



## Report of the Conference

Symbiosis Centre for Management Studies, Pune organised the ‘Third International Conference on the theme - Emerging Trends in the Global Financial Landscape- Approaches, Challenges and Opportunities’ on the 23<sup>rd</sup> and the 24<sup>th</sup> February, 2015. The theme for the conference was conceived to capture the changes in the global financial landscape, post the global financial crises. The subthemes of the conference captured all the constituents in the globalized financial sector namely financial institutions, financial markets, financial instruments, services and their regulatory aspects.

The two day conference provided a platform for academics, researchers, policy makers, practitioners and representatives of the corporate sector to share their practical experiences and research findings on key aspects of financial landscape globally. Original research papers on the broad sub themes of the conference were invited with exhaustive guidelines on manuscript submission. Based on abstract submissions, full length papers were invited. The Conference committee constituted an Editorial Board which included domain experts from field of banking, finance, Economics and research methodology. All the papers underwent a double blind review process.

The Conference spread over two days was structured around the broad sub themes of the conference namely, Financial regulation, Financial Inclusion, Financial markets, Forex and capital flows, HR and Marketing perspective and finally the corporate perspective on the financial sector. Each theme invited expert’s comments and show cased research papers relating to the theme. The detailed report of the two days is as follows:

### **Inaugural Function**

The Conference began on an auspicious note with the Inaugural function. The function was presided over by Honourable **Shri H.R.Khan**, Deputy Governor, RBI, **Mr. Alexander Sattler**, Financial Counsellor and Representative of Deutsche Bundesbank, Consulate General Federal Republic Germany, **Shri Y.M.Deosthalee**, Chairman & MD, L&T Finance Holdings Ltd and **Dr. Rajani Gupte**, Vice Chancellor, SIU.

**Dr. Bham Venkataramani**, Director SCMS Pune and Dean, Faculty of Management, SIU delivered the welcome address and made the opening remarks. In her opening comments, Dr. Bham Venkataramani made observations on the two-speed global economy and remarked on the slow growth rates in the Euro zone and Japan along with a slowing down of China juxtaposed to the growing developing economies. . She pointed to the role of banks and structural reforms to counter all of these and stressed on the necessity for a new regulatory framework in order to foster the future growth of the global economy. Among the



challenges facing the global economy, she identified, were the regulatory and structural reforms that facilitated a collaborative approach amongst the governments and regulators across the world. According to her two issues stood out specific to India; firstly finding a balance between financial inclusion and secondly a growing young population which is looking for customised products and secondly, the challenges of accepting the FSLRC's recommendations of having a unitary regulator which would subsume SEBI, IRDA, PFRDA and FMC. Dr. Bhamu Venkataramani concluded her opening comments by posing some key question with respect to India: what are the major challenges and what should India do to navigate transformational changes. Her opening remarks set the tone for deliberations over the next two days.



Dr. **Rajani Gupte**, Vice Chancellor SIU in her address highlighted the issue of slowing growth rates of the global economy. According to her the few major risks facing the global economy are weak global trade, financial market volatility and prolonged stagnation especially in Japan. On a positive note, she commented that the financial sector is also witnessing trends in terms of new financial services using data



as an advantage, new payment systems like bitcoin, crowd funding for raising capital and exponential increase in data for reconfiguring new services and personalisation. She complimented the organizers on the theme of the conference.

**Mr. Alexander Sattler**, Financial Counsellor and Representative of Deutsche Bundesbank, Consulate General Federal Republic Germany started his address with an interesting quote: “every solution to a problem constitutes a problem”. He stressed on the new risks the financial world has brought in with it and the possible opportunities these offered. Pointing to the fact that in the financial sector, there has been an excessive reliance on the past data to predict the future, he commented that this can no longer hold good. He spoke on the important developments in Europe namely the creation of a single resolution mechanism (SRM) for insolvent banks which would ensure that an insolvent bank does not destabilise the entire financial system. He concluded with a message that India must prepare itself to face future financial crises with the help of RBI and SEBI.

This was followed by address by Shri **Y.M.Deosthalee, Chairman & MD**, L&T Finance Holdings Ltd who spoke with specific reference to India. Mr Deosthale’s comments on the current business scenario in India were positive as indicated by a stable government, fall in the oil prices, reforms on taxation and inflation under control. The thrust of his views consisted of giving infrastructure a boost, especially the power sector and moving road infrastructure from BOT to annuity based. He also spoke about the role of agriculture and a need to make it more productive. With reference to ‘Make in India’ which focuses on manufacturing, he gave a valuable insight about adopting China’s model of imparting the right skill set to its work force contributing to the country’s economic success.

The final address for the morning was the Inaugural address by **Hon’ble Shri H.R.Khan**, Deputy Governor, Reserve Bank of India. Khan’s remarks were mostly on India as an emerging nation and how it could be placed in the global financial landscape.

Among the BRIC nations, India is today a bright light while the rest are facing problems like stagflation, recession and so on. India’s fiscal and monetary policy, economic reforms, demographic dividend and an entrepreneurial zeal have contributed in placing it favourably among emerging nations, Shri Khan opined.

He evaluated India in terms of external factors affecting it. He commented that presently, the Current Account Deficit is under control (around 2-2.5 %. In the Past was 4.2-4.8%) largely due to improvement in the oil prices and exports, remittances and shares of software export supported by the capital account. There has also been a surge in Funds through FDI, FII and Debt funds. Mr. Khan’s prescription for India is



the 7 Ls: “Land, Labour, Linkage, Legal, Liquidity, Learning and Leadership”. He referred to the February 21st, 2015 edition of The Economist’s coverage ‘India’s economy: A chance to fly’. He also believes that India indeed has an opportunity to become the world’s largest and most dynamic economy.

On the whole the Inaugural function set the tone for deliberations on a variety of issues which would be taken up across the various tracks in the two days.

### Report of Session 1

#### Sub theme: Emerging Regulatory Landscape

The First track of the conference was decided to the theme of Emerging Regulatory Landscape. This track was particularly privileged to see the presence of dignitaries such as Shri Hemant Contractor, Chairman PFRDA; Shri S. Raman, Whole time member SEBI and Shri Viswanathan, Executive Director, Department of Banking Regulation, RBI.

The session started with **Mr. Hemant Contractor** throwing light on the social security and pension coverage in India. He elaborated on the need for pension and social security schemes in India stating that a rising old population, increasing life expectancy at birth, increasing old age dependency ratio and rise in nuclear families were posing challenges to the Indian population; and thus creating in the Indian Environment, a burning need for pension schemes. Another reason undoubtedly is the existence of a large unorganized economic sector, with no large or stable incomes. Mr. Contractor gave valuable insights into the Government’s response to the above problem by giving a chronological gist of the Government initiatives taken in this regard. Mr. Contractor guided the audience through NPS (New Pension System); explaining it as a probable one stop solution to the problems faced by the aged unemployed population. Mr. Contractor believed that the passing of the PFRDA Act will be very helpful in strengthening regulation and supervision of bodies entrusted with pension and social security.

**Shri S. Raman, Whole Time Member, SEBI** started his address with a question on why markets are always emerging; and then interestingly answering the same by stating that as long as environments is dynamic and growing, the systems and regulations will keep emerging in order to keep pace with such dynamics. He threw light on the Collective Investment Schemes Regulation floated by SEBI. He maintained that the objective of this initiative was to regulate, protect and develop markets. While the CIS regulations were definitely a move in the right direction, it poses challenges such as fighting against unauthorized raising of funds, increasing surveillance, deepening corporate debt markets and innovating schemes to



fund SMEs. Shri Raman drew the attention of the audience to Foreign Institutional Investors, REITs and Infrastructure trusts which can be instrumental in developing capital markets through encouraging investments in equity.

**Shri N.S. Viswanathan** successfully captured the attention of everyone present by asking the audience why banks need to be regulated. Very humbly he stated that banks, by nature of their activity, handle a lot of uncollateralized money, and depositors have access to asymmetric information. He explained that due to a large sector of uninformed creditors, whose money needs to be handled safely, there is a need for regulation. Shri Viswanathan believed that all regulations in banking centred around either of the following five strands; micro prudential regulation which throws light on which banks are safe to invest; macro prudential regulation focusing on systemic risk mitigation, socio economic regulation which ensures the movement of capital to deserving and priority sectors; regulations for anti money laundering; and customer protection regulation. He emphasized micro prudential regulation, thereby giving his valuable views on how banks should maintain capital in good times; to trade off effects of a crisis; and the need to have a good liquidity ratio. He also opined that larger banks must have a larger capital requirement, since their failure can result in large systemic risks.

Shri Viswanathan also shared some challenges and developments in banking such as banking correspondence for villages, creation of a Universal banking model, enabling access to formal banking facilities in the rural areas, and the need for regulation of shadow banking; and stated that RBI as a proactive banking sector regulator has been evolving policies regarding these, in the national interest.

The track concluded with an address by **Mr. D.R. Dogra, MD, Credit Analysis and Research Ltd.** He addressed the audience on “A market participant’s perspective on the Emerging Regulatory Landscape”. His views were thought provoking and indeed insightful, when he spoke about the hardships faced by investors in the Indian markets due to insufficient regulation, and shared some interesting government initiatives in this regard.

#### **Subtheme: Banking sector and Financial Inclusion-A review of global strategies**

The session commenced with a presentation by **Shri Manas Mohanty**, General Manager, College of Agricultural Banking, Pune, on “**Journey of Financial Inclusion- The Learning’s and the road ahead**”. Mr. Mohanty spoke about meaningfully including the wider population within the financial sector, while emphasizing on innovation in technology and the delivery mechanism, and ensuring efficiency and stability in the banking sector. He concluded by saying that a symbiotic relation must exist between all the



stakeholders, i.e. the government, regulators, banks and beneficiaries, to ensure financial inclusion in the long run.

**Shri. C.VR.Rajendran, Chairman & Managing Director, Andhra Bank** spoke on the practical issues faced by banks in the implementation of financial inclusion. In his view, while 'financial inclusion' is intended to benefit the public, its implementation remains a big challenge for the Public Sector Banks. Given the high transaction costs involved in opening of new bank accounts, in addition to the service costs and recovery costs involved, the benefits are yet to flow in to the banks.

**Shri Narasimhan Srinivasan**, International expert in Development finance and livelihoods, Ex- CGM, NABARD, emphasised the fact that financial inclusion cannot be driven by the supply side alone, while ignoring the customers' demand for services. It is important to introduce suitable products for the end customers, and educate the customers about the benefits thereof, which would in turn enable mobilisation of savings through bank accounts. The main barriers of regulatory issues, banks' internal business strategies, technology, and policy issues must be dealt with, before providing customer centric products he said.

**Dr. Mukesh Khanaskar**, Director-International, All India Institute of Local Self-Government & Director, International Centre of EQUI-T, spoke about "**financial inclusion of the vulnerable and the excluded**". He shared his experiences while working in the tribal villages at Jawhar, and spoke about issues of basic survival, health, sanitation etc. for nomadic tribes, deprived women, non notified slum dwellers, the homeless, just to name a few of the underprivileged groups. He drove home the point that the marginalized poor must also be brought under the 'financial inclusion' scheme, for which he suggested that a separate bank could be set up for the urban poor and the slum dwellers.

After the address of the speakers, research papers by **Dr. Norma Juma, School of Business, Washburn University, USA**, "The Hand in Hand's Story of Making Microfinance Work for the Bottom of the Pyramid" and per Presentation on "Financial access; Inclusion and literacy", by **Professor K. Sukumaran, Dean, School for Investor Education and Financial literacy, NISM** and presentation on "Financial Literacy Index for college students" by **Dr. Dilip Ambarkane, Faculty, SSBF & Dr. Bhama Venkataramani, Director, SCMS,Pune** were presented.



### **Financial Markets:**

The next session was on financial markets which had distinguished speakers Shri Arun Kejriwal, Primary Market Analyst and Dr. Sundaram Korivi, NISM share their valuable insights.

Shri. Kejriwal gave an overview of the history of the stock market in India and IPOs in particular. Telco in 1970 had a raised Rs 100 crores in an IPO and 45 years later plans to raise Rs 7,500 crores. The scale of funds being raised through IPOs in India has gone up from a few lakhs to several 1000 crores. Earlier there was the CCI ( Controller of Capital Issues) now replaced by SEBI. In the old days there were shares issued for a fixed price whereas today there is a book building method used. Money in the old days was made in float which is an interest rate paid for keeping the funds for 3 months. The process of share allotment took 90 days plus 30 days for listing. All this happens now in 12 days and with e ipos the listing will take place in 7 days. In the old days a application would have 1 page to be completed by applicant and the remaining would be retained as receipt. Today the application form is 32 pages. Pricing of the issue was based on earnings and a few companies based it on projected earnings. Today SEBI has banned issue prices based on projections. The session summed up all the development in the primary markets.

**Dr. Sunder Ram Korivi**, Dean School of Securities Information and Research, NISM

Dr Korivi provided an overview of the trends in the Indian securities market. He explained what was included in securities markets: Equity, Wholesale Debt, Corporate Bonds, Currency futures Market, Interest rates futures, Depository receipts, collaboration between regulators. He also explained how entrepreneurs could ascend the advanced forms of the security markets. He also explained various forms of pooled investments ranging from: Mutual funds to EPFO and NPS. His concluding remarks were that business innovation should drive financial innovation not the other way around.

After the address by the speakers, a paper presentation on “**Analysing the impact of global financial crises on the interconnectedness of Asian stock market using network science**” by Mr. Jitendra Aswani, IGIDR concluded the session.



The second day of the conference commenced with the session on Forex Capital Flows and Volatility. The distinguished speakers for the session were **Dr. Ajit Ranade, Chief Economist, Aditya Birla Group and Shri Anat Narayanan, Head Financial Markets, Standard Chartered Bank.**

Keeping in mind the young audience comprising students, Dr. Ranade dealt with the very basics of Foreign Exchange currency rates, the determinants and impact of foreign capital flows, and reasons for the volatility. Dr. Ranade spoke about the myopic view regarding the strength and weakness of a currency being determined by the conversion rate. He emphasized that the strength of a currency is determined by the underlying economic strength, i.e. an interplay of several macro economic factors including the economic growth, the size of the economy, per capita income and the purchasing power of the currency.

Given the large increase in Oil and Gold imports into India, and the exports being unable to match the increasing import bills, the Current Account Deficit is funded by Capital Flows in the form of FDIs, FIIs and External Commercial borrowings. The continuous supply of foreign currency highlights the confidence that foreign investors place on India's future growth prospects. However, volatility in the capital flows could create pressure and panic, resulting in destabilizing the economy. To ensure stability in foreign investment, investors must be assured of a stable currency, and controlled inflation in the country.

The session was followed by an interesting question and answer session.

*Mr. Ananth Narayan, Regional Head, Financial Markets, South Asia, Standard Chartered Bank, addressed certain concerns which affect forex capital flows in India. The first issue raised is regarding India allowing foreign ownership stock rather than leveraging on debt. Looking at the total Foreign Promotional Investment in India, the ratio is heavily skewed towards equity inflow vis-a-vis debt. In Mr. Narayan's view, to an extent this can be attributed to the overcautious regulations in place with regard to debt.*

The second concern is regarding capital convertibility in India, given the large amount of restrictions in the OTC forex market, as against the forex futures market, where anyone can enter without any underlying requirement. Given that India has one of the most stable currencies, coupled with a relatively high interest rate, this can lead to complacency in the market. However one needs to be cautious since the exchange rate is vulnerable to several macro economic factors. Mr. Narayan concluded by highlighting on the interlinkages between the various macroeconomic factors, monetary and fiscal policies, and the foreign exchange markets. In his view, it is imperative to focus on the supply side to tackle inflation rather than focusing on high interest rates, which could otherwise be detrimental to incentivising investments.



A Paper presentation on “ Feasibility of Exchange rate policy coordination among south Asian Countries- An Empirical analysis by Mr. Vijay Singh Shekawat, General Manager, RBI concluded the session.s

### **Emerging financial landscape: Implications on allied areas**

This session saw **Mr. Alok Sheopurkur and Dr. Asha Naik** Specialist- Strategic Management & Leadership as the distinguished speakers.

Mr Alok Sheopurkur gave an overview of the evolving role of employees in organisations from cash in hand, to a fixed deposit to equity and in the future can become a weapon of mass destruction. Particular mention was made of the global CEO involved with the Swiss bank episode and how the whole perception of the employee has changed. An employee and what he does affects the overall brand equity of the organization. Mr. Sheopurkur requested the students to gain certifications in the BFSI area and take up sales as career.

**Dr.AshaNaik**, Specialist- Strategic Management & Leadership then took over and started by telling students that if they were looking for high paying jobs banking and financial services were the best sectors to be in. She provided the audience an overview of the Indian Landscape in 2020 and the corresponding concerns and type of people needed for the sector.

India in 2020 is likely to move to 4<sup>th</sup> place from 11<sup>th</sup> place with a market size of the 5<sup>th</sup> largest of the world. Three themes would dominate banking and financial service organisations: profitable growth, through people advantage and customer empowerment. The people aspect of business would have to deal with loss of key people due to retirement in Public sector banks and resignations in the private sector. Simultaneously banks would have to drive up a performance culture. The new customer is more empowered knowledgeable and will demand more than just a financial product. The new Customer wants the banking employee to be engaged, a guardian and offer convenience. A Bank will have to fulfil its basic purpose of proactively assisting individuals, businesses and corporates to meet their economic aspirations.

According to Dr Naik the drivers will be a host of factors: efficient sales and service, focussed sale process, technology for customer, new products, use of analytics, Innovations in channels, lean operations, financial inclusion, acquiring and retaining talent, reskilling, strong service culture oriented to performance and productivity nada movement form I quit to I love my job. All of these will move banking towards a sustainable growth.



### **Corporate perspective on the Emerging Financial Sector**

An invigorating panel discussion on the broad theme of “Corporate Perspective on the Emerging Financial Sector” was scheduled in the afternoon session. The discussion took place amongst a truly distinguished array of panelists, namely Mr. Rajiv Mitra, MD, Govind Milk and Milk Products Pvt. Ltd.; Mr. Sandeep Mehta, CEO & CIO, Value Investment Principles Ltd.; and Mr. Ajay Raina, CEO, Kinetic Hyundai Elevator & Movement Technologies Ltd. The discussion was moderated by Mr. Srinivasan Rao, MD, Indiacom.

Mr. Srinivasan Rao’s opening comments were targeted at the student audience and he hinted that there was a visible emerging trend among the young to try their hand at entrepreneurship.

Mr. Rajiv Mitra started by speaking about the interaction of the youngsters with milk and milk products. He stated that milk and allied products were a multi-million dollar business, employing more than 100 million Indians. He also threw light on the fact that there were very few national players in this industry, such as Amul and Mother Dairy; and quite a few regional players who are extremely popular in their respective zones but did not target the national markets. He also stressed that International players such as Danone are also finding profitable markets in India, since India is identified globally as the largest consumer of milk. Some of the challenges he explained in this respect related to the fact that milk being perishable, it must be collected, processed, sold and consumed within a maximum of two days. This necessitates a cold chain infrastructure in order to make the industry successful and create visibility as a national player. According to Mr. Mitra, other growth drivers in this industry may be identified to be changing consumer tastes and preferences, civil infrastructure development, government intervention through adequate regulations and VADP (Value Added Dairy Products).

Speaking on the challenges in marketing of milk and milk products; Mr. Mitra stated that Govind Milk and Milk Products Pvt. Ltd. follows an approach of C2C; which may be interpreted as Cow to customer. He believed that companies must sell themselves to farmers, and provide them the best of services if they intended to succeed. He remarked that Govind gives training to farmers and, help in fodder management as well. He also emphasized the need to create a visible brand; and that it would be wise to focus on a few products of that brand so as to enter the households; just as Amul has found its way to the common household by branding only through Amul butter. Mr. Mitra stated that quality for them is built right in the field, the factory only helps enhance it. He staunchly believed that one needs to target several retail outlets simultaneously to market their products. This belief was built on the ground that successful markets are created not just by creating awareness, but by making available for purchase.



The moderator, Mr. Srinivasan remarked that he was happy to learn about the new concept of C2C, and requested Mr. Ajay Raina to throw light on the financial landscape in the manufacturing sector.

Mr. Ajay Raina started by clarifying the interesting concept of vertical transportation, and clarifying how it was different from horizontal transportation. He elaborated that vertical transportation was about elevators and escalators since it helped people capture vertical distances.

Mr. Srinivasan agreed that finances should necessarily flow into the manufacturing sectors, and infrastructure development can be crucial to economic growth. He then prompted Mr. Sandeep Mehta to give his inputs.

Mr. Sandeep stated that he started his career as an investment analyst and has served most of his career outside of India. He threw light on how the industry functioned, by clarifying the participants on the buy side and sell side of transactions. He opined that investment is a great industry to work in, it is always dynamic and ever changing, with never a dull moment to experience. He went on to clarify that a lot of foreign nationals and institutions have expressed interest in India, since its demographics are favorable and growth potential is high. He stated that there are certain limitations to investment in India; due to infrastructural and technological constraints. He concluded by hoping that in the near future there would be less government intervention and greater autonomy and discretion given to private players so that growth of the industry can be taken to a higher level.

The panel discussion concluded with the moderator, Mr. Rao remarking that he was happy to moderate the discussion of top management from diverse industries.

#### Valedictory session

Dr. Parimala Veluvali, the conference secretary presented the conference report followed by a short film covering glimpses of third international conference.

The Chief Guest for the Inaugural was **Mr. M.Narendra, Former Chairman and Managing Director, IOB**. In his valedictory address, Shri M. Narendra was appreciative of the overall conference: its coverage, speaker list, content, sequence etc. He urged the student to focus on the key takeaways of the conference. He urged students to take advantage of the immense opportunity provided by this conference in terms of exposure received on the financial sector at such an early age.

The Valedictory session also had Prof. SangeetaManke and Dr Norma Juma, delegates of the conference provided their feedback on the conference. They appreciated the efforts of Dr. Bhama Venkataramani, in



conceptualizing and executing the international conference. The valedictory session concluded with Prof. Adya Sharma proposing the vote of thanks.

#### Conclusion:

On the whole the third International Conference was a huge success and the conference objectives most importantly in arriving at a consensus on a wide range of issues pertaining to the global financial sector. This even was covered by Times of India which has reported the event on Feb 24th and today on page 15 quoting Shri. H.R.Khan's keynote address. Zee TV, CNBC, Thomas Reuters, Bloomberg TV, ET Now, Doordharshan, Sakal Times were also present during the inaugural function. We had 52 papers from outside SCMS Pune and 10 papers from SCMS Pune. 18 papers have been selected for publication in a journal that will be published in collaboration with Bloomsbury. We also had received sponsorship for this event to the tune of Rs. 2.5 lakhs from ACCA and Miles Education. The Conference has great learning outcome for the organizing committee and the delegates



