

Speech

An Intolerable Surge ? International Capital Flows and the Indian Policy Response

➤ Anne O Krueger

Articles

Building Trust in e-Banking

➤ Raveendranath Hebbar

Managing technology is a key challenge for the Indian banking sector. Banks have enhanced their networks and communication infrastructure to reap the full benefits of computerization. E-Banking is catching up. The need for having required tools for trust, privacy, and confidentiality is a major area of concern for today's networked banking. Public Key Infrastructure [PKI] provides the framework of trust essential for e-business to thrive. PKI systems are used to generate and verify Digital Signatures, which can be attached to messages for imparting necessary authenticity, integrity and non-repudiation. Policies, procedures and systems are being laid out by the RBI and the Structural Financial Messaging System [SFMS] being introduced in banks under the aegis of IDRBT is expected to revolutionize the way banking is conducted in the country. The Real Time Gross Settlement [RTGS] system being introduced in the country is built on the trust levels guaranteed by the SFMS backbone.

Burgeoning Foreign Exchange Reserves : Impact on Economy and its Management

➤ Prahlad Sabnani

Foreign Exchange Reserves (FER) of India have crossed US \$ 107 billion mainly through merchandize and software exports, private transfers and non-debt creating capital and also because of depreciation of US dollar, higher rates of interest in India and attractive yield on investments.

Even if the management of FER by RBI has been excellent as per IMF certification, it would be prudent that high cost foreign debts are prepaid at a faster pace so that the cost of maintaining FER is kept at bare minimum level.

VRS in Banks : Socio-economic Study of VRS Retirees - Dilip J Zanpure

In the backdrop of surplus of 1,00,000 employees in the public sector banks, 26 major nationalized banks and the SBI group implemented Voluntary Retirement Scheme (VRS) in the year 2000. Out of 8,63,117 employees about 1,26,814 applied for VRS and 1,00,810 applications were accepted, i.e. about 11.7 per cent of employees left the bank. However, compared to 6.8 per cent of subordinate staff and 11.4 per cent of clerical staff, 27.1 per cent of officers left the bank. A majority of these people appear to be leading a peaceful retired life leaving behind these banks in dire need of experienced personnel.

Clearing and Settlement Mechanism for Trades in Indian Corporate Debt Market

➤ V Ravichandran, Manas Paul & Binayak Pal

The importance of capital markets for emerging economies lies not only in channelling scarce capital for necessary economic growth and development but also as an effective conduit for implementing monetary and debt management policies of the government. The existence of a well functioning clearing and settlement mechanism is an unavoidable necessity for the smooth functioning of any segment of the financial market. Its importance lies not only in reducing inherent risks of underlying market transactions but also the costs arising out of inefficiencies associated with the transfer and settlement processes persisting in its absence. Though India over time has made laudable progress in addressing this issue for trades in equities, forex and

government securities there is a conspicuous absence of any institutional mechanism for clearance and settlement of trades in the corporate bond market. In perspective of the growing importance of corporate bond as an alternative source of resource mobilization in India, this paper discusses a road map for establishing an institutional mechanism for clearing and settlement of transactions in the Indian corporate bond market.

Maharashtra Rural Credit Project : Success Stories

- W M Sawalapurkar

Chandrapur Gadchiroli Gramin Bank formed under Maharashtra Rural Credit Project have converted Gabori considered as a “defaulter village” to a village with 88 percent of repayment level; closed the liquor shops enjoying the “protection” of local police in Jam Tukum and have decided to implement Anna Hazare’s principle of Charaibandi, Kurhabandi, Nasbandi, Nashabandi and Sharamdaan; and recovered Rs1.15 lakhs from 18 written off accounts in Doni village.

The Board of CGGB has, therefore, decided to extend “MRCP strategy” to the remaining non-MRCP branches and non-MRCP villages because of its tremendous business potential with societal concern.

Booknotes

- Bibha Ganguly