



i-CAN-IDEATE

IDEAS THAT HELP US GROW TOGETHER

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FROM THE DESK OF GS

Shri. Ravi Kumar K.



"The only limit to the height of your achievements is the reach of your dreams and your willingness to work for them" - Michelle Obama

Dear Canpals,

Our Bank has reported financial results for the period ended March 2022, keenly awaited by industry, Investors and other stakeholders. I must mention that these results have **strengthened the belief of every stakeholder in this mammoth and magnanimous organization.**

This performance is yet another proof that we Canpals can achieve, whatever goal we set our eyes on, and can outdo even ourselves every time. I must underscore, it is because of the felicitous mission and futuristic vision of our top management under the **deft leadership of our beloved MD&CEO** and synergetic efforts from each one of you that these results have manifested on the ground. As I always say, **you all drive the bottom-line!**

CBOA, while propounding '**Trumping the Targets 2.0**' for the new financial year, has laid emphasis on **improving profitability** through increased digitization and proactive ecosystem for product development. Against this backdrop, we are bring to you our April issue of monthly newsletter.

Let us all continue to work innovatively towards ensuring continued glory for our mother Bank. Let's make everyday count!

Happy Reading and Happy Learning!



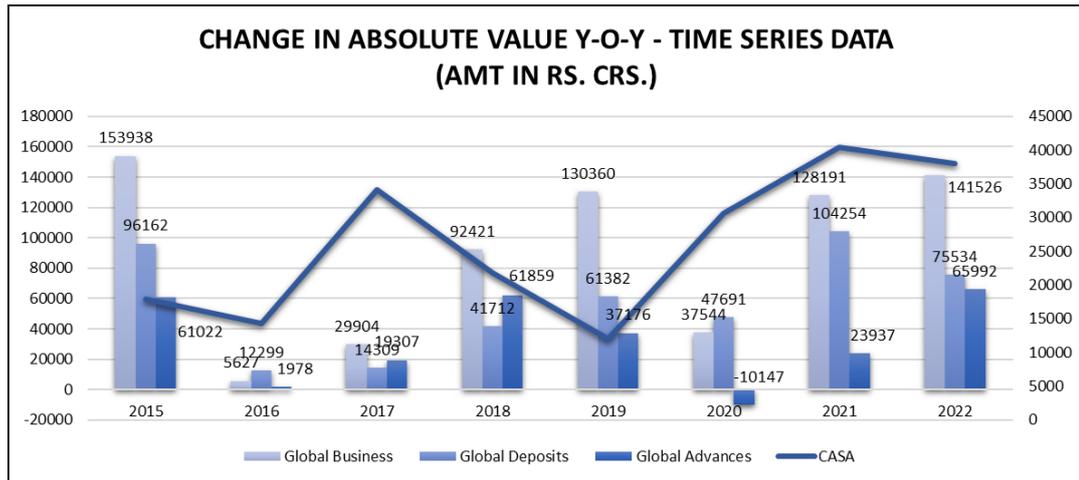
CANARA BANK OFFICERS
ASSOCIATION'S
MONTHLY NEWSLETTER

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HOW IMPORTANT PARAMETERS FARED?

The next frontier to conquer is breaching the Rs. 20 Lakh Crore mark in business. With the external macroeconomic challenges looming amid tightening liquidity conditions credit growth could not be very smooth. The industry expects, however, a fairly better deposit growth amid interest rate increase scenario. In the last 5-8 years, the banking industry has witnessed a lot of volatility in congruence with the macro-economic landscape. For our bank, the historical data tells a story.

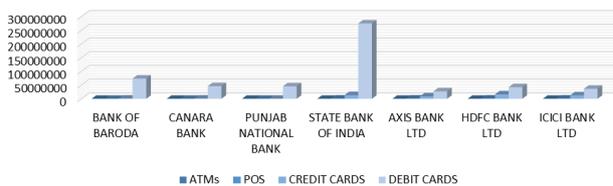


Note: The above data indicates change (delta) in various business parameters. For ex: for 2015, data denotes the change in figures between 2014 and 2015 and so on.
Data Source: Canara Bank's website - Financial results.

The graphical representation is to understand the movement of various business parameters like Global business, Global deposits, Global Advances and CASA deposits in absolute delta (change) terms for our Bank. If we deem the four parameters as important barometer for growth, then year 2015, 2019, 2021 and 2022 can be seen as the phases of higher growth in the global business, while year 2016, 2017 and 2020 as years of relative lower growth. Reasons may be manifold. Further it is interesting to note that the growth in business in 2015, 2019 and 2021 were predominantly driven by deposits growth, while Advances growth was also seen catching up with deposits growth for the years 2019 and 2022. More interestingly, CASA growth was lower in the year 2015 and 2019, even then the term deposit growth had led to total deposit growth and in turn more business growth in the two years. Because of these, Bank was rightly termed as a predominantly term deposit oriented bank till last few years. However, the CASA growth has quickened after year 2019 and is healthy now. Understandably, 2019-20 was impacted by Covid-19 pandemic, leading a drop in absolute growth of advances. The data may be further analyzed and probed to see that right learnings are made so as to ensure healthy business growth in the ensuing years.

RIDING ON THE DIGITIZATION WAVE?

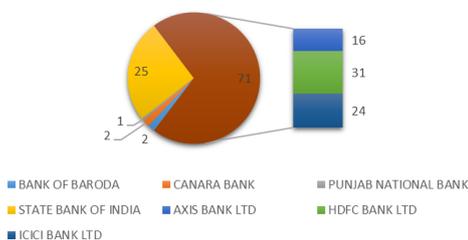
EXTENT OF STAGE-1 DIGITIZATION (AS ON FEB 2022)



The stage-1 digitization:

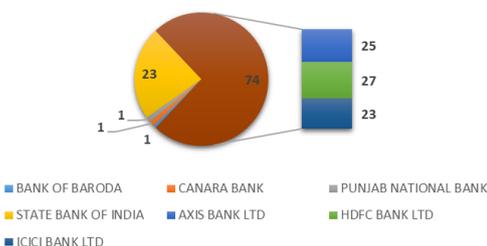
We deem stage-1 digitization as having basic digital products like Debit Cards, Credit Cards, No. of ATMs, No. of POS machines etc. As per Feb 2022 data (latest), SBI is a clear leader in number of debit cards as it is directly co-related to its customer base, which is huge (around 45 crores as on 2021). HDFC Bank and ICICI Bank are competitive in Credit Cards and Debit Cards even with a lower customer base than other big PSBs like BOB, PNB and our Bank.

CREDIT CARDS SHARE% AMONG 7 PEER BANKS (AS ON FEB 2022)



Further, among 7 Big Banks of the country, the extent of share shows that the three Private Banks holds around 71% of the share in Credit Cards and 74% in PoS terminals. This is intriguing. HDFC Bank is leader in both the products slightly trailed by SBI. Further, within the share of four Public Sector Banks, after SBI, BOB, PNB and Canara Bank share a miniscule portion in both PoS and Credit Card business. This is alarming! Clearly we have not expanded our market presence with the way likes of HDFC Bank, SBI and ICICI Bank have expanded. This market presence helps those Banks ensure a commanding position in new customer acquisition and retention along with garnering low-cost deposit and good fee based income.

POS % SHARE AMONG 7 PEER BANKS (AS ON FEB 2022)



Next stage digitization and way forward:

It is essential that the stage-1 digitization be tapped at the earliest as customers still have a emotional attachment with the public sector Bank, which however is overpowered by the customer's urge to get quick and customer services. Private Banks are acing this aspect. For a progressive Bank like ours, it is important to ride on this digitization wave so that we respond proactively to the next stage of digitization, i.e. tapping the Fin-Tech ecosystem and leveraging its benefits to the fullest.

Data Source: RBI Data Releases - Monthly

BANKING WITHOUT BRANCHES?

As per Mr. Uday Kotak, MD & CEO of Kotak Mahindra Bank, there are three worlds now. Before COVID [BC], During COVID [DC], and After COVID [AC]. The BC world was 80/20 physical to digital. In the DC world, it is 10/90 physical to digital and in the AC world, it will be more like 50/50.

Branchless banking is growing because of advances in mobile identification technology like multi-factor authentication, touch-id, face id, voice id, etc. Digital banking channels like SBI's YONO, Kotak 811, etc. are on a different footing from neo-banks, being the digital-only units of traditional, licensed banks. With API driven disruption, traditional branch-based banking is gradually being replaced by branchless, digitized banking touchpoints.

Benefit?

A significant benefit these bring is in their target for an enhanced customer experience, targeting niche segments like millennials, SMEs, low-income segments, etc. **For customers, this means a high level of customization, with services ranging from account opening and linking, recurring/ fixed deposit related services, requesting payments instruments like cards or wallets, accessing loans or credit lines, and so on, all via their smartphone.** The latest technologies such as cloud, artificial intelligence (AI) and application programming interfaces (APIs) are seen as the drivers of this digital transformation.

Our say?

Digital Banking is going to be the foremost preferred sort of banking within the coming years. Digitization and innovative technologies are creating unprecedented disruption in the banking sector and the rate of change is accelerating. Banks of all sizes and across regions will make a huge difference by enabling digital initiatives to maintain a competitive edge and deliver maximum value to the customers. Our mother Bank also is prioritizing an increase in its presence in the digital banking landscape with multiple improvements in its mobile banking app, net banking facilities and ensuring one-stop solution for all banking needs through digital channel. The future of digital banking seems promising.

EFFECT OF DIGITISATION ON PROFITABILITY?

Outward-orientation required?

In the current banking landscape, disrupted by digitization, Banks can't be just inward-looking wherein they used to tailor the products according to their own business needs, thrust areas and long term strategy. On the contrary, the Banks need to be outward oriented, wherein they would think through customer needs and the tailor their products within the regulatory framework. **We need to focus on what's right for the customer and then work backwards from there to see how we can manage our risk and regulatory compliance.**

Effect on profitability?

Digitalization of banks is expected to improve bank profitability in the long term, as it enables operations with a lighter cost structure. Digitalization directly intervenes into the P&L of a Bank. It lowers the costing, improves the income, esp. fee-based and affects the extent of provisions on amount of stressed assets. Further, digital activities enables automation and in turn rationalization of repetitive activities, activities that are anyway not enhancing the capabilities of human

Our say?

Banks are moving at very different speeds in digitalization. It is a fact that PVBs are a bit ahead of PSBs in terms of swiftly identifying the key areas and proactively ensuring the interventions. According to the RBI report, Bank's gross NPA could jump to 9.5% or higher by September 2022 as a result of expected increases in stressed assets and loan costs. This could severely impact the profitability of Banks, including ours. Digitization benefits are multifold for PSBs like ours:

1. It would help us institutionalize lending to service-class customers who expect specificity in products and higher speed (low TAT) in the provision of banking solutions. Retail portfolio has a reasonable lower gross NPAs.
2. It would help us cater to the most important sector of our economy, i.e. SME. The sector requires time-bound, tailor-made delivery of credit.
3. It would help us garner low-cost deposit (CASA) after establishing relationships with non-corporate/salaried borrowers.



DIGITAL TRANSFORMATION AND HR

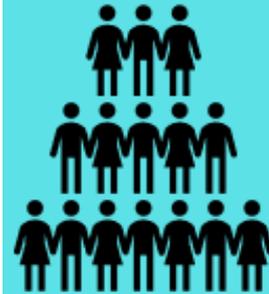
In the banking sector, where adherence to processes has always been the golden rule, the attention to the human aspect is unprecedented. It is a critical aspect in ensuring that all employees remain focused on their goals. In this respect, **the quality of service between a bank and its customers is symmetrical to the quality of the relationship between this bank and all its employees.**



We need to **focus on upskilling and reskilling the workforce to be more agile, future focused collaborative and growth focused** in order to build a bank fit for the future. Our endeavor needs to be to inculcate a mindset change in our employees, to be more innovative and have an intellectual curiosity in keeping with technological wave around us. The key priority is to give our employees the best in class digital experience which would mirror the superior experience that we deliver to our customers.

Value behind digital transformation in HR:

Decreased risk	Replacing manual processes with software tools and automation solutions reduces human errors and increases productivity.
Maximized results	A data-driven approach helps HR departments analyze project performance, gather feedback, and compile realistic employee profiles for better workforce planning
Enhance workplace efficiency	More efficient resource management encourages knowledge sharing and collaboration across departments, enhanced employee engagement and empowerment



STRATEGIES FOR HR TRANSFORMATION

When every 'for-profit' entity is reinventing the HR strategies in the current digital boom, it becomes pertinent to list out some of the most prominent:

Productivity improvements: To improve productivity, HR departments need a perfect picture of what, where, and how to improve. With data analytics tools, HR departments can pull data from multiple sources to get a complete view of an employee's lifecycle, track the quality of specific HR activities, for example, training programs, better understand employee turnover, and more

Talent management systems: Being the superhero inside an HR tech stack, talent management systems are a technological suite that ensures effective performance, learning, development, and compensation management. It's an HR's right hand throughout the entire journey, from finding the right talent to identifying top performers.

Articulate a clear vision, create and communicate a roadmap, and define expected outcomes: Communicating with consistency and context can help in transformation and it will affect people differently depending on the department they're in, the role they play, the hours they work, and the customers they serve. The changes will mean different things to different people, so by providing copious examples we can bring vision to life, set expectations, and get people on board.

Actively creating awareness and enthusiasm for the 'art of the possible': By assuaging concerns about how changes could impact employees, customers, we can make a conscious effort to convey passion and excitement for the project.

Creating a culture and an ecosystem to attract the type of talent we need from the external market going forward: We may explore a talent infusion from the open market to think differently and be innovative. By starting to overhaul of our bank charts, job descriptions, employer brand, recruiting processes, applicant tracking systems, etc. early to prepare and to support the refreshed, future-forward banks.



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