IIBF's International Conference 2018: Banking - Stepping into the next decade*

An International Conference 2018, on the theme 'Banking: Stepping into the next decade' was organized by the Indian Institute of Banking and Finance (IIBF) on 25th september 2018 in Mumbai to commemorate its 90 years of dedicated service to the banking industry with eminent guests and panellists. The Conference aimed to bring together regulators, policy makers, industry experts, eminent speakers and intellectuals of the banking industry; across countries and continents, on a single platform, so as to learn from their perspectives and vast experiences in a thought provoking and enriching environment.

At the outset, Dr. Misra, CEO, IIBF apprised the gathering that Shri Suresh Prabhu, Minister of Commerce and Industry could not make it possible in person due to some official exigencies. His message that the banking plays a pivotal role in the economy and it is good that such types of Conference are being conducted to discuss the emerging issues, was shown through a video. He wished his best wishes to the delegates and participants present in the Conference.

Dr. J. N. Misra, CEO, IIBF while welcoming the delegates and participants of the Conference talked about the history of IIBF and the way forward. Dr. Misra said that IIBF, ISO 9001-2015 certified, formerly known as the Indian Institute of Bankers, established in 1928, is the largest Institute of its kind in the world with its Membership of 779 Banks & Financial Institutions, as Institutional members and about 8,40,000 of their employees as individual members.

Developing professionally qualified and competent bankers and finance professionals primarily through a process of education, training, examination and professional development programs is the Mission of the Institute.

Since inception, the Institute has educated numerous members and awarded several banking and finance qualifications on contemporary subjects in the banking and finance domain which have helped the bankers to sustain their professionalism.

Release of book on Ethics in Banking on this occasion is contemporary and need-based effort. Institute also announced that a new Certificate Course on Ethics in Banking will be available from January, 2019 onwards.

As a part of the Conference, the Institute also released its special issue of the 'Bank Quest', on the theme of the Conference, covering articles on new paradigms in banking, penned by Indian and International authors, which gave national and global perspectives on banking issues.

The Inaugural Address was delivered by eminent personality Mrs. Arundhati Bhattacharya, former Chairman, State Bank of India. Complimenting IIBF for its 90 years of service, she spoke about how the Institute helped her transition into banking from a background of English literature through structured learnings of acts such as Negotiable Instruments Act, etc. Thanking the IIBF and its CAIIB course, she shared anecdotes of colleagues and how important it was to take the CAIIB exam in order to gain respect, promotion and seniority in banking career.

Speaking about the Future of Banking, Mrs. Bhattacharya said that the retail banking numbers in India are humongous – in 2013, USD 386 billion, in 2017 – USD 600 billion, and expected to cross USD1.1 trillion in the near future. This coupled with

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information flood will also help growth of the banking sector at a faster pace.

A very important point that Mrs. Bhattacharya made was that, in India, financial literacy has increased multi-fold. The current government and also the previous ones have taken initiatives to promote a bank account in every household. The Pradhan Mantri Jan Dhan Yojana has been successful in financial inclusion, because it was done in a well-orchestrated manner.

Compliance, risk management and regulation in banking are much better now, she said. By March 2019, India will be fully compliant with the Basel III norms, the former SBI Chairman informed.

Mrs. Bhattacharya said that the next 10 years in banking will have challenges of the two Cs – Capital and Capacity. Capital was the biggest hurdle right now in banking, bigger than customer service, NPAs and human resource issues, she said. IIBF has a role to play in the second 'C' that is Capacity, which consists of Human Resources and IT Resources. Since the recruitments in the public sector banks, more young people got pushed into higher positions as a result of more retiring people. The younger ones are not experienced or trained in basics, which is where IIBF comes into the picture, she said.

The dependence on machines has its advantages but also is a big threat, she said. But at the same time, banks need to invest in upgrading human skills and refine them, which is where IIBF is relevant.

Mr. Dinesh Kumar Khara, MD, GB&S, SBI in his key note talked about innovation/disruption in the field of technology that would, going forward, warrant lot from Banks not only in India but across the globe. The developments in banking include four 'R's – Resolution, Recapitalisation, Regulation and Reform. He also touched upon the introduction of IBC Code and how it is going to help the Banks to deal with the NPAs in a systematic and timely manner. He talked about the need for developing an ethical culture, even as banks are improving skills and adopting technology. He also opined that changes in organisation structure have to be customer-centric.

Mr. Khara also spoke about formalisation of economy due to demonetisation and GST that will eventually lead to credit growth in an orderly manner. Merger is now a reality, he said, from the perspective of optimisation of capital and resources and making Banks stronger. Banking industry going forward will also see improved level of disclosures, higher level of technology, customer centric banking due to advent of collaborative technology, etc. At the end, he emphasized that ethics should not take a back seat and needs to be followed across the banking industry. Course on Ethics is a good initiative by IIBF in this direction. Going forward, immense opportunity will come before the Banks and we need to equip ourselves in terms of skill and knowledge, organisational structure, risk management practices, customer centric approach, state of perfection with self-driven approach rather intervention from regulator.

Dr. Segun Aina, Chairman, Global Council, as part of his special address, said that technology is the No.1 challenge in banking right now and in the future. He said there is a prediction that the next banking crisis may be triggered due to technology, and hence, the need for focus on Security.

Dr. Aina said that the next focus should be on Skills and Talent Management. The next important focus should be on Regulation.

Dr. Aina also talked of how Innovation and Capacity Building in banking is needed, as the next big competition for banking will come from social media like Facebook and e-commerce websites like Amazon.

Inaugural session was followed by panel discussion on 'CEO Speaks'. Dr. Misra made a brief theme presentation covering the status of deposits,

advances, balance sheet size, profitability and NPAs, etc. of PSBs in India before the Panel Members Mr. V. G. Kannan, Chief Executive, IBA, Ms. Zarin Daruwala, CEO, Standard Chartered Bank, India, Mr. P. R. Seshadri, MD & CEO, The Karur Vysya Bank, Mr. Suresh Sethi, Managing Director & CEO, India Post Payments Bank, Mr. Sanjib Subba, CEO, National Banking Institute, Nepal and Mr. Saurabh Tripathi Senior Partner & Director, BCG, India. Dr. Misra also placed the issues such as Capital Adequacy, Structural Transformation, Corporate Governance, Human Capital, Changing Dynamics of Banking, Technology and Environmental issues like international trade and crypto currency, etc. before the panel for their deliberations.

Like Dr. Aina, Mr. Saurabh Tripathi was also of the opinion that social media, like Facebook and WhatsApp as also search engine giant Google is a big threat to banks, as they have already begun payments transactions. Mr. Kannan agreed with Mr. Tripathi, saying more options for remittances exist now. But, it is more common in urban areas; the rural area is still a challenge for payments.

Here, Mr. Suresh Sethi of the India Post Payments Bank revealed that there are over 1,30,000 post offices in India and over 3,00,000 human capital in the form of postmen and other staff who are being trained in payments and other banking transactions to penetrate the rural areas. He further revealed that in order to bring banking to the doorstep of the villager, the payments bank is building a QR Card wherein, a person will not have to remember his or her account number and personal identification number to transact.

Ms. Zarin Daruwala said that now, due to rise in technology, the number of bank branches and ATMs have reduced. She further revealed that as per the Standard Chartered experience, the millennials do not want to deal with a bank branch at all. At the same time, there is a growing number of affluent people who do want to meet the Relationship Manager in a bank branch. Then, there is a segment that only wants to use the traditional banking services.

Ms. Daruwala was of the opinion that, even as we go digital, there is a need to have a human face to banking and a personalised offering.

The panel moderator, Mr. Tripathi agreed that Customer Connect and Emotional Connect are not there anymore. While Europe wants only digital banking, in India, 80 percent people said that we want both traditional and digital banking, he said, with the situation in neighbouring China being similar.

Mr. Seshadri said that in future, the only reason the customer would come to a bank branch is to operate the safe deposit vault. As a result, the nature of bank branches will change. In fact, the change in rural India is much faster than in urban areas, he said, giving the example of Karur.

Panellists agreed with Mr. Tripathi that there is a disengagement of customers, as it doesn't matter anymore which bank you have an account with.

Mr. Sanjib Subba was of the view that let the customer decide what product they want to use, depending on his or her life cycle and lifestyle. While professional qualifications are all there, what a banker needs are personal qualifications – that is values, ethics and integrity, he said.

All panellists agreed that Employee Focus is the need of the hour. The next being Cyber Security. Technology integration has to be seamless. Tech has to be used for predictive analysis. Mr Tripathi thanked all the panellists for a healthy debate.

Dr. Misra explained in brief about The Global Banking Education Standards Board (GBEStB) before taking up the next session. It is a voluntary, industry-led initiative founded by many of the world's leading banking institutes to develop clear, internationally agreed standards for the education of Professional

Bankers in 2017. The aim of the GBEStB, simply, is to enhance ethics and professionalism in banking worldwide. Dr Misra, then invited Mr. Giles Cuthbert, MD, Chartered Banker Institute, UK and Dr. Segun Aina, OFR, FCIB, Chairman, Global Council, Global Banking Education Standards Board to address the gathering on "Global Banking Education Standards Board", Speakers covered challenges vs opportunities that are always going to be challenge and also help the industry in its shaping. Going forward, bankers/professionals to keep pace with changing demand like cyber security, digitization, etc.

The first Session post-lunch was about 'Economist Speaks' the theme of which was presented by Mr. Muralidaran, Director-Academics, IIBF. He presented the economic indicators like GDP growth, movement of currency, financial inclusion, etc. Issues placed before the panellist were macro-economic policies, vulnerabilities, inclusive banking, access to formal credit, bankruptcy code - infrastructure and its relevance, role of technology and banking – how the banks to place themselves, multiple regulators – function overlap and chances of arbitrage. Those taking part in it included Dr. Ajit Ranade, Group Executive President & Chief Economist, Aditya Birla Management Group, Dr. Soumya Kanti Ghosh, Group Chief Economic Advisory, SBI, Dr. Mridul Saggar, Advisor-in-Charge, International Department, RBI and Mr. Madan Sabnavis, Chief Economist, CARE Ratings.

The panel moderator Dr. Ranade, in his opening remarks said that Debt to GDP ratio is 350% for the world. Ratio of bank credit to GDP is 66% and India is considered as an underbanked country. Retail debt to GDP in India is hardly 10%.

Mr. Sabnavis said that macro-economic policies have to be monitored by banks to reduce their non-performing assets, rather than these policies being framed for banks.

Dr. Saggar was of the view that right now, we are reaping macro-economic stability. In 2013, inflation was above 6 percent, while fiscal deficit was above 6.9 percent, while in 2018, it is 3.5 percent. The combined deficit has come down to 6.6 percent from 76 percent. India is the fastest growing G20 country, he said.

The Panellists also spoke about Inclusive Banking and how MSMEs are at the receiving end of banks and not getting credit easily. Dr. Saggar said that inclusive banking is the global debate now.

Dr. Ghosh revealed that post GST, there are changes in SME credit and there is no issue with collaterals either. We have asset backed linked products now.

Speaking about the role of FinTech, Dr. Saggar said that the structure of banking is changing due to technology. Banks are internalising FinTech and outsourcing its implementation to firms, he revealed. Tech labour force is the future of banking.

Mr. Sabnavis was of the view that Tech should be an enabler and not the end in itself. Robots cannot take decisions on what loans to approve. The human judgement has to be present.

Dr. Saggar said that the RBI has issued guidelines on Cryptocurrency. Some panellists revealed that it is being used for money - laundering and funding terrorism.

The panellists ended the discussion with a talk on Regulation and the Basel III norms.

At the end of the conference, the prestigious Sir PTM lecture (35th Lecture) was delivered by Dr. Tarun Khanna, Jorge Paulo Lemann Professor, Harvard Business School & Director, Lakshmi Mittal and Family South Asia Institute, Harvard University on the Topic "**Trust as the foundation for Finance**". Prior to this, Dr Misra, briefly discussed about the background. Sir Purshotamda's Thakurdas or Sir PT, a distinguished and eminent businessman of

India, was associated with several committees and commissions appointed by GOI, besides being on the Board of RBI. He was a founding member and served on the council of the Institute till his death on 4th July, 1961.

Dr. Tarun Khanna first spoke about his book Trust– Creating the Foundation for Entrepreneurship in Developing Countries. He believes that developing countries can progress with individual entrepreneurial development. He quoted economist Adam Smith in saying that no markets can exist without fairness, altruism and trust.

He illustrated a live case study of microfinance sector in 2010, wherein trust was at stake. He elicited how the trust was re-built on account of the fact that both the stakeholders i.e. borrowers and lenders had trust in each other which enabled them to successfully come out of the turmoil due to short term and long term measures.

Concluding his enlightening speech, Dr. Khanna mentioned that arbitrary actions are inimical to trust creation, vigilance in building the eco-system is vital to maintain trust, commitment to trust is costly, just as in any credible commitment, but crucial, symbolism matters as of course does substance.

He aptly concluded by saying that the trust is an investment decision which will definitely pay dividends.

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Diamond Jubilee and CH Bhabha Banking Overseas Research Fellowship (DJCHBBORF) for the year 2018-19

The Institute invites applications for DJCHBBORF. The objective of the fellowship is to provide the successful candidate an opportunity to undertake a research study on the latest developments in the field of banking and finance in India or abroad. The last date for receipt of applications is 28.02.2019. For more details visit www.iibf.org.in