

October-December, 2023
Volume LII
Number 3

Editorial

I am happy to present the October - December 2023 (Vol. LII, No. 3) issue of Prajnan. In this issue, we offer four papers. The topics range from a decadal comparison of the Indian financial system with global peers and comparison of cyber security standards to regulation, compliance and penalty, and the drivers of customer satisfaction.

The first paper, by Avdhesh Kumar Shukla, ACV Subrahmanyam and Vijay Singh Shekhawat, is entitled **Benchmarking of the Indian Financial System with Global Peers: A Decadal Comparison**. Based on data between 2011 and 2021, the authors use twenty-five indicators to compare the performance of the Indian credit system with its global counterparts. The study addresses five key dimensions, viz. efficiency, depth, stability, access and resolution. The article suggests that the Indian financial system has outperformed its peers, especially since 2015, despite macroeconomic turbulence. In particular, it highlights the penetration of the non-bank financial services like mutual funds and pension funds, in terms of assets held, as well as reforms to improve the loan recovery and resolution framework.

The second paper is **Regulation, Compliance and Penalty: An Analysis of Indian Commercial Banks**. Compliance risk has become crucial in the wake of the Global Financial Crisis. Hence, the study covers the decade between 2012-13 and 2021-22, which follows the meltdown. The author, Manas Ranjan Das, outlines the important regulatory measures taken during this period. He analyses the evolution of regulatory penalties in India and the rest of the world whilst stating the main reasons for the imposition of these penalties. The paper also offers several suggestions regarding the design of regulations and penalties, so that the process becomes simple, transparent and easy to follow.

The third paper, **Operational Efficiency and Customer-Centric Offerings in Fostering Customer Satisfaction: A Comparative Study of Commercial Banks in Tripura**, is authored by Supriya Dam. It is based on a survey of 224 respondents as well as performance indicators of two banks (one local, one all-India) in Tripura, between 2013 and 2021. The paper shows that the banks are indistinguishable in terms of operational efficiency. Rather, customer satisfaction is driven by factors like customer loyalty, trust and customer-centric products. The study underlines the importance of appropriate staff training programmes to optimise customer satisfaction, even in an era of continuous technological progress at banks and FIs.

The final article, **A Comparative Study of Cyber Security Standards and Frameworks**, by Sanjay H. Shinde and Yashwant Patil, explores cyber security preparedness of banks in India. In spite of several improvements in the cyber security framework, threats have increased manifold. Hence, this paper provides an overview of the global cyber security standards pertaining to the banking sector, and compares their features and applications, along different dimensions. It suggests that there is a need for continuous upgradation of cyber security frameworks, in view of the expanding threat scenarios and hidden risks.

We invite original research articles in all areas of banking and finance. Please submit your papers, comments and suggestions to editor_prajnan@nibmindia.org

With warm regards,

Dr Sanjay Basu
Editor – *Prajnan*
Professor of Finance
NIBM, Pune.

Benchmarking of the Indian Financial System with Global Peers: A Decadal Comparison

Avdhesh Kumar Shukla
A C V Subrahmanyam
Vijay Singh Shekhawat

During the last decade, India undertook wide-ranging reforms in the financial sector, viz., strengthening credit and resolution framework, payment systems, use of technological solutions for deepening financial inclusion, to modernise its financial and credit system. Whilst the gains from such policy reforms are examined for individual dimensions, say financial inclusion or payments, a holistic comparison encompassing most features of the financial system have not been attempted so far. This study using the global financial development database and other relevant global datasets, benchmarks the Indian credit system with global peers using 25 indicators across five key performance dimensions (efficiency, depth, stability, resolution and access) over the last decade (2011-2021). The analysis reveals relative outperformance of the Indian financial system vis-à-vis its peers, particularly after 2015, despite several global macroeconomic headwinds.

Regulation, Compliance and Penalty: An Analysis of Indian Commercial Banks

Manas Ranjan Das

The article does an incisive analysis of 'Penalties' imposed by the Reserve Bank of India on the Indian commercial banks. Since 'Penalty' cannot be dissociated from 'Regulation' and 'Compliance,' the paper also studies the latter two. To the best of our knowledge, the 'Penalty' aspect has not hitherto received any serious attention in the literature. The paper covers the decade 2012-13 to 2021-22 and all the commercial banks (except Foreign Banks, Regional Rural Banks, Small Finance Banks and Payment Banks). The study does a disaggregate analysis by dividing the banks into three groups: Public Sector Banks, Old Private Banks and New Private Banks. The study not only computes the amount of penalty levied on these banks over the decade, but also analyses the reasons thereof under various sections of the relevant acts. The paper also briefly looks at the international position and concludes with a menu of policies in order to improve the trinity of 'Regulation', 'Compliance' and 'Penalty' in Indian commercial banking.

Operational Efficiency and Customer-Centric Offerings in Fostering Customer Satisfaction: A Comparative Study of Commercial Banks in Tripura

Supriya Dam

This empirical study explores the blending of operational efficiency and customer-centric offerings to fortify customer satisfaction among competing bank clients. Dissimilar banks have divergent customer bases, thrust areas of operation and technological inputs, engaged in a duel to expand market share. A comprehensive analysis of indicators such as deposit mobilisation, branch expansion, management of advances, branch and staff productivity, capital adequacy, yield on advances, and return on equity, is attempted to review the operational efficiency of the banks. Test

results show no statistically significant difference between the operational efficiency parameters of commercial banks. The result testifies an extension of customer loyalty and trust through local positioning, has an affirmative influence on customer satisfaction. Customers' inclination towards customer-centricity and technology-driven banking over product-centric approaches, with a thrust on consumer orientation, helps increase clients' patronage. The findings underline the importance of proper communication strategy and staff training for optimising customer satisfaction.

A Comparative Study of Cyber Security Standards and Frameworks

Sanjay H Shinde
Yashwant Patil

In the year 2017, RBI issued a directive notifying the cyber security framework for banks in India so as to ensure adequate cyber security preparedness among banks on a continuous basis. The security framework includes IT governance, information security, IS audit, IT operations, IT services outsourcing, cyber fraud, business continuity planning, customer awareness programmes and legal aspects. But in spite of this security framework, the cyber security issues have increased. Hence, in order to understand the strengths and weaknesses of the prevailing cyber security standards, the present paper provides an overview of global cyber security standards and compares them with respect to important parameters.