

Cash Management : Doing More with Less

- *Prabir Biswas*

Handling of cash, historically most visible function of the banking system, has assumed more significance consequent to the demand of the corporate sector on banks to integrate corporate treasury management with the collection and distribution so as to bring down the inefficiencies of the payment system on one hand, and meeting the ever-increasing demand of cash transactions on the other hand. Attitudinal apathy of commercial banks has not helped the banks in improving systems and increasing effectiveness in their operations so that operational risks are reduced while increasing returns. The article enumerates steps and strategies that can be thought to improve cost-effectiveness by doing more with less cash and convert the neglected operation (cash management) into a source of additional income.

Financial Literacy : Concept and its Importance in India

- *Bhushan Bhatia*

Financial Literacy can broadly be defined as the capacity to have familiarity with and understanding of financial market products, especially rewards and risks in order to make informed choices. The paper covers the concept of financial literacy, its focus, i.e. the individual, different global practices on financial literacy and the Indian realities. The paper examines certain issues relating to financial literacy such as need and urgency for financial literacy, themes, constraints and covers the linkage between financial literacy and financial inclusion. In the end, the paper deals with possible approaches to financial inclusion, role of RBI and banks.

GATS and Indian Banking : Challenges Ahead

- *Sanjay Tupe*

Since 1991, Indian banking industry has been passing through a phase of transition. The core challenges that have been faced presently by the Indian banks are: compliance to Basel I and II norms, technology upgradation and adherence to professional governance. Other challenges emerging through the globalization process are the entry of more foreign banks and their branch expansion in near future on the Indian Territory. With this backdrop, present paper analyses the financial performance of Indian Public Sector Banks (PSBs), Old Private Sector Banks (OPRSBs), New Private Sector Banks (NPRSBs) and Foreign Banks (FBs) for the last five years (1999-00 to 2003-04). It also reviews the relative strength of Indian banks and their preparation to take up the challenges of General Agreement in Trade and Services (GATS) regime. Our result reveals that foreign banks are more competent, and surpass the Indian PSBs to a great extent. If this trend continues, domestic banking industry will have to face the competition.

India and the Global Credit Crunch

- *Raj Kumari*

The crisis in the US financial markets which has now become global is a cause for worry for the Indian industries also. Although India is not likely to face a financial meltdown of the same kind yet the crisis will certainly have an impact. In this article the author considers the possible negative effects of the crisis on India and examines whether the Government's response so far has been appropriate.

Strategies for Stepping up Credit to MSMEs

- *M Manickaraj & V S Kaveri*

Given the growing importance of MSMEs, Government of India has initiated several policy measures covering infrastructure and financial support to promote MSMEs. Reserve Bank of India has issued several guidelines to the banks for improving the flow of credit to the sector. Despite all these measures, adequate credit is not flowing to MSME sector. The third Census of the SSI Sector, 2001-02 reports that about 95 per cent of the 13.2 million MSMEs do not avail credit from institutional sources. The present study has made an attempt to explore the characteristics of MSMEs in order to evolve suitable strategies for stepping up credit to the sector. Discussions with the bank officials, interviews with entrepreneurs, plant visits and case studies have been used as methodologies for the purpose. While enlisting the inherent characteristics that bring out the risks involved in financing the MSMEs, the authors have also suggested a host of strategies for stepping up credit to the MSME sector.

Corporate Governance in Urban Cooperative Banks

- *S V Kuvalekar, Vikas Srivastava & V S Kaveri*

While Urban Cooperative Banks (UCBs) are assigned a major role to play in providing banking facilities mainly to lower and middle class customers in urban areas, their overall performance is a matter of concern. Of late, they are found to be weak in observing corporate governance also. To strengthen corporate governance in the UCB sector, the Reserve Bank of India and the Government of India has taken several initiatives. These include the appointment of several committees and working groups to recommend strategies for observing corporate governance in the larger interest of the society. This article highlights how poor corporate governance has led to the collapse of a few UCBs. It also finds relationship between business performance and corporate governance, besides offering suggestions to step-up the quality of corporate governance in the UCB sector.