

Articles

Indian Banking in 2010

- *A J Mehta*

Globalization of financial markets in general and the reforms in BFSI sector has posed several challenges for the participants as well as to the regulators. While it is difficult to enlist the specific challenges, banking system surely, will be faced with issues like enhanced competition, rural banking, technology as well as human resources. It is high-time that banks revisit their business models and prepare for future. This paper is an attempt in this direction.

Carbon Finance : An Emerging Opportunity

- *M Manickaraj*

Kyoto Protocol signed by most countries in 1997 stipulates that emission of greenhouse gases should be reduced by the developed countries in order to mitigate global warming. Developing countries like India, though are exempted from this emission reduction obligation; emission reduction achieved by projects in their countries can be sold to developed countries as carbon credits. India is the leader in terms of number of carbon credit projects registered with the United Nations; and there is tremendous scope for many more projects to be undertaken that will make our industries and economy sustainable. Banks and financial institutions have enormous scope to extend finance and other services like guarantee and advisory services to the industrial units willing to take up these projects. However, banks and financial institutions in India, with some exceptions, are yet to realize it as a sustainable business opportunity.

Compliance Risk in Banks : Concept, Assessment and Management

- *V S Kaveri*

The Basel Committee on Banking Supervision published a paper on Compliance Functions in Banks in April 2005, which discusses certain principles of compliance. The Reserve Bank of India (RBI) reviewed the working of compliance system in banks, which was found to be not effective. Subsequently, the RBI set up a Working Group to make suitable recommendations to strengthen the compliance system. Based on the Group's recommendations and comments received on draft guidelines, the RBI issued detailed guidelines on Compliance Function in Banks in April 2007. These guidelines cover Compliance Principles, Process and Procedures, Compliance Policy, Compliance Structure, Responsibility of Board and Senior Management, Compliance Risk, Compliance Programme, etc. Banks have been advised to implement the guidelines within next six months. In this regard, it is important to develop compliance policy, set up compliance office at corporate and controlling offices, prepare risk templates, create MIS and define role responsibilities of the compliance officers. More importantly, efforts should be made to create awareness on compliance function among the staff besides developing necessary skills to manage compliance risk. This paper discusses various aspects of compliance function in banks.

Capital Asset Pricing Model : A Critical Evaluation

- *Kapil Sharma & P N Mishra*

One of the fundamental questions in finance is how risk and returns of an investment are related to each other. The Capital Asset Pricing Model (CAPM) developed by William Sharpe and John Linter in 1960's was the first concrete step towards finding an answer to this question. CAPM is based on the idea that not all risks affect asset prices. A risk that can be diversified away when held along with other investments in a portfolio is not a risk at all. CAPM gives an insight into what kind of risk is related to return, it offers powerful predictions about how to measure risk and the relation between expected return and risk. Four decades later also CAPM is still widely used

in application such as estimating the cost of capital for firms and evaluating the performance of managed portfolios. CAPM is based on certain assumptions to which many market analysts and researchers disagree and put a question mark upon the level of confidence that can be placed on to the results obtained from CAPM. This paper lays out the key ideas of the CAPM, discusses its applications, importance in the field of finance and its weakness.

Executive Time

- *G Ananthkrishnan*

Although time management has been discussed in the past, today, the same assumes greater importance. The buzzing corporate world with tall targets demand executives to spend time, a precious resource, efficiently for the benefit of organizations as also for themselves. This paper discusses some aspects of time management.

Rural Banking in India – the Way Ahead

- *Mainak Banerjee*

Although rural banking in India has been relatively successful in quantitative terms, mainly in terms of rural branches, the recent findings confirm that the extent of financial exclusion is much larger while there is unanimity regarding bringing excluded into the banking fold. There seems to be no easy way towards achieving this end. This paper presents the various facets of the rural banking scenario in India. Rural banking with its multiple attributes can be immensely helpful to Indian banks to enhance their productivity and profitability as well as to reduce risks. To what extent and how soon, perhaps depends upon the banks' competency to meet the challenges and leverage opportunities profitably, the kind of technology used and the efficiency of the operations.

Notes & Comments

India's Outbound Foreign Direct Investment

- *Sankar Thappa*

FAQs on Global Warming and Carbon Finance

- *T D Devassia*