

Question Paper
Integrated Case Studies - II (MB381) : July 2008
Case Study* (100 Marks)

- This section consists of questions with serial number 1 - 6.
- Answer all questions.
- Marks are indicated against each question.

Read the case carefully and answer the following questions:

1. The Government of India embarked upon reforming the financial sector of the country, as part of the economic reforms it started in the early 1990s. In this context, analyze how the Indian banking sector has changed over the years. [<ANSWER>](#)
(15 marks)
2. Yes Bank, being a late entrant into the heavily cluttered Indian commercial banking space decided to follow an innovative approach called knowledge banking. Discuss the various aspects of this approach with emphasis on the emerging sectors of the economy. What according to you are the benefits of such a policy? [<ANSWER>](#)
(20 marks)
3. What is the significance of technology in banks in providing world class customer services? In the light of Yes Bank's consideration of technology as a strategic tool to realize the aim of providing world-class customer services, discuss how technology has enabled the bank to differentiate itself from the other players in the industry. [<ANSWER>](#)
(20 marks)
4. With the increased focus on human resources for the success of any firm, discuss the various HR strategies adopted by the firms in the banking services sector. In the light of Yes Bank's belief that its human resources are its strategic asset, discuss the various initiatives taken by the bank to improve the performance of the organization. [<ANSWER>](#)
(20 marks)
5. Yes Bank adopted several approaches/strategies to differentiate itself. What do you understand by differentiation? One of the ways in which Yes Bank differentiated itself was through promotion. Critically discuss Yes Bank's promotion strategy for differentiation in an over crowded market. [<ANSWER>](#)
(17 marks)
6. The high growth rates of the Indian economy provided tremendous opportunities for the Indian banking sector. Discuss, what according to you, would be the future outlook of Yes Bank in the Indian banking scenario. [<ANSWER>](#)
(8 marks)

Yes Bank: Competitive Strategy of a Late Entrant

*"One of the strengths and differentiating features of Yes Bank is its knowledge banking approach. Our approach is service-oriented; we offer what is missing in the marketplace. We offer choice and convenience to customers (to enhance their banking experience)."*¹

– Rana Kapoor, Founder, Managing Director and CEO, YES BANK.

*"[Rana Kapoor's] aim is to break the stereotype image of banks and bankers. There is, of course, all the seriousness that goes with managing other people's money. Prudent management, new technology, skilled people. Good corporate governance, top quality service. Plenty of social involvement. But there is also an emphasis on conveying the message that banking is not merely a set of cold hi-tech assemblages and serious-looking bankers."*²

– *The Week*³, May 22, 2005.

SAYING YES TO DIFFERENTIATION

In December 2006, YES BANK (Yes Bank) was rated the third best bank in India by *Business World*⁴ in its annual

*The above case is prepared only for the purpose of examination and not to illustrate effective or ineffective performance of the company. The case contains factual information adapted to and combined with other information to enable analysis of the given topics.

1 “Wireless Banking Gets the Nod,”
www.intel.com/business/casestudies/yes_bank.pdf.

2 T.R.Gopalakrishnan, “Knowledge is Key,” *The Week*, May 22, 2005.

3 The Week is one of the leading weekly magazines in the US.

4 Business World is a weekly business magazine published from Kolkata, India, by the publishing house, ABP Group.

5 Financial Express is a financial daily published by the Indian Express Group from Mumbai. Ernst & Young, based in London, UK, is one of the largest professional services firms in the world.

6 Anita Bhoir, “We Have a Subprime Problem Brewing in PLs’,” www.business-standard.com, October 12, 2007.

7 Abhijit V. Banerjee, Shawn Cole, and Esther Duflo, “Banking Reform in India”, www.mit.edu, June 2004.

8 The Narasimham committee on banking reforms set up by the GoI, was chaired by M. Narasimham.

9 ICICI Bank, headquartered in Mumbai, India, is India’s largest private sector bank in market capitalization and the second largest overall in terms of assets. Its revenue for FY2007 was US\$ 5.79 billion. (Source: www.en.wikipedia.org)

10 HDFC Bank, headquartered in Mumbai, India, is one of the leading private sector banks in India with total revenue of Rs. 1,356.979 million in FY2007. (As of October 2007, US\$1 was approximately equal to Rs.39.85.)

11 UTI Bank is one of the leading private sector banks in India. As of July 2007, it was the fifth largest bank in India with total business of Rs. 10 billion and market capitalization of Rs. 2181.7 million. In July 2007, UTI Bank rebranded itself as Axis Bank.

12 The Reserve Bank of India (RBI) is the central bank of India and regulates the Indian banking sector.

13 As of the mid-2000s, the foreign banks were not allowed to buy more than a 5 percent stake in any domestic bank. These banks also had restrictions on opening multiple branches.

14 “Banking the Emerging India,” *Gulf Business* (Retrieved from www.yesbank.com)

15 T.R.Gopalakrishnan, “Knowledge is Key,” *The Week*, May 22, 2005.

16 Rabobank is a private cooperative bank based in The Netherlands. It provides services all over the world.

17 As of October 2007, US\$1 was approximately equal to Rs.39.85.

18 Bank of America, headquartered in Charlotte, North Carolina, USA, is a leading commercial bank in the US.

19 ABN AMRO Bank, headquartered in Amsterdam, The Netherlands, is one of the largest banks in Europe with operations in about 63 countries globally.

20 It is the venture capital arm of Citigroup, a leading financial services company in the US.

21 AIF Capital, headquartered in Hong Kong, is one of the largest Asia-based independent private equity firms.

22 ChrysCapital, based in Ebene, Mauritius, is an investment firm focused on India.

23 Lalit Batra, “Market Volatility May Continue,” www.tribuneindia.com, August 28, 2006.

24 Richard Nevins, “Gathering Pace,” *Business India*, December 31, 2006.

25 T.R.Gopalakrishnan, “Knowledge is Key,” *The Week*, May 22, 2005.

26 Anita Bhoir, “We Have a Subprime Problem Brewing in PLs’,” www.business-standard.com, October 12, 2007.

27 State Bank of India (SBI), headquartered in Mumbai, India, is the largest bank in India. It had revenues of US\$ 13.775 billion in 2005. (Source: www.en.wikipedia.org)

28 “Banking the Emerging India,” *Gulf Business* (Retrieved from www.yesbank.com)

29 Nariman Point is a premier business district in India’s financial capital, Mumbai.

30 Raghu Mohan, “A Dream Comes True,” *Business India*, February 14-27, 2005.

31 T.R.Gopalakrishnan, “Knowledge is Key,” *The Week*, May 22, 2005.

32 Raghu Mohan, “A Dream Comes True,” *Business India*, February 14-27, 2005.
www.yesbank.in/lifesciences.htm.

34 Sunita Jyoti, “Banking on Knowledge,” (Retrieved from www.yesbank.com).

35 Raghu Mohan, “A Dream Comes True,” *Business India*, February 14-27, 2005.

36 Gartner Inc., headquartered in Stamford, Connecticut, USA, is the world’s leading IT research and advisory company.

37 PriceWaterhouseCoopers, headquartered in New York, USA, is the world’s largest professional services firm. (Source: www.en.wikipedia.org)

38 i-flex solutions ltd, headquartered in Mumbai, India, is a leading provider of IT solutions to the banking industry.

39 Soutiman Das Gupta, “A Matter of Strategy,” *Network Magazine*, March 2005.

40 Wipro InfoTech, headquartered in Bangalore, India, is a leading manufacturer of computer hardware and provider of systems maintenance and integration services all over the world.

41 Soutiman Das Gupta, “A Matter of Strategy,” www.networkmagazineindia.com, March 2005.

42 WiFi is a latest wireless advancement which provides hi-speed Internet access over a limited area as well as provides wireless LAN facility to all the IT devices like laptops over a limited area.

43 Cash Tech is a Pune-based cash management solutions provider in India.

survey of listed public and private sector banks in the country. It was also ranked second among the new private sector banks in the *Financial Express-Ernst & Young*⁵ survey of India's best banks for the year 2006 published on March 28, 2007. Yes Bank had experienced unprecedented growth in the Indian banking sector since it started operations in late 2004. This was a significant achievement for a bank which had started late when compared to other new age private sector banks. When Yes Bank announced its decision to enter the Indian banking space in the mid-2000s, industry watchers were skeptical about the move as they felt that the market was already overcrowded. But soon after starting operations, the bank caught the attention of analysts as well as its competitors with its highly differentiated strategy.

The bank differentiated itself from other players in the industry through its unique 'knowledge banking approach', emphasis on technology, and human resources. The knowledge banking approach was its main pillar of differentiation and using this it provided specialized services to various sunrise industries through domain experts. It also used the latest technology available in the industry to provide highly innovative solutions. Its strategy of outsourcing information technology (IT) infrastructure to proven experts in the field not only helped it to provide superior service to its customers but also to reduce costs and focus on its core business activities. Recognizing that human resources were a source of sustainable competitive advantage, it strove to differentiate itself from its competitors by adopting some winning HR practices. Several new initiatives like giving the employees the freedom to work in the field of his/her own specialized interest and the independence to take initiatives with regard to his/her ideas were especially noteworthy.

Analysts attributed the bank's fast ascendance, despite its late entry into the market, to its innovative strategies. Unrelenting efforts to provide world class services coupled with a steadfast maintenance of operational standards were the prime reasons for the bank's phenomenal growth. The growth was even more impressive considering that it came at a time when the banking sector was on the verge of a consolidation phase and a big question mark hung over the future of the smaller players in the sector. The bank had been able to carve out a niche for itself in the increasingly commoditized sector through its differentiation strategy, they said.

Yes Bank's founder, MD and CEO, Rana Kapoor (Kapoor), said that the bank had grand plans for the future. "Our mission is to build the finest quality brand in banking. We don't want to be a production factory. We want to be good distributors,"⁶ he said. Though the bank had made an impressive entry into the market, analysts felt that it still had a lot to prove. The success achieved by the bank in the short term had to be replicated in the long term for it to be viewed seriously, they said. Yes Bank had to achieve this in the face of intense competition from more established public

⁴⁴ Murex SAS is a leading software provider of trading, risk management, and processing.

⁴⁵ "Banking on IT, Literally," *Network Magazine*, November 2006.

⁴⁶ The National Association of Software and Services Companies (NASSCOM) is a consortium that serves as an interface to the Indian IT and BPO industry.

⁴⁷ AC Nielsen, headquartered in Schaumburg, Illinois, USA, is a global marketing research firm.

⁴⁸ Kom Ferry is a leading executive search firm.

⁴⁹ Vikas Kumar, "Call of the Wild," *The Economic Times*, August 20, 2004.

⁵⁰ "YES BANK Recognized for HR Strategy at the Employer Branding Awards 2007," www.yesbank.in, January 16, 2007.

⁵¹ "YES BANK Wins Two Awards for Innovative Recruitment and HR Practices at the Asia Pacific HRM Congress – February 1-3, 2007," www.yesbank.in, February 6, 2007.

⁵² T.R.Gopalakrishnan, "Knowledge is Key," *The Week*, May 22, 2005.

⁵³ Ryan Rodriguez, "The Yes Approach," *Business India*, April 8, 2007.

⁵⁴ "Yes Banking on 'Knowledge Approach'," www.thehindubusinessline.com, February 4, 2005.

⁵⁵ Anita Bhoir, "We Have a Subprime Problem Brewing in PLs'," www.business-standard.com, October 12, 2007.

⁵⁶ Ryan Rodriguez, "The Yes Approach," *Business India*, April 8, 2007.

⁵⁷ Ryan Rodriguez, "The Yes Approach," *Business India*, April 8, 2007.

⁵⁸ Raghu Mohan, "Say Yes to Growth," *Businessworld*, February 26, 2007.

⁵⁹ Quantum Information Services Private Limited *Independent Investment Research*, "Yes Bank Limited," www.equitymaster.com, September 20, 2006.

⁶⁰ UBS AG, with its headquarters in Basel & Zürich, Switzerland, is a diversified global financial services company.

⁶¹ "Resounding 'Yes' for Yes Bank," *AsiaMoney*, June 2006.

⁶² Raghu Mohan, "Say Yes to Growth," *Businessworld*, February 26, 2007.

⁶³ NB Rao, "Saying Yes to Innovation," www.ibef.org/download/banking_story_06.pdf.

⁶⁴ Edelweiss Capital, headquartered in Mumbai, India, is one of the leading financial services companies in India.

⁶⁵ "Resounding 'Yes' for Yes Bank," *AsiaMoney*, June 2006.

⁶⁶ Anita Bhoir, "We Have a Subprime Problem Brewing in PLs'," www.business-standard.com, October 12, 2007.

⁶⁷ Sunita Jyoti, "Banking on Knowledge," (Retrieved from www.yesbank.com).

sector banks and private sector banks. Foreign multinational banks were also waiting eagerly for the sector to open up further in 2009 to make a major foray into India.

BACKGROUND NOTE

Reforms in Indian Banking Sector

As part of the economic reforms it started in the early 1990s, the Government of India (GoI) embarked upon reforming the financial sector of the country. A sound financial sector was the key to the growth of the economy and banking was considered the lynchpin of the financial sector in any economy. The country was then dominated by the public sector banks which had nearly 83 percent of the banking business in their hands.⁷ The reforms in the financial sector were based upon the recommendations of the Narasimham Committee.⁸

Many important reforms were undertaken in the banking sector which included better disclosure norms for the banks, deregulation of interest rates, more functional autonomy to the boards of public sector banks, avoiding of pre-emption in the form of high reserves, availability of credit to targeted sectors, and setting up of debt recovery tribunals. As part of the reforms in the banking sector, several new private sector banks were set up in the country to introduce more competition and improve efficiency in the sector.

Some of the important private sector banks set up in the wake of the banking reforms were ICICI Bank⁹, HDFC Bank¹⁰, and UTI Bank (now Axis Bank)¹¹. They started operations in 1994. All these new banks were given relatively easy approval to enter the sector. Another significant feature was the reverse mergers of the private banks with their promoters, mostly Development Financial Institutions (DFIs). The motive behind these reverse mergers was to achieve benefits of scale and to move toward Universal Banking where the banks would become financial super markets providing all the financial services like insurance services, investment advice, etc. Another important aim of the reforms in the banking sector was to increase the penetration of the banking services and to make them available to a larger percentage of people.

The results of the reforms in the banking sector were impressive. The new generation private banks revolutionized the sector. Several technological advancements like the Automated Teller Machine (ATMs) were introduced; there was also an improvement in the financials of the banking sector. The capital adequacy of the Indian banks came on a par with international standards. The share of the Non Performing Assets (NPAs) as a share of gross advancements went down significantly, increasing the profitability of the banking sector. The other significant outcomes were the increasing recognition of the employees as strategic assets and the increase in the operational efficiency of the banks.

After the successful implementation of the first phase of the financial reforms, the GoI constituted the second Narasimham Committee in 1997 to recommend further reforms in the banking sector. The Narasimham committee submitted its draft report in April 1998. The committee recommended further improvements in the banking sector. Some of the recommendations were: reducing the government's stake in the Public Sector Banks to less than 51 percent to further improve their efficiency, improving credit facilities to rural areas, reducing NPAs to 3 percent, increasing the capital adequacy norms to 10 percent, reducing the higher rates of interest, giving more importance to priority sector lending, etc. The second phase of the banking reforms was in the implementation stage as of 2007.

In addition to the various public and private sector banks, there were also a number of cooperative and rural banks in India. Foreign multinational banks had also brought in service aspects that had forced the other Indian banks to tighten up. The foreign banks were, however, handicapped by the fact that there was a limit on their expansion as the sector had not been opened up fully. However, the Reserve Bank of India's¹² (RBI) new rules in 2005 gave the foreign banks a glimmer of hope as it pledged to open its banking market further after 2009.¹³

Yes Bank

Yes Bank was incorporated in November 2003 and started its financial operations in September 2004 in Mumbai as a registered private sector bank in India.¹⁴ The founders arrived at the name 'Yes Bank' through marketing research. "We spoke to three advertising agencies and shortlisted five names. We also had professionally neutral names like My Bank and Octra. In a qualitative survey, we were surprised that Yes as a financial brand name clicked.... We wish to develop a service culture that should have the ability to say yes. The occasional no has to be done in a prudent manner,"¹⁵ said Kapoor.

The bank was promoted by Kapoor and his brother-in-law Ashok Kapur (Kapur) with financial assistance from Rabobank¹⁶. Kapur and Kapoor together owned 52.5 percent of the initial promoters' equity of Rs 20 million¹⁷. Kapoor had a banking experience of nearly 25 years and had worked as the CEO and MD of Rabo India Finance Private Ltd., a subsidiary of Rabobank. He had previous experience with Bank of America¹⁸ and was well known in the Indian banking sector. Kapur too brought in a wealth of experience in banking. Among others, he was ABN Amro Bank¹⁹'s first Indian and Asian Country head. Yes Bank was also co-promoted by global private equity institutional investors such as CVC Citigroup²⁰, AIF Capital²¹, and ChrysCapital²². While the Indian promoters had a 39 percent stake in the

bank, Rabobank had a 20 percent stake, and the foreign institutional investors held 18 percent. Kapoor was instrumental in having a good top management team in place. In May 2004, the bank obtained the only Greenfield license issued by the RBI since the mid-1990s, and this was largely because of the promoters' professional track record.²³

The bank went public in June 2005. Through this initial public offering (IPO), the bank raised Rs. 31.5 million. The IPO was so successful that it was over-subscribed by about 30 times.²⁴

Being a relatively late entrant into the Indian banking arena, Yes Bank sought to differentiate itself by offering a new value proposition. According to Kapoor, Yes Bank was a 'knowledge-driven' bank that sought to differentiate itself with its service orientation, technology, and human resources. "I think we are a differentiator for emerging India, the small and medium enterprises, where there is a terrific development taking place."²⁵ Rather than expanding very quickly, the bank focused on niche segments of customers. Its aim was to establish itself as a knowledge-based and technology-driven bank that would cater to the needs of the emerging Indian economy. Unlike many of the private sector banks whose focus was mainly on retail banking, Yes Bank focused on corporate banking by offering specialized services to corporate clients. This was in part due to the fact that the retail banking space had already been well covered by some other new generation private banks, which had started a decade earlier. The bank carved a niche market for itself in specialized corporate services like mergers and acquisitions, financial restructuring, currency risk management, etc. It also focused on providing wealth management solutions to affluent customers. It was much later that it forayed into retail banking (Refer to Exhibit I for Yes Bank's business segments).

Despite being a late entrant, Yes Bank established itself as one of the most efficient banks in the country by adopting international standards for the quality of service provided to customers and through its operational efficiency. As of October 2007, it had 60 branches spread across India and its balance sheet had swelled to Rs. 1,300 million within a span of just three years.²⁶ (Refer to Exhibit II for audited financial results of Yes Bank)

DIFFERENTIATING ITSELF IN AN OVERCROWDED MARKET

According to industry experts, Yes Bank was entering an overcrowded market dominated by public sector banks such as the State Bank of India²⁷ (SBI) and private banks such as ICICI Bank and HDFC Bank. In addition, there were many cooperative banks and foreign multinational banks. Moreover, many of the product lines of these banks had become commoditized. Some experts questioned the rationale of Yes Bank's promoters' decision of entering the Indian banking arena so late, particularly when the market had so many established players.²⁸ The founders were, however, unperturbed by these criticisms. Yes Bank's chairman, Ashok Kapur, said, "The market is overcrowded if all you can think of is Nariman Point. As for the commoditization point, the fact is that you do not run a new business with old ideas. In that case you are finished even before you start out. It is time we had new ideas on the service side, credit side, and the hedging side."^{29,30}

Yes Bank's promoters contended that being a late entrant had its advantages. Kapoor pointed out that entering about ten years after the other private sector banks had given it the benefit of coming into the market with a technology advantage. With this advantage, the bank would be able to provide better service to its clients. Kapoor said that despite the fact that there were a number of banks in India, there were significant gaps in the market in terms of service and the new entrant intended to bridge these gaps. The promoters believed that they had timed their entry into the market well. "This is possibly the best period for growth, with loan books showing a 30-40 per cent growth and deposits growing at 18-20 per cent,"³¹ said Kapoor.

The bank believed that it had an edge over other players in what it called the knowledge driven approach. This involved experienced professionals providing specific solutions to clients in their area of specialization. The bank also believed in differentiating itself by harnessing the power of IT, by using it as a key tool to provide solutions to meet customers' needs. Also, it laid stress on skilled human resources. Some experts felt that focusing on a niche market would help Yes Bank differentiate itself in the crowded marketplace. Vishwavir Ahuja, Managing Director and CEO, Bank of America, said, "As far as Yes Bank goes, if they can combine domain expertise with delivery and are ready to go tap emerging companies, the sunrise and agri-related sectors, and can top all of this with good risk management systems, then yes, they do stand a chance."³²

Knowledge Banking

Yes Bank decided to follow an innovative approach to break into the heavily cluttered Indian commercial banking space. The bank followed a first of its type approach called knowledge banking — a unique method of acquiring customers and retaining them. The bank provided specialized services to the emerging sectors of the economy through a better understanding of its client's businesses and industries.

The bank focused on providing the customers with specialized banking services depending upon their requirements. It identified some sectors of the economy which had good growth prospects. These sectors were: Food & Agribusiness, Life Sciences, Telecom, IT, Infrastructure and Media & Entertainment (Refer to Box I for parameters used by Yes

Bank in choosing the focus sectors). The bank aimed to provide niche banking solutions to these emerging sectors through industry specialists. This it achieved by employing people who had experience in these key sectors. The bank's branches were staffed with employees who had an educational background in engineering and management. People who were employed as knowledge bankers were generally past employees from the middle and senior levels in various industry segments with a good amount of experience. Yes Bank realized that this would help it to understand the commercial activities of the client better, to understand their needs, and to ensure that it spoke the 'language of the clients'.

Box I

Parameters used by Yes Bank in Choosing the Focus Sectors

- | |
|---|
| <ul style="list-style-type: none"> • Potential to add value in providing banking products • Recognition and appreciation of knowledge as a differentiator • Growth potential of the sector • Opportunities for banking products and competitor activity • India's competitive position internationally in the sector |
|---|

Adapted from Raghu Mohan, "A Dream Comes True," Business India, February 14-27, 2005.

Some of the areas in which the bank offered specialized services through the constitution of specific banking groups were:

- **Food and Agribusiness:** India being an agrarian economy, a major section of its population still depended on agriculture. The food and agri business held much promise due to the emergence of organized retail. Food items and groceries had a major share in organized retail. Specialized knowledge and advisory resources were needed for entrants into this hitherto virgin sector. The food and agribusiness strategic advisory and research team formulated by the bank worked in coordination with the GoI as well as industry clientele. The activities of this group included publishing knowledge reports on specific areas, assignments with the GoI and the corporate sector in project implementations, industry associations and partnerships, etc.
- **Infrastructure Development:** With the explosive growth of the economy, infrastructure would be the key force in augmenting the growth of the economy. The private partnership was growing in the sector, which had been dominated by the GoI until then. Build-Operate-Transfer schemes and public private partnerships of both the government and private organizations were the norm. Yes Bank provided various financial services to the organizations in infrastructure development projects. The experienced team at Yes Bank specializing in the infrastructure sector provided advice right from project conceptualization, providing syndication and joint venture agreements with global as well as domestic financial intermediaries. The advisory services continued into the project implementation phase with advice being given on risk mitigation and project control.
- **Life Sciences and Biotechnology:** Life Sciences and Biotechnology was considered one of the highly knowledge-intensive sectors. The main target segments in this sector included pharmaceuticals, health care, medical equipment, nutrition and natural products, and biotechnology. By providing specialized services to this sector, the bank hoped to become its preferred financial partner. One of the major requirements in this sector was networking with international organizations through tie-ups and collaborations. For instance, Yes Bank was appointed as the exclusive strategic and financial advisor to the GoI for a 'Biotech and Life sciences park' project in India.³³
- **Telecommunications:** Telecom was one of the greatest success stories of the economic reforms in India. The industry was growing at breakneck speed after several changes in government policy and consolidation in the sector. Yes Bank's employees with specialized knowledge in the telecom sector helped in providing specialized services to companies in this sector.
- **Information Technology:** The IT sector had been the fastest growing sector in the recent past in India. The sector, with three-fourth of the revenues in the form of foreign currency, and its globe-trotting professionals needed a specialized and non-traditional form of banking services. Yes Bank focused mainly on some of the segments of the IT industry like IT services, IT products, IT and Telecom Hardware, and IT-enabled services like business process outsourcing (BPO) and knowledge process outsourcing (KPO).
- **Media and Entertainment:** The media and entertainment industry was one which needed specialized banking services. Yes Bank provided specialized services to the media and entertainment sector in the fields of content production, content distribution, and infrastructure. The media and entertainment group provided services in the fields of strategic advisory services, fund raising, direct financing, and wealth management services to the organizations as well as to individuals in the sector.
- **Real Estate:** The real estate industry sector was growing by leaps and bounds with the increase in the demand for commercial space as well as the easy availability of consumer loans in the real estate sector for individuals. The

realty group in Yes Bank provided specialized services in the field of advisory services and financing for real estate projects.

As part of its strategy, Yes Bank wanted to take charge of the full supply chain of the industries it had short-listed. Kapoor felt that these industries were the emerging India and said that the bank intended to grow with these industries. Kapoor explained, “We plan to build strongly on our knowledge banking strategy, which will be critical in the days ahead when our country will be strengthening its knowledge-based economy. Our strategy is to create complete quality in the bloodstream of the bank.”³⁴

Technology

Yes Bank was founded with the aim of providing world-class customer services to customers using the latest technology available to the industry. The bank considered technology as a strategic tool to realize this aim and to differentiate itself from its competitors. Srikrishnan H (Srikrishnan), executive director of the bank, said, “We have made a calibrated decision to invest in the best IT systems and practices in order to make its technology platform a strategic business tool for building a competitive advantage.”³⁵

Yes Bank had the latest technology using the modern IT solutions available in the banking sector. It provided multiple technology-enabled channels in order to provide customers with convenient access to the bank. The latest such technology enabled channels provided by it included Corporate Internet banking, ATMs, Mobile Banking, and Phone banking to help customers manage their businesses efficiently. Yes Bank had partnerships with many reputed technology service providers to provide multi product solutions customized to the customer’s needs. An example of the specialized services was providing customized check books to customers to meet specific orders and requirements. Yes Bank also entered into strategic partnerships with Gartner Inc.³⁶ to formulate and implement the bank’s IT policy, and with PriceWaterhouseCoopers³⁷ to facilitate the conformation of policies and processes with ISO and Six Sigma norms. Another strategic partnership was with i-flex solutions ltd³⁸. It used FLEXCUBE, a universal banking solution software, as its core banking system for retail as well as corporate banking. Yes Bank used FLEXCUBE to provide key banking solutions to its customers.

The bank believed in outsourcing activities which were not part of its core competency and to focus on core tasks to achieve its objectives. “Being a late entrant we are converting the delay into an opportunity. Now that we have capable service providers who provide time-tested mature technology and processes, we aim to provide an integrated solution approach to the IT needs of the bank... We also looked at outsourcing to contain costs, mitigate risks by allowing a specialist to do the job, and insulate ourselves from the HR challenges of building a complete IT organization,”³⁹ said Srikrishnan.

Yes Bank entered into a total outsourcing deal with Wipro InfoTech⁴⁰ in December 2004, under which Wipro InfoTech would own, install, and operate all the IT assets of the bank. Yes Bank outsourced the entire technology requirements to Wipro InfoTech by entering into a seven-year contract with it.⁴¹ As per the deal, the total installation and maintenance of the firm’s technological requirements would be handled by Wipro InfoTech. As just mentioned, the main reason for the complete outsourcing of the IT activities was for the bank to focus on its core business of providing financial services to customers. Yes Bank focused on six critical areas related to technology to establish and run a new bank (Refer to Box II for critical areas identified on the technology front by Yes Bank).

Box II

Critical Areas Identified on the Technology Front by Yes Bank

- Achieving a high level of efficiency through the automation of operations
- Maintaining centralized databases and centralized processing for speedy retrieval of data
- Connectivity with customers and external agencies to provide a consistent experience at various “touch-points”
- Using the best systems for seamless integration of front, middle, and back offices
- Adopting the best surveillance and security systems to provide a better comfort zone for users of the bank’s systems
- Using real time environment for good disaster recovery process and back-up systems

Source: www.yesbank.in.

The bank was determined to make a difference to the already cluttered commercial banking space in India. It intended to use cutting edge technology to make its branches and offices wire free. The bank used some of the latest wireless advances WiFi⁴² in its branches to achieve better connectivity. WiFi offered both excellent speed as well as freedom from wires. On the technology front, another important aspect the bank focused on was providing proper security to

the transactions performed by the customers on the bank's network. Some of the other companies with which the company entered into a strategic partnership regarding technology were Cash Tech⁴³ and Murex⁴⁴ to provide tailored services to specific chosen sectors of the economy.

Yes Bank, which considered itself a pioneer in total IT outsourcing in the Indian Banking Financial Services & Insurance (BFSI) segment, felt that it had been successful in its objective of delivering a complete banking platform comprising Core Banking, Integrated Treasury & Risk Management Solution, Internet Banking for Retail and Corporate, ATMs & Switch, etc., in a very short time-frame.⁴⁵ The bank also received major awards on the technology front. For instance, in 2006, it received the National Association of Software and Services Companies⁴⁶ (NASSCOM) award for 'IT Innovation in Emerging India'. It also won the award for 'Technology Innovation' from AC Nielsen⁴⁷.

Human Resources

Yes Bank believed in using the human resources of the organization as a strategic asset. It believed that the only way the bank could achieve a long-term competitive advantage over its competitors was through highly efficient human capital. The bank recruited and nurtured talent for the long-term success of the organization. The main objectives of its HR policy were to emerge as one of the best employers in the country and as the most preferred recruiter in the banking sector. Retaining talented employees in the organization was also one of its main focuses because of the huge scarcity of talented employees in the financial services sector.

Initially, when the founders were putting together a top management team they leveraged on their professional stature in the industry. Yes Bank commissioned senior-level recruiting to Kom Ferry⁴⁸, but Kapoor involved himself in the process from a very early stage to explain his vision to potential recruits.⁴⁹ The pedigree of the top-level team developed by the founders helped the company earn the confidence of the market.

After that, Yes Bank took several initiatives in HR strategy to improve the performance of the organization. It followed a performance management process that aligned the goals of the individual with those of the organization and enabled them to work in perfect synergy. The aims of these innovative performance management practices were to encourage the employees to think innovatively and to inculcate professional entrepreneurship in them to make the shareholders and themselves prosperous. The bank had a 5 percent executive ownership clause, which was the first such in the banking sector. The logic behind this initiative was that employee ownership would lead to the success of the bank. Yes Bank paid its employees more than the industry average in order to hire highly talented people. Some of the key initiatives that the bank took in the area of Human Resources Management were:

- **Yes Entrepreneur in Action:** This program helped the employees of the bank to take a break from regular work and to focus on a project of his/her interest. This resulted in the employee focusing on a specific project to deliver specific results to the organization. This helped in the employee achieving his/her goals in the organization for the year.
- **Yes-Professional Entrepreneurship Program (YPEP):** YPEP was the talent management initiative of the bank. This program focused on developing the talents of the people working in the organization. The aim of the project was to ensure that the bank had the best managers in the middle and upper levels of the management to implement its various strategic initiatives.
- **Yes-Retail Entrepreneurship programme (YREP):** YREP was yet another talent management program initiated by Yes Bank. This program aimed to inculcate cutting edge skills in the employees in the latest developments of the sector to meet the bank's future requirements. Yes Bank expected this to give it a big competitive advantage over its competitors.
- **Yes Mentor:** Yes Mentor was another important initiative in the bank's Human Resources program. Yes Mentor involved assigning a senior and dynamic employee as a mentor to a new employee. This helped the new employee to understand the organizational environment and the goals of the organization.
- **Yes School of Banking (YSB):** The Yes School of Banking was modelled on the lines of some of the centers of learning promoted by the corporate sector. YSB was incorporated to create a center of excellence for providing training in banking and other related financial services in the country. The institute was modelled on the values of Yes Bank to recruit and nurture the best talent in the banking sector. Some experts termed it as the best talent management initiative undertaken yet in the banking sector in India.
- **Yes University and School Relations:** With recruiting meritorious students directly from university campuses becoming the norm, the bank's University and School Relations program focused on maintaining good relations with the university/schools to recruit students for the bank. This partnership went to the extent of preparing specialized courses for the sector to meet the bank's specific requirements. The program also focused on reverse contribution to the academia by giving access to the universities through internships to the students. The internships gave these budding professionals corporate exposure.

Yes Bank contended that its innovative HR strategy would help it differentiate itself as its employees would provide

superior service to its customers. The bank's HR strategies won major awards including the 'Continuous Innovation in HR Strategy' award at The Indiatimes Mindscape Employer Branding Awards 2007 held in January 2007 in Mumbai.⁵⁰ It also received the 'Most Innovative Recruiting and Staffing Program' award at the Recruitment & Staffing Best in Class (RASBIC) Awards 2006, and the 'Organization with Most Innovative HR Practices' award at the Global HR Excellence Awards, as part of the Asia Pacific HRM Congress 2007 held in February, 2007 in Mumbai.⁵¹ According to Kapoor, the bank's focus on developing its human capital had paid off handsomely. He said people from more established banks were joining the bank not due to the pay hike but because of the opportunity to work with a Greenfield bank which would become a 'case study on professional entrepreneurship banking.'

Promotion

Yes Bank also differentiated itself in the way it promoted itself. It did not bank too much on advertising and went in for a management led client acquisition for corporate and wealth management clients. It also strove to provide a delightful banking experience to the customers through the layout of the branches and other service aspects. Kapoor explained, "As you enter there is a technology bay with a human texture, done through a lot of wall effects and flooring. We are probably the first bank to have a chief marketing officer. A roving ambassador ensures that anybody walking in gets immediate personal attention... We are putting investment officers, insurance officers, and mutual funds salesmen in the branches so that there is complete service. Then there is the private banking lounge."⁵²

In its introductory TV ads, the bank showed the growth stages of the money plant, *Scindapsus Aureus*. According to the bank, the plant derived its name from the Roman word *Aureus* (gold coin). The plant, believed to bring wealth and happiness, was used by the bank as a metaphor for ideas getting realized.⁵³ A perennial climber, it symbolized the bank's commitment to growth. The print ad too had this theme, unlike the ads of other banks which showed the smiling faces of customers, and had an uncluttered effect. The agency behind the campaign, Triton Communications, said, "The money plant as a symbol adequately met our needs. There was no need for a human face. It also differentiates the commercial from the competition."⁵⁴ As part of the campaign, 8,000 potted money plants were gifted to the bank's clients. The bank continued this activity and instead of sending diaries, calendars, or sweets to its clients on various occasions, it gifted them with a potted money plant.

Yes Bank planned to launch radio, outdoor and online ad campaigns in the future. The bank also had plans to focus on educating the customers on risk issues. It planned to organize open house forums to achieve this.

THE GROWTH STORY

The bank had grown at a tremendous pace since its inception. In the first two quarters since it began operations in (2004-2005) its balance sheet was standing at Rs.1,300 million, which made it one of the most successful ventures in India. The bank started its operations with just 250 employees and two branches. As of October 2007, it was operating with 60 branches and 3,263 employees.⁵⁵ The bank's business size was Rs. 800 million in December 2006. This was significantly higher than the growth reported by other private sector banks with the same background (Refer to Table I for Yes Bank: the growth story). Initially, almost the entire emphasis of the bank was on lending to corporate clients, the next focus area being wealth management.⁵⁶ The bank focused mainly on Business Banking and Small and Medium enterprises (SMEs) for its growth. Later it forayed into retail banking and by April 2007, it had a base of 25,000 customers. Corporate and institutional banking still contributed 70 percent of its total business.

Table I
Yes Bank: The Growth Story

Key Balance Sheet Items	2006 (Rs. mn)	2005 (Rs. mn)	Growth (%)
Advances	480.0	191.1	151
Investments	221.9	116.1	91
Shareholder's fund	75.6	55.2	37
Deposits	546.1	177.8	207
Borrowings	119.4	36.3	229
Business footprint	816.1	379.8	115

Adapted from Raghu Mohan, "Say Yes to Growth," Businessworld, February 26, 2007.

In December 2006, Yes Bank was rated the third best bank in India in *Business World's* annual survey of listed public and private sector banks in the country and the second best among the new private sector banks in the *Financial Express-Ernst & Young* survey of India's best banks for the year 2006 (Refer to Table II for top ten banks in India: 2006, and Table III for top five new private sector banks in India: 2006). In addition to this, the bank achieved many awards and recognitions in this relatively short timeframe (Refer to Exhibit III for a list of awards and recognition received by Yes Bank). The market cap of the bank had grown from Rs.164.2 million in July 2005 to Rs.424.3 million in February 2007.⁵⁷ This was indeed a great achievement for a bank that had entered the Indian banking scenario so late. Kapoor said, "We have been able to achieve this growth through four instruments: a focused business strategy and entrepreneurial leadership, highly rated employees, best-in-class processes, and evolutionary technology."⁵⁸

Table II
Top Ten Banks in India

Rank	Top 10
1	HDFC Bank
2	ICICI Bank
3	Yes Bank
4	Indian Overseas Bank
5	Kotak Mahindra Bank
6	Punjab National Bank
7	Andhra Bank
8	Corporation Bank
9	Allahabad Bank
10	UTI Bank (now Axis Bank)
Yes Bank's Rank on various Parameters:	
Profitability - 6	Size - 32
Efficiency - 1	Valuation - 3
Safety - 1	Growth - 1

Adapted from Businessworld, December 4, 2006.

Table III
Top Five New Private Sector Banks in 2006

Name	Final Rank	Rank based on parameters				Credit Quality
		Strength & Soundness	Growth	Profitability	Efficiency	
ICICI Bank	1	1	3	5	1	2
Yes Bank	2	4	1	3	3	1
HDFC Bank	3	3	6	1	4	5
UTI Bank (Axis Bank)	4	5	5	2	2	6
Kotak Mahindra Bank	5	6	4	4	5	3

Adapted from The Financial Express- Ernst & Young Survey

A SUCCESSFUL MARKET ENTRY

According to the analysts, the bank's competence in terms of using high-end technology, its 'knowledge banking' approach, and emphasis on highly qualified human resources helped it to differentiate itself from other private banks in an increasingly commoditized market. In particular, its knowledge banking initiative drew a lot of interest. The fact that the bank catered to a niche segment of the market with a differentiated strategy meant that it did not have to compete with other banks on price. Moreover, it had the opportunity to cross-sell a number of its financial products and services to this niche.⁵⁹

Analysts felt that Yes Bank had timed its entry into the market very well. The first few private sector banks that began their operations in the mid-1990s had to suffer in the high interest regime that had been necessary to contain inflationary pressures in April 1995. At that time, the new private sector banks had liquidity problems as borrowers paid more than 25 percent interest on loans, and call money rates had crossed the 100-percent mark. Though the demand for credit was high, these banks had to be very careful in giving out loans as default rates were high. The situation had changed a lot since then, and by the time Yes Bank started its operations, the retail boom had also started in India.

Industry watchers were impressed by Yes Bank's business model. It was somewhat similar to that of the foreign multinational banks which relied on a steady flow of fee income, and as such, it competed primarily with such banks. Kapoor had himself openly said in the past that Yes Bank benchmarked itself against UBS AG^{60,61}. This was an advantage for the bank in the initial years as the foreign banks in India were somewhat handicapped by the limit placed on their growth till 2009.

However, some analysts were concerned that the bank was growing too fast. This was a concern as bad loans too increased with the demand for credit increasing. Many banks had suffered due to this. S S Tarapore, a renowned economist, said, "The banking system is going berserk in giving credit... The bad loans will come once the music stops."⁶² But others such as Ernst & Young's Director, Viren H Mehta, felt that this was not a cause for concern as long as the company increased its share of current and savings accounts (CASA) and expanded its branches in line with its projections. According to him, business confidence in India was at an unprecedented high and the trend was expected to continue for another 15-20 years.

OUTLOOK

The high growth rates of the Indian economy provided tremendous opportunities for the Indian banking sector. The future also posed several challenges as the banking sector was set to open up to the foreign players by 2009. The banks were gearing up to face the competition. In tune with the developments, Yes Bank wanted to grow into a major bank in India with a presence all over the country. The bank expected to expand mostly in the small and medium towns, where it saw good growth prospects. The opening up of the economy saw many small towns becoming prosperous, but most of these towns had still not been tapped by the private sector banks.

Having made an impressive entry into the Indian banking sector, Yes Bank wanted to establish itself in this sector before the sector was opened up to foreign players. As of 2007, Yes Bank was still in its infancy stage and had not launched all the products in banking. It was yet to introduce some of the most lucrative products in banking like credit cards. As the bank had not expanded its reach to many parts of the country, it was missing out on cheap funds in the form of small deposits from the public.

The bank expected to reach the 100-branch mark by March 2008 and add another 150 branches by 2010. Kapoor was confident that Yes Bank would grow at a rate of 70-90 percent through 2010. The bank aimed to reach a balance sheet size of Rs.1,500 million by 2009. Though the contribution of the retail banking segment was very small as of 2007, it would be the key value driver in the long term. It planned to roll out more products such as personal loans, credit cards, etc, sequentially as its customer base increased. The bank, which had already entered into retail broking and microfinance, also wanted to open a KPO unit by 2010 to leverage on its knowledge base.

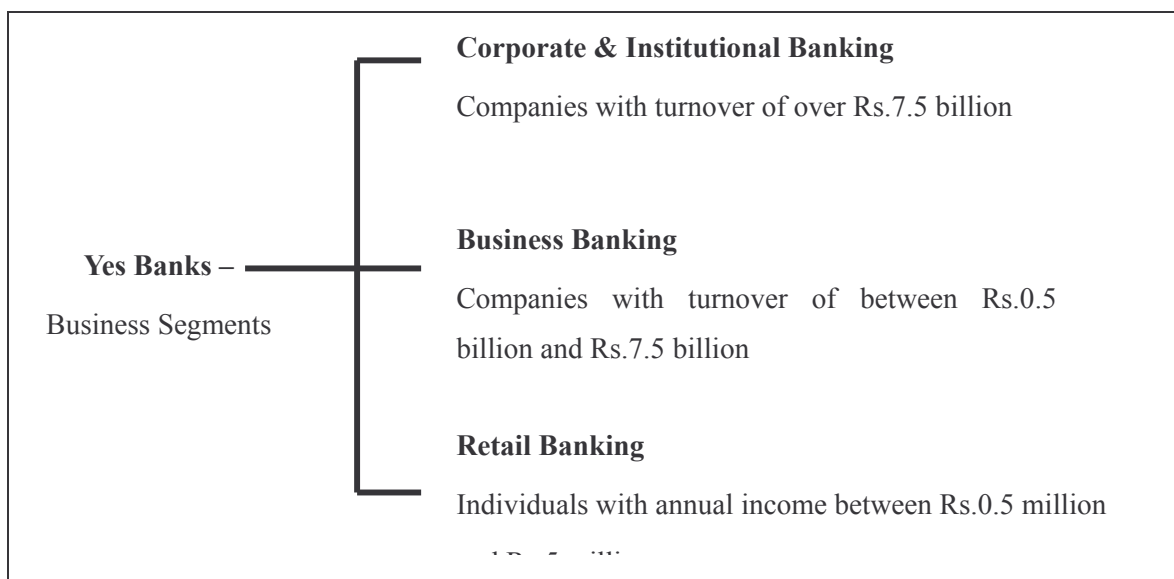
Kapoor said that the bank would grow organically in the domestic market but was interested in opening representative branches in Singapore to cater to South East Asia, and in Dubai to cater to West Asia, to serve the strong non-resident Indian (NRI) market.⁶³ The bank would focus on other international markets only when its domestic business model was in 'full bloom'. The bank wanted to make its fundamentals very strong before it expanded aggressively in the market. This idea was to not lose its competitive advantage of providing excellent customer service to the customers.

According to Edelweiss Capital⁶⁴, Yes Bank would be 'the perfect acquisition target for a foreign player' by 2010.⁶⁵ Kapoor contended that Yes Bank was capable of growing on its own but he was open to such a possibility in the future. "In the life of the bank, there will be a stage when we will need to globalize. At that stage, we could look at offering a stake to a foreign bank, which can help us tap the global market and we could help them tap the domestic Indian market."⁶⁶

Analysts felt that despite its impressive entry into the banking arena and strong growth, Yes Bank was a relatively new bank and its ability to consistently perform on certain key parameters was yet to be established. The bank's future valuation would depend upon its ability to increase business volumes and on whether it would be able to stick to its branch rollout plans.⁶⁷ It also remained to be seen if the much-acclaimed management team at Yes Bank would be able to effectively handle the bank as it got bigger, they said. Moreover, the young bank had to contend with stiff competition from more established players such as SBI, ICICI Bank, and HDFC Bank, which could adversely affect its profitability.

Exhibit I

Yes Bank's Business Segments



Adapted from various sources.

Exhibit II
Audited Financial Results of Yes Bank for Financial Year

Rs. million

	2007	2006	Growth (%)
Interest income	58.761	19.280	205%
Non interest income	19.457	9.712	100%
Total income	78.218	28.992	170%
Interest expense	41.626	10.472	298%
Total net income	36.592	18.520	98%
Operating expense	19.349	8.612	125%
Operating profit	17.243	9.908	74%
Provisions & contingencies	2.876	1.469	96%
Provision for tax	4.931	2.907	70%
Profit after tax	9.436	5.532	71%
Key Balance Sheet Items			
	March 31, 2007	March 31, 2006	Growth %
Advances	629.0	240.7	161%
Investments	307.0	135.0	127%
Shareholders' funds	78.7	57.3	37%
Deposits	822.0	291.0	182%
Borrowings	86.7	46.5	87%
Balance Sheet size	1,110.3	416.3	167%

* Yes Bank's financial year ends on March 31.

Source: www.yesbank.in.

Exhibit III
A List of Awards and Recognition Received by Yes Bank

November 2005	Rana Kapoor was adjudged the Start-up Entrepreneur of the Year at the Ernst & Young Entrepreneur Awards 2005.
October 2005	Yes Bank was given an award for contributions made through working in partnerships to improve the environment/quality of life for the people of Asia at the Environment Leadership Award from USAID.
September 2005	It was ranked second in the 'Best for Currency Strategy' and 'Best for Technical Analysis' categories under the Best Domestic FX providers – Corporate by Asiamoney Foreign Exchange Poll for India.

* The list is not exhaustive.

Adapted from www.yesbank.in and other sources.

END OF QUESTION PAPER

Suggested Answers Integrated Case Studies - II (MB381): July 2008

Case Study

1. India inherited a very weak banking system following Independence. Given the [<TOP>](#) predominantly bank based nature of financial system; the banking industry gained the reputation of one of the most protected in the country. However, in the 1990s a chain of events such as introduction of modern technologies, competition from new players in the liberalized market place, and enhanced emphasis on governance to protect shareholder interest changed the way banks conducted business.

Although the public sector banks acquired a dominant presence several of them performed poorly in the late 1980s. To preserve the soundness of the financial system, especially the banking segment, the Government set up the Narasimham Committee.

The Committee (in 1991) made far-reaching recommendations that formed the basis of banking reforms. Some of the comprehensive reform measures suggested included: phased deregulation of interest rate, entry deregulation, disclosure norms for the banks, more functional autonomy to the public sector banks, avoiding of pre-emption in the form of high reserves, availability of credit to targeted sectors. These measures mainly aim to improve the efficiency/profitability of banking industry.

OVERALL PERFORMANCE IMPROVEMENT

Studies revealed that the reform measures helped to improve the overall performance of industry. This is reflected in the improvement of all performance indicators. Post-liberalization, indicated a significant rise in the ability of banks to convert their assets into net earnings.

- **Reverse mergers**

Banking reforms lead to the reverse mergers of the private banks with their promoters, mostly development financial institutions. ICICI Bank, HDFC, UTI started operations in 1994. The motive behind these reverse mergers was to achieve benefits of scale and to move toward Universal Banking where the banks would become financial super markets providing all the financial services.

- **Availability of banking services to normal man**

Increase the penetration of the banking services and to make them available to a larger percentage of people. Banks started offering many new attractive service/product to satisfy changing needs of customers. The banks realized the importance of the customers, hence adopted more customer oriented work culture.

- **Modern technology introduced**

Banks realized the importance of the modern technology, hence introduced modern technology to survive the intense competition. Several technological advancements like the Automated Teller Machine (ATMs), internet banking, phone banking, debit cards and on-line accounts were introduced.

- **Decrease of operating costs and NPA**

Another interesting aspect is that despite a marginal fall in the net interest margin the

banking industry has managed to improve by increasing its non-interest fee-based income and reducing its operating costs/staff expenses.

The proportion of operating costs/staff expenses has declined mainly due to computerization and the voluntary retirement scheme. Increase in recognition of the employees as a strategic assets and the increase in the operational efficiency of banks.

The share of the Non-performing Assets (NPAs) as a share of gross advancements went down significantly.

The government's equity in the banks started decreasing.

- **Increased competition**

The competition within the banking industry increased with the advent of new private and foreign banks. The property rights theorists believe that the private banks are more efficient than their counterparts in the public sector.

- **Reduction of Procedural delays**

More emphasis was put to reduce the procedural delays in approving loans. In fact they came with spot approval schemes.

- **Change in the attitude of workforce**

The work force mainly in private and some other banks were less unionized. The laid back attitude of the employees was changed to customer friendly attitude in employees

Apart from the overall improvement across the board, another important criterion to evaluate the success story is to check whether the competitive force has led to any convergence in the performance of different ownership groups in the post-liberalization period.

- **Improvement of public sector banks**

Although the public banks compared poorly with private banks during the initial period, they made a significant improvement in the later period by responding well to the new challenges of competition and consolidation, mostly following a gradual and cautious approach.

They still undertake most of the government borrowing programs, thereby generating significant fee based income;

The reform measures have changed their business strategies particularly greater diversification of non-fund based business and emergence of foreign exchange business.

The above analyses indicate that the banking sector performs reasonably well with respect to the goals set by the Narasimham Committee, particularly in the context of the poorly performing banks and showing some encouraging signs However, one should not go over board in reading these numbers to evaluate the success of the Indian banking sector, particularly from the perspective of a developing economy such as ours.

2. To differentiate itself from a host of other players in the industry, Yes Bank has adopted a [<TOP>](#) 'knowledge banking approach'. A distinct method of customer acquisition and retention, this strategy is a knowledge-based approach that uses the banks understanding of its clients' industries and businesses. Yes Bank has set up a dedicated business unit to focus on delivering superior banking solutions specially designed to meet the varying and dynamic needs of its Small and Medium Enterprises (SME) clients. The bank is primarily focusing on six key sectors and has put together a team of experienced industry and banking professionals who have the necessary knowledge and skills sets in these sectors. It is also actively working with industry associations, government bodies and chambers of commerce in various capacities, which enables it to have a representation in these decision-making bodies and provides an edge to its corporate borrowers

Knowledge has been institutionalized as a key ingredient in all internal and external processes and utilized to create customized solutions for clients' specific requirements. The Bank has identified certain focus sectors based on the following parameters:

- Potential to add value in providing banking products;
- Recognition and appreciation of knowledge as a differentiator;
- Growth potential of the sector;
- Opportunities for banking products and competitor activity;
- India's competitive position internationally, in the sector.

The bank identified Food & Agribusiness, Life sciences, Telecom, IT, Infrastructure and

Media & Entertainment sectors. It aimed to provide niche banking solutions to these emerging sectors through industry specialists. This it achieved by employing people who had experience in these key sectors.

Specialized services:

Food and Agriculture: To actualize its focus and commitment for the holistic development of the Food and Agribusiness sector, a specialized Food and Agribusiness Advisory and Research (FASAR) division has been domiciled within the Development and Knowledge Banking department at Yes Bank. The division houses industry practitioners with relevant experience and expertise in key sectors of the Agri-value-chain and has been involved in the conceptualization and implementation of some path breaking projects and knowledge initiatives for both Government as well as Corporate clientele in the Agribusiness sector

The activities of this group included -

- Publishing knowledge reports on specific areas: They have released various knowledge reports during the important occasions and the same have been appreciated by various stakeholders.
- Providing strategic advisory services: They provide strategic advisory services to sugar companies, detergent companies to enter into rural market, organic farming etc.
- Assignments with the Government of India and the corporate sector in project implementation, industry associations and partnerships, etc.
- International and national partnerships
- Industry Associations

Infrastructure development: By focusing on sustainable infrastructure development, Yes Bank is creating a paradigm shift in the manner in which infrastructure development has traditionally been viewed in India.

The limited resources of the State and the crowding out of capital expenditure has led Yes Bank, to believe that the provision of infrastructure services could be better achieved through public and private partnerships

A successful Public Private Partnership would result in the following outcomes:

- Increase in revenues
- Better management of public expenditure

Yes bank provides services from project conceptualization to financial closure, team of bankers and experts in Infrastructure Development provide customers with end-to-end financial solutions, encompassing:

- Developing syndication capabilities with international financial organizations
- Executing joint ventures with global financial players
- Unique risk mitigation and financing solutions
- Specific sectoral tie-ups with sector focused institutions

Life Sciences and Biotechnology: The Life Sciences & Biotechnology industry is a highly knowledge-intensive industry that has evolved to a stage where it needs financial partners who have the requisite understanding and risk appetite to support its growth through structured financial and advisory solutions.

India has a crucial role to play in the development of the global life sciences & biotechnology industry and holds the potential to become a key outsourcing hub for the global industry. A key requirement for this industry is effective networking and 'internationalization' through alliances and collaborations, both at a domestic and international level. Yes Bank is partnering the industry through representation in various national level bodies and committees.

Telecommunications: Yes Bank's employees with specialized knowledge in the telecom sector helped in providing specialized services to companies in this sector. The telecommunication revolution led to a spurge of activity in the Indian economy. The recent growth trends in the telecom business point towards a bright future for this industry. The Indian Telecom industry has been one of the best performing Indian industry groups in recent times. The telecom industry in India is poised at the threshold of higher and sustainable growth rates over the next few years, due to structural consolidation.

Yes Bank believes that there is tremendous scope to launch niche banking products to meet the financial needs of customers in this sunrise sector.

Information technology: Yes Bank focused mainly on some of the segments of the IT

industry like IT services, IT products, IT and Telecom Hardware, and IT-enabled services like business process outsourcing (BPO) and knowledge process outsourcing (KPO). The sector with three-fourth of the revenues in the form of foreign currency, and its globetrotting professionals needed a specialized and non-traditional form of banking services. The IT Services sector has been a great success story for India and has been predominantly responsible for establishing India on to global leadership in this domain. However, the industry is also characterized by many small to medium size players, some of whom have developed specialized product / service capabilities by focusing on niche expertise areas. This makes it imperative for lenders to understand and recognize the business imperatives and conduct a pre-dominantly cash flow based credit analysis. Further, there is a need to structure innovative “receivables” financing for providing competitive funding for working capital needs.

Given Yes Bank’s knowledge based approach with a focus on this sector, have developed such expertise internally. This would therefore assist quality and high potential mid cap companies to look at financial and advisory assistance from Yes Bank.

Media and Entertainment: Global trends have started impacting the Indian entertainment industry, and are expected to drive the growth of the Indian E&M industry.

The Indian E&M industry has been one of the best performing industry groups in recent times in India.

Yes Bank provided specialized services to the media and entertainment sector in the fields of content production, content distribution, and infrastructure. It Provided services in the fields of strategic advisory services, fund raising, direct financing and wealth management services to the organizations as well as to individuals in the sector.

Real Estate: India’s real estate market is poised for tremendous growth potential with a wave of development and investment. The sector continues to display strong performance on the back of robust economy, rising income levels, consumer friendly loans, income tax incentives. The sector, fuelled by the demand from sunrise sectors of IT & ITES industry and the upcoming retail sector, has witnessed emergence of national level players, establishment of townships/mall formats on suburban development models and the advent of multinationals.

To take advantage of the upcoming opportunities, Realty banking Group has been established with a focus on real estate sector. The operating strategy of the group hinges on leveraging the funded products to generate fee based income in the real estate domain comprising of residential, commercial, retail, theme Parks, SEZ’s and hospitality (hotels and tourism) sectors.

Yes Bank believes that the high potential though sensitive real estate sector demands customized approach to banking and thorough understanding of the sector & its dynamics. As a result, their realty group comprises of well experienced professionals having in-depth knowledge of the dynamics of construction & real estate sector.

Advisory Services in real estate:

- Project Conceptualization
- Joint Venture partner identification
- Developing bankable transaction structures

Financing of Realty Projects:

- Project structuring & syndication
- Term lending

ADVANTAGES OF KNOWLEDGE BANKING

- **Proactive generation of ideas:** The knowledge banking is an innovative approach to Indian banking industry. It leads to generation of new ideas in banking.
- **Value-added, senior level involvement:** Yes Bank is recruiting experienced people in each sector who will provide value added services like advisory services with their expertise. The senior level management is also involved in each project which gives the customers knowledge driven and industry specific solutions.
- **High quality and efficient service:** Yes Bank is committed to give high quality and efficient service through knowledge banking approach.
- **Trusted knowledge-based advice:** Dedicated teams of Bankers for each of the segments are also industry experts who offer in-depth and invaluable insights into customers business.

- It is an innovative, result-oriented approach that helps in origination, successful execution and retention of clients.
 - **Credibility with Financial Investors:** Yes Banks team has assiduously built credibility with most of the large and active private equity investors in the country. These relationships provide the team with early and prompt feedback on the prospects of a transaction, resulting in quicker turnaround times for clients.
 - **Relationships with legal and tax firms:** They have also developed outstanding relationships with the top legal and tax firms in the country, this helps them to provide value-added advice to their clients. An intricate knowledge of the strengths of various legal and tax firms with regard to various product offerings results in judicious selection of partners for deal execution. This results in smoother closure of the transaction and also enhances the transaction benefits.
 - **Cross Border Relationships:** Yes Bank is building strategic alliances with different investment firms based in Asia, Europe and the U.S. These relationships are driven by sectoral expertise.
3. The Banking sector in India has experienced a rapid transformation from what was a tightly [< TOP >](#) protected industry by regulations till the last decade. Just about a decade back, this sector which was limited to the nationalized and co-operative banks has opened up marking the entry of the new age private sector banks paving way for services like every branch of the same bank to act as an independent information silo, and multi-channel banking (ATMs, Net banking, tele-banking, etc).

The opening up of the Indian banking sector to private players and the multi-national banks has played a significant role in bringing out a phenomenal change in the banking industry. Multi-channel banking gained prominence, providing the consumers the choice to conduct transactions either the traditional way (through the bank branch), through ATMs, the telephone or through the Internet. Technology played a key role in providing this multi-service platform.

The entry of private players combined with new RBI guidelines forced nationalized banks to redefine their core banking strategy. And technology was central to this change.

IT is central to banking

IT is one of the major reasons why new private and multi-national banks have been able to survive, thrive, and adapt in an increasingly competitive space. Banks are looking at newer ways to make a customer's banking experience more convenient, efficient, and effective. They are using new technology tools and techniques to identify customer needs and are offering tailor-made products to match them.

Centralized operations and process automation using core banking applications and IP-based networks improve efficiency and productivity levels tremendously. Core banking applications help a bank to shift from 'branch banking' to 'bank banking'. This basically means that a customer will be treated as a bank's customer than just the customer of a particular branch which was the case earlier. Also, IP-based networks lets a bank offer multiple services over the same network, resulting in costs savings.

Data warehousing can help in providing better transaction experiences for customers over different transaction channels. This is made possible because data warehousing helps bring all the transactions coming from different channels under a common roof. Data mining helps banks analyze and measure customer transaction patterns and behavior.

Risk Assessment

Risk assessment is another area where technology can play a major role. Using technology, banks are able to better assess risks like interest risks, liquidity risks, FOREX risks, etc.

IT is also considered to act as a strategic medium to reach the masses, considering the importance of a nexus between the financial and rural sectors.

ATMs, an outcome of information technology have played an important role in tapping the customers and it is going to be the mobile banking that would replace this feature in future.

Yes Bank focused on six critical areas related to technology to establish and run a new bank, as listed below.

- Achieving a high level of efficiency through the automation of operations
- Maintaining centralized databases and centralized processing for speedy retrieval of data
- Connectivity with customers and external agencies to provide a consistent experience at

various “touch-points”

- Using the best systems for seamless integration of front, middle, and back offices
- Adopting the best surveillance and security systems to provide a better comfort zone for users of the bank’s systems
- Using real time environment for good disaster recovery process and back-up systems.

Technology as a strategic tool for Yes Bank to realize the aim of providing world-class customer services

Yes Bank had the latest technology using the modern IT solutions available in the banking sector.

- It provided multiple technology-enabled channels in order to provide customers with convenient access to the bank.
- The latest such technology enabled channels provided by it included Corporate Internet banking, ATMs, Mobile Banking, and Phone banking to help customers manage their businesses efficiently.
- Yes Bank had partnerships with many reputed technology service providers to provide multi product solutions customized to the customer’s needs.
- An example of the specialized services was providing customized check books to customers to meet specific orders and requirements.
- It used the latest technology available in the industry to provide highly innovative solutions.

Strategic partnerships

- Yes Bank has entered into strategic partnerships with Gartner Inc to formulate and implement the bank’s IT policy.
- A strategic partnership with Price Waterhouse Coopers was entered into to facilitate the conformation of policies and processes with ISO and Six Sigma norms.
- A strategic partnership with i-flex solutions ltd., was made which used FLEXCUBE, a universal banking solution software, as its core banking system for retail as well as corporate banking.
- It entered into a strategic partnership with Cash Tech and Murex regarding technology in order to provide tailored services to specific chosen sectors of the economy.

Outsourcing

- The bank believed in outsourcing activities which were not part of its core competency so as to enable complete focus on the core tasks to achieve its objectives.
- Outsourcing was also looked at as an option to contain costs, mitigate risks by allowing a specialist to do the job, and insulate themselves from the HR challenges of building a complete IT organization.
 - Yes Bank entered into a total outsourcing deal with Wipro InfoTech in December 2004, under which Wipro InfoTech would own, install, and operate all the IT assets of the bank.
 - Yes Bank outsourced the entire technology requirements to Wipro InfoTech by entering into a seven-year contract with it.
 - As per the deal, the total installation and maintenance of the firm’s technological requirements would be handled by Wipro InfoTech.
- Its strategy of outsourcing information technology (IT) infrastructure to proven experts in the field not only helped it to provide superior service to its customers but also to reduce costs and focus on its core business activities.

Other initiatives of the bank in providing world class customer service

- The bank in an attempt to use cutting edge technology to make its branches and offices wire free, used some of the latest wireless advances WiFi in its branches to achieve better connectivity. WiFi offered both excellent speed as well as freedom from wires.
- Another important aspect the bank focused on was providing proper security to the transactions performed by the customers on the bank’s network.

4. The following are the HR policies adopted by the firms in the banking services sector: [< TOP >](#)

The Human Resource Department (HRD) is the specialized department that handles all

administrative needs of the people in the organization. Its primary role is to implement the organization function of management, includes the performance of the recruitment of the manpower needs of the organization, design and conduct of manpower development. The success of banking services can be attributed to the talented, diverse people they have attracted, and their future success depends on continuing to bring in the most highly skilled individuals in to the organization. They recognize that people joining the organizations are looking for challenging, rewarding, long term careers that encourage them to continue developing their knowledge and skills. Human resources teams are made up of business partners and centers of excellence. Business partners, called HR client relationship managers, are aligned to each business group within the bank and are consultants on all aspects of people management including strategy and planning, employee retention and career development.

The centers of excellence are specialist teams providing expertise in HR programme design and strategy for recruitment, compensation and benefits, international assignment services, learning and development, performance management and employee relations. Process services and infrastructure teams deliver process and advisory services, management information services and HR application management across a range of the specialist HR areas.

Job Design

In terms of job design, they implement job rotation and job enlargement within their local branches so that jobs are designed to be a channel for one to assert employees personality or as a form of continuing education that allows for employees to improve themselves. Job rotation in the routine functions of personnel in the bank open rooms for diversity. Through job rotation and enlargement, work becomes interesting and challenging. A person gets occupied in a real sense when he has the opportunity to use whatever knowledge he already has or when he is forced to acquire newer knowledge in order to resolve a problematic situation confronting him. He escapes boredom and his work becomes worthwhile. He can then think positively, viewing problems not as burdens that bear him down but as challenges that can lead him to greater achievements.

Career Development

Career development of employees is addressed in two ways: the establishment of a standard career path that ensures growth or promotion of an employee and through personnel training. Career development in banks is an interlocked structure consisted of three critical facilitators namely the associates, managers and the organization. The first functions as the driver, second as facilitator in the process and the organization as the overall enabler. This framework is allied on the principle of 'the right person for the right job', which creates an environment in which the employee's individual needs conforms and compliments the needs of the organization. A common strategy employed by companies designed to ensure commitment of employees to organizations is geared towards the individual empowerment and success of each employee by investing in employee education and training. Strategic training and development initiatives should be committed to writing in the company's business strategy that is based on the business environment, and the company's goals and resources. The effectiveness of training highly depends on the needs of both the organization and its employees. There are common training needs of organizations which must be addressed based on the very nature of the organization as a group of people and based on its need to survive in the modernizing trends in its environment i.e. embrace of new technology.

Leadership Training

Banking services entail continuous training and development in terms of operations and technical expertise for its technical maintenance and online banking personnel to ensure that they remain abreast to any changes or advances in information technology. Banking services require leadership training program for its consolidation projects with other companies. Banking services set the qualities of a successful leader as follows: a focus on business growth, ability to lead, ability to execute, optimism and upholding company values. Key competencies will be well defined in each category. For instance, broad financial management and functional skills is necessary for growing business and the ability to create competitive and innovative business plans. In terms of leadership performance, the ability to align enterprise capabilities, leverages teams to drive performance and inspire commitment is included. The need to instill management focus and discipline, build partnerships or make swift sound decisions are competencies for driving execution.

Organizational Development

Banks create an organizational design that is dynamic organization ideal in order for creating

a learning organization that encourage and provide employees the capacity to learn and to change more quickly. In today's economy, an organization must be open and receptive to changes to adapt to the challenges of the constantly changing environment in which it thrive in order to remain responsive to the needs of the clients it serves. An organization's strategy must be adapted to changes in its competitive environment. This sometimes requires strategic change that creates the need for restructuring the organization to acquire new and different knowledge, skills and abilities.

Performance Management

The Performance Management System is constituted by joint developmental needs identification during pay for performance cycle, continued coaching and feedback from supervisor and merit promotion system in which an employee can progress faster depending on performance and potential. Moreover, banks treat their workers like their valuable clients. They keep in mind that the human resources are the major assets that constitute the organization. All employees should be treated equally in terms of work amount, just remuneration and opportunities to grow. In the same manner, any form of prejudice or favoritism would be detrimental for maintaining fairness and equality among employees. Finally, management and every employee recognize the crucial role each one plays in the achievement of the organizational objectives. Opportunities for employees to work interdependently are created which further help connect and improve communication and development of work teams.

Initiatives taken by Yes Bank in the areas of human resource management to improve performance of the organization:

- Yes Bank believed in using the human resources of the organization as a strategic asset that the bank could achieve a long-term competitive advantage over its competitors. The banks philosophy was to attract, nurture and retain the talented employees in the organization. To achieve this the bank hired employees with an educational background in engineering and management
- **Knowledge Bankers:** Yes bank referred its employees as knowledge bankers and recruited past employees from the middle and senior levels in various industry segments with years of experience. It realized that this will help to understand clients better, to understand their needs and to ensure that it spoke the language of clients.
- **Top management involvement:** While putting together a top management team for recruitment, Kapoor involved himself in the process from a very early stage to explain his vision to potential recruits. The top level team developed by the founders helped the company earn the confidence of the market.
- **Goal Alignment:** Yes bank followed a performance management process to align the goals of the individual with those of the organization. This type of HR strategy improves the performance of the organization and also enables to work in perfect synergy.
- **Innovative HR initiatives:** The bank undertook a number of initiatives to provide services to the customers. The initiatives followed by the bank are :
 - i. **Yes Entrepreneur in Action** This program helped the employees of the bank to take a break from regular work and to focus on a project of his/her interest.
 - ii. **Yes-Professional Entrepreneurship Program** This program focused on developing the talents of the people working in the organization. The project was aimed to ensure that the bank had the best managers in the middle and upper levels of the management to implement its various strategic initiatives.
 - iii. **Yes-Retail Entrepreneurship program** This program aimed to inculcate cutting edge skills in the employees in the latest developments of the sector to meet the bank's future requirements
 - iv. **Yes Mentor** Yes Mentor involved assigning a senior and dynamic employee as a mentor to a new employee. This helped the new employee to understand the organizational environment and the goals of the organization.
 - v. **Yes School of Banking (YSB)** was incorporated to create a center of excellence for providing training in banking and other related financial services in the country. The institute was modeled on the values of Yes Bank to recruit and nurture the best talent in the banking sector.
 - vi. **Yes University and School Relations** With recruiting meritorious students directly from university campuses becoming the norm, the bank's University and School Relations program focused on maintaining good relations with university/schools

to recruit students for the bank as well as on reverse contribution to the academia by giving access to the universities through internships to the students.

- **Practice of employee as owner:** Yes bank had a five percent executive ownership clause, which was first such in banking sector. The logic behind this initiative was the employee ownership would lead to the success of the bank.
- **Empowerment:** The bank believed in empowering its employees and encouraging the employees to think innovatively and to inculcate professional entrepreneurship in them. This innovative strategy ensures that its employees were well trained, involved and ready to make a difference.
- **Employee involvement:** The innovative initiatives taken by the bank were to involve employees that would increase the productivity through improved communication and coordination, improved motivation and improved capabilities and indirectly through employee well-being and satisfaction and attraction and retention of the talent.
- **Rewards:** The bank's innovative HR strategies won awards including the 'Continuous Innovation in HR Strategy' award at the India times Mindscape Employer Branding Awards 2007 held in January 2007, 'Most Innovative Recruiting and Staffing Program' award at the Recruitment & Staffing Best in Class (RASBIC) Awards 2006 and the 'Organization with Most Innovative HR Practices' award at the Global HR Excellence Awards, as part of the Asia Pacific HRM Congress 2007. This could attract people from more established banks largely because of the opportunity to work with a Greenfield bank.

5. To establish itself within a specific market segment, an organization may adopt a low-cost or a [< TOP >](#) differentiation approach, or a combination of these approaches.

It is possible to achieve differentiation with a focus strategy by customizing the product to the specialized needs of the market segment.

Differentiation

- In business terms, to differentiate means to create a benefit that customers perceive as being of greater value to them than what they can get elsewhere.
- Differentiation refers to the tendency of a system to move towards the specialization of various tasks.
- It is regarded as a structural force in organizations whereby the system develops specialized functions among its various components.
- A differentiation strategy attempts to offer products and services that are considered unique or innovative in the industry.
- A firm may differentiate its products and services in various ways. It may differentiate itself from others in terms of design or brand image (e.g. Coca-Cola), features (e.g. Cadillac), technology (e.g. Intel microprocessors), customer service (e.g. Hilton hotels), or quality (e.g. Sony).
- By using the differentiation strategy, a firm is able to influence the perception of customers that a product or service is unique, rather than having to reduce its costs to attract customers.
- Firms differentiate their products by establishing brand identification and customer loyalty.
- Differentiation exists either on the price front or on the service standards front.

Firms, in order to prevent competitors from using a differentiation strategy should bring about significant product innovations or service improvements.

Differentiation has always been a challenge in financial services, given that, from a customer's perspective, financial services companies are traditionally seen as offering the same products, delivered in pretty much the same way.

Some key factors for successful differentiation are:

- Know your customers, really, really well.
- Pick a blend of differentiation methods that, in the eyes of your customers, truly sets a business apart.
- Talk about your differentiation in terms of customer benefits.
- Tell everyone about what differentiates you--often.

- Keep your differentiation fresh by listening for changing customer needs.

Yes Bank decided to follow an innovative approach to break into the heavily cluttered Indian commercial banking space. Being a late entrant into the market with a high potential for growth, the bank in an attempt to withstand itself wanted to differentiate itself from other players in the industry.

With the top management's wealth of experience in banking, the bank had a great potential to analyze how best it can differentiate its products and services and cater to the needs of its customers based on their requirements. It followed a first of its type approach called knowledge banking — a unique method of acquiring customers and retaining them. The bank provided specialized services to the emerging sectors of the economy through a better understanding of its client's businesses and industries.

The bank, in an attempt to differentiate itself opted to provide customers with specialized banking services rather than going for the retail banking services, which had rather a low rate of risk in attracting customers.

Promotion strategies adopted by Yes Bank

Yes bank, in order to establish itself in the overcrowded Indian banking industry adopted a differentiated promotion strategy.

As the case was with other banks in the industry, Yes bank did not bank on heavy advertising. Rather, it has gone in for a management led client acquisition for corporate and wealth management clients.

It also strove to provide a delightful banking experience to the customers through providing a better ambience in terms of the layout of the branches and other service aspects.

Unlike other public sector and private banks in the country, it also appointed a Chief Marketing Officer.

A roving ambassador ensures that anybody walking in gets immediate personal attention, providing a sense of satisfaction to the customers that he is being heard.

The bank in an attempt to provide complete service appointed investment officers, insurance officers, and mutual funds salesmen in the branches, along with a private banking lounge.

In its introductory TV ads, the bank showed the growth stages of the money plant. The plant, believed to bring wealth and happiness, was used by the bank as a metaphor for ideas getting realized. A perennial climber, it symbolized the bank's commitment to growth.

In the case of the print media too the bank showcased a money plant showing its commitment to growth and creating an uncluttered effect in the minds of the customers, rather than going for a commercial involving human faces.

As part of its differentiated campaigning, the bank has gifted money plants to its clients.

As part of its plans for the future promotional measure, the bank planned to launch radio, outdoor and online ad campaigns in the future.

In an attempt to differentiate itself and also educate its customers on risk issues the bank planned to organize open house forums, encouraging the customers to clarify the various issues they have with respect to the risk issues.

6. Future of Yes Bank

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Niche strategy: Yes Bank catered to a niche segment of the market with a differentiated strategy so that it did not have to compete with other banks on price. This gave an opportunity to cross-sell a number of its financial products and services to this niche segment.

Effectively identified market: Yes Bank identified market segments that sought a distinctive of benefits. The segments such as Food & Agribusiness, Life Sciences, Telecom, Information Technology, Infrastructure and Media and, Entertainment and Real Estate were carefully chosen keeping in view size, opportunities, growth potentials, the segments recognition and appreciation as a differentiator and ability to add value in providing banking products. It was Yes Bank's ability to satisfy the needs of the target segments which will be critical in the future when India will be strengthening its knowledge-based economy. The aim of Yes Bank is to create complete quality in the bloodstream of the bank.

Low risk: Yes Bank's risks were lower as it was involved in multiple niche segments rather than single niche segments. The risks were spread with all the products. This gives a chance to bank for survival in the long term.

Advantage of knowledge banking approach: Yes Bank followed knowledge banking, an innovative approach to break into the heavily cluttered Indian commercial banking sector.

This approach of the bank has a lot of potential and also expected to increase its business in future.

Market expansion: The bank expected to reach the 100 branch mark by March 2008 and add another 150 branches by 2010. With the bank's retail banking strategy it would benefit from the inflow of cheap source of funds in the form of deposits from the customers.

Opportunities: The bank expected to expand mostly in the small and medium towns, where it saw good growth prospects. The growth of economy made small towns prosperous and most of these are still not been tapped by the private sector banks.

Carefully launching roll-out plans: Yes Bank planned to roll out more products such as personal loans, credit cards etc. sequentially as its customer base increased. The bank will not face any problem as it had been measured in its roll out plans and prudent in its decisions.

Planning to influence on knowledge base: Yes Bank slowly entered into retail broking and microfinance. It wanted to open a KPO unit by 2010 to leverage on its knowledge base of its employees.

Planning to expand into overseas market: It was interested in opening representative branches in Singapore and Dubai to serve the strong non-resident Indian (NRI) market. The bank will focus on overseas market only when its domestic business model was in 'full bloom'. This is because to provide excellent customer service and not to lose its competitive advantage of providing excellent customer service.

Perfect acquisition target: Yes bank seemed to have a bright future at least in the near term. Post 2009, it could become a good acquisition target for foreign multinational banks that wanted to expand in this emerging market.

Challenges: Yes Bank has to set up before the banking sector was set to open up to the foreign players by 2009. It is still in infancy stage and had not launched all the products in banking. It is yet to introduce some of the most lucrative products in banking like credit cards.

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