


SECURITIZATION OF ASSETS


Securitization of NPAs & Sale of Stressed Assets by Banks

Selling Stressed Assets


When banks hold **non-performing or stressed assets (NPAs)**, they may **sell these assets** to **Asset Reconstruction Companies (ARCs)** or other financial entities like NBFCs and FIs to clean up their balance sheets and improve financial health.

Offering Assets to Diverse Buyers

 **Banks can sell stressed assets to ARCs, other banks, NBFCs, and Financial Institutions (FIs).**


 **Encouraging more buyers leads to better price discovery and maximizes recovery.**

Public Solicitation of Bids

-  To attract more potential buyers, banks should **publicly solicit bids.**



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-  Public auctions ensure **transparency and fair price determination**.

Acquisition of Stressed Financial Assets by ARCs

Acquiring Multiple Debts and Linked Collateral

-  ARCs can **acquire all financial assets linked to a single borrower** from multiple banks/FIs.
-  This allows for **faster and more efficient resolution** of stressed assets.

Fund-Based & Non-Fund-Based Assets


-  ARCs can acquire:
 -  **Fund-based assets** (Loans, Advances)
 -  **Non-fund-based assets** (Guarantees, Letter of Credit)
-  Assets classified as **SMA-2 (Special Mention Accounts - 2)** can also be acquired.

Transfer of Assets to Trusts



-  Once acquired, **ARCs transfer assets to trusts established by them**.

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-  These assets are transferred **at the acquisition price** paid by the ARC.

Resolution Period



-  ARCs **must resolve the assets within 5 years** from the acquisition date.
-  If unresolved after **5 years**, the **ARC Board can extend up to 8 years**.

Issue of Security Receipts (SRS)

Issuance of SRS Through Trust

-  ARCs **issue Security Receipts (SRS)** via a trust specifically created for this purpose.
-  The **trust is managed by the ARC** itself.

Limited Transferability

-  SRS can only be issued to **Qualified Institutional Buyers (QIBs)**.
-  Transfer of SRS is **restricted to other QIBs only**.

Disclosure Requirements

-  ARCs issuing SRS **must disclose relevant details** as per RBI guidelines.

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-  This ensures transparency for investors.



Minimum Investment in SRS

-  ARCs must invest a minimum of 15% in the SRS issued under each scheme.

Continuous Holding of SRS








-  ARCs must hold at least 15% of the SRS until full redemption.

Summary Table: Securitization of NPAs & ARCs Role

Aspect	Details
 Who Can Buy Stressed Assets?	ARCs, Banks, NBFCs, Financial Institutions
 Selling Method	Public solicitation of bids for transparency


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 Asset Acquisition by ARCs	Single borrower assets from multiple banks & SMA-2
 Asset Transfer	ARCs transfer assets to Trusts
 Resolution Timeline	5 years (extendable to 8 years by ARC Board)
 Issuance of SRS	Issued only to QIBs
 Transferability of SRS	Limited only to QIBs
 ARC's Minimum Investment in SRS	15% of the issued SRS
 ARC's Holding in SRS	At least 15% until redemption


Securitization & Concept of Bad Banks in India

What is a Bad Bank?


-  **Bad Banks** are **Asset Reconstruction Companies (ARCs)** that **buy bad loans (NPAs)** from commercial banks, **manage them**, and **recover money** by selling these assets in the market.

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-  Transferring NPAs to **Bad Banks** frees up the **balance sheets** of commercial banks, improving their financial health.


Bad Bank in India - National Asset Reconstruction Company Limited (NARCL)

 **NARCL** is an **Asset Reconstruction Company** set up to **acquire and resolve stressed assets** of commercial banks.

Features of NARCL

- ✓ **Total capital of Rs 6,000 crore** 
- ✓ **RBI License received in October 2021**  ✓
- ✓ **51% ownership by Public Sector Banks (PSBs)** 

How Will NARCL Take Over Bad Loans?

 **NARCL will acquire stressed assets worth Rs 2 lakh crore** in the first phase.

 Assets will be acquired through:

-  **15% upfront cash payment**
-  **85% in Security Receipts (SRs)**

India Debt Resolution Company Ltd (IDRCL)

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◆ IDRCL works alongside NARCL to sell stressed assets in the market.

◆ **Objective:** Find buyers for bad loans and maximize recovery.

◆ 51% ownership by Private Sector entities 

Benefits of Bad Banks for Banks

- ✓ Faster Resolution of Stressed Assets 
- ✓ Better Value Realization for Bad Loans  
- ✓ Frees Up Bank Personnel to Focus on New Lending   
- ✓ Improves Banks' Ability to Raise Capital from Markets
- ✓ Enhances Bank Valuations & Strengthens Financial Position

MARKETING

 **Meaning of Marketing** 

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- It refers to the strategic process of **Creating, promoting** and **selling** products or services for target **customers** to meet their needs and wants.
- It involves understanding **consumer preferences**, creating **products**, and utilizing various **channels** to reach and engage potential buyers.

Example:

A bank launching a new savings scheme **promotes it through social media, newspaper ads, and branch visits** to attract customers.

Definition of Bank Marketing

By Sir Frederick Seebohm:

"The creation and delivery of customer-satisfying services at a profit to the bank."

By Kenneth Andrew:

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"The matching of bank's resources with the customer's needs in the most profitable manner."

 **By Deryk Vander Weyer:**

"Bank Marketing is a proactive business strategy aimed at organizational excellence."

- ✓ Identifying profitable markets (current & future)
- ✓ Understanding & fulfilling customer needs 
- ✓ Setting business goals & planning for growth 
- ✓ Adapting to a changing market environment 

 **Customer-Centric Approach in Retail Banking**  

Customer is the **centre of attraction** in retail banking and marketing and all the activities have to be focused towards

◆ **Understanding customer needs** 

◆ **Developing suitable banking products**  

◆ **Providing efficient delivery channels**  

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◆ Ensuring continued customer engagement 📞 ✉️

📌 Example:

A bank offering **personalized home loan solutions** based on customer income and preferences.

🔥 Process of Marketing 📊 📣

📌 Step	📄 Description	🏢 Banking Example
1️⃣ Market Research	Gathering insights on customer needs & trends	Conducting surveys on digital banking preferences
2️⃣ Target Market Identification	Defining ideal customer segments	Offering student-friendly loans to college-goers 🎓







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 Step	 Description	 Banking Example
3 Product Development & Differentiation	Creating customized products to meet needs	Launching a premium savings account with cashback rewards
4 Pricing Strategy	Setting competitive and profitable pricing	Offering zero-balance accounts to attract new customers
5 Promotion & Advertising	Using various channels to reach customers	Running Google Ads & YouTube campaigns on new banking offers
6 Distribution & Sales	Choosing the right platforms to sell products	Expanding digital banking for better customer reach

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 Step	 Description	 Banking Example
 Customer Engagement	Maintaining relationships through personalized communication	Sending SMS alerts & personalized app notifications
 Data Analysis & Optimization	Tracking marketing effectiveness & refining strategies	Using AI-driven analytics to assess customer banking habits
 Feedback & Adaptation	Improving based on customer insights	Modifying loan interest rates based on customer affordability

 **Example:** A bank introducing an **AI-based chatbot** to enhance customer service & engagement online .

 **Final Takeaways** 

 **Marketing is customer-driven and strategic.** 

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✓ Bank Marketing focuses on matching banking services with customer needs profitably. 🏢

✓ The marketing process ensures continuous improvement & innovation. 🔄

✓ Modern banks leverage digital marketing & data analytics for customer retention. 📱 📈

📢 "Good banking is about meeting customer needs before they even realize it!" 🏢 💡










🏢 **Marketing in Retail Banking** 📊 📇

👤 **Key Stages in Retail Banking Marketing** 🚀

📌 Stage	📄 Description	🏢 Banking Example
1 Marketing Analysis 📈	Understanding market dynamics, trends & competitor analysis	Conducting SWOT analysis for digital banking expansion 📊
2 Marketing Planning 📄	Defining Strategic Business Units (SBU) ,	Creating a plan for launching a youth-



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 Stage	 Description	 Banking Example
	setting goals & strategies	focused savings account 
 Marketing Implementation	Answering who, where, when & how for execution	Deciding ad campaign launch dates & sales strategies 
 Marketing Control 	Monitoring & evaluating performance with corrective actions	Using AI-powered analytics to track customer engagement 

Marketing Analysis – Understanding the Market Landscape

What it Involves?

- Analysing market environments 
- Conducting **SWOT (Strength-Weakness-Opportunity-Threat) analysis** 




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✓ Understanding customer behavior & competitor strategies 




 **Marketing Planning – Setting Goals & Strategies** 

What it Includes?

- ✓ Defining Strategic Business Units (SBU) 
- ✓ Setting business objectives & financial goals 
- ✓ Planning target audience, product positioning & budget allocation 

 **Marketing Implementation – Executing the Plan** 

◆ What it Focuses On?




- ✓ Deciding who does what, where, when & how 
- ✓ Effective execution of marketing mix (Product, Price, Place, Promotion) 
- ✓ Aligning people, culture & decision-making 

 **Marketing Control – Monitoring & Adjusting** 

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◆ What it Involves?

- ✓ Measuring, evaluating & optimizing marketing efforts 
- ✓ Using data analytics for customer feedback & sales tracking 
- ✓ Taking corrective actions (reactive or proactive) 

📌 Example:

A bank analyzes low engagement on an EMI loan campaign & shifts its strategy to influencer promotions for better reach

🎯 Marketing Mix in Retail Banking















✦ What is Marketing Mix?

Marketing Mix refers to the **7Ps strategy** that banks use to attract, engage & retain customers while offering financial products and services effectively.

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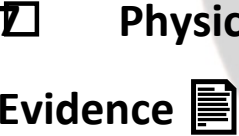

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The 7Ps of Retail Banking Marketing Mix

 Marketing Mix Element	 Definition	 Example in Banking
 Product 	Anything that satisfies a customer's financial needs	Savings accounts, loans, credit cards, mutual funds 
 Price 	The cost customers bear (interest rates, fees)	Loan interest rates, deposit rates, service charges 
 Promotion 	Communicating & promoting banking services	Ads, social media, personal selling, events 
 Place 	It refers to the place where the bank is offering its product.	Branches, ATMs, online banking, mobile apps 

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 Marketing Mix Element	 Definition	 Example in Banking
 People	The role of employees in delivering services	Bank staff, customer service, relationship managers 
 Process	The procedures & technology involved in delivering banking services	Loan approvals, fund transfers, KYC, account opening 
 Physical Evidence	Tangible proof of banking services	Debit cards, cheque books, receipts, website design 

1 **Product – Banking Offerings**


- ✓ **Deposit Products:** Savings Account, Fixed Deposits, Recurring Deposits
- ✓ **Loan Products:** Home Loans, Car Loans, Personal Loans
- ✓ **Investment Products:** Mutual Funds, Insurance, Stock

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Trading

✓ **Other Services:** Internet Banking, Mobile Banking, Credit Cards


📌 **Example:** A bank launches a "Premium Savings Account" offering **higher interest rates & free ATM withdrawals** to attract customers .

2 Price – Banking Charges & Interest Rates

✓ **Deposit Accounts** → Interest paid by the bank

✓ **Loans & Credit Cards** → Interest charged to customers

✓ **Service Fees** → Processing charges, penalties, forex charges

📌 **Example:** A bank reduces **home loan interest rates** to attract more borrowers .

3 Promotion – Reaching Customers

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- ✓ Advertising (TV, Newspapers, Online)
- ✓ Personal Selling (Bank Relationship Managers)
- ✓ Sales Promotions (Cashback offers, Discounts)
- ✓ Publicity & Social Media Marketing

📌 Example: A bank partners with Amazon & Flipkart to offer discounts on credit card purchases 🔄.

🌐 4 Place – Where Banking Happens?

- ✓ Physical Branches & ATMs 🏢
- ✓ Internet Banking & Mobile Apps 📱
- ✓ Business Correspondents (Rural Banking) 🚚
- ✓ AI-Powered Chatbots & Call Centers 🎧

📌 Example: HDFC Bank expands digital banking services in rural areas using banking correspondents & mobile apps 📶.

👥 5 People – The Human Factor in Banking

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✓ Bank Employees & Relationship Managers

✓ Customer Service Agents

✓ Financial Advisors & Investment Consultants

📌 **Example: ICICI Bank** trains staff in **personalized banking solutions** to improve customer relationships 🤝.

⚙️ 6 Process – Efficient Banking Operations

✓ Loan Approval & Disbursement

✓ Customer Onboarding (KYC Process)





✓ Online Transactions & Fund Transfers

📌 **Example: SBI** implements AI-powered loan processing to approve **personal loans** within 5 minutes 🚀.

📄 7 Physical Evidence – Tangible Proof of Banking








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- ✓ Debit & Credit Cards 
- ✓ Cheque Books & Passbooks 
- ✓ Bank Website & Mobile App Design 
- ✓ Receipts & Statements 







 Example: Axis Bank redesigns its mobile app with a user-friendly interface & secure login for better customer experience .

Measuring Marketing Effectiveness




 Metric	 What It Measures?	 Example
Customer Acquisition 	Number of new accounts opened 	Increased savings accounts sign-ups
Customer Retention 	Percentage of customers staying with the bank	High renewal rate of fixed deposits
Brand Awareness 	Recognition of the bank in the market	Increased Google searches & website

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 Metric	 What It Measures?	 Example
		traffic
Product Utilization 	How often customers use services	Higher use of UPI payments & credit cards
Cross-Selling Success 	Selling additional banking products	Offering credit cards to existing loan customers
Customer Satisfaction 	Customer feedback & loyalty	High Net Promoter Score (NPS) & positive reviews

Benefits of a **Strong Marketing Mix in Retail Banking**

- ✓  **Customer Acquisition** – Reaching new clients with targeted marketing
- ✓  **Customer Retention** – Building loyalty through personalized banking
- ✓  **Brand Awareness** – Strengthening the bank's image in the market

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- ✓ 💰 **Increased Revenue** – More product sales & cross-selling opportunities
- ✓ 🛡️ **Competitive Advantage** – Standing out with unique offerings
- ✓ 📄 **Reputation Management** – Building trust & credibility

📌 **Example:** Kotak 811 Account leveraged aggressive digital marketing to increase customer acquisition via mobile banking 📱👤.