addressed with a simple and straight forward e-commerce solution:

- Cash flow is difficult to manage as there is a large degree of uncertainty as to when their trade debtors would present cheques for payment. To control this, considerable time of senior management is spent in managing the account balance and uncleared cheques.
- Interest charges due to cash flow uncertainty. There is often a delay of several days before funds can be released, restricting the working capital cycle further. Tangible and proven benefits can encourage the use of e-commerce to automate other manual processes.

Consequent to Internet banking gaining momentum, online banking is slated to increase manifold, according to the Internet and Mobile Association of India (IAMAI). Currently an estimated 46 Lakh Net users bank online and this is estimated to touch 160 Lakh by March 2008. Nearly half of the online banking service users are reported to be under 35 and are predominantly male (83%). Access to online banking is almost equally divided between office (48%) and home (42%) This data from Manoj [5] Ramesh [6] and Stephen [7].

The banking industry is in the middle of the most fundamental change it has ever faced. Apart from the increasing change, convergence, globalisation and technological innovations in the financial services sector, changing customer preferences and behaviours are signalling that new strategies to attract and maintain customers are gaining importance for players in the field. Across the country, the present trend in private banking has seen consumers move from traditional branch banking to more stand alone e tech-savvy banking — in other words, a move towards using electronic delivery channels such as the Internet, telephone and mobile phones. At present, over 85% of the finished payment transactions are electronic. Moreover, consumers seem to long for more developed electronic delivery, meaning that lifecycles of all banking products/services should be offered via electronic channels. It is worth remembering that the traditional way of doing banking at the branch level has relatively little importance to electronic banking users.

VI. CONSOLIDATION IN BANKS

Restrictions of operations of foreign banks in India, currently enjoying marginal share of less than 10%, are likely to go by 2009, paving way for many changes. We might expect greater breadth of products, depth in delivery channels and efficiency in operation, without losing focus on customer needs of Indian populace. A consolidation exercise in the banking industry cannot be kept in cold storage, if we view it

from the following angle: This table is Consolidation of banks data collected from Senthil [8].

- Due to diversified operations and varying credit profiles of banks, merger and consolidation would serve as a risk mitigation or risk-sharing mechanism, besides increasing the potential or growth.
- Owing to greater scale and size, consolidation can help save cost and improve efficiency.
- Avenues can be explored for raising capital to meet international Basel II norms.
- Distinct geographical presence could come together to leverage respective strengths.

TABLE I: CONSOLIDATION BANKS (RS IN CR.)

Performance Indicators	March 2005*	March 2010	March 2015	March 2020
Branches (nos)	70,324	73,000	75,000	76,500
Employees	8,50,000	7,50,000	6,50,000	5,75,000
Fixed Assets	22,161	32,000	40,000	50,000
Capital	25,183	1,00,000	4,00,000	12,00,000
Reserves	1,18,326	3,75,000	11,00,000	30,00,000
Owned Funds	1,43,509	4,75,000	15,00,000	42,00,000
Deposits	18,21,884	39,00,000	80,00,000	1,50,00,000
Advances	11,05,725	25,00,000	53,00,000	1,06,00,000
Investments	8,13,081	15,00,000	25,00,000	42,00,000
Interest Income	1,58,438	3,15,000	6,75,000	13,00,000
Other Income	34,831	85,000	2,00,000	4,00,000
Total Income	1,93,269	4,00,000	8,75,000	17,00,000
Interest Exp.	91,537	1,63,000	3,20,000	6,10,000
Est. Expenses	29,032	50,000	90,000	1,60,000
Operating Exp.	21,016	52,000	1,20,000	3,10,000
Total Expenses	1,71,949	3,45,000	7,00,000	13,50,000
Operating Profit	51,684	1,25,000	2,65,000	5,30,000
Net Profit	21,320	45,000	1,00,000	2,50,000

Based on the trend & analysis report of RBI, as published by IBA

VII. PROJECTED INDICATORS OF BANKS IN 2020

Consequent to nationalisation in 1969 and economic liberalisation in 1991, banks in India are on fast-track growth in size, technology and deliverables to customers. In view of paradigm shift in banking focus, there cannot be any reasonable estimate of the financial figures that banks are slated to achieve. Nevertheless, an attempt has been made to translate the trend and expectations into financials on the following broad assumptions.

- 1) The GDP growth rate is around 7 to 8 percent per annum with good industrial growth in the manufacturing sector, which is expected to fuel higher need for bank credit —

at the corporate, trade and individual levels.

- 2) The country is graduating from a low-income regime to a middle-income one, with large expendable resources/money and disposable income.
- 3) Increased percolation of technology applications from metro and urban centres to semi-urban and rural areas.
- 4) There are many macro-level factors such as government policies dictated by political constraints, technology innovations, enhancements in human skill, increase in real-sector production, national income, etc.
- 5) With international best practices in risk management penetrating into the Indian banking system, the system is growing into a mighty financial network with strong capital base and robust risk management system.
- 6) Apart from competition from foreign banks, the Indian postal department is also exploiting its network and entering commercial banking operations.
- 7) Growth in owned funds are in the range of 15% to 20%, annual credit deployment is about 12%, and fixed assets are going up by 5%.
- 8) Owned funds of banks in India need to be strengthened as they embrace international best practices on risk management and adopt the recommendations of Basel Committee on Banking Supervision (BCBS).
- 9) Cost of funds and yield on advances hovers around 4.5% and 6.0% respectively, and other income stands at around 15%. Based on the above assumptions and on the basis of trend analysis in the past, back-of-the-envelope calculations may reveal growth in select performance indicators, rounded off to the nearest thousand crores, as detailed in Table I, while extrapolating the data likely to be achieved by 2020. This data derived from Vinod [9].

Cost of funds and yield on advances hovers around 4.5% and 6.0% respectively, and other income stands at around 15%. Based on the above assumptions and on the basis of trend analysis in the past, back-of-the-envelope calculations may reveal growth in select performance indicators, rounded off to the nearest thousand crores, as detailed in Table I, while extrapolating the data likely to be achieved by 2020.

VIII. CONCLUSION

We may conclude that every aspect of banking will be transformed by new technology by 2020. Customer-friendly products, delivery channels, relationship banking, dependency on IT systems and competitive pricing would be the driving forces, but a pressure-cooker atmosphere cannot be avoided. The most successful institutions will be those that combine visionary technology and very competitive pricing with strong relationships and brands built on trust with previous in-depth experience of the client business. Banks would have adopted the following strategies to move to high-tech banking as a necessity of e-commerce and e-banking. Identification of select branches from out of the entire spread of the branch network to provide innovative services. In the scenario of severe competition and escalating expectation of the customers for newer products and improved as well as alternative delivery channels, the nerve centre of banking activities will be

redefined. The key to survival of banks, therefore, is retention of customer loyalty by providing value-added services tailored to their needs, using state-of-the-art technology, instead of relying on outdated practices. With the identified select number of branches for creating hi-tech banking, an ideal centralised solution can be considered.

A countrywide network of computers could offer banking products to select corporate clients and high net worth individuals. Needless to say, flawless security and seamless integration of operations through untiring efforts of employees and cohesive support from the management would be the key factors that will enable banks to make successful inroads into e-enabled 'New Age' banking. Once the centralised topography is put in place, the infrastructure required for banking and e-commerce can be built to provide state-of-the-art innovative services. A work atmosphere with banking officials working out of their homes, without the need to go to offices, may be put in place. Instead of intra-bank cross-country transfers, there may be inter-bank movement of senior officials in the public sector domain, if at all it remains so. Allocation of capital for each product/service and also borrower-wise capital allocation, as far as credit, market and operational risks are concerned, through sophisticated risk management techniques.

REFERENCES

- [1] C. Ghosh, "Disaster resilient built-infrastructure in india- Step A head," in *Proc. International Conference on Disaster Management and Mitigation*, ed. Ghosh, vol. 3, pp. 17-21, Dec. 2009.
- [2] Cities at Risk, "World Atlas of Natural Hazards," Oxford University Press, New York ed. Milton, vol. 1, pp. 214-266, 2009.
- [3] F. R. Siegel, "Natural and anthropogenic hazards in development planning," *Landes Co. and Academic Press*, 1st ed., ch. 2, pp. 45-47. Jan. 1959.
- [4] K. Mahendran, "Disaster resistant rural house design for low income people," in *Proc. the Conference on Disaster Management and Mitigation*, ed. Husain, vol. 1, pp. 122-129, Dec. 2009.
- [5] P. K. Manoj, "Learning from cross-country experiences in housing finance: A micro finance approach," *Journal of Global Economy*, vol. 4, no 3, pp. 9-14, Sep. 2008.
- [6] G. Rabbani, "A study on integrated housing and slum development programme in municipalities in Andhra Pradesh," *Souvenir of National Seminar on Urbanization and Urban Development in India: Trends Problems and Prospects*, ed. Rabbani, pp. 17-21, 2009.
- [7] S. Stephen, "Hedonic analysis of housing markets," *Hand Book of Regional and Urban Economics*, pp. 1595-1635, 1999.
- [8] S. A. S. Vadivel, "Geosciences education and sustainable development: Role of local communities in urban area," in *Proc. Urbanization Conference Proceedings*, vol. 1, pp. 47-51 Dec. 2011.
- [9] V. Sharma, *Gujarat Earthquake-Engineering Issues and the Lessons for Future Disaster Management*, ed. Indian Institute of Public Administration, New Delhi, pp. 117-195, Dec. 2009.



Kastoori Srinivas was built-in at Aloor a Small Village, Nizamabad District in Andhra Pradesh. He obtained double PG (M.Com and MA Lit) from Osmania University in first division and acquired Ph.D. in commerce (Banking Finance) from Bahuguna Central University, Uttarakhand, India.

Dr. Kastoori has got 20 years of outstanding Teaching, research experience also two years of International Exposure at King Saud University, Kingdom of Saudi Arabia & University of Malaya, Malaysia respectively. Dr. Kastoori is a recognized research supervisor for M. Phil scholars. Under his guidance 8 students are awarded M. Phil degrees and 4 are pursuing, also he has published Two Text Books "Auditing" and "Banking Finance". He is a Project Director & Principal Investigator for ICSSR & UGC funded Research also for International Research Projects.

Dr. Kastoori is only candidate acquired UGC MRP in commerce from Andhra Pradesh Affiliated Colleges. He got best teacher award in 2012. Dr. Kastoori has presented more than 20 research papers in various national and international seminars, also published several research papers in various journals of their repute. He has guided about 50 academic projects, and he is a reviewer and editorial board member for international research journals and for the international books. Dr. Kastoori is a resource person for Various Universities Such as IGNOU (New Delhi) and Annamalai University (Chennai). Dr. Kastoori presently holds position as a senior faculty (assistant professor) for under graduate and post graduate students on regular & distance mode in commerce & management streams. Besides his regular teaching, he is a project director for ICSSR & UGC funded research projects, at Vivek Vardhini (AN) College, Jambagh Hyderabad.