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Survey on International Trade in Banking Services, 2020-21

Today, the Reserve Bank released the [results](#) of 2020-21 round of the survey on International Trade in Banking Services (ITBS). This annual survey, *inter-alia*, focuses on cross-border fund-based banking services (e.g., deposits, credit) as well as financial auxiliary services with explicit / implicit fees / commissions charged to customers (details of these services are given in the [Annex](#)). The survey covers foreign branches of Indian banks and their overseas subsidiaries / joint ventures as well as foreign banks operating in India.

Highlights

- Foreign banks expanded their branch network and employee base in India marginally whereas overseas staff strength and number of branches of Indian banks and their subsidiaries recorded some decline during 2020-21 ([Table 1](#)).
- The consolidated balance sheet of overseas branches of Indian banks expanded despite outflow of deposits and reduction in credit during 2020-21, which indicates a larger role of borrowing and investment portfolios in their business expansion ([Table 2](#)); due to disruptions from the COVID-19 pandemic, credit by other bank groups (*viz*, branches of foreign banks and overseas subsidiaries of Indian banks) also came down.
- All bank groups witnessed lower interest income and interest expenses during 2020-21 due to decline in bank credit and reduction in global and domestic interest rates in wake of the pandemic ([Table 3](#)).
- Banks' fee income from rendering various services also came down during 2020-21; over two-third of total fee income emanated from providing credit related services, foreign exchange trading services, payment and money transmission services and trade finance related services ([Table 4](#)).
- Branches of Indian banks in United Kingdom (UK) generated highest fee income, followed by their branches in Hong Kong, United Arab Emirates (UAE) and Singapore ([Table 5](#)).

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

	Indian Banks' Branches Operating Abroad		Indian Banks' Subsidiaries Operating Abroad		Foreign Banks' Branches in India	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
Total number of branches	137	121	381	377	306	311
Number of Employees	3,329	3,164	5,762	4,943	23,548	23,930
<i>of which:</i>						
Local	1,928	1,917	5,215	4,452	23,370	23,747
Indians	1,334	1,222	520	468		
Others	67	25	27	23	178	183

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	
	2019-20	2020-21	2019-20	2020-21
Indian Banks' Branches Operating Abroad				
Credit extended	7,34,663	6,84,808	97.5	93.2
Deposits mobilised	4,25,994	3,98,630	56.5	54.2
Total Assets/Liabilities	12,89,244	13,77,352	171.0	187.4
Indian Banks' Subsidiaries Operating Abroad				
Credit extended	1,11,183	1,03,555	14.7	14.1
Deposits mobilised	1,12,117	1,08,969	14.9	14.8
Total Assets/Liabilities	1,70,890	1,64,176	22.7	22.3
Foreign Banks' Branches in India				
Credit extended	4,32,611	4,15,312	57.4	56.5
Deposits mobilised	6,84,289	7,58,361	90.8	103.2
Total Assets/Liabilities	12,53,656	12,36,476	166.3	168.2

Table 3: Consolidated Income and Expenditure – Bank-groups

(Amount in ₹ Crore)

	Overseas branches of Indian banks		Overseas Subsidiaries of Indian Banks		Indian branches of Foreign banks	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
Total Income	48,891	29,494	8,975	6,959	82,946	81,406
(i) Interest income	43,368	24,577	8,124	6,274	66,317	63,304
(ii) non-Interest Income	5,523	4,917	851	685	16,629	18,102
Total Expenditure	49,533	29,563	7,713	5,866	63,324	59,273
(i) Interest expenses	34,325	15,763	3,953	3,318	28,701	21,394
(ii) other expenses	15,208	13,800	3,760	2,548	34,623	37,879
	Ratio (per cent)					
Total income to total assets	3.8	2.1	5.3	4.2	6.6	6.6
Interest Income to total assets	3.4	1.8	4.8	3.8	5.3	5.1
Total expenses to total liabilities	3.8	2.1	4.5	3.6	5.1	4.8
Interest expenses to total liabilities	2.7	1.1	2.3	2	2.3	1.7

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	
	2019-20	2020-21	2019-20	2020-21
Deposit Account Management Services (DAM)	94	84	188	218
Credit Related Services (CRS)	3,370	2,761	867	662
Financial Leasing Services (FLS)	0	0	0	0
Trade Finance Related Services (TFR)	1,258	764	1,253	1,149
Payment and Money Transmission Services (PMT)	342	284	2,441	1,266
Fund Management Services (FMS)	3	0	364	368
Financial Consultancy and Advisory Services (FCA)	12	16	1,013	760
Underwriting Services (US)	7	0	8	200
Clearing and Settlement Services (CCS)	67	63	36	28
Derivative, Stock, Securities, Foreign Exchange Trading Services (DER)	2,080	1,103	2,052	2,948
Other Financial Services (OFS)	1,983	1,949	1,110	1,123
Total	9,216	7,022	9,333	8,723
	(-0.3)	(-23.8)	(3.5)	(-6.5)

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 Services	Financial Year	UK	Hong Kong	UAE	Singapore	USA	Bahrain	Other Countries	Total
CRS	2019-20	2,030	285	288	123	235	162	247	3,370
	2020-21	1,595	244	215	143	242	148	173	2,761
FET	2019-20	1,709	90	102	103	1	32	43	2,080
	2020-21	848	62	58	63	1	36	35	1,103
OFS	2019-20	1,747	-3	57	91	3	62	25	1,983
	2020-21	1,600	25	62	97	0	147	17	1,949
PMT	2019-20	3	17	21	19	159	4	119	342
	2020-21	2	20	17	16	129	3	96	284
TFR	2019-20	329	233	118	234	154	26	164	1,258
	2020-21	140	84	61	132	110	16	222	764
Other Services	2019-20	1	77	50	10	4	9	32	183
	2020-21	1	78	49	6	4	6	19	162
All Services	2019-20	5,818	700	637	580	557	295	630	9,216
	2020-21	4,186	512	463	457	486	356	562	7,022
Indian banks' Subsidiaries Operating Abroad									
Banking Services	Financial Year	NEPAL	CANADA	UK	Other Countries			Total	
CRS	2019-20	51	66	46	70			234	
	2020-21	36	71	41	55			203	
FET	2019-20	35	6	51	32			124	
	2020-21	37	6	16	30			89	
TFR	2019-20	44	18	19	22			104	
	2020-21	41	20	11	31			103	
PMT	2019-20	25	7	33	39			103	
	2020-21	22	6	48	35			111	
DAM	2019-20	0	37	10	9			56	
	2020-21	0	22	12	7			41	
Other Services	2019-20	13	11	4	67			96	
	2020-21	11	17	0	25			53	
All Services	2019-20	168	145	163	240			717	
	2020-21	146	143	127	183			600	

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 (DAM)** 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 (CRS)** 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 (FLS)** 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 (TFR)** 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 (PMT)** 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 (FMS)** 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 (FCA)** 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 (US)** include underwriting fees, earning from buying and reselling an entire or substantial portion of newly issued securities.
- **Clearing and Settlement Services (CCS)** include settlement and clearance services for financial assets, including securities, derivative products, and other negotiable instruments.
- **Derivative, Stock, Securities, Foreign Exchange Trading Services (DER)** 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.