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**REVIEW OF LITERATURE**

**NEED/IMPORTANCE OF THE STUDY**

**STATEMENT OF THE PROBLEM**

**OBJECTIVES**

**HYPOTHESES**

**RESEARCH METHODOLOGY**

**RESULTS & DISCUSSION**

**FINDINGS**

**RECOMMENDATIONS/SUGGESTIONS**

**CONCLUSIONS**

**SCOPE FOR FURTHER RESEARCH**

**ACKNOWLEDGMENTS**

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**CONTRIBUTIONS TO BOOKS**

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

**JOURNAL AND OTHER ARTICLES**

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

**CONFERENCE PAPERS**

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

**UNPUBLISHED DISSERTATIONS AND THESES**

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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**UNIVERSAL BANKING: FINANCIAL MALL BY BANKS**

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**SHIVAJINAGAR**

**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 Netherlands, 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.

**KEYWORDS**

Financial mall, R H Khan Committee, Universal banking.

**INTRODUCTION**

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 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 under 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 Netherlands, Bank of America, Citigroup, JM Morgan Chase and Wells Fargo of the United States, and Credit Suisse of Switzerland.

**REVIEW OF LITERATURE**

The Researcher has referred Handbooks on Banking as well as various websites from the internet. There is no enough study material available on this topic. Therefore, the researcher has analysed research papers written by various authors. It is observed that many authors have contributed towards Universal Banking. But still there is scope for study of this concept with reference to India. India is having complex banking structure. Reserve Bank of India has issued guidelines in the year 2001 related to Universal Banking. If banks are performing Universal banking functions then it may help to increase their profitability. Generally speaking, Universal Banking is misinterpreted by the people with international banking, multinational banking or global banking. In reality, the concept of Universal Banking is having wide variety of scope. First time ICICI Bank introduced Universal banking in India.

**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 analyse the impact of Universal Banking on profitability of the 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**

Researcher will be collecting Primary and Secondary data in following ways:

**PRIMARY DATA**

Primary Data means first hand data. It is original in nature. It will be collected by the researcher from the following sources:

- **Interviews** of Officers of and Representative of employees
- **Observations**

**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 will be 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.

Researcher has selected few banks for the purpose of study which can be understood with the help of following table:

Indian Banks		Foreign Banks
Public Sector Banks	Private Sector Banks	
State Bank of India	ICICI Bank	AB Bank Ltd
Punjab National Bank	HDFC Bank	Bank of Bahrain & Kuwait B.S.C.
Bank of India	Kotak Mahindra Bank	Barclays Bank
Bank of Baroda	Yes Bank Ltd	BNP Paribus
Bank of Maharashtra	Axis Banks Ltd	CITI Bank N A

**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
- ✓ In tune with Narasimhan Committee Report

**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



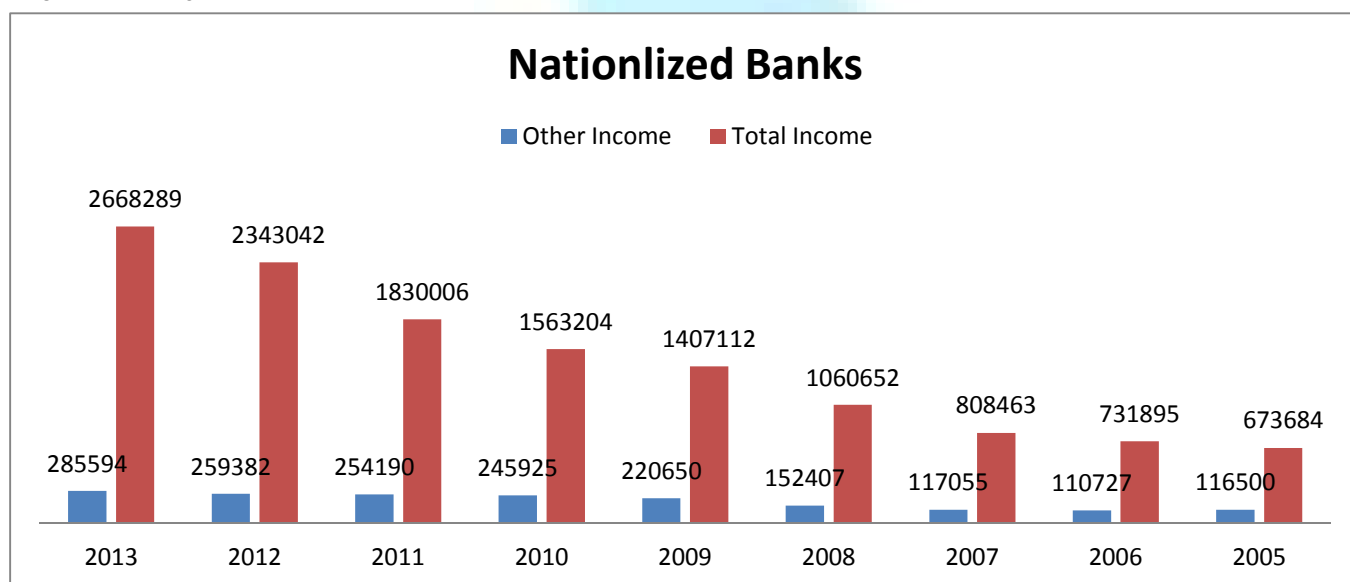
## ANALYSIS OF DATA

TABLE 1.1: NON FUND BASED INCOME OF NATIONALISED BANKS (Rs in crores)

Bank	Items	2013	2012	2011	2010	2009	2008	2007	2006	2005
STATE BANK OF INDIA	Interest income	1196571	1065215	813944	709939	637884	489503	372423	359796	324280
STATE BANK OF INDIA	Other income	160348	143514	158246	149682	126908	86949	67653	74352	71199
	Total Income	1356919	1208729	972190	859621	764792	576452	440076	434148	395479
	% of	12	12	16	17	17	15	15	17	18
PUNJAB NATIONAL BANK	Interest income	418933	364761	269865	214221	191272	142650	112361	95842	84599
PUNJAB NATIONAL BANK	Other income	42159	42026	36126	36101	30647	19976	17304	12735	16757
	Total Income	461093	406787	305991	250322	221919	162626	129665	108577	101355
	% of	9	10	12	14	14	12	13	12	17
BANK OF INDIA	Interest income	319089	284807	217517	178780	163474	123552	89363	70287	60315
BANK OF INDIA	Other income	37660	33212	26418	26166	30519	21169	15630	11844	11558
	Total Income	356750	318018	243935	204946	193992	144721	104992	82131	71873
	% of	11	10	11	13	16	15	15	14	16
BANK OF BARODA	Interest income	351967	296737	218859	166983	150916	118135	90041	70500	64314
BANK OF BARODA	Other income	36306	34223	28092	28064	27577	20510	13818	11274	13133
	Total Income	388273	330961	246951	195047	178492	138645	103859	81773	77448
	% of	9	10	11	14	15	15	13	14	17
BANK OF MAHARASHTRA	Interest income	96134	72140	55631	47356	42916	34405	27220	24744	23677
BANK OF MAHARASHTRA	Other income	9120	6407	5309	5912	5000	3803	2651	522	3852
	Total Income	105254	78546	60939	53268	47916	38208	29871	25267	27529
	% of	9	8	9	11	10	10	9	2	14
Total	Other Income	285594	259382	254190	245925	220650	152407	117055	110727	116500
	Total Income	2668289	2343042	1830006	1563204	1407112	1060652	808463	731895	673684
	%	11	11	14	16	16	14	14	15	17

Source: Database of Indian Economy: RBI

## NATIONALIZED BANKS



Items	Amount
Other Income	1762430
Total Income	13086347
% Other Income to Total Income	13

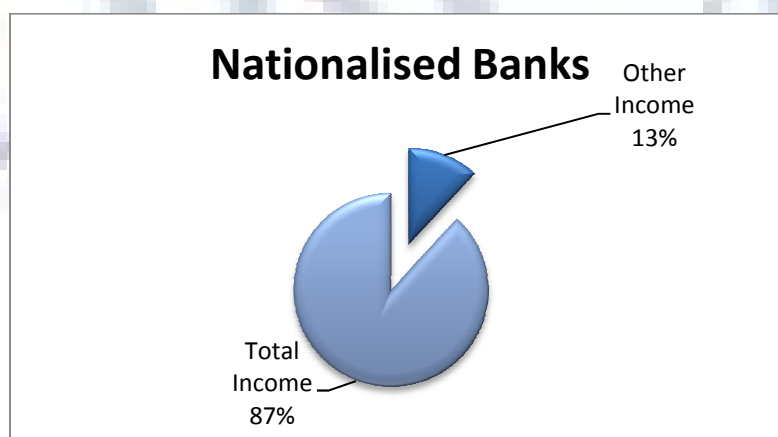
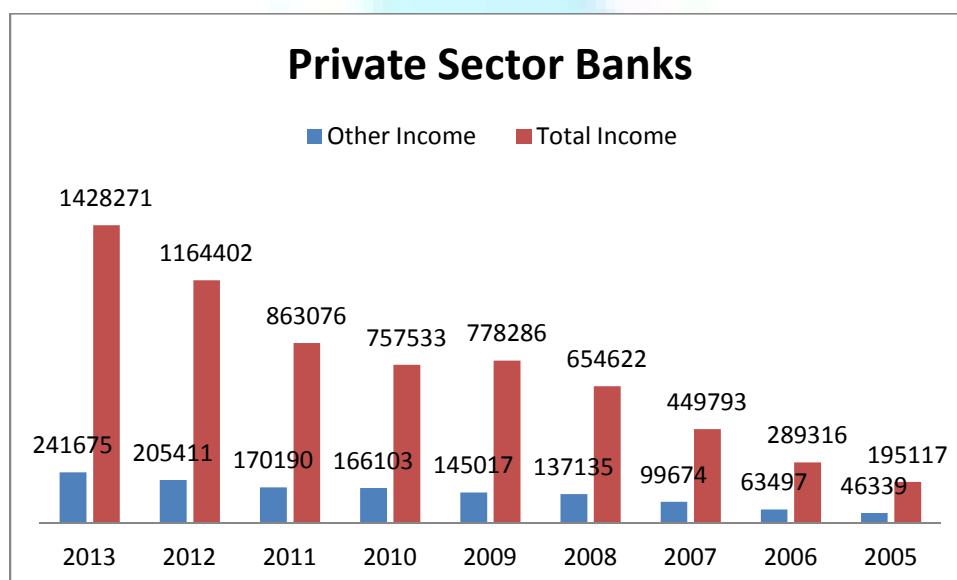


TABLE 1.2 NON FUND BASED INCOME OF PRIVATE SECTOR BANKS (Rs in crores)

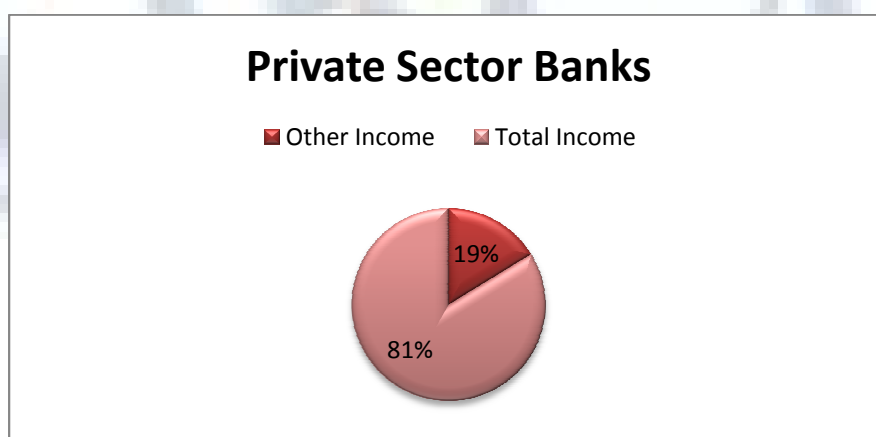
Bank	Items	2013	2012	2011	2010	2009	2008	2007	2006	2005
ICICI BANK LIMITED	Interest income	400756	335427	259741	257069	310925	307883	219956	143061	94099
ICICI BANK LIMITED	Other income	83457	75028	66479	74777	76037	88108	69279	41809	34161
	Total Income	484213	410454	326219	331846	386963	395991	289235	184870	128260
	% of	17	18	20	23	20	22	24	23	27
HDFC BANK LTD.	Interest income	350649	278742	199282	161727	163323	101150	66479	44753	30935
HDFC BANK LTD.	Other income	68526	57836	43352	39831	32906	22831	15162	11240	6513
	Total Income	419175	336578	242634	201558	196229	123982	81642	55993	37448
	% of	16	17	18	20	17	18	19	20	17
KOTAK MAHINDRA BANK LTD.	Interest income	80425	61802	41898	32556	30651	25354	13191	7189	4203
KOTAK MAHINDRA BANK LTD.	Other income	11607	9773	7805	6282	2736	4635	3187	2181	1324
	Total Income	92032	71576	49703	38839	33388	29988	16378	9370	5527
	% of	13	14	16	16	8	15	19	23	24
YES BANK LTD.	Interest income	82940	63074	40417	23697	20014	13047	5876	1928	300
YES BANK LTD.	Other income	12574	8571	6233	5755	4369	3607	1946	971	182
	Total Income	95514	71645	46650	29452	24383	16654	7822	2899	481
	% of	13	12	13	20	18	22	25	33	38
AXIS BANK LIMITED	Interest income	271826	219946	151548	116380	108355	70053	44617	28888	19242
AXIS BANK LIMITED	Other income	65511	54202	46321	39458	28969	17955	10101	7296	4158
	Total Income	337337	274149	197869	155838	137324	88008	54718	36184	23400
	% of	19	20	23	25	21	20	18	20	18
Total	Other Income	241675	205411	170190	166103	145017	137135	99674	63497	46339
	Total Income	1428271	1164402	863076	757533	778286	654622	449793	289316	195117
	%	17	18	20	22	19	21	22	22	24

Source: Database of Indian Economy: RBI



## PRIVATE SECTOR BANKS

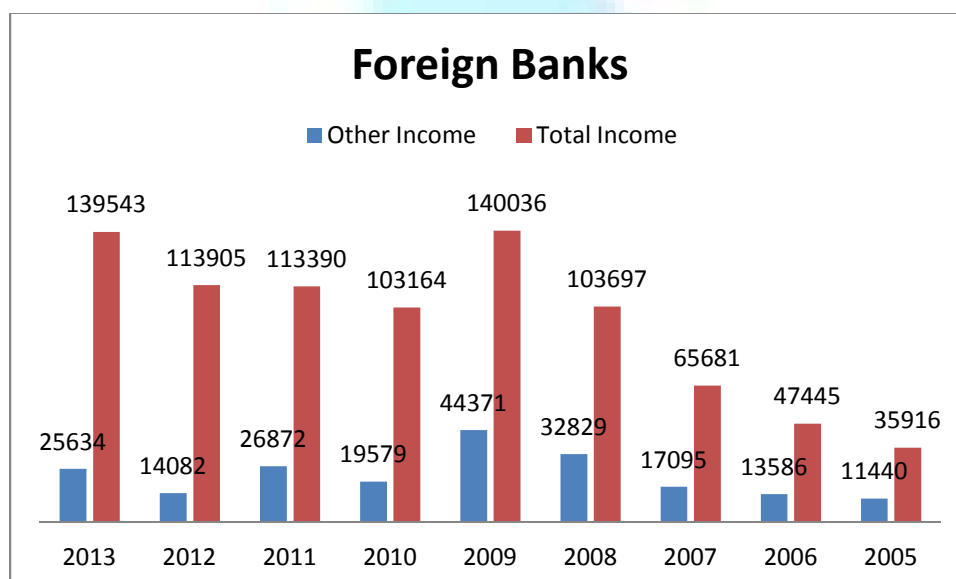
Items	Amount
Other Income	1275042
Total Income	6580416
% Other Income to Total Income	19



## 1.3: NON FUND BASED INCOME OF FOREIGN BANKS (Rs. in crores)

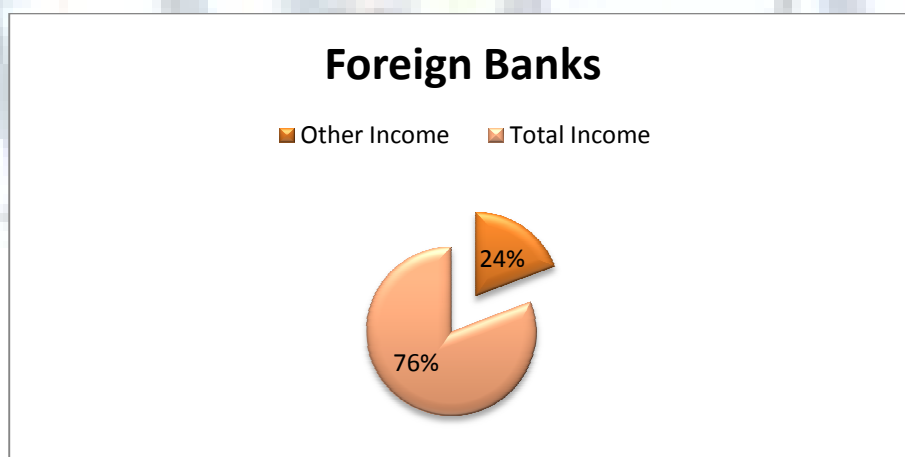
Bank	Items	2013	2012	2011	2010	2009	2008	2007	2006	2005
AB BANK LIMITED	Interest income	69	51	40	33	45	45	45	37	30
AB BANK LIMITED	Other income	183	187	160	125	76	45	49	41	37
	Total Income	252	238	200	158	121	89	94	78	67
	% of	73	79	80	79	63	50	52	52	55
BANK OF BAHRAIN & KUWAIT B.S.C.	Interest income	947	760	520	405	486	350	299	289	343
BANK OF BAHRAIN & KUWAIT B.S.C.	Other income	105	107	96	102	148	87	46	46	25
	Total Income	1051	866	616	507	634	437	345	336	368
	% of	10	12	16	20	23	20	13	14	7
BARCLAYS BANK PLC	Interest income	15086	12913	16804	16593	20365	6238	1376	656	313
BARCLAYS BANK PLC	Other income	2554	-875	4563	1492	5892	5675	2172	2339	1265
	Total Income	17640	12038	21367	18085	26257	11913	3548	2996	1578
	% of	14	-7	21	8	22	48	61	78	80
BNP PARIBAS	Interest income	8646	8424	6461	5850	6366	4595	3030	2232	1762
BNP PARIBAS	Other income	2820	730	2581	1947	2432	2562	1370	729	676
	Total Income	11466	9154	9042	7797	8798	7156	4400	2961	2438
	% of	25	8	29	25	28	36	31	25	28
CITIBANK N.A	Interest income	89161	77676	62693	60705	68402	59640	43836	30644	22027
CITIBANK N.A	Other income	19972	13933	19472	15913	35823	24461	13458	10431	9438
	Total Income	109134	91609	82165	76618	104225	84101	57295	41075	31465
	% of	18	15	24	21	34	29	23	25	30
Total	Other Income	25634	14082	26872	19579	44371	32829	17095	13586	11440
	Total Income	139543	113905	113390	103164	140036	103697	65681	47445	35916
	%	18	12	24	19	32	32	26	29	32

Source: Database of Indian Economy: RBI



## FOREIGN BANKS

Items	Amount
Other Income	205488
Total Income	862777
% Other Income to Total Income	24



**FINDINGS**

The Researcher has analysed 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 utilisation 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".

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