
Preface

The preparation of the second edition of this book was a daunting task. The financial services industry is faced with problems as never before. It is unlikely that the banks/financial institutions would have the time or inclination to look at the issues of technology upgradation or actively marketing the channel and make it available at substantial costs. The paramount issue continues to be managing the crisis and its aftermath, and other issues were likely to be relegated to the background. But in all this, there is a ray of hope.

The Indian banks (particularly public sector banks) have not suffered; they are sound and considered quite safe too. This is almost a unique event because all these years our efforts at locating Indian banks in the first 200 banks in the Bankers' Almanac were in vain. But here is an opportunity to show to the world that this business model can be used sensibly and with a social purpose. The whole tenor of this edition is to see if technology can be put to use to show the investors that our banks/financial institutions can offer them services at competitive prices.

However, there are some doubts if the banks and the private sector service providers could rise to the occasion. We, as spectators of the banking scene, can see more of the game than the players themselves.

But the nagging questions cannot be wished away. The first and most obvious question is the role the private sector is likely to play in providing the infrastructure facilities. The doubts arise because the private sector seems to place excessive reliance on short-term gains and greed appears to be the driving force. Further, firms like Enron resort to all kinds of dubious practices and are ready to flout even the prevalent laws/regulations, and so on. However, the World Bank in its 2008 report on 'Global Economic Prospects—Technology Diffusion in the Developing World 2008' has asserted that 'in both low and middle-income countries, policy should place special emphasis on incentives and on maintaining strong

ties to private-sector firms'. In view of the somewhat dubious record of the private sector firms, one has to await the policy issues and decisions regarding the same before delving further into the other questions. There is reason to believe that the current policies in this behalf are likely to be in place for some time to come and that no major changes were in the offing in the near future.

At another level there is reason enough to plead for normalization (in the immediate aftermath of the crisis) of other aspects of functioning of banks/financial institutions and avoiding the organizational paralysis. It is likely that the crisis has an all-pervasive engulfing tendency and that the functionaries behave as if they have no time to carry out and overview the routine activities. The crisis can become an excuse for not undertaking these tasks or for neglecting them and thus creating a wrong impression that these routine tasks can wait. It is important to note that crisis resolution can never be an excuse for neglecting other important tasks.

There are equally important issues awaiting resolution. Banks/financial institutions have invested huge amounts on creating the infrastructure and integrating the new channels is a very important task. It can be neglected only at a great cost. Further, even a slight relaxation of controls has the potential of inducing frauds and illegal transfers. Every effort has to be made to see that no laxity prevails and that the 'operational risks' management is not neglected.

In the last five years many Indian banks have started offering these facilities to their customers and even some medium-sized cooperative banks are venturing forth into adopting core banking solutions with the promise of migrating to the internet. In this book we would briefly touch on the issues like web designing but the emphasis would be on integrating the new channel with the established 'brick/click' model. The first chapter deals with the spread of the internet facilities and the use of mobile phones with internet connectivity. Next, we look at the economic basis for important decisions like pricing, price discrimination and marketing of services. It is necessary to look at other changes in routine administration, particularly back office functioning. The Financial Services Authority in the UK has been for sometime advising banks about dangers lurking round the corner. The range of products and services offered has gone up but with one major constraint. At one time, major banks were considering the possibilities of turning themselves into investment banks. They had quite clearly decided to avoid forays into retail banking. The situation regarding hedge funds and the future options was not very clear when this book was being written. This book also looks at the workings of e-banking, e-insurance and

e-broking. The developments in alternate systems of trading in areas like treasuries and foreign exchange have been discussed. The security aspects and the legal means available for dealing with crimes are critically looked at. Marketing of these services is a comparatively neglected area and recent experiences and efforts of some banks are looked at, to see if similar business models are applicable. Finally, the most difficult issues relating to regulation needs to be resolved. The wider questions about the shape of the future were and are still hazy. How specific issues would be resolved at the global level remain unanswered. Instead of making guesses or hazarding suggestions, we contend ourselves with what is and what currently determines the contours for operations.

Preparation of a work like this in the present context is extremely difficult. On the one hand, we witness the spectacle of reputed institutions falling like nine pins and on the other, fundamental questions pertain to what does the future hold for us. One has to tread a very difficult path and had it not been for the generosity of friends and erstwhile colleagues, it would never have been possible for me to complete the task. I would never be able to repay this deep debt of gratitude I owe to a host of friends. Even though I have mentioned only a few names here, the others have also made equally valuable contribution to this endeavour. P.B. Kulkarni, former CMD of Bank of Maharashtra; Suhas Bhat, CMD of Indian Overseas Bank and Dilip Patwardhan, General Manager, Bank of India were at all times ready to answer my queries, read sections which I thought needed some careful attention and always made it a point to supply papers, articles and book reviews which had a bearing on our work. I would be failing in my duty if I failed to express my sincere and grateful thanks to Shrikant Sarpotdar for his help in clarifying a number of points related to risk management, accounting policies and other related matters. His constant encouragement was an important factor in spurring me on to greater efforts.

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Last, special thanks are due to my wife who patiently and silently carried out myriad tasks to ensure that the household ran like a well oiled machine and I was not even made aware of the difficulties she had in managing the daily chores. She additionally gave valued support through

encouragement and at times even prodding with a persistence which drew me again and again to the drawing board. My son Vinay deserves a special mention. Getting drafts approved by him is an arduous task and had it not been for his valued comments, there would have been innumerable gaps and even errors. It is very difficult to repay this deep debt. My son-in-law Kirtikumar Deshpade, daughter Achala Deshpande and my grandson Sameer Deshpande made valuable suggestions, allowed me to draw on their computing skills and helped in myriad ways in supplementing my unskilled efforts.

I hope that the banks would use the approaches mentioned in this book not only to woo customers overseas and but also to retain them. Such opportunities are not likely to be there over and over again. Our hands are nowhere near the rudder and all that we could do is cry out loudly and clearly, and show the way ahead. The future is here. May FIs exploit it!

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