Chapter 7
Limitations of the study and scope for further research
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7.1 Limitations:

There are many innovative financial services given by different banks (e.g. Virtual Cards) which are not considered in the study. The study is done for 16 technology based financial services which are commonly known and used.

Some banks have also started doorstep services, which are provided using hand held terminals (using mobile technology or even satellite technology) which are not in the scope of study.

7.2 Scope for further research

Scope of Further Study and Research:

Setting up of IDRBT – contribution in banking technology & research

Setting up of the Institute for Development and Research in Banking Technology (IDRBT), Hyderabad in the mid-nineties, as a research and technology center for the banking sector was a major step to facilitate and support the “technological revolution” in banking. It was set up in the year 1994 as an apex level institute for spearheading technology absorption in the Indian Banking and the financial sector. It focuses on the training, research and development activities in the field of information technology.

Reaching for the skies – banking technology excellence awards

Institution of the excellence awards is a step in the direction of encouraging effective adoption of technology by banks. Instituted in the year 2001, with the primary objective of encouraging and recognizing excellence in implementation of Technology for better customer service, operational efficiency and expansion of banking services to the hitherto uncovered sections of society, the category of awards has been changing with the change in
the technology deployment focus from time to time. This year, banks have been divided into two categories – large and small, to enhance the spirit of “sporting competition” amongst banks by ensuring a level playing field.

Financial Inclusion Network & Operations Ltd. (FINO) is a financial technology & operations firm enabling financial institutions serve bottom of pyramid customers. FINO is headquartered in Mumbai and backed by investors like Intel Capital, HSBC, ICICI bank, LIC, etc. among others. FINO with its smart card technology is transforming the lives of millions across India by making basic financial services available to the previously un-served customers. FINO has a presence in more than 225 districts all over India currently serving more than 12 million customers. FINO actively works with organizations like various state governments, banks, NBFCs, MFIs, etc. to bring a positive change in the lives of millions across the country!

FINO is an integrated technology platform and delivery channel, enabling sourcing and servicing of world's micro customers on a large scale

FINO founded in year 2006, headquartered in Mumbai, India, is the leading deliverer of integrated technology solutions into the mainstream by making high quality, low cost in-house technology, accessible for institutions like Banks, Microfinance Institutions, Government entities, Insurance companies to enable financial inclusion environment for the micro customers.

FINO's Products and Solutions enable opportunity for businesses to roll out multiple product strategy for consumption by micro-customers

Banks and Financial Institutions in India use FINO's technology solutions to:
1. Financially include the under-banked and unbanked micro customers
2. Manage and monetize the backend data
3. Implement World's largest Business Correspondents network
4. Deliver optimal customer experience where banks cannot reach
5. Deliver doorstep financial facilities to micro-customers
6. Intelligently connect people or machines to services with less investment
7. Offer consumers a single platform to avail various financial services like deposits, micro insurance, loans etc.

Through FINO's largest BC Network spread all across the nation, Banks and FI's can cover vast unbanked areas in the rural hinterland.

That's Dynamic. That's Unmatched. That's Scalable. That's FINO

New Licenses:

Twenty-six companies have put their names in the hat for India’s first new banking licenses in a decade.

Some of the big competitors include Tata Sons, the holding company of India’s largest conglomerate, and companies owned by billionaires Anil Ambani and Kumar Mangalam Birla. They will battle a motley bunch of hopefuls, including the state-run postal department, two micro-finance firms, and an alliance led by former Citigroup CEO Vikram Pandit.

India hasn’t revealed how many licenses it will grant, but the opportunity is potentially enormous. Only 35% of Indian adults have formal bank accounts, leaving 600 million or so potential new customers. Even still, the number of applicants for bank permits is down sharply from previous decades. In 1993, the central bank received 113 applications; in 2003, there were 100 hopefuls. Tough regulations and an uncertain operating environment seem to have kept away many firms this time around.

The licenses are being issued with the stated goal of bringing more people into the fold of India’s financial system. One in four new branches must be in rural areas, where banking is
less common (and less lucrative). Currently, only 6% of the country’s 600,000 villages have access to commercial banking services.

New banks will also be required to meet higher capital standards and reserve ratios. They will have to park 4% of the deposits they collect as cash with the Reserve Bank, and invest another 23% in government bonds.

The holding companies of the new banks will also face many restrictions, which Fitch Ratings believes will make it difficult to attract to capital in the short term:

The new banks are required to list publicly within three years of operation. This timing may coincide—if new banks commence operations within the next two years—with the bulk of the additional Basel III core capital requirements, which are largely back-loaded for the Indian banking system. Over three-quarters of the transitional capital needs arise in 2016-2018, and many of the banks will need to access the capital markets for equity to comply with the rules. Capital challenges and stiff competition mean that only the serious new entrants are likely to survive.

Just how many licenses will be issued is anybody’s guess. The RBI issued 10 licenses in 1993, and just 2 in 2003. So it is likely that most of the applicants this time around will face rejection. Those who miss out may just be the lucky ones.

The Competition between these banks will be more on technology services that they will provide.