

Implementing Business Model and Strategies in Banking Sector

Dr. Draupadi A. Gidhwani¹ Mahesh H. Changrani²

¹Sardar Patel University, Vallabh Vidyanagar Gujarat, India ²Gujarat University Gujarat, India

Abstract— In this paper, a research is done on "Implementing Business Model and Strategies In Banking Sector". Here, we have selected two different banks with 2 different financial years. This paper describes the business model adapted by the banks in order to maintain their position and grow in the current market and we've compared the balance sheet for financial year 2017-2018 and 2018-2019. The objective of this paper is to provide an overview of primarily academic literature on the discussion about the growths of Indian private banks after adopting business model and changes in strategies. This study will examine secondary data collected from recent websites, annual reports, Business Model and Strategies available online for the selected banks.

Keywords: Business Model, Banks, Financial Institutions, Innovative Strategies, Axis Bank, HDFC Bank

I. INTRODUCTION

The business model describes the rationale of how an organization creates, delivers, and captures value, in economic, social, cultural or other contexts and hence, the process of business model construction and modification is also called as business model innovation and forms a part of business strategy. The term business model is used for a broad range of informal and formal descriptions to represent core aspects of a business, including purpose, business process, target customers, offerings, strategies, infrastructure, organizational structures, sourcing, trading practices, and operational processes and policies including culture.

The Reserve Bank of India (RBI) played a dynamic role in the growth of the financial sector of India. The banking system in India is the most extensive. The growth of financial sector in India at present is nearly 8.5% per year. Presently the latest inclusions such as Internet banking and Core banking have made banking operations more user friendly and easy. The total asset value of the entire banking sector in India is nearly US\$ 270 billion.

Banks have long relied on making customers aware of relevant products as a path to growth. In the past, that approach was about introducing other banking products. From opening a savings accounts which was in past was limited to Fixed Deposits (FD) / Recurring Deposits (RD) and certain type of loans, now, most of the banks are into the services like offering free credit cards, home loans, study loans, two/four wheeler loan, personal loans, health insurance, life insurance recharge prepaid mobile/DTH connection, paying utility bills, booking travel services, demat services, forex etc.

While the game continues, with the development of technology, the new mobile banking has digital gold, tax payment, fast tag, donation, SMS banking, National Unified USSD Platform (NUUP) - a simple and convenient way to access account from mobile without internet connection or a smart phone and mobile sites too for more user friendly experience. Hence, we can see that banks are not just limited

to the traditional functions of the banking, but are also involved in giving all financial services based on the requirements of their customers.

The growth of financial sector in India was due to the development in banking sector, capital market, insurance sector, and venture capital market. The total asset value of the entire banking sector in India is nearly US\$ 270 billion. The total deposits are nearly US\$ 220 billion. Banking sector in India has been transformed completely.

II. HISTORY OF BANKS

A. Axis Bank:

Axis Bank is one of the first new generation private sector banks to have begun operations in 1994. The Bank was promoted in 1993, jointly by Specified Undertaking of Unit Trust of India (SUUTI) (then known as Unit Trust of India), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC), National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd. and United India Insurance Company Ltd. The shareholding of Unit Trust of India was subsequently transferred to SUUTI, an entity established in 2003.

Axis Bank is the third largest private sector bank in India. The Bank offers the entire spectrum of financial services to customer segments covering Large and Mid-Corporates, MSME, Agriculture and Retail Businesses. With a balance sheet size of Rs. 8,00,997 crores as on 31st March 2019, Axis Bank has achieved consistent growth and with a 5 year CAGR (2013-14 to 2018-19) of 16% in Total Assets, 14% in Total Deposits, 17% in Total Advances.

The Bank's registered office is located at Ahmedabad and their Central Office is located at Mumbai. With 3,485 domestic branches (including extension counters) and 14,332 ATMs across the country as on 30 September 2017, the network of Axis Bank spreads across 2,033 cities and towns, enabling the bank to reach out to a large cross-section of customers with an array of products and services. The bank also has nine overseas offices with branches at Singapore, Hong Kong, Dubai (at the DIFC), Shanghai and Colombo; representative offices at Dubai, Abu Dhabi and Dhaka and an overseas subsidiary at London, UK.

Axis Capital Ltd. was incorporated in India as a wholly owned subsidiary of the bank on 6 December 2005 and received its certificate of commencement of business on 2 May 2006. Certain businesses of M/s. Enam Securities Pvt. Ltd. were merged with Axis Capital Ltd. as part of a scheme and the following companies became direct subsidiaries of ACL. "Axis Securities Ltd. (formerly Enam Securities Direct Pvt. Ltd.)", "Axis Finance Ltd. (formerly Enam Finance Pvt. Ltd.)", "Axis Securities Europe Ltd. (formerly Enam Securities Europe Ltd.)", "Enam International Ltd., UAE (voluntarily dissolved with effect from 24 August 2014)", "Axis Securities Ltd.", "Axis Finance Ltd." and "Axis Securities Europe Ltd." later

became direct subsidiaries of the bank in line with the RBI directives.

B. HDFC Bank:

HDFC Bank Ltd is one of India's premier banks which was incorporated in 1994 year. Headquartered in Mumbai, HDFC Bank is a new generation private sector bank providing a wide range of banking services covering commercial and investment banking on the wholesale side and transactional/branch banking on the retail side. As of June 30, 2019, the Bank's distribution network was at 5500 branches across 2,764 cities. The bank also installed 430,000 POS terminals and issued 23570,000 debit cards and 12 million credit cards in FY 2017.

HDFC Bank also has one overseas wholesale banking branch in Bahrain, a branch in Hong Kong and two representative offices in UAE and Kenya. The Bank has two subsidiary companies, namely HDFC Securities Ltd and HDB Financial Services Ltd.

The key business areas of HDFC bank are wholesale and retail banking and treasury operations. HDFC's key associate and subsidiary companies include "HDFC Bank Limited", "HDFC Standard Life Insurance Company Limited", "HDFC ERGO General Insurance Company Limited", "HDFC Asset Management Company Limited", "GRUH Finance", "HDFC Venture Capital Limited", "HDFC RED" and "Credila Financial Services Private Limited".

III. BUSINESS MODEL AND STRATEGY FOR GROWTH

A. AXIS BANK: According to Axis bank annual report 2018 - 2019:

- Growth: The first deliverable we put out has been to improve our deposit growth materially to fund our strong loan growth aspirations. We want to step up growth in the Wholesale Bank, sustain the momentum in the Retail Bank and want to scale up our subsidiaries materially. We also want to attain a leadership position on the payments side of the business.
- Profitability: We intend to make significant portfolio mix choices based on an assessment of Risk Adjusted Return on Capital, or RAROC. We will relentlessly focus on cost rationalisation and reduce the Bank's credit costs sustainably below its long-term averages.
- Sustainability: We would focus on disciplined execution, and aim to build a sustainable and credible business model. We intend to invest in strengthening our core around technology, processes, operations, digital and analytics. An important element in building a sustainable franchise is to embed conservatism in our internal policies and practices.

While delivery of growth and profitability is important, sustainability forms the foundation of the Bank's strategy.

B. HDFC BANK: According to HDFC Bank Limited Integrated Report 2018 – 2019:

At HDFC Bank, our stakeholders are the focus of our value creation. As a result, the value we bring cannot be financial value alone. Our presentation of the Integrated Report in the 25th year of our existence, is a step towards providing a

glimpse of our value creation story. Below is a depiction of our business model using the concept of capitals prescribed by the IIRC framework. Our business strategy is built to adapt to the internal and external forces that drive our business. Our business model represents how this strategy is executed by key business and non-business activities using capital inputs to deliver expected outputs, which further impacts capitals and addresses risks and opportunities.

- Customer Focus: The customer reposes tremendous trust in us, and we endeavour to be customer centric in our approach which means understanding customer needs and assisting the customers in choosing the products and services that best suit his / her requirements.
- Product Leadership: HDFC Bank has consistently developed innovative products and services that benefit its customers. The Bank actively tracks the performance of various products and modifies product features depending on the feedback received, to better address customer needs.
- Operational Excellence: Operational excellence is a key element of our culture which constantly reminds us to strive for the highest standards of quality. Consistent focus on improvements, seamless execution and seeing something through to the last mile are basic principles of our service delivery.
- Sustainability: We recognize Social and Environmental aspects as essential elements of a Sustainable business philosophy and are committed to enhance our performance on these fronts. We endeavour to drive ESG (Environmental, Social and Governance) parameters from risks to opportunities and to incorporate social and environmental aspects into our business. We have embedded sustainability in our approach towards our Stakeholders, Products and Services.
- People: Our people are our greatest strength. We believe that the ultimate identity and success of our Bank depends upon the exceptional quality of our people and their extraordinary efforts. For this reason, the Bank is committed to hiring, developing, motivating and retaining the best people in the industry.

IV. DATA ANALYSIS BASED ON BALANCE SHEET AND ANNUAL REPORT OF BANKS:

A. Balance Sheet

1) Axis Bank: Balance Sheet of Axis Bank for the Year 2017-2018 and 2018-2019*

Balance Sheet	31st March '19	31st March '18
CAPITAL AND LIABILITIES		
Capital	514	513
Reserves & Surplus	66,162	62,932
Deposits	5,48,472	4,53,623
Borrowings	1,52,776	1,48,016
Other Liabilities and Provisions	33,073	26,246
Total	8,00,997	6,91,330

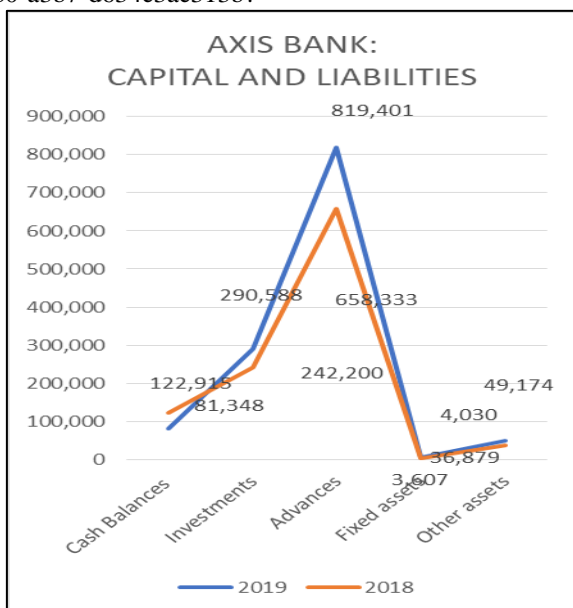
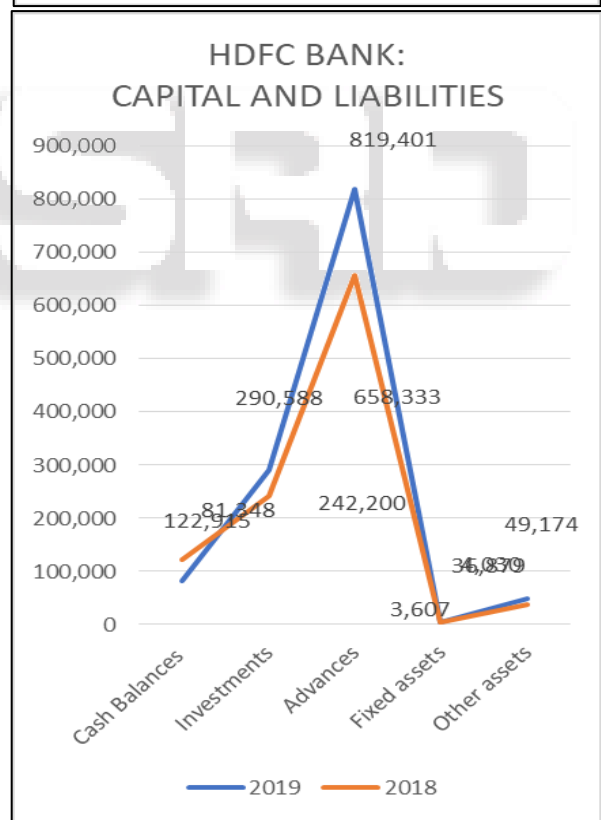
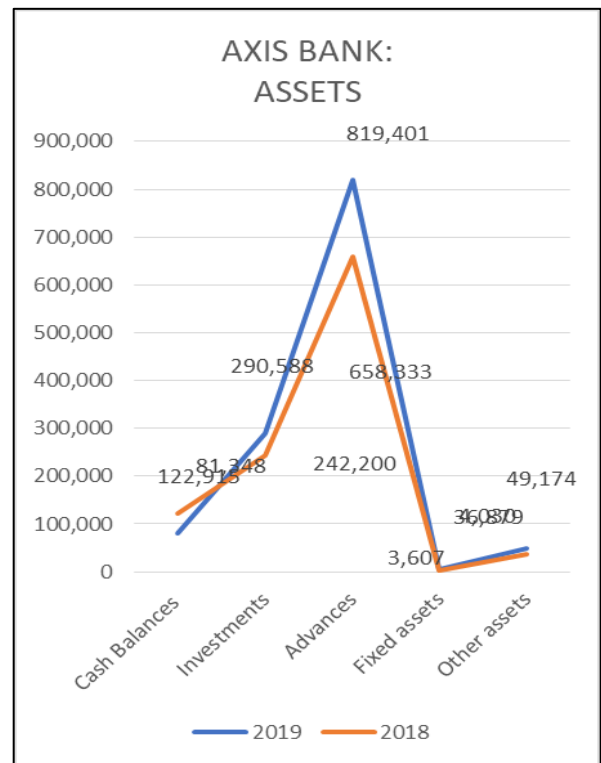
ASSETS		
Cash and Balances with RBI and Balances with Banks and Money at Call and Short Notice	67,205	43,455
Investments	1,74,969	1,53,876
Advances	4,94,798	4,39,650
Fixed Assets	4,037	3,972
Other Assets	59,988	50,377
Total	8,00,997	6,91,330

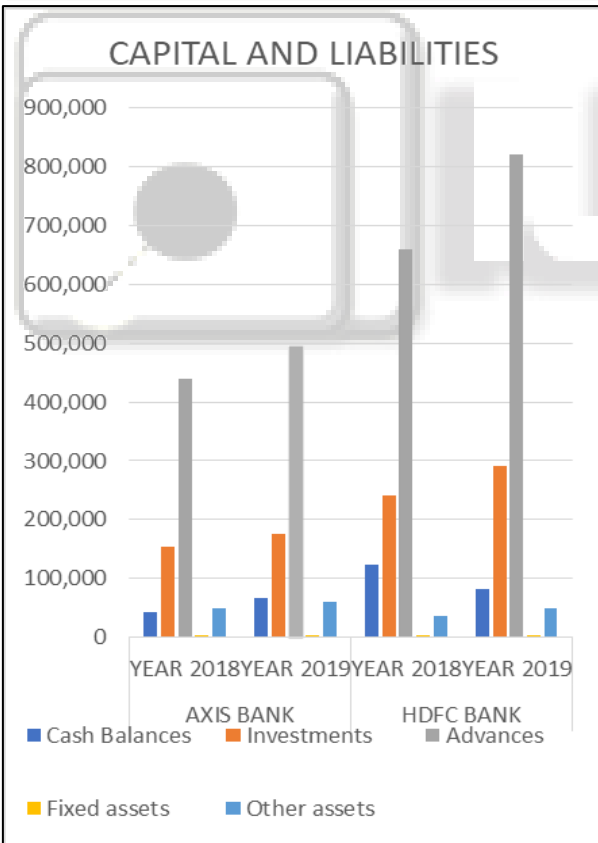
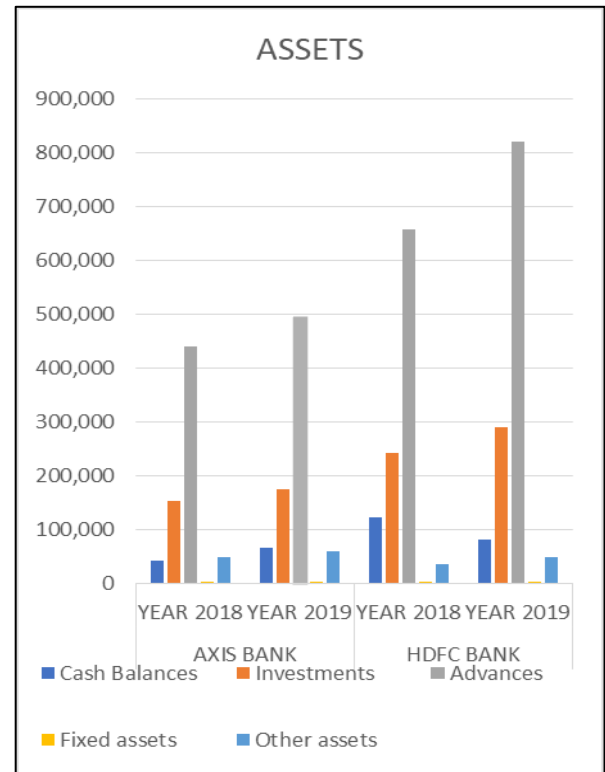
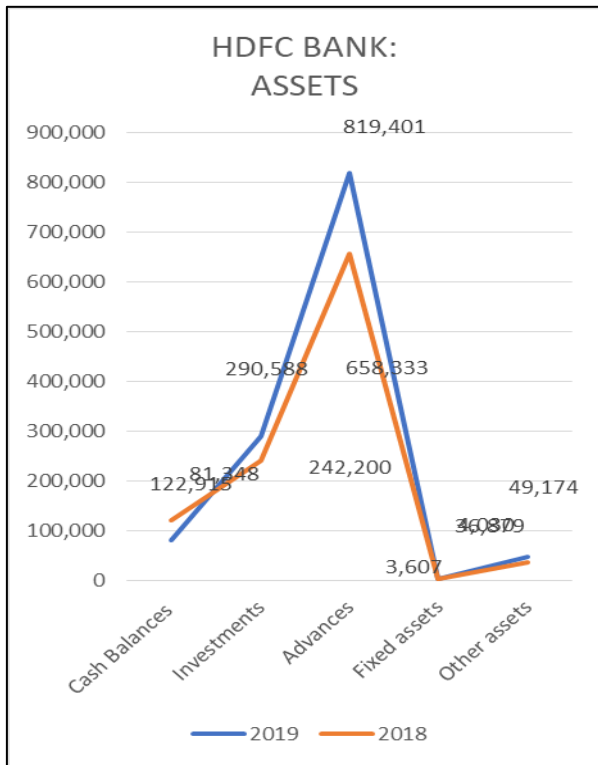
*<https://www.axisbank.com/docs/default-source/press-releases/axis-bank-announces-financial-results-for-the-quarter-and-year-ended-31st-march-2019.pdf>

2) *HDFC Bank: Balance Sheet of HDFC Bank for the Year 2017-2018 and 2018-2019**

Balance Sheet	31st March '19	31st March '18
CAPITAL AND LIABILITIES		
Capital	545	519
Reserves & Surplus	1,48,662	1,05,776
Deposits	9,23,141	7,88,771
Borrowings	1,17,085	1,23,105
Other Liabilities and Provisions	55,108	45,764
Total	12,44,541	10,63,934
ASSETS		
Cash and Balances with RBI and Balances with Banks and Money at Call and Short Notice	81,348	1,22,915
Investments	2,90,588	2,42,200
Advances	8,19,401	6,58,333
Fixed assets	4,030	3,607
Other assets	49,174	36,879
Total	12,44,541	10,63,934

*<https://www.hdfcbank.com/content/api/contentstream-id/723fb80a-2dde-42a3-9793-7ae1be57c87f/6a4197fb-80aa-4eb0-a3b7-d634e3ae313b?>





B. Annual Report of Banks:

1) Axis Bank:

During Q4FY19, the Bank added 86 branches to its network across the country, taking the tally of new branches opened during FY19 to 347 branches (including extension counters). As on 31st March 2019, the Bank had a network of 4,050 domestic branches and extension counters situated in 2,366 centres compared to 3,703 domestic branches and extension counters situated in 2,163 centres last year. As on 31st March 2019, the Bank had 11,801 ATMs and 4,917 cash recyclers spread across the country.

As on 31st March 2019, the Bank's Gross NPA and Net NPA levels were 5.26% and 2.06% respectively, as against 5.75% and 2.36% respectively as on 31st December 2018.

2) HDFC Bank:

HDFC Bank, the most valuable Indian lender, completed 25 years on Feb 18, 2020. The bank observed the anniversary celebrations by committing to plant 25 lakh trees and also digitise 2,500 classrooms.

With the help of the business model and applied strategies, as of March, 2019, the bank has issued 1.25 crore Credit Cards, 2.69 crore Debit Cards, increase in number of ATM's 525 (2018-2019), which brings the total number of ATM's to 13,160. The bank's market cap as on Tuesday's close was ₹6.64 lakh crore as against SBI's ₹2.83 lakh crore. SBI, the largest Indian bank by assets, had ₹23 lakh in advances as of December as against ₹9 lakh crore for HDFC Bank.

Meanwhile, the bank also announced a tie-up with SAP Concur Solutions, and Mastercard on the corporate travel front. A corporate credit card has been launched to eliminate out-of-pocket cash expenses for employees and prevent fraudulent claims as part of the tie-up, it said.

As on 31st March 2019, the Bank's Gross NPA and Net NPA levels were 1.36% and 0.39% respectively, as

against 1.30% and 0.40% respectively as on 31st March 2018.

V. CONCLUSION

With the help of the balance sheet evaluation of both the banks (Axis bank and HDFC bank) and comparative study of the bank reports and other available data online, we can conclude that by implementing business model and making changes to current strategies, there was a great expansion on the bank in terms of their customer base as well as in their business. Both the banks can also improve their growth, profitability and sustainability. Both the banks can highly focus on customers, product, operational excellence and people. These changes can take place by implementing such business model and strategies.

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