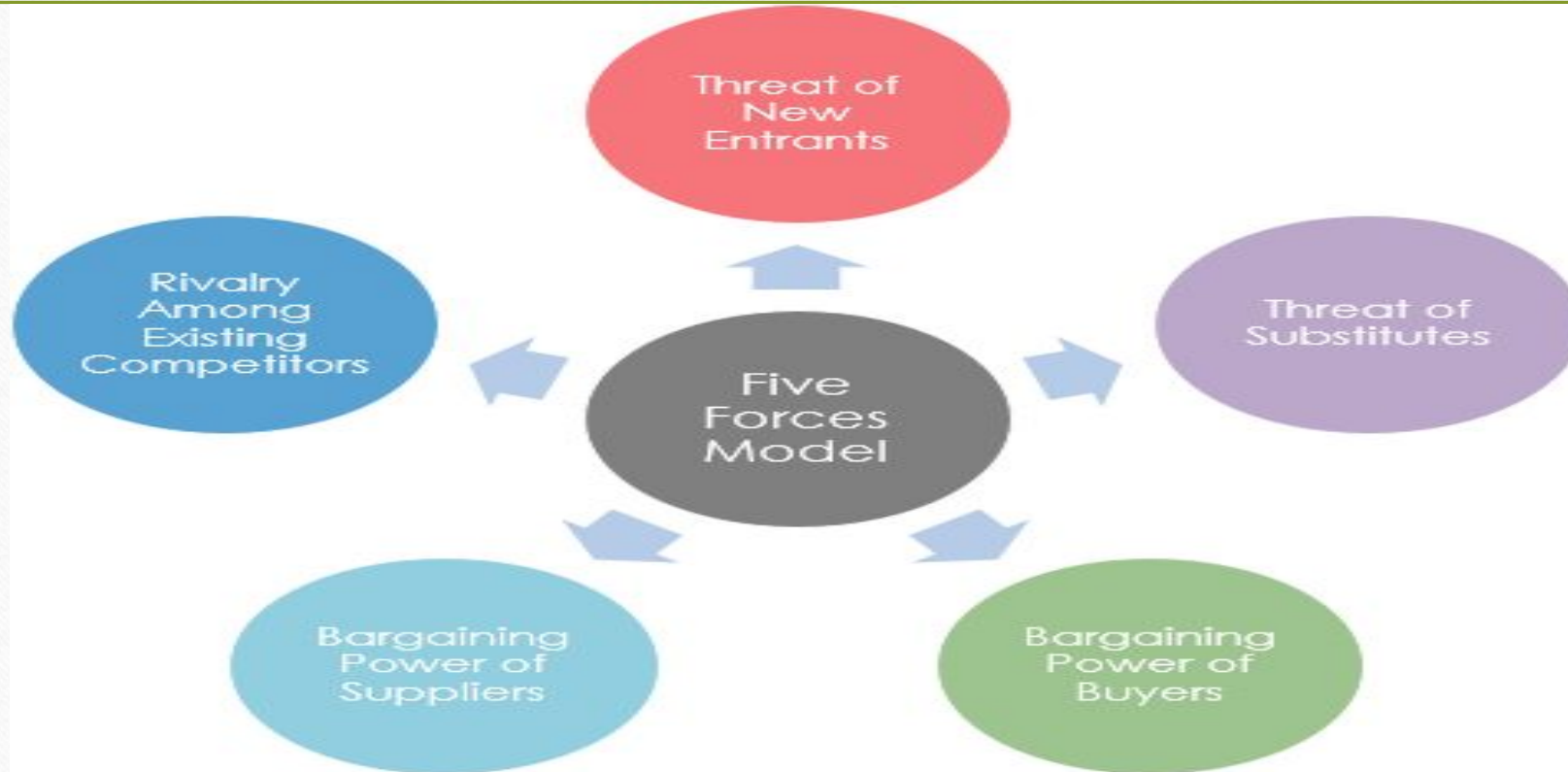


Porter's Five Forces Analysis



Threat of new entrants-Low

- Entry barriers are high as RBI controls the issuance of licenses, and as increase in licenses will reduce the market share of public banks.
- Requirement of huge capital investment also discourages the new players to enter.
- Trust building for new entrants is so difficult because already existing bank has made big brand name and nowadays bank provide many financial services so customers trusts more on the bank with high brand value.

Bargaining power of suppliers-High

- In banking sector, capital is major resource and major providers
 1. Customer deposit
 2. Mortgage loans
 3. Mortgage securities
 4. Loans from other monetary institutions
- Power of suppliers is widely based on market factors like investment avenues, interest rate, valuations, economic outlook, etc. and this power of suppliers varies from medium to high.

Bargaining power of customers-High

- Bargaining power of customers is quite high primarily due to high switching costs.
- Others form of power are customer loyalty, technology, etc.
- Power of customers is affected by margins and volumes, multiple options, banks competition, retail lending, long-term finance.

Competitive Rivalry- High

- Competition in Banking Sector is quite intense due to many factors like there are too many players of similar size, similar strategies, less differentiation causing price competition, low market growth, High barriers to exit, etc.
- Major banks go for mergers and acquisitions rather than spending on marketing and advertising.
- Basic competition in banking sector is to provide services within minimum time and this leads to high competition rivalry which leads to low Return on Assets(ROA).

Threat of substitutes-Moderate

- Threat of substitution is not from rival banks but from NBFC, investors, and other small cooperative banks.
- Deposits and withdrawal have no threat for substitution but Insurance, mutual funds, and other fixed income securities offered by non-financial company is threat for banks.
- Factors affecting this threat are close customer relationship, conservative customer, switching cost, risk loving customers, etc.