

**MISSING OPPORTUNITIES OF INDIAN BANKERS ABROAD**

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**ABSTRACT**

*Indian service sector has made rapid strides in the sphere of global market to trap every opportunity into profit and very much became a centripetal force of economic growth of the country. Unfortunately, Indian Banking Sector having a checkered history of more than two hundred years and occupying a majestic throne in the domestic service sector could not prove its metal abroad owing to the problems un attempted and unaddressed for quite long time. On the other hand, foreign banks have been making impeccable march into the frontiers of Indian banking with the huge network of branches, ATMs and representative offices and those of Indian banker's abroad stands very feeble. This differential performance led to the development of an article titled "Missing Opportunities of Indian Bankers abroad".*

**Key Words: International Banking, Business Portfolio, Branch network.**

**Introduction**

Way back in the beginning of nineties, veteran banker Narasimham has recommended Indian government to reform its banking sector and to promote one or two international banks which not only augments banking opportunities for Indians in the global market but also enables Indian banking system to insulate itself from the turbulences of external competition(Narasimham1992)<sup>1</sup>. It was of course the time when Indian economy has made a strong attempt to rid off its unbridled regulations and to tune itself with the global business environment. In this due course of reforms, India has accepted the recommendations of all the nesters like Narasimham, the then governor of RBI except one such recommendation which advocated the

government to promote amalgamation of banks and to forge them with international banking caliber. However Indian banks like SBI and Bank of Baroda have made early entry into the global market with their branch network in different countries which has become feasible due to the commitments of member countries owed to WTO for providing liberal opportunities of banking across the borders( Battacharya2012)<sup>2</sup>. But the central question of this paper is whether such opportunity has been effectively used by Indian banks or not? This shall be answered by examining the following two objectives.

### **Objectives of the Paper**

1. Understanding the position of Indian Banks abroad.
2. Finding the reasons for weak existence of Indian banks abroad.

### **Research Methodology**

The first objective is perceived through a comparative analysis which emphasize on the number of Indian banks having their branches and representative offices in the selected list of the countries and the number of banks from the same countries having existence in India. It also ascertains the proportion of International operations of Indian banks in their total business portfolios to draw the interpretations on the position of Indian Banks abroad.

The second objective is accomplished through expert opinion method which gathers the opinions published by bankers and economists with respect to the pros and cons of international banking and also throws a light on the policy lapses identified by early research to offer suggestions and conclusions.

### **Sample Size and Time Period.**

This paper is animated with the macro level data published by formal data base of the Reserve Bank of India such that, it does not consider individual banks into the ambit of sample size. However, ten different countries are selected on the basis of the origin of foreign banks having highest number of branches in India during the last three years starting from April 2011 to March 2014.

### **Data Analysis**

It is found from the formal sources of Reserve Bank of India that there are forty three foreign banks working with three hundred and twenty seven branches and forty six representative offices in India. But the most pathetic fact is that only fifteen Indian Banks have spread their network of one hundred and seven branches in entire gamut of international markets and not in a specific country.

### **Comparative statement of foreign and Indian banks on the basis of branch network.**

<b>S.No</b>	<b>Country in which Indian Banks have branches and registered offices of foreign banks having branches in India</b>	<b>Number of branches of foreign banks in India</b>	<b>Number of branches of Indian banks abroad</b>
1	United States of America	49	08
2	Netherlands	25	0
3	Hong cong & China	51	24
4	United Arab Emirates	03	13*
5	United Kingdom	108	30
6	France	16	02
7	Germany	18	01
8	Japan	08	04
9	Singapore	13	17
10	Australia	04	02

Source: <http://rbidocs.rbi.org.in/rdocs/Content/pdfs/71206.pdf> **Table 1**

**\*Thirteen branches in UAE are Development Financial Institutions**

It is obvious from table 1 that the number of branches operated by Indian banks abroad is very less comparing to their counterparts in India. Meticulously Netherland based banks have got

twenty five bank offices in India but no Indian bank has established a branch in Netherlands despite of comparative cost advantage in terms of employees and representative offices. It has been a common syndrome of so called think tanks to compare the performance of Indian entities with those of China. Given the same in this paper, there are fifty one branches owned by Chinese Bankers in India and only twenty four branches are being operated by Indian banks in China which is less than fifty percent of what China banks in India.

Most of the foreign exchange transactions of Indian corporate houses are directly or indirectly linked to USA, UK and Singapore where the branch network of Indian banks is poor except in the case of Singapore where Indian branch network amounts to seventeen comparing to that of Singapore in India which is only thirteen. The only celebrating fact left for Indian banks is in UAE where India could operate thirteen development financial institutions with a wider scope of business comparing to nominal retail bank branches. Of Course, UAE also gives a handsome scope of NRI remittances which can be banked by Indian entities (Kadwe2004)<sup>3</sup>

### **Missing Opportunities**

India is widely recognized for its demographic dividends which are hardly found in international banking operations of Indian banks as they could not tap the NRI remittances into business opportunities nor could play any substantial role in wholesale banking portfolios like loan syndication and lead banking. These wholesale banking portfolios are the key drivers of international corporate restructuring for which Indian entities are more prone in the present scenario. The following table illustrates average number of Non Resident Indians for whom a single branch of Indian bank is functioning in the host country.

**Average Indian Branch network for NRIs**

<b>S.No</b>	<b>Country</b>	<b>Indian population In Lakhs</b>	<b>Number of Indian Bank branches</b>	<b>Average number of NRIs available per bank*</b>
<b>1</b>	USA	3172522	08	396565
<b>2</b>	Netherlands	215000	0	Un defined

<b>3</b>	Hong cong & China	52210	24	2175
<b>4</b>	UAE	175000	13	72917
<b>5</b>	UK	1500000	30	50000
<b>6</b>	France	65000	02	32500
<b>7</b>	Germany	70500	01	70500
<b>8</b>	Japan	22500	04	5625
<b>9</b>	Singapore	670000	17	39412
<b>10</b>	Australia	448430	02	224215

**Table 2**

Source of NRI Population data: [http://moia.gov.in/writereaddata/pdf/NRISPIOS-Data\(15-06-12\)new.pdf](http://moia.gov.in/writereaddata/pdf/NRISPIOS-Data(15-06-12)new.pdf)

**\*represents only the average number of NRIs available per branch and not the account holders.**

It is very clearly evident from table 2 that Indian banks having very meager branch network in foreign countries could not even cater to the needs of Indians settled in the respective country. Especially, our banks seem to have foregone a major opportunity in USA where more than thirty lakh Indians reside for whom only eight Indian bank branches are available. This is certainly a serious problem need to be addressed by Indian banking system as a whole.

### **Reasons for missing opportunities abroad**

Poor branch network itself is a primary cause why global opportunities are lost. It holds good as corporate entities prefers to maintain their accounts with a bank having global value chain and expeditious service delivery system and so is the case with individuals like employees concerned with such corporate entities (Kidwai2013)<sup>4</sup>. Another important cause making Indian banks pessimistic on global operations is the present exchange rate management system. I.e. the

reporting currency Rupee is more volatile and vulnerable compared with the currencies of the host countries like Dollar, Pound and Euro. Indian banking system is not totally autonomous to foster hedging strategies of leveraging the exchange rate problems. Rather, it is supposed to design international risk management plans within the ambit of regulatory prudence (Klapper & Brown)<sup>5</sup>. Capacity building is another problem for Indian banks to meet the demands of global customers (Desmond 2003)<sup>6</sup> i.e. most of the international borrowings and lending are denominated in millions of Dollars which a single foreign branch of domestic bank could not accommodate with the given conditions and ultimately missing the opportunities.

### **Conclusion**

Indian banking system must focus on capacity building measures and calibrate itself to expand rapidly into international markets to convert the missing opportunities into profits. It must initially focus on international retail banking operations in all the countries where Indian population is substantially good which requires real time service delivery system and gradually enhance to wholesale banking operations notwithstanding the interests of stakeholders.

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