





# Heading Overseas

Public and private sector banks in India are charting out ambitious overseas expansion plans, setting up branches and representative offices worldwide and entering into tie-ups with foreign partners. A report by **Anand Kumar**.

**C**orporate India's growing interaction with the rest of the world, in terms of exports and imports, raising funds, mergers and acquisitions, outsourcing and off-shoring of services has seen hundreds of domestic companies expand their overseas presence.

Not surprisingly, Indian banks – both public and private sector institutions – have followed closely, seeking opportunities abroad. Companies usually prefer doing business with trusted partners, especially in financial matters. Consequently, many Indian companies are keen that Indian banks expand their overseas footprint to cater to their growing international needs.

Indian banks, unlike some aggressive international ones, adopt conservative policies even in their international operations. The impact of such policies is felt in times of crisis, as in the current global financial meltdown, when numerous banks in the developed world have shut down operations or been rescued by their governments.

Both public and private sector Indian banks have briskly expanded their international operations, without sacrificing

prudent borrowing and lending norms established by the Reserve Bank of India (RBI), the country's central bank.

Another important reason luring Indian banks to foreign shores is the massive migration of Indians to different parts of the world – both on temporary and permanent work assignments. Currently, an estimated 25 million Indians reside in over a hundred countries. They include both non-resident Indians (NRIs) with Indian passports and Persons of Indian Origin (PIOs), who are without Indian citizenship.

Among the newer migrants, the skilled and highly educated professionals retain deep links with India. Many of them have dependants back home, which results in their sending regular remittances mainly through Indian banks or international banks present in the country.

Likewise, millions of white-collar and blue-collar workers living in the Gulf aspire to own a home in India. Banks are attracting this section of customers by offering them attractive home loans, enabling them to realise their dreams. In addition, young Indian IT professionals working in the US or Europe also access services offered by Indian banks.



Indian banks are aggressively expanding overseas businesses through the setting up of full-fledged branches, offshore branches, or representative offices. They offer both asset and liability products to customers. They service retail customers by providing them remittance services, loans (including home loans) and deposit products. For corporate customers, they arrange funds for overseas acquisitions, provide short-

term lending and advice on raising capital overseas.

Some of the leading Indian banks with a strong presence overseas and future expansion plans include State Bank of India (the country's largest commercial bank), Punjab National Bank (PNB), Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, Oriental Bank of Commerce, Indian Bank, Dena Bank (all public sector banks) and private players such as ICICI Bank (the

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second-largest bank in the country), HDFC Bank, Axis Bank and IndusInd Bank.

According to the RBI, 12 Indian banks had 129 branches in 29 countries as on March 31, 2008. Bank of Baroda alone accounted for 43 such branches, followed by SBI (33), Bank of India (22), and Indian Overseas Bank and ICICI Bank (six each). SBI, ICICI Bank and Axis Bank have a branch each at the Dubai International Finance Centre (DIFC).

The country with the largest number of Indian bank branches is the UK (23), followed by Hong Kong (14), the UAE, Singapore and Fiji Islands (nine each), and Mauritius (eight). Indian banks have seven branches each in the US and Sri Lanka.

About 15 Indian banks also have 40 representative offices around the world. For example, ICICI Bank has eight representative offices and SBI has seven. There are nine such offices of Indian banks

in China and five in Dubai.

Apart from representative offices, Indian banks also have 21 subsidiaries around the globe, with stakes ranging from 51 per cent to 100 per cent. Fifteen of these are wholly-owned subsidiaries of Indian banks. They also have seven international joint ventures, according to the RBI.

SBI, with a few overseas acquisitions in recent years, plans to aggressively expand its international network. The bank has subsidiaries in the US, Canada, Mauritius and Nigeria, and has also acquired smaller banks in Indonesia and Mauritius.

The bank has a network of 66 offices/branches in 29 countries, in key European financial centres such as Paris, Frankfurt and Antwerp. It also has a presence at the DIFC and recently opened a representative office in China. SBI is eager to expand its presence in the Gulf, especially in the UAE and Saudi Arabia.

Recently, the Monetary Authority of Singapore granted qualifying full bank privileges to SBI, enabling it to open 25 branches there. O.P Bhatt, chairman, SBI, says the bank is keen to expand its international operations and hopes to double its share in the total business over the next 10 years.

ICICI Bank has also undertaken aggressive overseas expansion especially in the UK and the US. Its remittance business has grown rapidly and the bank has a major share of remittances flowing into India. Today, it has a presence in nearly a score of countries, either by way of full-fledged branches, representative offices, wholly-owned subsidiaries or offshore banking units.

Bank of Baroda, a state-owned bank – which has the oldest and most significant exposure to international markets – is also expanding abroad aggressively. With a presence in over two-dozen countries, it is now foraying into New Zealand (it already has a presence in Fiji and Australia), with plans to open a branch in Auckland.

The bank opened its first international branch in Mombasa in Kenya in 1953. Today, it has 75 offices around the globe, including 43 branches, 23 representative offices and the rest comprising branches of its subsidiaries and other offices. M.D. Mallya, chairman and managing director, Bank of Baroda, says the bank will add

## OFFICES OF INDIAN COMMERCIAL BANKS OUTSIDE INDIA - 2006 TO 2008

Sr. No.	NAME OF THE COUNTRY	AS ON MARCH 31		
		2006 (1)	2007 (2)	2008 (3)
1	AFGHANISTAN	1	1	1
2	AUSTRALIA	1	1	1
3	BAHAMA	2	2	2
4	BAHRAIN	2	3	4
5	BANGLADESH	3	4	4
6	BELGIUM	2	2	3
7	CAYMAN ISLAND	1	1	1
8	CHANNEL ISLANDS	1	1	1
9	CHINA	-	2	2
10	FIJI	9	9	9
11	FRANCE	2	2	2
12	GERMANY	1	1	1
13	HONGKONG	8	11	14
14	ISRAEL	-	1	1
15	JAPAN	4	4	4
16	KENYA	4	4	4
17	MALDIVE ISLAND	1	1	1
18	MAURITIUS	8	8	8
19	OMAN	4	4	4
20	QATAR	..	..	1
21	SEYCHELLES	1	1	1
22	SINGAPORE	7	9	9
23	SOUTH AFRICA	2	2	3
24	SOUTH KOREA	1	1	1
25	SRI LANKA	7	7	7
26	THAILAND	1	1	1
27	UNITED ARAB EMIRATES	6	8	9
28	UNITED KINGDOM	21	22	23
29	UNITED STATES OF AMERICA	6	6	7
<b>TOTAL</b>		<b>106</b>	<b>119</b>	<b>129</b>

Source: Department of Banking Operations and Development, RBI.

## INDIAN DIASPORA ACCOUNTS FOR AN ECONOMIC OUTPUT OF US\$400 BILLION

INDIAN banks and even international banks operating in India are targeting the 25 million to 30 million-strong Indian diaspora living in over a hundred countries. For them, the primary interest is in the remittances business from NRIs, especially those living in the Gulf, and also in offering them a host of products including deposits, home loans (for buying a home in India) and other loan products.

According to the Union Minister for Overseas Indians, Vayalar Ravi: "India is already the highest recipient of remittances from overseas Indians – last year, we got remittances of over US\$27 billion." Significantly, "what is less known is the fact that nearly 40 per cent of these remittances come from just 5 million overseas Indians in the Gulf."

Overseas Indians including NRIs and PIOs worldwide are, according to the minister, "our brand ambassadors." They are among the most affluent ethnic communities in countries such as the US, Canada, Australia and even in Europe, and save substantially higher amounts as compared to other expatriates, sending money home through bank remittances.

NRIs maintain strong links to their home country. In fact, many return to India after an overseas stint of 10 to 15 years.

Consequently, they invest in properties, capital markets and many also send their children to India for higher education. Once they decide to re-settle in India, they bring back huge capital, much of it for investment in their own business.

Indians living abroad account for an economic output of about US\$400 billion, notes Ravi. "The Indian diaspora of 30

million is estimated to generate an annual income equal to about 30 per cent of India's GDP," he adds. Not surprisingly, most of the large public and private sector banks are keen on channelising a significant chunk of this money, through their overseas branches and representative offices, to India.

According to the Reserve Bank of India (RBI), the country's central bank, NRI deposits in Indian banks amount to over US\$40 billion. The RBI, which had set ceilings on the interest rates that banks could offer NRIs on their deposits, has raised the cap recently to attract more funds.

Banks are hoping that the RBI will do away with the ceiling on interest rates on NRI deposits, which would enable them to unveil attractive schemes to draw in billions of additional dollars in overseas Indian funding. This would also help the financial sector tide over the liquidity problems.



another 10 branches to its overseas network in the near future. In 2007, it opened 10 branches in South Africa, Botswana, Kenya, Australia, China and the UAE. The bank plans to cover the entire Gulf region by opening branches in Saudi Arabia, Qatar and Kuwait. By 2012, it aims to have a hundred overseas branches.

Thinking globally, however, does not directly lead to overseas expansion. Opening an international branch requires a lot of effort. Besides the RBI's permission, a bank needs to get the clearances from the central bank of the country where it plans to open a branch. Secondly, it also has to provide adequate capital, which can be as high as US\$100 million for an overseas branch in a major financial centre. Finally, the business potential should be huge to justify such large investments.

Many of the smaller banks, therefore, prefer opening representative offices that do not require substantial capital investment. Such an office enables a bank to analyse the local market and track the

business in the region. In course of time, it can be upgraded to a full-fledged branch, if the laws of the host country permit it to do so.

PNB, the second-largest public sector bank, is also unveiling ambitious overseas expansion plans. PNB's prime focus is South Asia and it aims to set up branches in Bhutan, Sri Lanka, Bangladesh and Pakistan. The bank already has a branch in Afghanistan and is also setting up one in Singapore. In future, it plans to start branches in Australia, Japan and South Africa. Other countries in the bank's focus area include China, the UAE and Norway.

It is also eagerly looking at a major presence in the UK and Canada. The bank has a subsidiary in the UK and plans to set up another in Canada. According to K. C. Chakrabarty, chairman and managing director, PNB, the bank's immediate plans include setting up branches in Norway, Dubai, Shanghai and Singapore.

Canara Bank, which has three overseas branches – in Hong Kong, the UK

and Russia – at present, plans to open 20 more branches across the world. It has got approvals for five such branches and is seeking permission for another 15. Union Bank of India, another public sector bank, is also planning to open 10 foreign offices in the UK, Canada and Australia.

Private sector banks are also unveiling ambitious overseas expansion plans. Axis Bank, which has branches in Singapore, Hong Kong, Shanghai and Dubai (DIFC), is planning rapid expansion of its foreign branches. HDFC and IndusInd banks are also strengthening their presence in the Gulf.

Even though the current global financial crisis might slow down some of the overseas expansion plans of Indian banks, the fact remains that with India's growing international exposure – in terms of trade, capital, finance, remittances and mergers and acquisitions – their overseas forays will only accelerate over the coming years. Internationally, this would make Indian banks a force to reckon with. 🌈