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EXECUTIVE SUMMARY

Robust asset growth

- In 2015, value of public sector bank assets were USD1.4 Trillion. Total Indian banking sector assets has reached USD1.8 trillion in FY14 from USD1.3 trillion in FY10, with over 70 per cent accounted by the public sector

Growing lending and deposit

- Total lending and deposits have increased at CAGR of 20.7 per cent and 19.7 per cent, respectively, during FY07-14 and are further poised for growth, backed by demand for housing and personal finance

Higher ATM penetration

- Total number of ATMs in India have increased to 182,480 by the end of April’15 and is further expected to double over the next few years, thereby taking the number of ATMs per million population from 105 in 2012, to about 300 in 2017

Rising rural penetration

- With the Financial Inclusion Plan (FY10-13), the banking connectivity in India increased more than threefold to 211,234 villages in 2013 from 67,694, at the beginning of the plan period. (In April 2014, after 12 years of its last issuance of bank license) RBI granted in-principle licenses to IDFC and Bandhan Microfinance to promote rural expansion

Source: Planning Commission, TechSci Research
Notes: ATM - Automated Teller Machine, IDFC - Infrastructure Development Finance Company
Robust demand
- Increase in working population and growing disposable incomes will raise demand for banking and related services
- Housing and personal finance are expected to remain key demand drivers
- Rural banking is expected to witness growth in the future

Innovation in services
- Mobile, Internet banking and extension of facilities at ATM stations to improve operational efficiency
- Vast un-banked population highlights scope for innovation in delivery

Business fundamentals
- Rising fee incomes improving the revenue mix of banks
- High net interest margins, along with low NPA levels, ensure healthy business fundamentals

Policy support
- Wide policy support in the form of private sector participation and liquidity infusion
- Healthy regulatory oversight and credible Monetary Policy by the Reserve Bank of India (RBI) have lent strength and stability to the country’s banking sector

Source: IBA report titled “Being five-star in productivity - Roadmap for excellence in Indian banking”; TechSci Research
Note: NPA – Non Performing Assets
EVILOUTION OF THE INDIAN BANKING SECTOR

1921

- Closed market
- State-owned Imperial Bank of India was the only bank existing

1935

- RBI was established as the central bank of country
- Quasi central banking role of Imperial Bank came to an end

1936-1955

- Imperial Bank expanded its network to 480 branches
- In order to increase penetration in rural areas, Imperial Bank was converted into State Bank of India

1956-2000

- Nationalisation of 14 large commercial banks in 1969 and 6 more banks in 1980
- Entry of private players such as ICICI intensifying the competition
- Gradual technology upgradation in PSU banks

2000 onwards

- Number of banks increased to 26 public sector banks, 20 private sector banks and 43 foreign banks
- Advent of mobile and internet banking
- Growing FDI in the Indian banking sector
- Abolition of branch licensing policy for tier 2-6 centers
- RBI will now allow more than 2 players to start small finance and payments banking

Source: Indian Bank’s Association, TechSci Research, BMI
Notes: RBI - Reserve Bank of India, FDI – Foreign Direct Investment, The data on number of banks belongs to FY15

AUGUST 2015
THE STRUCTURE OF INDIAN BANKING SECTOR

Reserve Bank of India

Banks

Scheduled Commercial Banks (SCBs)
- Public sector banks (26)
- Private sector banks (20)
- Foreign banks (43)
- Regional Rural Banks (RRB) (56)
- Urban cooperative banks (1,589)*
- Rural cooperative credit institutions (93,550)

Cooperative credit institutions

Financial institutions

All-India financial institutions
- State-level institutions
- Other institutions

Source: Reserve Bank of India’s ‘Report on Trend and Progress of Banking in India’, TechSci Research
* Indicates data on FY14
Note: The data on number of banks belongs to FY15

For updated information, please visit www.ibef.org
Credit off-take has been surging ahead over the past decade, aided by strong economic growth, rising disposable incomes, increasing consumerism and easier access to credit.

Total credit extended went up to USD1089 billion by FY15.

Credit to non-food industries increased 9.75 per cent to USD1073.4 billion in FY15, from the previous financial year.

Demand has grown for both corporate and retail loans; particularly the services, real estate, consumer durables and agriculture allied sectors have led the growth in credit.

Source: Reserve Bank of India (RBI), TechSci Research; Notes: CAGR - Compounded Annual Growth Rate.
INDIAN BANKING SECTOR HAS GROWN AT A HEALTHY PACE … (2/2)

* Deposits have grown at a CAGR of 13.6 per cent during FY05–14 and reached 1.5 trillion in FY15.

* Deposit growth has been mainly driven by strong growth in savings amid rising disposable income levels.

* Access to the banking system has also improved over the years due to persistent government efforts to promote banking-technology, and promote expansion in unbanked and non-metropolitan regions.

* At the same time India’s banking sector has remained stable despite global upheavals, thereby retaining public confidence over the years.

* Under Pradhan Mantri Jan Dhan Yojana (PMJDY), deposits has been increased. Till 29th July, 2015, USD3448.48 million has been deposited while 172.9 million accounts are opened.

---

Growth in deposits over the past few years (USD billion)

- FY05: 413
- FY06: 495
- FY07: 597
- FY08: 819
- FY09: 857
- FY10: 977
- FY11: 1,174
- FY12: 1,342
- FY13: 1,313
- FY14: 1,349
- FY15: 1,479
- FY16: 1,415

*Source: Reserve Bank of India (RBI), TechSci Research; Notes: CAGR - Compounded Annual Growth Rate, FY16* - Till May 29,
Total banking sector assets have increased at a CAGR of 9.4 per cent to USD1.8 trillion during FY10–14.

FY10–14 saw growth in assets of banks across sectors

- Assets of public sector banks, which account for 72.7 per cent of the total banking asset, grew at an average of 73.7 per cent.
- Private sector expanded at an CAGR of 9.51 per cent, while foreign banks posted a growth of 8.26 per cent.

Corporate demand for bank loans have grown due to continued infrastructure investments, and due to other policy decisions such as reducing oil subsidies, issuing of telecom spectrum licenses and the proposed abolition of penalty on loan prepayment.

Source: Reserve Bank of India (RBI), TechSci Research, Indian Banks Association;
Notes: CAGR - Compounded Annual Growth Rate,
FDI – Foreign Direct Investments;
*Growth and CAGR is in terms of USD
Total money supply increased at a CAGR of 12.1 per cent to USD1.8 trillion during FY07–15 and stood at USD1.7 trillion by the end of May’15.

Narrow money supply (M1) rose at a CAGR of 7.5 per cent while its components currency with public and deposit money of the public grew at a CAGR of 10.5 and 5.4 per cent during FY06–15, and stood at USD371.7 billion by the end of May’15.

Broad money supply (M2) increased at a CAGR of 7.5 per cent to USD388.9 billion during FY06-15.

Money supply (M3) grew at a CAGR of 11.52 per cent to USD1.7 trillion during FY07-15, and stood at USD1.8 trillion by the end of May’15.

Time deposits with banks have shown highest average growth of 13.8 per cent to USD1.37 trillion during FY06–15, and stood at USD1.32 trillion by the end of May,15.
Public sector banks account for over 71 per cent of interest income in the sector.

They lead the pack in interest income growth with a CAGR of 11.3 per cent over FY10-14.

Overall, the interest income for the sector has grown at 11.7 per cent CAGR during FY10-14.

Interest income growth in Indian banking sector (USD billion)

Source: Reserve Bank of India, IBA (Indian Banks Association), TechSci Research
Notes: CAGR - Compound Annual Growth Rate,
Indian banking sector enjoys healthy Net Interest Margins (NIM) compared with global peers.

HDFC leads the large banks with a NIM of over 4.4 per cent.

Prominent Chinese banks have NIM’s between 2-3 per cent, significantly lower than Indian peers.

Despite virtually zero cost funds, the banks in the US have NIM’s comparable to Indian peers.

**Healthy net interest margins (FY15)**

- HDFC: 4.43%
- ICICI: 3.48%
- SBI: 3.54%
- AXIS: 3.81%

*Source*: Company Reports, TechSci Research

*Notes*: HDFC – Housing Development Finance Corporation, ICICI – Industrial Credit and Investment Corporation of India, SBI – State Bank of India
Public sector banks account for about 57.1 per cent of income other than from interest (‘other income’)

‘Other income’ for public sector banks has risen at a CAGR of 3.9 per cent during FY09-14

Overall, ‘other income’ for the sector has risen at 3.8 per cent CAGR during FY09-14

‘Other income’ growth in Indian banking sector (USD billion)

Source: Indian Bank’s Association, TechSci Research
Notes: CAGR - Compound Annual Growth Rate,
**PRIVATE BANKS LEAD IN MAINTAINING LOWEST NPA LEVELS**

* Despite the global financial crisis, net Non-Performing Assets (NPA) of Indian banking sector have declined over the past few years

* Gross NPA to Gross Advances in public sectors banks grew from 3.68 per cent in FY13 to 4.46 per cent in FY14, while in foreign banks gross NPA to gross advances grew from 3.03 per cent in FY13 to 4.02 per cent in FY14

* Private sector banks maintained lowest gross non-performing assets to gross advances at 1.83 per cent in FY14

### Gross NPAs to gross advances (FY14)

<table>
<thead>
<tr>
<th></th>
<th>Public Sector Banks</th>
<th>Private Sector Banks</th>
<th>Foreign Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4.46%</td>
<td>1.83%</td>
<td>4.02%</td>
</tr>
</tbody>
</table>

### Net NPA to Net Advances over the years (In Per cent)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector Banks</td>
<td>0.46</td>
<td>1.53</td>
<td>2.01</td>
</tr>
<tr>
<td>Private Sector Banks</td>
<td>0.42</td>
<td>1.01</td>
<td>1.09</td>
</tr>
<tr>
<td>Foreign Banks</td>
<td>0.66</td>
<td>2.56</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Reserve Bank of India (RBI), TechSci Research, Indian Banks Association*
RETURN ON ASSETS AND LOAN-TO-DEPOSIT RATIO SHOWING AN UPTREND

- Loan-to-Deposit ratio for banks across sectors has increased over the years
- Private and foreign banks have posted high return on assets than nationalised and public banks
- This has prompted most of the foreign banks to start their operations in India

**Return on assets**

<table>
<thead>
<tr>
<th></th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI &amp; Its Associate</td>
<td>0.89</td>
<td>0.88</td>
<td>0.88</td>
<td>0.98</td>
</tr>
<tr>
<td>Nationalised Banks</td>
<td>0.85</td>
<td>0.85</td>
<td>0.71</td>
<td>0.37</td>
</tr>
<tr>
<td>Public Banks</td>
<td>0.88</td>
<td>0.86</td>
<td>0.79</td>
<td>0.48</td>
</tr>
<tr>
<td>Private Banks</td>
<td>1.53</td>
<td>1.37</td>
<td>1.25</td>
<td>1.76</td>
</tr>
<tr>
<td>Foreign Banks</td>
<td>1.23</td>
<td>1.10</td>
<td>1.10</td>
<td>1.10</td>
</tr>
</tbody>
</table>

**Loan-to-deposit ratio**

<table>
<thead>
<tr>
<th></th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI &amp; Its Associate</td>
<td>79.80</td>
<td>81.99</td>
<td>85.22</td>
<td>85.57</td>
</tr>
<tr>
<td>Nationalised Banks</td>
<td>73.09</td>
<td>75.34</td>
<td>74.29</td>
<td>73.79</td>
</tr>
<tr>
<td>Public Banks</td>
<td>75.57</td>
<td>77.51</td>
<td>77.85</td>
<td>77.42</td>
</tr>
<tr>
<td>Private Banks</td>
<td>80.00</td>
<td>82.28</td>
<td>81.90</td>
<td>84.37</td>
</tr>
<tr>
<td>Foreign Banks</td>
<td>81.00</td>
<td>82.99</td>
<td>91.51</td>
<td>92.60</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India (RBI), TechSci Research
Note: Data for Return on Assets and Loan to Deposit Ratio is in percentage.

For updated information, please visit www.ibef.org
PRIVATE BANKS ARE AGGRESSIVELY INCREASING THEIR PRESENCE

- Share of public sector banks in total deposits have increased from 76 per cent in FY05 to 77.2 per cent in FY14
- This is largely due to the fact that private banks are rapidly capturing share in savings deposit

Market share of bank groups by deposits

<table>
<thead>
<tr>
<th>Year</th>
<th>Public sector</th>
<th>Private sector</th>
<th>Foreign</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY05</td>
<td>76.0%</td>
<td>17.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>FY13</td>
<td>77.3%</td>
<td>18.8%</td>
<td>4.1%</td>
</tr>
<tr>
<td>FY14</td>
<td>77.2%</td>
<td>18.7%</td>
<td></td>
</tr>
</tbody>
</table>

Source: IBA statistics, TechSci Research
By April, 2014, Reserve Bank of India (RBI) has issued two licenses (IDFC and Bandhan) of the 25 applicants in the fray for banking permits.

By February, 2015, The Reserve Bank of India (RBI) has received 72 applications for small finance banks and 41 applications for payments banks. Some of the major applicants for small finance banks are: IIFL Holdings Limited, Indigo Fincap Private Limited, Sahara Utsarga Welfare Society, etc., while for payments banks major players are: Reliance Industries Limited, Tech Mahindra Limited, etc.

Some of the twenty-five applicants are - Aditya Birla Nuvo, India Infoline, Muthoot Finance, Reliance Capital, TATA Sons, etc.

RBI requires the promoter of new bank to hold at least 40 per cent of equity capital for first five years, which can be reduced to 15 per cent within 12 years. The new bank must list equity shares within three years of the commencement of business. Furthermore, it must open at least 25 per cent of its branches in unbanked rural centres, and comply with priority sector lending target.

The advent of meeting Basel III requirements and opening of new banks, will create demand for additional capital.
<table>
<thead>
<tr>
<th>NOTABLE TRENDS IN THE BANKING INDUSTRY SECTOR … (1/3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved risk management practices</td>
</tr>
<tr>
<td>• Indian banks are increasingly focusing on adopting integrated approach to risk management</td>
</tr>
<tr>
<td>• Banks have already embraced the international banking supervision accord of Basel II; interestingly, according to RBI, majority of the banks already meet capital requirements of Basel III, which has a deadline of 31 March 2019</td>
</tr>
<tr>
<td>• Most of the banks have put in place the framework for asset-liability match, credit and derivatives risk management</td>
</tr>
<tr>
<td>Diversification of revenue stream</td>
</tr>
<tr>
<td>• Banks are laying emphasis on diversifying the source of revenue stream to protect themselves from interest rate cycle and its impact on interest income</td>
</tr>
<tr>
<td>• Focusing on increasing fee and fund based income by launching plethora of new asset management, wealth management and treasury products</td>
</tr>
<tr>
<td>Technological innovations</td>
</tr>
<tr>
<td>• Indian banks, including public sector banks are aggressively improving their technology infrastructure to enhance customer experience and gain competitive advantage</td>
</tr>
<tr>
<td>• Internet and mobile banking is gaining rapid foothold</td>
</tr>
<tr>
<td>• Customer Relationship Management (CRM) and data warehousing will drive the next wave of technology in banks</td>
</tr>
<tr>
<td>• Indian banks are rapidly focusing on SMAC (Social, Mobile, Analytics and Cloud) techniques to reach new customers</td>
</tr>
</tbody>
</table>

Source: Indian Bank’s Association, Indian Banking Sector 2020, TechSci Research
Notable Trends in the Banking Industry Sector … (2/3)

Focus on financial inclusion

- RBI has emphasised the need to focus on spreading the reach of banking services to the un-banked population of India
- Indian banks are expanding their branch network in the rural areas to capture the new business opportunity

Derivatives and risk management products

- The increasingly dynamic business scenario and financial sophistication has increased the need for customised exotic financial products
- Banks are developing Innovative financial products and advanced risk management methods to capture the market share

Consolidation

- With entry of foreign banks competition in the Indian banking sector has intensified
- Banks are increasingly looking at consolidation to derive greater benefits such as enhanced synergy, cost take-outs from economies of scale, organisational efficiency, and diversification of risks

Source: Indian Bank's Association, Indian Banking Sector 2020, TechSci Research
Focus towards Jan Dhan Yojana

• Key objective of Pradhan Mantri Jan Dhan Yojana (PMJDY) is to increase the accessibility of financial services such as bank accounts, insurance, pension, credit facilities, etc. mostly to the low income groups.
• Under the program, by 29th July 2015, 172.9 million new accounts have been opened and around USD3445.48 million has been deposited with the banks under this scheme.
• 152.6 million ‘Rupay’ debit cards has been provided to the users till 29th July, 2015

Wide usability of RTGS and NEFT

• Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) are being implemented by Indian banks for fund transaction
• Securities Exchange Board of India (SEBI) has included NEFT and RTGS payment system to the existing list of methods that a company can use for payment of dividend or other cash benefits to their shareholders and investors

Know Your Client

• RBI mandated the Know Your Customer (KYC) Standards, wherein all banks are required to put in place a comprehensive policy framework in order to avoid money laundering activities
• The KYC policy is now mandatory for opening an account or making any investment such as mutual funds

Source: Indian Bank’s Association, Indian Banking Sector 2020, Pradhanmantri Jan Dhan Yojna, Business India, TechSci Research
### BANKING

**BANKS REAPING BENEFITS FROM INCREASED USAGE OF TECHNOLOGY**

#### Increasing usage of technology

- In the last few years, technology is being increasingly used by Indian banks.
- Banks are using technology at various levels such as, back-office processing, convergence of delivery channels, IT-enabled business process reengineering as well as communication with customers.
- Indian banks currently devote around 15 per cent of total spending on technology.
- Spending on technology is expected to increase at an annual rate of 14.2 per cent.
- Banks in the country are set to benefit further as they move ahead in implementing additional technological advancements.
- Indian banking and securities companies will spend USD 8.89 billion on IT products and services in 2015, an increase of nearly 15.2 per cent over 2014.

<table>
<thead>
<tr>
<th>Benefits of Increased Usage of Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology has allowed banks to increase their scale rapidly and manage increased business and transactions volume with lesser man power and reduced costs (at the operational level).</td>
</tr>
<tr>
<td>Digital analytics is providing deeper insights into customer needs and enabling banks to offer highly targeted products and services; this is likely to pick up pace in the coming years.</td>
</tr>
<tr>
<td>New channel-integration technologies are enabling a more seamless end-to-end experience for banking customers.</td>
</tr>
<tr>
<td>Offering new opportunities to engage and interact with customers and thereby build relationship and grow revenues; social media has a crucial role to play in this.</td>
</tr>
</tbody>
</table>


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**AUGUST 2015**
The wide scope and ease of online banking has led to a paradigm shift from traditional branch banking to net banking.

Around 44% people are using Net banking, which remains the most favourite mode of payment among internet users in India.

Extensions for facilities such as fund transfer, account maintenance and bill payment at ATM stations have reduced branch banking footfall.

ATMs in India have increased to 176,410 by December 2014 and are further expected to double over the next few years.

The increase would take the number of ATMs per million population from 182 in 2015 to about 300 in 2017.
A PARADIGM SHIFT: ONLINE AND ATMS USAGES … (2/2)

- Deposit of cash
- Withdrawal of cash
- Mini-statement
- Balance Inquiry
- Coupon Dispensing
- Fulfilling request from customers
- Account transfer
- Touch screen menus
- Bill payment
- Mobile recharging
- Check deposit with scanning
- Customised ATMs
- After 5 free transaction ATMs charges for non-bank customer - Rs 20 for each cash withdrawal and Rs 9 for non-cash transactions
- All the bank users have to interlink “Aadhar Card” to their accounts.

Source: IBA statistics, TechSci Research
## PORTER'S FIVE FORCES ANALYSIS

**Competitive Rivalry**
- At present, public sector banks, led by SBI & associates, control 77.3 per cent of the banking sector.
- Rivalry is much aggressive in metropolitan areas.
- Issuing of new licenses will increase competitive rivalry in rural areas over medium to long term.

**Threat of New Entrants**
- High entry barriers, as RBI and Central Bank control the issuance of licenses.
- New licenses may reduce market-share of public banks.

**Substitute Products**
- For deposit substitutes include investment in gold, real estate, equity etc.
- For advances substitutes include, bonds, IPO/FPO*, etc.

**Bargaining Power of Suppliers**
- Largely, customers prefer banks for its reliability.
- Gradually, customers have hedged inflation by investing in other riskier avenues.

**Bargaining Power of Customers**
- Nascent debt market and volatile stock market, are less opted.
- Banks are an indispensable source of fund in India.

**Notes:**
- *IPO – Initial Public Offering*
- *FPO – Follow-on Public Offering*
For updated information, please visit www.ibef.org

**STRATEGIES ADOPTED**

- **Increased use of technology**
  - Banks protect margins by promoting usage of efficient technologies like mobile and internet banking

- **Cross-selling**
  - Major banks tend to increase income by cross-selling products to their existing customers
  - Foreign banks have been able to grow business, despite a much lower customer coverage

- **Capture latent demand**
  - Expansion in unbanked rural regions helps banks to garner deposits
  - Increasing tele-density, and support of regulators have aided rural expansion

- **Overseas expansion**
  - Although at a nascent stage, private and public banks are gradually expanding operations overseas
  - Internationally, banks target India-based customers and investors, settled abroad
**GROWTH DRIVERS OF INDIAN BANKING SECTOR (1/2)**

<table>
<thead>
<tr>
<th>Economic and demographic drivers</th>
<th>Policy support</th>
<th>Infrastructure financing</th>
<th>Technological innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Favourable demographics and rising income levels</td>
<td>• Extension of interest subsidy to low cost home buyers</td>
<td>• India currently spends 6 per cent of GDP on infrastructure; Planning Commission expects this fraction to grow going ahead</td>
<td>• Technological innovation will not only help to improve products and services but also to reach out to the masses in cost effective way</td>
</tr>
<tr>
<td>• Strong GDP growth (CAGR of 7.0 per cent expected over 2012–17) to facilitate banking sector expansion</td>
<td>• Simplification of KYC norms, introduction of no-frills accounts and Kisan Credit Cards to increase rural banking penetration</td>
<td>• Banking sector is expected to finance part of the USD1 trillion infrastructure investments in the 12th Five Year Plan, opening a huge opportunity for the sector</td>
<td>• Use of alternate channels like ATM, internet and mobile hold significant potential in India</td>
</tr>
<tr>
<td>• The sector will benefit from structural economic stability and continued credibility of Monetary Policy</td>
<td>• RBI is considering giving more licenses to private sector players to increase banking penetration</td>
<td>• Now cloud technology and analytics also gaining ground</td>
<td></td>
</tr>
</tbody>
</table>

Notes: GDP - Gross Domestic Product, KYC - Know Your Customer, RBI - Reserve Bank of India, ATM - Automated Teller Machine
NEW SCHEMES BY GOVERNMENT

### Pradhan Mantri Suraksha Bima Yojana
- This scheme is mainly for accidental death insurance cover for up to Rs. 2 lakh.
- Premium: Rs. 12 per annum.
- Risk Coverage: For accidental death and full disability - Rs. 2 lakh and for partial disability – Rs. 1 lakh.

### Pradhan Mantri Jeevan Jyoti Bima Yojana
- This scheme aims to provide life insurance cover.
- Premium: Rs. 330 per annum. It will be auto-debited in one instalment.
- Risk Coverage: Rs. 2 lakh in case of death for any reason.

### Atal Pension Yojana
- Under the scheme subscribers would receive the fixed pension of Rs. 1,000, 2,000, 3,000, 4,000 or 5,000 at the age of 60 years (depending on their contributions).
- The Central Government will also co-contribute 50% of the subscriber’s contribution or Rs. 1,000 per annum, whichever is lower, to each eligible subscriber account, for a period of 5 years.

### Pradhan Mantri Jan Dhan Yojana
- Under the scheme, each and every citizen will be enrolled in a bank for opening a Zero balance account.
- Each people getting into this scheme will get an Rs. 30000 life cover with opening of the account.
- Overdraft limit under such accounts is Rs.5000

Source: News Articles, Pradhanmantri Jan Dhan Yojna, PMO, TechSci Research

For updated information, please visit www.ibef.org
Rapid urbanisation, decreasing household size and easier availability of home loans has been driving demand for housing.

Personal finance, including housing finance provide an essential cushion against volatility in corporate loans.

The recent improvement in property value have reduced the ratio of loan to collateral value.

Credit to housing sector increased at a CAGR of 11.5 per cent during FY09–15 to USD89.7 billion in FY14, and stands at USD103.8 billion in FY15.

Demand in the low- and mid-income segments exceeds supply three- to four-fold.

This has propelled demand for housing loan in the last few years.

**Growth in credit to housing finances (USD billion)**

- FY09: 53.9
- FY10: 66.9
- FY11: 76.4
- FY12: 74.8
- FY13: 84.1
- FY14: 89.7
- FY15: 103.8

**Source:** Reserve Bank of India (RBI), TechSci Research

**Notes:** CAGR - Compound Annual Growth Rate,
FY13: Data as on 22 March 2013,
FY14: Data as on 21 March 2014,
FY15: Data as on 20 March 2015
* Growth in disposable income has been encouraging households to raise their standard of living and boost demand for personal credit

* Credit under the personal finance segment (excluding housing) rose at a CAGR of 9.3 per cent during FY09–15, and stood at USD93.4 billion by the end of FY15

* Unlike some other emerging markets, credit-induced consumption is still less in India

**Growth in personal finance (excluding housing)**

Source: Reserve Bank of India (RBI), TechSci Research
Notes: *CAGR - Compound Annual Growth Rate,
FY13: Data as on 22 March 2013,
FY14: Data as on 21 March 2014,
FY15: Data as on 20 March 2015
Rising per capita income will lead to an increase in the fraction of the Indian population that uses banking services.

Population in the 15-64 age group is expected to grow strongly going ahead, giving further push to the number of customers in the banking sector.

Notes: E - Expected, F - Forecasted, GDP - Gross Domestic Product
India’s GDP is forecasted to expand at a healthy CAGR of 6.8 per cent during 2012-17 to USD2,592.3 billion

Strong GDP growth will facilitate banking sector expansion

Total banking sector credit is expected to increase at a CAGR of 18.1 per cent to USD2.4 trillion by 2017

The sector will also benefit from economic stability and credibility of Monetary Policy

Source: Reserve Bank of India, Business Monitor International Ltd (BMI), TechSci Research
Notes: *CAGR - Compound Annual Growth Rate
F: Forecast
LOW BANKING PENETRATION INDICATES HUGE LATENT DEMAND … (1/2)

- Despite healthy growth over the past few years, the Indian banking sector is relatively underpenetrated.

- Loans-to-GDP ratio is low (62 per cent) relative to many of its emerging markets peers as well as developed economies such as the US and UK.

**Loan/GDP vs. GDP per-capita in select countries**

Size of the bubble represents GDP per capita

- Total loans / GDP
- Per-capita GDP (USD)

LOW BANKING PENETRATION INDICATES HUGE LATENT DEMAND … (2/2)

* Limited banking penetration in India is also evident from low branch per 100,000 adults ratio

* Branch per 100,000 adults in India stands at 747 compared to 1,065 for Brazil and 2,063 for Malaysia

Branch per 100,000 adults in India

Banking penetration branch per 100,000 adults in India is lower than a number of peers in emerging countries

The real annual disposable household income in rural India is forecasted to grow at CAGR of 3.6 per cent over the next 15 years.

The Indian agriculture, forestry & fishing sector has grown at a fast pace, clocking a CAGR of 8.3 per cent over the past seven years.

Rising incomes are expected to enhance the need for banking services in rural areas and therefore drive the growth of the sector. Programs like MNREGA have helped in increasing rural income aided by the recent Jan Dhan Yojana.

**GDP of agriculture, forestry & fishing sector, at current prices (USD Billion)**

- 2007: 174.89
- 2008: 191.77
- 2009: 194.8
- 2010: 236.99
- 2011: 278.96
- 2012: 274.18
- 2013: 281.46

CAGR: 8.3%

**Real disposable household income in rural India (USD)**

- 2010: 1,875
- 2015: 2,167
- 2020: 2,667
- 2025: 3,229

CAGR: 3.6%

*Source: McKinsey estimates, TechSci Research*

Notes: CAGR – Compounded Annual Growth Rate,
Data of GDP is from June 07 – June 13

For updated information, please visit [www.ibef.org](http://www.ibef.org)
MOBILE BANKING TO PROVIDE A COST EFFECTIVE SOLUTION … (1/2)

* Agriculture requires timely credit to enable smooth functioning. However, only one-eighth of farm households avail bank credit

* Local money-lending practices involve interest rates well above 30 per cent, therefore making bank credit a compelling alternative

Banking penetration in rural India picking pace

- Of the 600,000 village habitation in India only 5 per cent have a commercial bank branch
- Only 40 per cent of the adult population has bank accounts
- Debit card holders constitute only 13 per cent of the population and only 2 per cent have a credit card
- 51.4 per cent of nearly 89.3 million farm households do not have access to any credit either from institutional or non-institutional sources
- Only 13 per cent of farm households are availing loans from the banks in the income bracket of < USD1000

* Tele-density in rural India soared to nearly 48.4 per cent in April'15 from less than 1 per cent in 2007

* Banks, telecom providers and RBI are making efforts to make inroads into the un-banked rural India through mobile banking solutions

Soaring rural tele-density opens avenue of mobile banking

Source: TRAI, TechSci Research
Note: * Indicates as on April 15

For updated information, please visit www.ibef.org
MOBILE BANKING TO PROVIDE A COST EFFECTIVE SOLUTION … (2/2)

Evolution of mobile banking

- Mobile banking allows customers to avail banking services on the move through their mobile phones. The growth of mobile banking could impact the banking sector significantly.
- Mobile banking across the world is still at a primitive stage with countries like China, India and UAE taking the lead.
- Mobile banking is especially critical for countries like India, as it promises to provide an opportunity to provide banking facilities to a previously under-banked market.
- RBI has taken several steps to enable mobile payments, which forms an important part of mobile banking; the central bank has recently removed the transaction limit of INR50,000 and allowed banks to set their own limits.
- Mobile banking transactions in India will cross 340 million by 2015 and would result in cost savings of approximately INR11 billion (USD230 million).


For updated information, please visit www.ibef.org
SUCCESS STORIES IN THE INDIAN BANKING SECTOR: HDFC BANK … (1/2)

HDFC Bank

- Established in 1994, HDFC Bank is the second largest private sector bank in India. HDFC was amongst the first to receive an 'in principle' approval from the RBI to set up a bank in the private sector.

- Divisions – Retail banking, Wholesale banking and Treasury operations.

- Size – Number of branches and extensions: 4,014
  - Number of ATMs: 11,766
  - Number of employees: 69,065*
  - Total assets: USD97.96 billion.

- Recognition –
  - Best Managed Company (Finance Asia Poll on Asia’s Best Companies 2015).
  - Ranked third in Investor Relations and Corporate Governance (Finance Asia Poll on Asia’s Best Companies 2015).

Net profit USD (millions)

<table>
<thead>
<tr>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>394.9</td>
<td>486.6</td>
<td>621.8</td>
<td>860.7</td>
<td>1102.2</td>
<td>1238.5</td>
<td>1406.5</td>
<td>1775.1</td>
</tr>
</tbody>
</table>

CAGR: 24.0%

Source: Company Annual Reports, TechSci Research

*CAGR - Compound Annual Growth Rate.
SUCCESS STORIES IN THE INDIAN BANKING SECTOR: HDFC BANK … (2/2)

Income break-up (FY15)

- Net Interest Income: 84%
- Other Income: 16%

Advances and deposits (USD billion) (FY15)

Source: Company Annual Reports, TechSci Research
SUCCESS STORIES IN THE INDIAN BANKING SECTOR: AXIS BANK … (1/2)

Axis Bank

- Established in 1994, Axis Bank is the third largest private sector bank in India. The Net Interest Income of the bank in 2015, was USD2.36 billion with Foreign Institutional investors constituting 44.51 per cent as on 30th June, 2015.

- Divisions – Treasury, retail banking, corporate/wholesale banking and other banking business
- Size – Number of branches and extensions: 1,714
  - Number of ATMs: 12355
  - Number of employees: 42,230
  - Total assets: USD63.6 billion*
- Recognition –
  - No. 1 Promising Banking Brand of 2015 (ET Best Brands 2015)
  - Felicitated at CNBC Awaaz Act for Good Governance Summit 2015
  - Awarded the title of Superbrand 2014 – 15, by Superbrands

Net profit USD (millions)

Source: Company Annual Reports, TechSci Research
SUCCESS STORIES IN THE INDIAN BANKING SECTOR: AXIS BANK … (2/2)

Income break-up (FY15)

- Net Interest Income: 80.2%
- Other Income: 19.8%

Advances and deposits (USD billion) (FY15)

<table>
<thead>
<tr>
<th>Year</th>
<th>Advances</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY08</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>FY09</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>FY10</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>FY11</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>FY12</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>FY13</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>FY14</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td>47</td>
<td>53</td>
</tr>
</tbody>
</table>

Source: Company Annual Reports, TechSci Research
SUCCESS STORIES IN THE INDIAN BANKING SECTOR: STATE BANK OF INDIA … (1/2)

**State Bank of India**

- Established in 1955, State Bank of India is the largest public sector bank in India. The Net Interest Income of State Bank of India in 2015, was USD9.13 billion with the President of India holding 58.60 per cent as on 31st May 2015.
- Divisions – Treasury, retail banking, corporate/wholesale banking and other banking businesses
- Size – Number of branches and extensions: 16,333
  - Number of ATMs: 54,560
  - Total Assets: USD0.62 billion**
- Recognition
  - Best Bank – Public Sector by Banking, Financial Services and Insurance (BFSI) in 2015
  - Socially Responsible Bank – Magna Awards ’15 by Business World Magazine

### Net profit (USD billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY08</td>
<td>1.7</td>
</tr>
<tr>
<td>FY09</td>
<td>2.0</td>
</tr>
<tr>
<td>FY10</td>
<td>1.9</td>
</tr>
<tr>
<td>FY11</td>
<td>1.8</td>
</tr>
<tr>
<td>FY12</td>
<td>2.5</td>
</tr>
<tr>
<td>FY13</td>
<td>2.6</td>
</tr>
<tr>
<td>FY14</td>
<td>1.8</td>
</tr>
<tr>
<td>FY15</td>
<td>2.2</td>
</tr>
</tbody>
</table>

*Source: Company Annual Reports, TechSci Research*

Notes: CAGR - Compound Annual Growth Rate,
Note**-fourth quarter ended March 2015
SUCCESS STORIES IN THE INDIAN BANKING SECTOR: STATE BANK OF INDIA … (2/2)

Income break-up (FY15)

- Interest Income: 13%
- Other Income: 87%

Advances and deposits (USD billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Advances</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY08</td>
<td>103.5</td>
<td></td>
</tr>
<tr>
<td>FY09</td>
<td>160.8</td>
<td>117.6</td>
</tr>
<tr>
<td>FY10</td>
<td>169.6</td>
<td>133.3</td>
</tr>
<tr>
<td>FY11</td>
<td>204.7</td>
<td>165.9</td>
</tr>
<tr>
<td>FY12</td>
<td>222.6</td>
<td>185.1</td>
</tr>
<tr>
<td>FY13</td>
<td>221.5</td>
<td>192.5</td>
</tr>
<tr>
<td>FY14</td>
<td>231.3</td>
<td>200.7</td>
</tr>
<tr>
<td>FY15</td>
<td>261.6</td>
<td>215.7</td>
</tr>
</tbody>
</table>

Source: Company Annual Reports, TechSci Research
SUCCESS STORIES IN THE INDIAN BANKING SECTOR: FINANCIAL INCLUSION PLAN

- The RBI has aimed to provide banking services through a banking branch in every village having a population of more than 2000.
- Financial inclusion has permitted banks to utilise the services of Non-Governmental Organisations (NGOs), micro-finance institutions (other than Non-Banking Financial Companies) and other civil society organisations as intermediaries in providing financial and banking services to all sections of the society, mainly the weaker sections and lower income groups.
- The Financial Inclusion Plan (2010–13) has increased the penetration of banking services in rural areas.

<table>
<thead>
<tr>
<th>Banks in Rural Areas</th>
<th>• Total number of banks in the rural sector in 2011 were 33.927 thousand which increased to 47.278 thousand as of 31st December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in Public Sector ATM’s</td>
<td>• Numbers of Public sector ATM’s in the increased from 19.739 thousand between the year 2011 and 50.247 in 2014</td>
</tr>
<tr>
<td>Basic Savings Bank Deposit Accounts (BSBDA)</td>
<td>• Total number of BSBDA have gone up from 73.45 million in 2010 to 182 million by 2013</td>
</tr>
<tr>
<td>Kissan Credit Cards and General Credit Cards outstanding</td>
<td>• Kissan Credit Cards outstanding have gone up from 24.31 million in 2010 to 31.73 million by 2012, while General Credit Cards outstanding have gone up from 1.39 million to 3.11 million during the same period</td>
</tr>
<tr>
<td>Financial Inclusion Plan (2013 – 16)</td>
<td>• The plan includes self-set targets for opening rural brick and mortar branches, employing Business Correspondents, covering unbanked villages through branches, Business Correspondents and other modes; and opening no-frills accounts to cater to the financially excluded segments.</td>
</tr>
</tbody>
</table>

Source: Company Annual Reports, TechSci Research
Indian Banks’ Association
World Trade Centre, 6th Floor
Centre 1 Building,
World Trade Centre Complex,
Cuff Parade, Mumbai - 400 005
India
E-mail: webmaster@iba.org.in
ATM: Automated Teller Machines

CAGR: Compound Annual Growth Rate

FY: Indian Financial Year (April to March)

GDP: Gross Domestic Product

INR: Indian Rupee

KYC: Know Your Customer

NIM: Net Interest Margin

NPA: Non-Performing Assets

RBI: Reserve Bank of India

USD: US Dollar

Wherever applicable, numbers have been rounded off to the nearest whole number
## Exchange Rates

### Exchange Rates (Fiscal Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR equivalent of one USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004–05</td>
<td>44.81</td>
</tr>
<tr>
<td>2005–06</td>
<td>44.14</td>
</tr>
<tr>
<td>2006–07</td>
<td>45.14</td>
</tr>
<tr>
<td>2007–08</td>
<td>40.27</td>
</tr>
<tr>
<td>2008–09</td>
<td>46.14</td>
</tr>
<tr>
<td>2009–10</td>
<td>47.42</td>
</tr>
<tr>
<td>2010–11</td>
<td>45.62</td>
</tr>
<tr>
<td>2011–12</td>
<td>46.88</td>
</tr>
<tr>
<td>2012–13</td>
<td>54.31</td>
</tr>
<tr>
<td>2013–14</td>
<td>60.28</td>
</tr>
<tr>
<td>2014-15(Expected)</td>
<td>60.28</td>
</tr>
</tbody>
</table>

### Exchange Rates (Calendar Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR equivalent of one USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>43.98</td>
</tr>
<tr>
<td>2006</td>
<td>45.18</td>
</tr>
<tr>
<td>2007</td>
<td>41.34</td>
</tr>
<tr>
<td>2008</td>
<td>43.62</td>
</tr>
<tr>
<td>2009</td>
<td>48.42</td>
</tr>
<tr>
<td>2010</td>
<td>45.72</td>
</tr>
<tr>
<td>2011</td>
<td>46.85</td>
</tr>
<tr>
<td>2012</td>
<td>53.46</td>
</tr>
<tr>
<td>2013</td>
<td>58.44</td>
</tr>
<tr>
<td>2014</td>
<td>61.03</td>
</tr>
<tr>
<td>2015(Expected)</td>
<td>61.03</td>
</tr>
</tbody>
</table>

Average for the year
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