EDITORIAL

Greetings!!!

Banks are considered as the most important pillars that support the financial architecture of a modern economy. Their successes and failures are inextricably linked to those of the entire economy. India's banking sector has undergone a paradigm shift in the past two decades—evolving from physical banking to becoming digital anchors. It has witnessed a transition from the simple automation of paperwork in bank branches to today's branchless banking paradigms that use new-age contactless technologies. The role of technology has been evolved from being a mere component in the strategic framework of organizations to driving, shaping and redefining business models and revenue streams.

As per the Reserve Bank of India (RBI), the Indian banking sector is sufficiently capitalised and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well. The Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. Exactly three years since it was legislated, the Insolvency and Bankruptcy Code (IBC) 2016 has made material progress in addressing the logjams it was supposed to -- which is faster recovery of stressed assets and quicker resolution timelines. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry. The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level 5 in the Faster Payments Innovation Index (FPII).

Again this year, the government unveiled Mega Bank Mergers drive where 10 public sector banks (PSBs) were merged into four, reducing the number of state-owned banks from 18 to 12, in a bid to create "next-generation" financial institutions with stronger balance sheets and bigger risk appetite and consequently moving towards achieving the target of $5-trillion economy. Punjab National Bank (PNB) took over Oriental Bank of Commerce (OBC) and United Bank of India (UBI) to become the country's largest lender after State Bank of India (SBI) in terms of business. Canara Bank subsumed Syndicate Bank; Andhra Bank and Corporation Bank merged with Union Bank of India; and Allahabad Bank became part of Indian Bank. The key factors for the mergers were: Technological platform, customer reach, cultural similarities and competitiveness.

The first and foremost challenge might be the integration of different core banking solutions, seems to be a big challenge for the merged banks. These are to be integrated into the merged entity. Data extraction and integration also pose an additional challenge. Then comes the HR issues. Creation of bigger banks will not reap the expected benefits if its management remains orthodox and employees remain disgruntled. Harmonising human resources with different cultures, working conditions and managerial hierarchies are brainstorming exercise.

Although there may be some jolt at the initial phases of the merger as we have seen above that may escalate dwindling in some essential parameters in the short run; long term benefits should outweigh this short- run predicaments. But in order to get the best dividend out of this merger and to act as a building block for achieving USD 5 trillion economy target, the merged banks must be allowed to work independently, professionally without any interference from any front whatsoever like its private peers.

The banking sector is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge. To help banks become more responsive, professionals like CMAs can frame or suggest a suitable strategy to manage their portfolio of technology assets; special emphasis to be given on cost-effectiveness in this regard. The Cost and Management Accountants with their specialized professional skill and expert knowledge and analytical capabilities can provide an in-depth service in Risk based audit in Banks. The CMAs can perform Forensic Audit to investigate fraudulent activities, uncover money laundering and must make sure that the banking system does not lose its robustness and more importantly the faith of millions of stakeholders.

This issue presents a good number of articles on the cover story theme **'Steering Transformation in Banking'** by distinguished experts and authors. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at *editor@icmai.in.* We thank all the contributors to this important issue and hope our readers enjoy the articles.

Happy New Year 2020!!!