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Some Perspectives of Banking Industry in Global Scenerio

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Introduction

Today, we are having a fairly well developed banking system with different classes of banks – public sector banks, foreign banks, private sector banks – both old and new generation, regional rural banks and co-operative banks with the Reserve Bank of India as the fountain Head of the system. In the banking field, there has been an unprecedented growth and diversification of banking industry has been so stupendous that it has no parallel in the annals of banking anywhere in the world.

During the last 45 years since 1969, tremendous changes have taken place in the banking industry. The banks have shed their traditional functions and have been innovating, improving and coming out with new types of the services to cater to the emerging needs of their customers. Massive branch expansion in the rural and underdeveloped areas, mobilisation of savings and diversification of credit facilities to the either to neglected areas like small scale industrial sector, agricultural and other preferred areas like export sector etc. have resulted in the widening and deepening of the financial infrastructure and transferred the fundamental character of class banking into mass banking.

There has been considerable innovation and diversification in the business of major commercial banks. Some of them have engaged in the areas of consumer credit, credit cards, merchant banking, leasing, mutual funds etc. A few banks have already set up subsidiaries for merchant banking, leasing and mutual funds and many more are in the process of doing so. Some banks have commenced factoring business.

The major challenges faced by banks today are as to how to cope with competitive forces and strengthen their balance sheet. Today, banks are groaning with burden of NPA's. It is rightly felt that these contaminated debts, if not recovered, will eat into the very vitals of the banks. Another major anxiety before the banking industry is the high transaction cost of carrying Non Performing Assets in their books. The resolution of the NPA problem requires greater accountability on the part of the corporate, greater disclosure in the case of defaults, an efficient credit information sharing system and an appropriate legal framework pertaining to the banking system so that court procedures can be streamlined and actual recoveries made within an acceptable time frame. The banking industry cannot afford to sustain itself with such high levels of NPA's thus, "lend, but lent for a purpose and with a purpose ought to be the slogan for salvation."

The Indian banks are subject to tremendous pressures to perform as otherwise their very survival would be at stake. Information technology (IT) plays an important role in the banking sector as it would not only ensure smooth passage of interrelated transactions over the electric medium but will also facilitate complex financial product innovation and product development. The application of IT and e-banking is becoming the order of the day with the banking system heading towards virtual banking.

As an extreme case of e-banking World Wide Banking (WWB) on the pattern of World Wide Web (WWW) can be visualised. That means all banks would be interlinked and individual bank identity, as far as the customer is concerned, does not exist. There is no need to have large number of physical bank branches, extension counters. There is no need of person-to-person physical interaction or dealings. Customers would be able to do all their banking operations sitting in their offices or homes and operating through internet. This would be the case of banking reaching the customers.

Banking landscape is changing very fast. Many new players with different muscle powers will enter the market. The Reserve Bank in its bid to move towards the best international banking practices will further sharpen the prudential norms and strengthen its supervisor mechanism. There will be more transparency and disclosures.

In the days to come, banks are expected to play a very useful role in the economic development and the emerging market will provide ample business opportunities to harness. Human Resources Management is assuming to be of greater importance. As banking in India will become more and more knowledge supported, human capital will emerge as the finest assets of the banking system. Ultimately banking is people and not just figures.

India is one of the top 10 economies globally, with vast potential for the banking sector to grow. The last decade witnessed a tremendous upsurge in transactions through ATMs, and Internet and mobile banking. In 2014, the country's Rs 81 trillion (US$ 1.34 trillion) banking industry is set for a greater change. Two new banks have already received licences from the government. Furthermore, the Reserve Bank of India's (RBI) new norms will provide incentives to banks to spot potential bad loans and take corrective steps that will curb the practices of rogue borrowers.

The Indian government's role in expanding the banking industry has been significant. Through the Financial Inclusion Plan (FY 10–13), banking connectivity in the country increased more than three-fold to 211,234 villages in 2013 from 67,694 at the beginning of the plan.

Market Size

The revenue of Indian banks increased four-fold from US$ 11.8 billion to US$ 46.9 billion during the period 2001–2010. In the same period, the profit after tax increased from US$ 1.4 billion to US$ 12 billion. In 2012–13, Indian banks had 170 overseas branches (163 in 2011–12) while foreign banks had 316 branches in India (309 in 2011–12). Credit to housing sector grew at a compound annual growth rate (CAGR) of 11.1 per cent during the period FY 2008–13. Total banking sector credit is expected to grow at a CAGR of 18.1 per cent (in terms of INR) to touch US$ 2.4 trillion by 2017.

Recent Developments

Infrastructure Development Finance Company (IDFC) and Bandhan Financial Services Pvt Ltd have been chosen among a field of 25 banks by the RBI to set up banks. 'In-principle' approval has been given to the banks, which are both non-banking finance companies. While Mumbai-based IDFC is categorised as an infrastructure finance company, Kolkata-based Bandhan is a microfinance establishment.
Bandhan covers 5.5 million customers, nearly all of them women whose loans average Rs 10,000. The bank seeks to continue catering to a rural and unbanked customer base from its current branch network. "Why go after the same person and ask him to get another account? Why not just go after those who do not have any bank accounts," said Mr Chandra Shekhar Ghosh, the bank's Managing Director. Banks and housing finance companies (HFCs) together enjoyed a 20 per cent growth in home loans in FY 2013–14, according to Mr RV

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Verma, Chairman and Managing Director, National Housing Bank. Home loans disbursed by banks and HFCs collectively grew by Rs 1.60 trillion (US$ 26.59 billion) in FY 2013–14 to reach Rs 9.60 trillion (US$ 159.58 billion) at the end of the fiscal.

Indian banks operating abroad enjoyed a higher credit growth in comparison to foreign banks operating in India, as per an RBI survey on international trade in banking services for 2012–13. According to the survey, growth of credit extended by Indian banks' branches operating overseas grew by 31.7 per cent to Rs 585,570 crore (US$ 97.36 billion); credit extended by foreign banks based in India increased 27.5 per cent to touch Rs 307,700 crore ($51.15 billion).

Strong growth in agriculture and services sectors as well as the personal loans segment has helped push bank credit growth during the period April–November, 2013 to 7.2 per cent, compared to 6.6 per cent during the same period of 2012, according to a report by credit rating agency CARE Ratings. During the period, loans to the agri sector grew by 5.2 per cent compared to 2.3 per cent in 2012. "Higher growth in credit to agriculture may be attributed to the expected better kharif crop which has been announced by the Ministry of Agriculture," according to the report.

Government Initiatives

The RBI has issued extra guidelines for banks giving gold metal loans (GMLs). To safeguard against fraud, the central bank has asked lenders to check the credit worthiness of borrowers; collateral securities against the loan; and trade cycle of the manufacturing activity, before sanctioning the loans. "Lack of proper monitoring mechanism and not ensuring end use of GML has resulted in certain instances of frauds/misuse related to GML by certain unscrupulous jewellers," stated the RBI in a notification. The Cabinet Committee on Economic Affairs (CCEA) has given the green signal to a proposal to increase foreign holding in Axis Bank from 49 per cent to 62 per cent. The move could bring in overseas investment of nearly Rs 7,250 crore (US$ 1.20 billion) into the country. The CCEA nod is dependent on FIIs' holding capped at 49 per cent.

Road Ahead

India's banking sector has the potential to become the fifth largest banking sector globally by 2020 and the third largest by 2025. The industry has witnessed discernable development, with deposits growing at a CAGR of 21.2 per cent (in terms of INR) in the period FY 06–13; in FY 13 total deposits stood at US$ 1,274.3 billion. Today, banks are turning their focus to servicing clients. Banks in the country, including those in the public sector, are emphasising on enhancing their technology infrastructure, in order to improve customer experience and gain a competitive edge. The popularity of internet and mobile banking is higher than ever before, with Customer Relationship Management (CRM) and data warehousing expected to drive the next wave of technology in banks. Indian banks are also progressively adopting an integrated approach to risk management. Most banks already have in place the framework for asset–liability match, credit and derivatives risk management.

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Table 1
Branches and ATMs of Scheduled Commercial Banks (Continued)

(As at end-March 2013)

Sr. No.	Name of the Bank	Branches					ATMs		
		Rural	Semi-urban	Urban	Metro-politan	Total	On-site	Off-site	Total
1	2	3	4	5	6	7	8	9	10
	Scheduled Commercial Banks	**26,493**	**25,009**	**19,027**	**18,033**	**88,562**	**55,760**	**58,254**	**114,014**
	Public Sector Banks	**24,124**	**19,554**	**15,080**	**13,903**	**72,661**	**40,241**	**29,411**	**69,652**
	Nationalised Banks*	**17,036**	**13,539**	**11,320**	**10,585**	**52,480**	**21,533**	**15,528**	**37,061**
1.	Allahabad Bank	1,087	553	543	489	2,672	272	175	447
2.	Andhra Bank	501	493	473	397	1,864	590	617	1,207
3.	Bank of Baroda	1,434	1,157	765	907	4,263	1,790	840	2,630
4.	Bank of India	1,594	1,156	714	769	4,233	1,103	1,030	2,133
5.	Bank of Maharashtra	592	355	339	414	1,700	445	247	692
6.	Canara Bank	1,064	1,040	815	824	3,743	1,771	1,755	3,526
7.	Central Bank of India	1,529	1,180	821	759	4,289	1,389	1,140	2,529
8.	Corporation Bank	351	526	396	390	1,663	836	589	1,425
9.	Dena Bank	447	308	291	325	1,371	495	125	620
10.	Indian Bank	557	578	531	389	2,055	963	359	1,322
11.	Indian Overseas Bank	833	796	670	607	2,906	1,164	719	1,883
12.	Oriental Bank of Commerce	437	531	532	472	1,972	1,087	365	1,452
13.	Punjab and Sind Bank	379	195	260	272	1,106	146	33	179
14.	Punjab National Bank	2,255	1,343	1,055	862	5,515	3,086	3,226	6,312
15.	Syndicate Bank	901	789	664	577	2,931	1,104	202	1,306

16.	UCO Bank	948	620	523	489	2,580	850	450	1,300
17.	Union Bank of India	1,052	1,005	786	708	3,551	2,477	2,126	4,603
18.	United Bank of India	655	310	380	318	1,663	390	529	919
19.	Vijaya Bank	294	326	385	330	1,335	700	174	874
20.	IDBI Bank Ltd.	126	278	377	287	1,068	875	827	1,702
	State Bank Group	**7,088**	**6,015**	**3,760**	**3,318**	**20,181**	**18,708**	**13,883**	**32,591**
21.	State Bank of India	5,589	4,153	2,601	2,356	14,699	15,037	12,138	27,175
22.	State Bank of Bikaner and Jaipur	365	296	192	186	1,039	623	437	1,060
23.	State Bank of Hyderabad	434	488	319	299	1,540	1,079	505	1,584
24.	State Bank of Mysore	245	173	159	203	780	604	249	853
25.	State Bank of Patiala	376	296	275	176	1,123	691	263	954
26.	State Bank of Travancore	79	609	214	98	1,000	674	291	965

*: Nationalised Banks include IDBI Bank Ltd.

Note : 1) Branches data exclude administrative offices.

Source : Master office file (latest updated version) on commercial Banks.

Trends in the Indian banking industry

The current year has seen some very positive influences on the financial industry. A host of initiatives have been taken in the recent past to ramp up the regulations for the private banking sector and along with that a new dimension in outlook toward customers, technology and banking as a sector on the whole has been adopted. Looking ahead, the banks need to identify their key focus area for the coming year and work towards building a comprehensive and focused growth strategy for themselves enabling them to draw out their respective plans. Given the cut-throat nature of bank competition, targeted technology investments with measurable RoI can provide solid opportunities for them. Banks are also succeeding at reallocating IT resources away from maintenance to new projects, though maintenance costs still weigh heavily.

Highlighted are some of the relevant issues that banks face today:

The method a bank adopts literally emanates what school of thought it follows, and can very well be an indicator of their growth strategy for the coming years. Multiple applications in any organization can cause a lot of confusion in operations. Also, variation in applications at each level and each segment might result in hindrance in output by the organization. This can be simply avoided by standardising processes, eliminating redundancies and rationalising the applications. Standardisation of processes and technology used acts as a launch pad for inducting any new product in the organisation and it also helps the bank elevate from processing obstacles.

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Reduce operational discrepancies

Cost reduction is one of the most important concerns for any organisation. Inculcating economic rationale in processes bring about a considerable difference to the balance sheet. This cost reduction can take place through standardisation of processes. For eg: One customer could be availing of the savings account facility and also of the credit card facility. In this case there could be a standardised process to recognise customers using multiple services in the bank as opposed to customers using singular services. Accordingly, one could de-fragment the wide customer base.
Banking assets in India account for 63 percent of the nation's financial assets and play a crucial role in economic development. The central bank of India, which tightly regulates banking assets, is expanding the industry through financial inclusion and priority sector lending. This is increasing the rural and urban population's access to banking services, reflected in the decline in the average population per branch from 15,600 to 12,500 in 2012 as penetration increases.

New analysis from Frost & Sullivan (http://www.businessfinancialservices.frost.com), Competitive Landscape and Trends in the Indian Banking Industry, finds that public sector banks accounted for 67.2 percent of the total banking assets and 51.1 percent of commercial banking assets, which stood at INR 95.73 trillion in fiscal year 2013.

"The Indian banking system is on an upward growth trajectory and is expected to be the third largest banking industry worldwide by 2020," said Frost & Sullivan Analyst. "However, this goal can only be achieved by implementing liberalization norms proposed by the Reserve Bank of India (RBI), which focus on issuing on-tap banking licenses and specialized banking licenses, encouraging consolidation, improving operational performance of small and nationalized banks, complying with global regulations, and increasing overseas presence", added the analyst.

Currently, the country follows a universal banking model, where bankers are present across all segments and serve all customers. Nevertheless, a shift in business model is required to keep up with the changing needs, demand and demographics. A four-tier international, national, regional and local structure has already been proposed and is expected to lead to the emergence of different business models such as specialist, advisory, and priority sector banks.

The use of alternate and cost-effective distribution channels will also be important to counter some of the other challenges facing the banking industry in India. This includes the large unbanked population as well as unattractiveness and accessibility issues related to priority sector lending despite the continuous efforts of the central bank and Government to develop the technology and infrastructure needed to reach out to remote areas.

Further, industry players should pay heed to the rise in their non-performing asset ratios even though they have robust capital adequacy ratios which might comply fully with the globally-scheduled Basel III capital regulation which aims to improve the transparency and quality of banking assets and will be implemented in India in 2018.
Indian Banking Industry– Growth Drivers and Future Prospects
Recently, the RBI took a few important steps to make the Indian Banking industry more robust and healthy. This includes de-regulation of savings rate, guidelines for new banking licenses and implementation of Basel Norm III. Since March 2002, Bankex (Index tracking the performance of leading banking sector stocks) has grown at a compounded annual rate of about 31%. After a very successful decade, a new era seems to have

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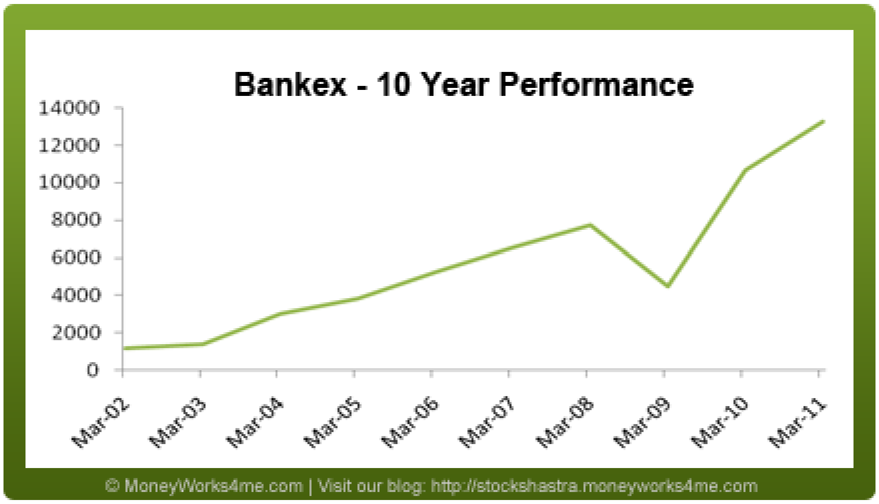
started for the Indian Banking Industry. According to a Mckinsey report, the Indian banking sector is heading towards being a high-performing sector



According to an IBA-FICCI-BCG report titled **'Being five star in productivity – road map for excellence in Indian banking'**, India's gross domestic product (GDP) growth will make the Indian banking industry the third largest in the world by 2025. According to the report, the domestic banking industry is set for an exponential growth in coming years with its assets size poised to touch USD 28,500 billion by the turn of the 2025 from the current asset size of USD 1,350 billion (2010)". So, before going in its future, let's have a glance at its historical performance.

Some reviews of Indian Banking Industry

	Public Bank		CAGR (%)	Private Bank		CAGR (%)	Foreign Bank		CAGR (%)
	2006-07	2011-12		2006-07	2011-12		2006-07	2011-12	
Deposits (Rs. Cr.)	1994200	4372985	21.7	551987	1002759	16.1	150750	240689	12.4
Investments (Rs. Cr.)	664856	1328534	18.9	214655	422020	18.4	71471	165499	23.4
Advances (Rs. Cr.)	1440146	3305632	23.1	414751	797534	17.8	126339	195539	11.5
Int. income (Rs. Cr.)	164185	366318	22.2	49567	96827	18.2	17924	28520	12.3
Int. expended (Rs. Cr.)	101960	231153	22.7	32856	57115	14.8	7603	10622	8.7
Net int. income (Rs. Cr.)	62225	135165	21.4	16711	39712	24.2	10321	17898	14.8
Business per employee (Rs. Lakh)	471.18	1013.63	21.1	695.23	823.26	4.3	974.77	1559.74	12.5
Profit per employee (Rs. Lakh)	2.76	5.93	21.1	4.65	8.1	14.9	16.13	27.59	14.4

Source: RBI

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If we look at 5 years historical performance of different types of players in the banking industry, public sector bank has grown its deposits, advances and business per employee by the highest rate – 21.7%, 23% and 21.1% respectively. As far as net interest income is concerned, private banks are ahead in the race by reporting 24.2% growth, followed by pubic banks (21.4%) and then by foreign banks (14.8%). Though the growth in the business per employee and profit per employee has been the highest for public sector banks, in absolute terms, foreign banks have the highest business per employee as well as profit per employee.

Growth drivers of the Indian Banking Industry

High growth of Indian Economy: The growth of the banking industry is closely linked with the growth of the overall economy. India is one of the fastest growing economies in the world and is set to remain on that path for many years to come. This will be backed by the stellar growth in infrastructure, industry, services and agriculture. This is expected to boost the corporate credit growth in the economy and provide opportunities to banks to lend to fulfil these requirements in the future.

Rising per capita income: The rising per capita income will drive the growth of retail credit. Indians have a conservative outlook towards credit except for housing and other necessities. However, with an increase in disposable income and increased exposure to a range of products, consumers have shown a higher willingness to take credit, particularly, young customers. A study of the customer profiles of different types of banks, reveals that foreign and private banks share of younger customers is over 60% whereas public banks have only 32% customers under the age of 40. Private Banks also have a much higher share of the more profitable mass affluent segment.

New channel – Mobile banking is expected to become the second largest channel for banking after ATMs: New channels used to offer banking services will drive the growth of banking industry exponentially in the future by increasing productivity and acquiring new customers. During the last decade, banking through ATMs and internet has shown a tremendous growth, which is still in the growth phase. After ATMs, mobile banking is expected to give another push to this industry growth in a big way, with the help of new 3G and smart phone technology (mobile usage has grown tremendously over the years). This can be looked at as branchless banking and so will also reduce costs as there is no need for physical infrastructure and human resources. This will help in acquiring new customers, mainly who live in rural areas (though this will take time due to technology and infrastructure issues). The IBA-FICCI-BCG report predicts that mobile banking would become the second largest channel of banking after ATMs.

Financial Inclusion Program: Currently, in India, 41% of the adult population don't have bank accounts, which indicates a large untapped market for banking players. Under the Financial Inclusion Program, RBI is trying to tap this untapped market and the growth potential in rural markets by volume growth for banks. Financial inclusion is the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. The RBI has also taken many initiatives such as Financial Literacy Program, promoting effective use of development communication and using Information and Communication Technology (ICT) to spread general banking concepts to people in the under-banked areas. All these initiatives of promoting rural banking are taken with the help of mobile banking, self help groups, microfinance institutions, etc. Financial Inclusion, on the one side, helps corporate in fulfilling their social responsibilities and on the other side it is fueling growth in other industries and so as a whole economy.

Areas of concerned about Banking Industry

More stringent capital requirements to achieve as per Basel III: Recently, the RBI released draft guidelines for implementing Basel III. As per the proposal, banks will have to augment the minimum core capital after a stringent deduction. The two new requirements – capital conservative buffer(an extra buffer of 2.5% to reduce risk) and a counter cyclical buffer (an extra capital buffer if possible during good times) – have also been introduced for banks. As the name indicates that the capital conservative buffer can be dipped during stressed period to meet the minimum regulatory requirement on core capital. In this scenario, the bank would not be supposed to use its earnings to make discretionary payouts such as dividends, shares buyback, etc. The counter cyclical buffer, achieved through a pro-cyclical build up of the buffer in good times, is expected to protect the banking industry from system-wide risks arising out of excessive aggregate credit growth.

	International Standard		Indian Standard	
	Current	Future	Current	Future
Min. Common Equity	2%	3.5% (by 1st Jan 2013) 4.5% (by 1st Jan 2015)	3.6%	4.5% by 1st Jan 2015 Conservation buffer = 2.5% Countercyclical buffer = 0-2.5% **Total = 7-9.5% (by 1st Jan 2019)**
Min. Tier I Capital	4%	4.5% (by 1st Jan 2013) 6.0% (by 1st Jan 2015)	6%	8.5 - 11% (including buffer by 1st Jan 2019)
Min. Total Capital	8%	8%	9%	10.5 - 13% (including buffer by 1st Jan 2019)

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The above table reveals that even under current Basel Norm II, Indian banks follow more stringent capital adequacy requirements than their international counterparts. For Indian Banks, the minimum common equity requirement is 3.6%, minimum tier I capital requirement is 6% and minimum total capital adequacy requirement is 9% as against 2%, 4% and 8% respectively recommended in the Basel II Norm. Due to this the capital adequacy position of Indian banks is at comfortable level. So, going ahead, they should not face much problem in meeting the new norms requirements. But as we saw earlier, private sector banks and foreign banks have considerable high capital adequacy ratio, hence are not expected to face any problem. But, public sector banks are lagging behind. So, the Government will have to infuse capital in public banks to meet Basel III requirements. With the higher minimum core Tier I capital requirement of 7-9.5% and overall Tier I capital of 8.5-11%, Banks ROE is expected to come down.

Increasing non-performing and restructured assets: Due to a slowdown in economic activity in past couple of years and aggressive lending by banks many loans have turned non-performing. Restructuring of assets means loans whose duration has been increased or the interest rate has been decreased. This happens due to inability of the loan taking company/individual to pay off the debt. Both of these have impacted the profitability of banks as they are required to have a higher provisioning amount which directly eats into the profitability. The key challenge going forward for banks is to increase loans and effectively manage NPAs while maintaining profitability.

Intensifying competition: Due to homogenous kind of services offered by banks, large number of players in the banking industry and other players such as NBFCs, competition is already high. Recently, the RBI released the new Banking License Guidelines for NBFCs. So, the number of players in the Indian banking industry is going to increase in the coming years. This will intensify the competition in the industry, which will decrease the market share of existing banks.

Future outlook of the Industry

Currently, there are many challenges before Indian Banks such as improving capital adequacy requirement, managing non-performing assets, enhancing branch sales & services, improving organisation design; using innovative technology through new channels and working on lean operations. Apart from this, frequent changes in policy rates to maintain economic stability, various regulatory requirements, etc. are additional key concerns. Despite these concerns, we expect that the Indian banking industry will grow through leaps and bounds looking at the huge growth potential of Indian economy. High population base of India, mobile banking – offering banking operations through mobile phones, financial inclusion, rising disposable income, etc. will drive the growth Indian banking industry in the long-term. The Indian economy will require additional banks and expansion of existing banks to meet its credit needs.

Given below is the MoneyWorks4me assessment for few banks: At MoneyWorks4me we have assigned colour codes to the 10 YEAR X-RAY and Future Prospects of the companies, as Green (Very Good), Orange ('Somewhat Good') and Red (Not Good).

*The 10 YEAR X-RAY facilitates analysis of the financial performance of the bank considering the seven most important parameters. A 10 Year period will normally encompass an entire business cycle. Analyzing the performance over this time frame is essential to understand how a company has fared during the good as well as bad times. The seven most important parameters that one needs to look at are Net Interest Income Growth Rate, Total Income Growth Rate, EPS Growth Rate, Book Value per Share (BVPS) Growth Rate, Return on Assets (ROA), Net NPA to Net Advances Ratio and Capital Adequacy Ratio.

	10 YEAR X-RAY	Long-term Future Prospects
Public Sector Bank		
State Bank Of India	Orange	Orange
Punjab National Bank	Orange	Orange
Bank Of Baroda	Orange	Green
Private Sector Bank		
HDFC Bank Ltd.	Green	Green
ICICI Bank Ltd.	Orange	Green
Axis Bank Ltd.	Green	Green

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While investing, one must always invest in the stocks of a company that operates in an industry with bright long-term prospects. Further, the company's 10 YEAR X-RAY and future prospects should also be Green. The table given above gives you a list of few companies from the Banking Industry that you could consider investing in. But, you need to invest in these stocks at the right price.

Conclusions

IBM's strategic research unit, the Institute for Business Value, recently released a study called Banking 2015: Defining the Future of Banking. Worldwide, total financial services revenue is predicted to experience compound annual growth of 7.1 percent between 2000 and 2015, from $2 trillion to $5.6 trillion. In the Asia-Pacific region, IBM predicts a growth rate of about 7.6 percent. The study forecasts trends in banking for a unique insight into the competitive forces that bankers will face in the next 10 years. It highlights the emerging business and technology innovations and societal trends that will propel and shape the industry's transformation.

According to the survey, the five key trends that will determine market success in 2015 are customers taking control, niche competitors, a new workforce, regulated transparency and sharp focus on technology. Similarly, transparency and accountability from regulation and compliance are also growing. Sharma points out that banks dealing with the US customers need to comply with international regulations such as Sarbanes-Oxley, and the Indian ones from RBI and Clause 49. The survey goes on to predict that market changes will pose growing challenges for conventional banks. Sunny Banerjea, Global Banking Leader for the IBM Institute for Business Value says, "By 2015, we will live in an intensely customer-centric market dominated by global mega banks and densely populated by specialist financial services providers. Technology will also drive fundamental changes in workforce disposition, which will have substantial follow-on effects for productivity, efficiency and profitability. These trends are already evident but as they become entrenched, there will be profound changes in the competitive drivers of global banking."

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