

FINANCIAL MALL BY BANKS THROUGH UNIVERSAL BANKING

D.Bhuvaneswari

Assistant Professor,
Department of Commerce,
SRM University.

Abstract:

A banking system in which bank provides wide variety of financial services including both commercial and investment activities subject to compliance of statutory and other requirements prescribed by respective authorities. Universal Banking can be compared with the concept of Library where the target is reader instead of books of library. If one is comparing Universal Banking activities of Indian Banks with Foreign Banks, one can find out whether Universal Banking is helping to increase the profitability of these banks. The Universal Banking was implemented in the year 2001 in India on the recommendation of R H Khan Committee. Notable examples of Universal banking include BNP Paribas of France, HSBC, Standard Chartered and RBS of United Kingdom, Deutsche Bank of Germany, ING Bank of Netherland, Bank of America, Citigroup, JM Morgan Chase and Wells Fargo of the United States, and Credit Suisse of Switzerland. The present study will be useful to the bankers as well as customers; Bankers will be in a position to earn more profits by diversifying their risk and optimum utilisation of resources. This study will be suggesting a banker how a Universal Banking can be a tool to earn a profit. Universal Banking is beneficial to the customers as they need not go to other places to search for financial products. It will be available from their bankers so it will be helpful in saving of time as well as some costs. Universal Banking can also be known as Financial Mall owned by a Bank.

KEY WORDS: Financial services, Universal banking

INTRODUCTION

Banking system in which bank provides wide variety of financial services including both commercial and investment activities subject to compliance of statutory and other requirements prescribed by respective authorities. Universal Banking can be referred as the banking in which present customers of the banks are being covered as a target market for earning non-fund based income. The Banker tries to provide all services related to financial products less than one roof. Universal Banking is a phenomenon which serves as Win Win Situation for both the parties i.e. Bankers and Customers. Universal Banking can be compared with the concept of Library where the target is reader instead of books of library. Likewise, in Universal Banking more preference is given to customer's needs. If one is comparing Universal Banking activities of Indian Banks with Foreign Banks, one can find out whether Universal Banking is helping to increase the profitability of these banks. The Universal Banking was implemented in India on the recommendation of R H Khan Committee. RBI has issued certain guidelines for Universal Banking in the year 2001. The concept of Universal Banking has proved to be successful in western countries. Notable examples of Universal banking include BNP Paribas of France, HSBC, Standard Chartered and RBS of United Kingdom, Deutsche Bank of Germany, ING Bank of Netherland, Bank of America, Citigroup, JM Morgan Chase and Wells Fargo of the United States, and Credit Suisse of Switzerland.

NEED AND IMPORTANCE OF THE STUDY:

The present study is important because Universal Banking concentrates on investment banking, merchant banking, insurance, mutual funds to earn more amount of profit. It is beneficial to both banker as well as customer. Without hampering main business of banking, banker can focus on investment activities. Banks are an appropriate platform to discuss financial products. Bankers develop rapport with the customers which ultimately effects in Creation of Goodwill. Customers stand with good relationship with banker because of this rapport building. Therefore banker can sell financial products to its own customers.

STATEMENT OF THE PROBLEM:

Foreign Banks are earning more profits than Indian Banks if they are implementing Universal Banking activities.

OBJECTIVES OF THE STUDY:

The objectives of the study can be listed down as follows:

- To study and understand Universal Banking
- To compare implication of Universal banking in Indian Banks with Foreign Banks
- To measure and analyses the impact of Universal Banking on profitability of these selected banks

HYPOTHESES OF THE STUDY:

- Implementation of Universal Banking has improved profitability of these banks.
- Foreign Banks in India have succeeded to improve their performance as compared to their counterpart i.e. Indian Banks due to application of Universal Banking.
- There is wide scope in improvement in Universal Banking.

RESEARCH METHODOLOGY:

PRIMARY DATA

Primary Data means first hand data. It is original in nature. To collect the relevant primary data, well-structured and pre-tested schedules were duly employed.

SECONDARY DATA:

Secondary data means data collected from various other sources. It is data collected by someone else. It can be in printed form or it can be collected from internet. Secondary Data were collected by the researcher from the following sources: • Books: Handbook of Banking by N S Toor • Articles of Newspaper, Magazines, EPW etc. • Annual reports of these banks • Publication of RBI, World Bank, IBA etc. • Websites of respective banks and apex institutions

RESULT AND DISCUSSION MEANING OF UNIVERSAL BANKING

Universal Bank means those banks which are participating in many kinds of banking activities and is both a commercial banks and investment bank as well as providing various kinds of services as insurance. Universal Banking need not be confused with International or Global Banking.

ACTIVITIES INVOLVED IN UNIVERSAL BANKING:

At present University Banking involves various activities which can be listed as follows: • Merchant Banking • Mutual Funds (SIP's) • Insurance • Factoring • Credit Card • Investment Banking • Retail Loans • Auto Loans • Housing Finance etc

ADVANTAGES OF UNIVERSAL BANKING

The advantages of Universal banking can be listed down as follows:

- ✓ Diversification of Activities
- ✓ Diversification of Risks
- ✓ Economies of Scale
- ✓ Adoption of Technology
- ✓ Innovative ways to market the product
- ✓ Systematically developed banks
- ✓ International Exposure to Banks
- ✓ Generation of Loyal Customers
- ✓ Serving as a Financial Mall

LIMITATIONS OF UNIVERSAL BANKING

The limitations of Universal banking can be listed down as follows:

- Concentration of all activities in the hands of few
- Possibility of Failure
- Threat to local banks
- Low focus on Primary Sector
- Responsibility of Financial Inclusion

FINDINGS

The Researcher has analyzed ratio of other income to total income of banks and banks from which following inferences can be drawn: Researcher has studied three types of banks for last nine years viz. Public Sector and Private Sector Banks in India and these banks are compared with Foreign Banks operating in India. After comparing income of these banks it is observed that other interest income is an income which is generated due to other banking functions. The foreign banks are earning 24% other income which is greater than Private Sector Banks's i.e.19% of total income which is again greater than Public Sector Banks i.e.13% of total income. If one is willing to establish in order the following order can be established as per highest ranking in other income: Foreign Banks 24% Private Banks 19% Public Banks 13%

CONCLUSIONS

After studying research findings researcher can conclude that Foreign Banks are concentrating on Universal Banking compared to Indian public and private sector banks. If Indian banks go for Universal Banking, it will help them to achieve greater amount of profit. In spite of various limitations of Universal Banking, it is more beneficial to adopt universal banking in India. By adopting Universal banking, banks will be in tune with Narasimhan Committee Report of Merging Banks. By adopting, Universal Banking Indian Banks will be tuning with RBI's policy reducing number of banks. Researcher will be suggesting banks in India to adopt universal banking as it help in increasing their income and ability to adjust with shock from global crises. Universal Banking will help in improving Competitiveness, Risk Bearing Capacity. It will help country for economic development by adopting maximum utilization of resources. It will help to establish strong banking channels in developing country like India. Universal Banking will also help customers as most of the customers of these banks will be getting goods under one roof. It will help to increase the confidence about customers about banking system. At the end, Researcher will conclude Universal Banking in one word as "Financial Mall".

REFERENCES

Handbooks of Banking: N S Toor

"Universal Banking, Conflicts of Interest and Firm Growth" by Lili Xie

"The Development of Universal Banking in Lithuania" by Sarunas

WEBSITES

www.bankingindiaupdate.com