

**भारतीय रिज़र्व बैंक**
RESERVE BANK OF INDIAवेबसाइट : www.rbi.org.in/hindiWebsite : www.rbi.org.inई-मेल/email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

Department of Communication, Central Office, S.B.S.Marg, Mumbai-400001
फोन/Phone: 022- 22660502

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Survey on International Trade in Banking Services, 2019-20

Today, the Reserve Bank released the [results](#) of the survey on International Trade in Banking Services (ITBS), 2019-20 on its website. This annual survey, inter-alia, collects information on core banking services (e.g., deposits, credit) and financial auxiliary services rendered by banks with cross-border presence, based on explicit / implicit fees / commissions charged to customers (details of these services are given in the [Annex](#)). The survey provides responses on the functioning of overseas branches and branches associated with subsidiaries / joint ventures of Indian banks as well as the branches of foreign banks operating in India. The number of employees posted in foreign locations by these banks were also reported.

Highlights

- Indian banks did not increase their overseas branch network though they added some foreign subsidiaries; their overseas staff strength also declined during 2019-20 ([Table 1](#)).
- Overseas subsidiaries of Indian banks and foreign banks in India expanded their consolidated balance sheet during 2019-20, whereas the business of overseas branches of Indian banks contracted in US dollar terms which also resulted in their lower income and expenditure during the year ([Table 2](#)).
- Foreign bank branches in India recorded 13.8 per cent growth in their income which was largely driven by interest income ([Table 3](#)).
- Overseas branches of Indian banks' generated a major share of fee income by rendering *credit related services, foreign exchange trading services and trade finance related services*. Foreign banks operating in India continued to generate fee income from *payment & money transmission services, foreign exchange trading services and trade finance related services* ([Table 4](#)).
- Indian banks' branches in the UK generated the highest fee income, followed by their branches in the Hong Kong, UAE and Singapore ([Table 5](#)).

Table 1: Employment Distribution – Bank-groups (end-March)

Items	Indian Banks' Branches Operating Abroad		Indian Banks' Subsidiaries Operating Abroad		Foreign Banks' Branches in India	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
Total number of branches	137	137	369	381	294	306
Total number of employees	3,540	3,329	5,517	5,762	23,248	23,548
<i>of which:</i>						
Local	2,142	1,928	4,996	5,215	23,079	23,370
Indians	1,287	1,334	490	520		
Others	111	67	31	27		

Notes:

1. Data are provisional.
2. Due to rounding off of figures, the constituent items may not add up to the totals.
3. Figures in the parentheses indicate annual growth for the item.
4. The above notes are applicable for all tables.

Table 2: Consolidated Balance Sheet Items – Bank-groups (end-March)

Items	Amount in ₹ Crore		Amount in US\$ Billion	
	2018-19	2019-20	2018-19	2019-20
Indian Banks' Branches Operating Abroad				
Credit extended	6,80,164	7,34,663	98.3	97.5
Deposits mobilised	4,21,358	4,25,994	60.9	56.5
Total Assets/Liabilities	12,87,236	12,89,244	186.1	171.0
Indian Banks' Subsidiaries Operating Abroad				
Credit extended	1,09,595	1,11,183	15.8	14.7
Deposits mobilised	1,05,582	1,12,117	15.3	14.9
Total Assets/Liabilities	1,63,523	1,70,890	23.6	22.7
Foreign Banks' Branches in India				
Credit extended	4,09,620	4,32,611	59.2	57.4
Deposits mobilised	5,81,558	6,84,289	84.1	90.8
Total Assets/Liabilities	10,53,386	12,53,656	152.3	166.3

Table 3: Consolidate Income and Expenditure – Bank-groups

(Amount in ₹ Crore)

Items	Indian Banks' Branches Operating Abroad		Indian Banks' Subsidiaries Operating Abroad		Foreign Banks' Branches in India	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
1. Income	51,831 (10.9)	48,891 (-5.7)	8,707 (9.3)	8,975 (3.1)	72,862 (14.8)	82,946 (13.8)
<i>Of which:</i> <i>Interest Income</i>	45,580 (10.3)	43,368 (-4.9)	7,942 (18.7)	8,124 (2.3)	58,282 (15.9)	66,317 (13.8)
2. Expenditure	56,967 (6.4)	49,533 (-13.0)	7,413 (10.7)	7,713 (4.1)	56,397 (12.7)	63,324 (12.3)
<i>Of which:</i> <i>Interest Expenses</i>	35,507 (12.4)	34,325 (-3.3)	3,758 (27.2)	3,953 (5.2)	26,569 (24.4)	28,701 (8.0)

Table 4: Activity-wise Composition of Fee Income from Banking Services – Bank-groups

(Amount in ₹ Crore)

Banking Service	Indian Banks' Branches Operating Abroad		Foreign Banks' Branches Operating in India	
	2018-19	2019-20	2018-19	2019-20
Deposit Account Management Services (DAM)	111	94	172	188
Credit Related Services (CRS)	4,023	3,370	827	867
Financial Leasing Services (FLS)	0	0	0	0
Trade Finance Related Services (TFR)	1,080	1,258	1,309	1,253
Payment and Money Transmission Services (PMT)	332	342	2,217	2,441
Fund Management Services (FMS)	0	3	430	364
Financial Consultancy and Advisory Services (FCA)	23	12	770	1,013
Underwriting Services (US)	9	7	45	8
Clearing and Settlement Services (CCS)	54	67	36	36
Derivative, Stock, Securities, Foreign Exchange Trading Services (DER)	1,960	2,080	2,240	2,052
Other Financial Services (OFS)	1,649	1,983	966	1,110
Total	9,242 (2.1)	9,216 (-0.3)	9,013 (7.4)	9,333 (3.5)

Note: Other financial services include sundry interest income, commission and miscellaneous income, etc.

Table 5: Country-wise and Activity-wise Banking Services – Bank groups (Amount in ₹ Crore)

Indian Banks' Branches Operating Abroad									
Banking Service	Financial Year	UK	Hong Kong	UAE	Singapore	USA	Bahrain	Other Countries	Total
CRS	2018-19	2,044	135	1,064	272	266	86	157	4,023
	2019-20	2,030	285	288	123	235	162	247	3,370
DER	2018-19	1,695	0	111	66	1	26	63	1,960
	2019-20	1,709	90	102	103	1	32	43	2,080
OFS	2018-19	1,375	15	56	63	11	100	30	1,649
	2019-20	1,747	-3	57	91	3	62	25	1,983
TFR	2018-19	243	184	163	183	125	33	150	1,080
	2019-20	329	233	118	234	154	26	164	1,258
PMT	2018-19	3	26	17	13	156	3	114	332
	2019-20	3	17	21	19	159	4	119	342
Other Services	2018-19	3	63	68	13	7	15	29	197
	2019-20	1	77	50	10	4	9	32	183
All Services	2018-19	5,362	423	1,478	609	566	262	542	9,242
	2019-20	5,818	700	637	580	557	295	630	9,216
Indian Banks' Subsidiaries Operating Abroad									
Banking Service	Financial Year	UK	Canada	Indonesia	Other Countries	Total			
CRS	2018-19	46	61	29	161	296			
	2019-20	46	66	23	98	234			
DER	2018-19	42	6	2	106	156			
	2019-20	51	6	2	65	124			
PMT	2018-19	24	6	2	289	321			
	2019-20	33	7	1	63	103			
TFR	2018-19	24	11	4	60	98			
	2019-20	19	18	5	62	104			
DAM	2018-19	5	34	0	41	80			
	2019-20	10	37	0	9	56			
Other Services	2018-19	2	3	18	29	52			
	2019-20	4	11	16	64	96			
All Services	2018-19	142	122	55	686	1,005			
	2019-20	163	145	47	361	717			

Banking Services Covered in the Survey

Banking services include, acceptance of deposits and lending (core banking services), and the other financial services (para-banking services) like payment services, securities trading, asset management, financial advice, settlement and clearing service, etc. With the improvements in economic integration of financial markets and activities, the international trade in banking services has significantly increased.

The General Agreement on Trade in Services (GATS) of World Trade Organisation (WTO) framework envisages that the delivery of any commercial services can be through four different modes, viz., Mode 1 – Cross Border Service, Mode 2 – Consumption abroad, Mode 3 – Commercial presence and Mode 4 – movement of natural persons. In Mode 3, the bank has a commercial presence in the territory of the service importing country and the service is delivered therein. The commercial presence can be through various investment vehicles like representative offices, branches, subsidiaries, associates and correspondents.

A Technical Group on Statistics for International Trade in Banking Services (TG-SITBS) was set up by the Reserve Bank of India including members from Ministry of Finance, Ministry of Commerce and various departments of the Bank.

The TG-SITBS, after examining the different data sources available in the Reserve Bank, recommended collection of activity-wise international trade in banking services through annual surveys and suggested that initially the data may be collected on banking services from foreign banks operating in India and Indian banks having operations abroad. The TG-SITBS also recommended that a suitable questionnaire with explanatory notes should be prepared / framed in consultation with the banks and suggested conducting annual survey from the financial year 2006-07. Accordingly, a survey schedule was prepared after detailed discussions with the major Indian banks with overseas presence and foreign banks operating in India.

Banking services covered in this survey include financial auxiliary services such as (i) deposit account management services, (ii) credit related services, (iii) financial leasing services, (iv) trade finance related services, (v) payment and money transmission services, (vi) fund management services, (vii) financial consultancy and advisory services, (viii) underwriting services, (ix) clearing and settlement services, (x) derivative, stock, securities and foreign exchange trading services, and (xi) other financial services. While carrying out the banking business, banks cater to the financial services needs of the residents of the country of operation as well as non-residents of that country. Keeping this in view, the survey also collected the information with bifurcation of financial services rendered to residents and non-residents separately.

Services Covered

- **Deposit Account Management Services** include fees and commissions charged to or received from the deposit account holders, for maintaining deposit accounts such as fee for cheque book, fee for internet banking, commission on draft and other instrument provided, penalty for not maintaining minimum balance, etc. and any other fees charged to deposit account holders. Any fees charged to NRE / FCNR (B) account have to be reported as fees charged to Non-residents.

- **Credit Related Services** include fees received for credit-related or lending related services like credit processing fees, late payment or default charges and early redemption charges. Charges for facility and management fees, fees for renegotiating debt terms, mortgage fees, etc. also to be reported here.
- **Financial Leasing Services** include fees or commission received for arranging or entering into financial lease contracts. This also includes fees received directly or deducted from the proceedings.
- **Trade Finance Related Services** include commission or fees charged for arranging trade finance like buyers' and suppliers' credit, fees for establishing/originating, maintaining or arranging standby letters of credit, letter of indemnity, lines of credit, fees for factoring services, bankers' acceptance, issuing financial guaranty, commitment fees, handling charges for trade bills.
- **Payment and Money Transmission Services** include fees or charges for electronic fund transfer services like SWIFT, TT, wire transfer, etc. ATM network services, annual credit / debit card fees, Interchange charges, fees for point of services, etc. also have to be reported here. Further, charges on the customer for making remittances abroad or receiving remittances from abroad have to be reported here.
- **Fund Management Services** include fee or income received for managing or administering financial portfolios, all forms of collective investment management, pension fund management, custodial, depository and trust services. Commission or fees for safe custody of shares / equities, transaction fee for custodian account, communication cost or any other fees / charges related to custodian account should also be reported.
- **Financial Consultancy and Advisory Services** include fees for advisory, intermediation and other auxiliary financial services including credit reference and analysis, portfolio research and advice, advice on mergers and acquisitions and on corporate restructuring and strategy. Arrangement / management fees for Private placement of share / equities are also to be included.
- **Underwriting Services** include underwriting fees, earning from buying and reselling an entire or substantial portion of newly issued securities.
- **Clearing and Settlement Services** include settlement and clearance services for financial assets, including securities, derivative products, and other negotiable instruments.
- **Derivative, Stock, Securities, Foreign Exchange Trading Services** include commissions, margin fees, etc. received for carrying out financial derivative transactions, placement services, and redemption fees. Earnings received on banks' own account as well as on behalf of customers for carrying out foreign exchange trading has to be reported under this item. Explicit brokerage fees and commissions for foreign exchange brokerage services are also to be reported. Earnings received on banks' own account for carrying out trading in derivative, stock, securities etc.