

# Banking, financial services and insurance

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Banking, Financial services and Insurance is a sector that provides various financial products and services. These products are both B2B as well as B2C. It is an important part of the economy. The services offered in this sector include products and services such as core banking, loans, forex, debit/credit cards, payment gateways, insurances, mutual funds, stock broking, demat account, etc.

## Bank

A bank is a financial institution that accepts deposits from the public and creates credit. They hold financial assets for others and then invests them as leverage to create more wealth. Banks provide various services and have become an important part of an economy. They help in regulating flow of money in an economy. Basically banks make money by lending loans at higher rate of interest. Banks collect interest on loans and interest payments from the debt securities they own, and pay interest on deposits, CDs, and short-term borrowings. The difference between these interest rates is called as 'spread' or the net interest income.

Banking Mechanism- Banks have a large source of funds. Initially, the core deposits which include the current and savings account deposits that customers deposit with the bank's branch. Then wholesale deposits most of the time are interbank CDs. Another source of fund is shareholders' equity which at times is expensive for the bank. The funds raised are used for issuing loans, consumer lending and for investments. This cycle of a bank continues and the banking system functions.

## History

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Modern banking began in Venice. The word bank comes from the Italian word “banco”, meaning bench, because moneylenders worked on benches in market places. The bank of Venice was established in 1171 to help the government raise finance for a war.

At the same time, in England merchant started to ask goldsmiths to hold gold and silver in their safes in return for a fee. Receipts given to the Merchant were sometimes used to buy or sell, with the metal itself staying under lock and key. The goldsmith realized that they could lend out some of the gold and silver that they had and charge interest, as not all of the merchants would ask for the gold and silver back at the same time. Eventually, instead of charging the merchants, the goldsmiths paid them to deposit their gold and silver.

The bank of England was formed in 1694 to borrow money from the public for the government to finance the war of Augsburg against France. By 1709, goldsmith were using bank of England notes of their own receipts. New technology transformed the banking industry in the 1900's round the world, banks merged into larger and fewer groups and expanded into other country.

### Indian Banking Sector

As per the Reserve Bank of India (RBI), the banking sector in India is sufficiently capitalized and also well-regulated. India' financial and economic conditions are far superior to any other country in the world. Various credit market and liquidity risk studies have suggested that Indian banks are resilient and have withstood the global downturn very well.

Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. The digital payments system has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level 5 in the Faster Payments Innovation Index (FPPI)

### Company Profile

HDFC Bank is the best bank in the Indian private banking sector and was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its office registered in Mumbai, India. The bank commenced operations as a Scheduled Commercial Bank in January 1995. Post Liberalisation, i. e post 1994, the bank was the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) and to set up a bank in the private sector.

Initially HDFC Ltd was started by Mr. Hasmukh Thakordas Parekh in 1977. Then later other subsidiaries came into existence. HDFC Ltd. Specialises in retail mortgage loans to various market segments and holds a large client base for its credit facilities. It is the promoter of HDFC Bank. Mr. Aditya Puri is the bank's Managing Director since a long time.

### Organisational Hierarchy

#### Branch Structure

#### Board of Directors

Mrs. Shyamala Gopinath

Mr. Partho Datta

Mr. Bobby Parikh

Mr. Malay Patel

Mr. Keki Mistry

Mr. Aditya Puri

Mr. Paresh Sukhtankar

Mr. Kaizad Kharucha

Mr. Umesh Sarangi

Mr. Shrikanth Nadhamuni

Business Profile

The 3 segments include

a) Wholesale Banking – It Includes banking services to blue-chip companies manufacturing companies in the Indian corporate sector and to a lesser extent, small & mid-sized corporates and agri-based businesses. The bank is also a leading provider of structured solutions, which combine cash management services with vendor and distributor finance for facilitating superior supply chain management for its corporate customers. It is a B2B business.

- b) Treasury – the three main product areas include Foreign Exchange and Derivatives, Local Currency Money Market & Debt Securities, and Equities.
- c) Retail Banking – This segment includes banking that takes place at the branches i. e B2C. In this segment the bank has a huge variety of products to offer and all the banking services are provided at the branches. It has alternative delivery channels like ATMs, Phone Banking, Net Banking and Mobile Banking.

### Company's Products

The company's products are of 2 categories

- a) Convenience Product (free for customers, eg- net banking, debit card, etc)
- b) Engagement product (Products that generate income to the bank, eg- loans, insurances, demat account, forex, etc)

The product groups include

- 1) Liabilities – products include all deposits the bank holds
- 2) Assets – Products include auto loans, personal loan, education loan, etc.
- 3) Spreads for STP (straight through process) Cases- products include auto loan and personal loans through net banking with zero documentation.
- 4) Business Banking Group – It includes term loans, working capital, etc to different types of businesses as per the business and its requirements.

5) Credit cards- It included credit cards as per customer portfolio and also provide credit cards through STP.

6) Other Products- It included forex cards, Demat account, HSL units and its commission.

#### Financial Details

As per the bank's 2018 balance sheet its share capital is of Rs 519. 02 cr with Rs 2 as its face value. Its share price recently was around Rs 2203. 40 on both NSE as well as BSE as has been increasing. Its market capitalisation is of Rs 5, 82, 414. 74. Its sales were Rs 80, 241. 36 and profit of Rs 17, 486. 32.

#### Distribution network and employees

As of March 31, 2018, the Bank had a nationwide distribution network 4, 787 branches and 12, 635 ATM's in 2, 691 cities/towns. It has 88, 253 permanent employees as on 31st March 2018 and has a presence in Bahrain, Hong Kong and Dubai.