CHAPTER -II

STATE BANK OF INDIA-
EVOLUTION AND
GROWTH
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INTRODUCTION

In modern times, commercial banking occupies quite a significant position in the financial framework of every budget because of the continuing challenge it gives to those who are responsible for managing the undertakings of the banks and to those who follow and examine their performance. The role of banking has kept on changing through time and the working of the commercial banks reflects the shifting quality of the credit mechanism which itself is the result of the economic changes taking place in the economic organization. Therefore, commercial banks’ working must be elastic to enable them face the new economic problems and policy issues in parliamentary procedure to play useful role in the economic system.

EVOLUTION OF BANKING

As a public initiative, banking completed its commencement the twelfth century in Italy. The Bank of Venice, originated in 1157, was the first public banking association. Following its institution, were recognized the Bank of Barcelona and the bank of Genoa in 1401 and 1407 respectively. The Bank of Venice and the Bank of Genoa continued to work effectively till the completion of the eighteenth century.

The word ‘Bank’ is used in the intelligence of a profitable bank. It is of Germanic origin, though some persons smidgen its origin to the French word ‘Banqui’ and the Italian word ‘Banca’. It denoted to a bench for keeping, lending, and exchanging of money or coins in the marketplace by money lenders and money changes.

Approximately there was no such word as ‘banking’ before 1640, though the training of safe-keeping and investments succeeded in the temple of Babylon as early as 2000 B.C. Chanakya in his Arthashastra written in 300 B.C stated about the survival of powerful unions of commercial bankers who received deposits, advanced loans and hundis (letters of transfer). The Jain scriptures comment the names of two bankers who built the famous Dilwara temples of Mount Abu during 1197 and 1247 A.D. The bankers of Lombardy were well-known in England. However the modern
banking started with the English goldsmiths only after 1640. The Bank of England started its business in 1694 with a view to investment the Government to transfer on its war with France.\footnote{3}

**DEFINITION OF BANKING**

Sayres define banking as “Ordinary banking business consists of exchanging cash for bank deposits and bank deposits for cash; transferring bank deposits from one individual or corporation (one ‘depositor’) to some other; giving bank deposits in exchange for bills of exchange, government bonds, the secured or unsecured promises of businessmen to repay, etc.”.\footnote{4}

The Banking Regulation Act, 1949, defines banking as accepting for the function of lending or investment of deposit, money from the public, repayable on demand or otherwise and withdrawable by check, draft, and order or otherwise.\footnote{5}

**DEFINITION OF BANK**

Prof. Kinley defines a bank as a formation of individuals which practices such as advances of money as may be wanted and safely completed and to which persons entrust money, which it is not required by them for usage.

The Indian Companies Act specifies the term bank as “The excluding for the purpose of lending or investment of deposits of money from the public, repayable on demand or demand or then and withdraw able by check, draft, order or otherwise.”\footnote{6}

**HISTORICAL CONTEXT OF INDIAN BANKING SECTOR**

Banking in India has its origin as early as the Vedic period. It is thought that the change from money lending to banks must have happened even before Manu, the great Hindu Jurist, who has devoted a section of his effort to deposits and advances and laid down rules linking to rates of interest. During the Moghul period, the indigenous bankers played a very significant role in lending money and financing foreign trade and commerce. Throughout the days of the East India Company, it was the turn of the agency houses to carry on the banking business. The General Bank of India was the first Joint Stock Bank to be established in the year 1786. The other banks which followed were the Bank of Hindustan and the Bengal Bank. The Bank of
Hindustan is conveyed to have unrelenting till 1906 while the other two failed in the meantime. 7

In the first half of the 19th century the East India Company recognized three banks; the Bank of Bengal in 1809, the Bank of Bombay in 1840 and the Bank of Madras in 1843. These three banks, also known as Presidency Banks, were self-governing units and performed well. On 27th January, 1921, all the three presidency banks were joined to form the Imperial Bank of India. Imperial bank accepted on restricted central banking tasks also, it involved in all types of the commercial banking industry except allocating of foreign exchange. In the stir of the Swadeshi Movement, number of banks with the Indian administration was established in the country, namely, Punjab National Bank, Bank of Baroda Ltd., the Central Bank of India Ltd. 9

The Reserve Bank, which is the Central Bank, was created in 1935 by passing Reserve Bank of India Act 1934. Reserve Bank of India was founded as an apex bank without major administration ownership.

**BANKING IN INDEPENDENT INDIA**

Soon after independence, as India boarded upon planned economic growth, like any other country, it required a strong and well-organized financial system to meet the miscellaneous desires of credit and growth. To accomplish this objective it accepted a miscellaneous outline of economic progress and planned a financial system to care such improvement. The success it attained, mainly in taking banking to the multitudes and making the banking system a potent vehicle for promoting public policy has few parallels in the world. 10

The Banking Regulations Act passed in 1949 providing an outline for regulation and supervision of commercial banking activity. This guideline brought the Reserve Bank of India under government control. Under the act, RBI got the wide reaching influence for supervision & control of banks. The Act also conferred licensing powers & the power to conduct assessments in RBI.

The first step near the nationalization of commercial banks was the outcome of a statement by the group of Directors of All India Rural Credit Survey(1951) which suggested setting up of a strong integrated state owned commercial banking
organization to inspire banking enlargement in general and rural credit in particular. Thus, Imperial Bank of India was occupied over by the Government of India and renamed as the State bank of India on July 1, 1955 with the Reserve Bank of India obtaining majority of shares. A number of former banks possessed by princely states were completed subsidiaries of SBI in 1959. RBI was authorized in 1960, to force necessary merger of weak banks with the strong ones. The total number of banks was thus reduced from 566 in 1951 to 85 in 1969.\(^\text{11}\)

**NATIONALIZATION OF INDIAN COMMERCIAL BANKS**

There was a sensation that however the Indian banking system made significant progress in 1950's and 1960's, it established close links between commercial banks and industrial houses, resulting in cornering of bank credit by these divisions to the segregation of agriculture and small industries. Functionally, banks catered to the wants of the planned industrial and trading sectors. The primary sector comprising of agriculture, forestry and fishing which made more than 50 percent of GDP during this period had to depend largely on own financing and on sources outside the commercial banks. It is against this backdrop that the process of financial development was given stimulus with the adoption of the policy of social control over banks in 1967.

The scheme of social control was aimed at conveying some changes in the organization and distribution of credit by the commercial banks. The close link between big business houses and banks was projected to be shattered or at least made ineffective by the reconstitution of the board of directors to the effect that 51 percent of the directors were to have special knowledge or practical experience. Appointment of whole-time chairman with special knowledge and practical experience of working of commercial banks or financial or economic or business administration was planned to professionalize the top management. Imposition of constraint on loans to be approved to the directors’ concerns was alternative step towards escaping unwanted flow of credit to the units in which directors were interested. The pattern also delivered for the takeover of banks under definite circumstances.\(^\text{12}\)

Government of India, in July 1969, nationalized 14 banks having deposits of Rs.50 crores & above. The objective was to serve well the needs of development of
economy in conformity with national priorities and objectives. In 1980, government
cultured 6 more banks with deposits of more than Rs.200 crores.

THE STRUCTURE OF PRESENT INDIAN BANKING SYSTEM

Nowadays Indian banking has come a long way since then in terms of
difficulty of processes and the elaborateness of the structure. Moreover, Indian
banking system, the way it has progressed, has come to gain certain peculiarities of its
own not found in the banking systems in the other countries.

The Indian banking structure comprises a heterogeneous mass covering a wide
spectrum ranging from the unorganized indigenous bankers at one end to the foreign
banks at the other

THE UNORGANIZED INDIGENOUS SECTOR

The unorganized indigenous financial sector is a mix of diverse institutions. There are private money lenders doing business with their own funds and operating
mainly form the rural areas. There are also the indigenous bankers, largely urban, but
doing business with their own funds as well as funds accepted from others as deposits.\(^{13}\)

The above unorganized sector falls outside the regular framework of the
Reserve Bank of India. The Banking Regulation Act, 1949, being a Central Act, could
not take the unorganized sector into its regular framework under the then applicable
Government of India Act, 1935, the unincorporated proprietary or partnership
bankers, as these were state subjects.\(^{14}\) The only regulation of the activities of these
indigenous bankers was by way of the provisions of the Money lenders Act in
various states imposing certain restrictions on their registration and a ceiling on
interest rates charged by them.

NON-BANKING FINANCIAL INSTITUTIONS

There have evolved several other types of financial intermediaries which are
unique to India. The most popular among these are the chit funds which collect fixed
monthly contributions from the members and they either give away the collected
amount less some discount as prize to the winner for that month or auction the prize
amount among other members.
Institutional Structure

The central bank of the financial system in India is the Reserve Bank of India (RBI) established in 1935. The role of the RBI is to formulate and implement monetary and credit policy and function as the "banker's bank" (Morris, 1985). The RBI also plays a role in maintaining the exchange value of the rupee, the Indian monetary unit.

The next most important part of the financial structure is the commercial banks. These banks represent the typical branch banking type of institution. These banks have been further divided into scheduled and non scheduled banks to distinguish the extent to which the institution satisfies the Reserve Bank requirements. Scheduled commercial banks are more prevalent and constitute 99.9% of the total business. Figure 1 shows a diagram of the structure of the banking industry in India.
There are also the non-banking non-financial companies having a good market standing that have come up in a big way in acceptance of fixed deposits directly from the public. This way they are able to finance their fixed capital requirements at much cheaper interest rate than what they would have had to pay to the banks.
The Reserve bank of India has brought these non-banking financial/non-financial companies under some direct control in respect of disclosure of information, control on advertisements, maintenance of certain registers, and limitation on volume of deposits to be collected and maintenance of assets against deposits.\(^{15}\)

**RESERVE BANK OF INDIA**

The Indian banking structure has the apex bank, the Reserve Bank of India entrusted with the responsibility for the formulation and implementation of the monetary policies of the country, regulating the banking sector, issuing and managing currency, purchasing and selling of government securities, and managing the foreign exchange position of the country.

The Reserve Bank derives its powers from the Reserve Bank of India Act of 1935 and the Banking Regulation Act, 1949. It performs the same functions as the central banks do all over the world.\(^{16}\)

Having RBI at the apex, the Banks in Indian banking system are classified into two categories as.

(1) Scheduled banks and

(2) Non Scheduled banks.

**Scheduled Banks:** The Scheduled banks are those which are involved in the second schedule of Reserve Bank of India Act, 1935;\(^{17}\) others are non-schedule banks. The State Co-operative banks also come under the category of Schedule banks. To be involved in the second schedule a bank (a) It must take a paid up capital and reserves of not less than Rs.5lakhs, (b) It must also satisfy the RBI that its affairs are not directed in a method unfavorable to a certain amount of reserves with the RBI. They enjoy the facility of financial accommodation and remittance facilities at concessional rates from the RBI.

**Non-Scheduled Banks:** The unscheduled banks are those joint stock banks that are not listed in the second schedule to the Reserve Bank of India Act, of 1939, i.e., when the Reserve bank of India Act had been around for four years, there were about 1500 joint stock banks in the country of which as many as about 1400 were unscheduled.\(^{18}\) However, now their number has come down and the volume of their business is of
negligibly small proportion. The other unscheduled banks have since either closed 
down or merged with other scheduled banks, or converted themselves into non-
banking companies.

THE PUBLIC SECTOR BANKS

The public sector banks include:

1. Nationalized Banks
2. Regional Rural banks

List of Public Sector Banks in INDIA:

Central Bank:

1. Reserve Bank of India (RBI)

Public Sector Banks (Nationalised banks):

1. State Bank of India (SBI)
2. State Bank of Bikaner & Jaipur
3. State Bank of Hyderabad
4. State Bank of Indore
5. State Bank of Mysore
6. State Bank of Patiala
7. State Bank of Saurashtra
8. State Bank of Travancore
9. Bank of India
10. Canara Bank
11. Central Bank of India
12. Corporation bank
13. Indian Bank
14. Indian overseas bank
15. Syndicate Bank
16. UCO Bank
17. Allahabad Bank
18. Andhra Bank
19. Bank of Baroda
20. Bank of Maharashtra
21. Dena Bank
22. Oriental Bank of Commerce
23. Punjab & Sind Bank
24. Union Bank of India
25. United Bank of India
26. Vijaya Bank
27. IDBI Bank
The logo of the State Bank of India is a blue circle with a small cut in the bottom that depicts perfection and the small man the common man - being the center of the bank's business. The logo came from National Institute of Design (NID), Ahmedabad and it was inspired by Kankaria Lake, Ahmedabad.


The State bank Group comprises, State bank of India and its seven associates’ as follows

1. State Bank of Bikaner and Jaipur
2. State Bank of Hyderabad
3. State Bank of Indore
4. State Bank of Mysore
5. State Bank of Patiala
6. State Bank of Saurashtra

7. State Bank of Travancore

The State bank of India is unique among the public sector banks on two counts:

1) The bank was mandated by the governing Act to extend banking facilities on a large scale and more particularly to rural and semi-urban areas.
2) The bank has traditionally conducted the treasury operations on behalf of the central and state governments and has, therefore, had a close relationship with the government departments and undertakings.  

ORIGIN AND GROWTH OF STATE BANK OF INDIA

The origin of the State Bank of India goes back to the first decade of the nineteenth century with the establishment of the Bank of Calcutta in Calcutta on 2 June 1806. Three years later the bank established its charter and was re-designed as the Bank of Bengal (2 January 1809). The Bank of Bombay (15 April 1840) and the Bank of Madras (1 July 1843) followed the Bank of Bengal. The three banks were governed by Royal Charter, which were revised from time to time.

The profession of the banks was originally restrained to the disregarding of bills, keeping cash accounts, receiving deposits and issuing circulating cash notes. Loans were restricted to Rs. One lakh and the period of accommodation confined for three months only. With the passing of the Paper Currency Act of 1861, the right of non issue of the presidency banks was abolished and the Government of India assumed the sole power of issuing paper currency from 1 March 1862. None of the three banks had till then any branches, although the charters had given them such authority. By 1976, the Bank of Bengal had eighteen branches, including its head office; sub agencies, the Banks of Bombay and Madras had fifteen each.

The presidency Banks Act, which came into operation on 1 May 1876, brought the three presidency banks under a common statute and the banks involved themselves in financing of practically every trading, manufacturing and mining activity in the sub-continent. But the three banks were rigorously excluded from any business involving foreign exchange, as it was feared that these banks enjoying
government patronage would offer unfair competition to the exchange banks, which had by then arrived in India. This exclusion continued till the creation of the Reserve Bank of India in 1935.  

The Presidency Banks of Bengal, Bombay and Madras with their 70 branches were merged in 1921 to form the Imperial Bank of India. The ‘triad’ had been transformed into a ‘monolith’ and took on the triple role of a commercial bank, a banker’s bank and a banker to the government. The establishment of the Reserve Bank of India as the central bank of the country in 1935 ended the quasi-central banking role of the Imperial Bank. The previous limitations on its business were removed and the bank was permitted to commence foreign exchange business and executor and trustee business for the first time. The Imperial Bank during the three and a half decades of its presence verified an inspiring growth in terms of offices, reserves, deposits, investments and advances, the increase in some cases amounting more than sixfold. The supercilious societies of banking which the Imperial Bank steadily maintained and the highest standard of truthfulness it observed in its actions inspired assurance in its depositors that no other bank in India could perhaps then equal. When India attained freedom, the Imperial Bank had a capital base (including reserves) of Rs.11.85 crores, deposits and advances of Rs.275.14 crores and Rs.72.94 crores respectively, and a network of 172 branches and more than 200 sub offices extending all over the country. 

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FIGURE-2.2: SBI-MUMBAI HEAD OFFICE

Source: various Websites of SBI

IMPERIAL BANK OF STATE BANK OF INDIA

The All India Rural Credit Survey Committee recommended the creation of a state-patronage and state-sponsored bank by taking over the Imperial Bank of India, and integrating with it, the state-owned or state associate banks. An act was accordingly passed in Parliament in May 1955 and the State Bank of India was constituted on 1 July 1955. Later, the State Bank of India (Subsidiary Bank) Act was approved in 1959, enabling the State Bank of India to take over eight former State-associated banks as its subsidiaries (later named Associates). The State Bank of India was thus born with a new sense of social purpose, aided by the 480 offices comprising branches, sub offices and three Local Head Offices inherited from the Imperial Bank.
FIGURE-2.3: Imperial Bank of India Logo

Source: various Websites of SBI

Vision of State Bank of India

- MY SBI.
- MY CUSTOMER FIRST.
- MY SBI: FIRST IN CUSTOMER SATISFACTION.

Mission of State Bank of India

- We will be prompt, polite and proactive with our customers.
- We will speak the language of young India.
- We will create products and services that help our customers achieve their goals.
- We will go beyond the call of duty to make our customers valued.
- We will be of service even in the remotest part of our country.
• We will offer excellence in service to those abroad as much as we do to those in India.
• We will imbibe state of art technology to drive excellence.

**Strengths of State Bank of India**

• Largest commercial bank in the country with presence in all time zones of the world.
• Macroeconomic proxy for the Indian Economy.
• Has emerged as a Financial Services Supermarket
• Group holds more than 25 per cent market share in deposits and advances
• Large base of skilled manpower
• SBI Group has more than 115 million customers – Every tenth Indian is a customer.

**Values of SBI**

The values of State Bank of India are:

• We will always be honest, transparent and ethical.
• We will respect our customers and fellow associates.
• We will be knowledge driven.
• We will learn and we will share our learning.
• We will never take the early way out.
• We will do everything we can to contribute to the community we work in.
• We will nurture pride in India.

**Principal subsidiaries of State Bank of India**

Bank of Bhutan (Bhutan); Indo Nigeria Merchant Bank Ltd. (Nigeria); Nepal SBI Bank Ltd. (Nepal); SBI (U.S.A.); SBI (Canada); SBI Capital Market Ltd.; SBI Cards & Payments Services Ltd.; SBI Commercial and International Bank Ltd.; SBI European Bank plc (U.K.); SBI Factors & Commercial Services Ltd.; SBI Funds Management Ltd.; SBI Gilts Ltd.; SBI Home Finance Ltd.; SBI Securities Ltd.; State Bank International Ltd. (Mauritius); State Bank of Bikaner & Jaipur; State Bank of...
Hyderabad; State Bank of Indore; State Bank of Mysore; State Bank of Patiala; State Bank of Saurastra; State Bank of Travancore.

Principal Competitors

ICICI Bank; Bank of Baroda; Canara Bank; Punjab National Bank; Bank of India; Union Bank of India; Central Bank of India; HDFC Bank; Oriental Bank of Commerce.

**TABLE - 2.1: DEPOSITS, ADVANCES AND NET PROFIT OF STATE BANK OF INDIA DURING 2009 – 2015**

(Rupees in crores)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DEPOSITS</th>
<th>ADVANCES</th>
<th>NET PROFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>742073</td>
<td>542503</td>
<td>9121</td>
</tr>
<tr>
<td>2010</td>
<td>804116</td>
<td>631914</td>
<td>9166</td>
</tr>
<tr>
<td>2011</td>
<td>933933</td>
<td>756719</td>
<td>8265</td>
</tr>
<tr>
<td>2012</td>
<td>1043647</td>
<td>867579</td>
<td>11707</td>
</tr>
<tr>
<td>2013</td>
<td>1202740</td>
<td>1045617</td>
<td>14105</td>
</tr>
<tr>
<td>2014</td>
<td>1394409</td>
<td>1209829</td>
<td>10891</td>
</tr>
<tr>
<td>2015</td>
<td>1576793</td>
<td>1300026</td>
<td>13102</td>
</tr>
</tbody>
</table>

SOURCE: ANNUAL REPORTS OF STATE BANK OF INDIA FROM 2009-2015

**SERVICES OFFERED BY THE COMPANY**

- NRI Services
- Personal Banking
- International Banking
- Agriculture / Rural
- Corporate Banking
- SME
- Government Business
- Domestic Treasury
SEVEN ASSOCIATE BANKS OF STATE BANK OF INDIA

SBI now has five associate banks, down from the eight that it originally acquired in 1959. All use the State Bank of India logo, which is a blue circle, and all use the "State Bank of" name, followed by the regional headquarters' name:

1. State Bank of Bikaner and Jaipur
2. State Bank of Hyderabad
3. State Bank of Indore
4. State Bank of Mysore
5. State Bank of Patiala
6. State Bank of Saurashtra
7. State Bank of Travancore

NON BANKING SUBSIDIARIES OF STATE BANK OF INDIA

1. SBI Capital Markets Ltd (SBI CAP)
2. SBI Funds Management Pvt Ltd (SBI FUNDS)
3. SBI Factories & Commercial Services Pvt Ltd
4. SBI DFHI (Discount & Finance House of India) Ltd
5. SBI GIL TS Ltd
6. SBI Commercial & International Bank Ltd

FOREIGN SUBSIDIARIES

1. SBI International (Mauritius) Ltd.
2. State Bank of India (California)
3. State Bank of India (Canada)
4. INMB Bank Ltd, Lagos
5. BANK SBI Indonesia (SBII)

JOINT VENTURE OF STATE BANK OF INDIA

1. SBI Cards & Payment Services Pvt Ltd
3. SBI Life Insurance Co Ltd
4. Credit Information Bureau (India) Ltd (CIBIL)
OTHER ASSOCIATES OF STATE BANK OF INDIA

1. Clearing Corporation of India LTD
2. Nepal SBI Bank Ltd
3. Bank of Bhutan
4. UTI Asset Management Company Pvt Ltd

TABLE - 2.2: BRANCH EXPANSION OF STATE BANK OF INDIA-MARCH 2015

<table>
<thead>
<tr>
<th>BRANCH LOCATION</th>
<th>NO.OF BRANCHES IN 2014</th>
<th>NO.OF BRANCHES IN 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>METRO</td>
<td>2524</td>
<td>2573</td>
</tr>
<tr>
<td>URBAN</td>
<td>2890</td>
<td>3006</td>
</tr>
<tr>
<td>SEMI-URBAN</td>
<td>4399</td>
<td>4497</td>
</tr>
<tr>
<td>RURAL</td>
<td>6056</td>
<td>6257</td>
</tr>
<tr>
<td>TOTAL</td>
<td>15869</td>
<td>16333</td>
</tr>
</tbody>
</table>

SOURCE: ANNUAL REPORTS OF SBI

TABLE - 2.3: STATE BANK OF INDIA AND ITS ASSOCIATES MARCH -2015

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of PSB</th>
<th>Year of Establishment</th>
<th>Head Office</th>
<th>No. of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>State Bank of India</td>
<td>1955</td>
<td>Mumbai</td>
<td>15869</td>
</tr>
<tr>
<td>2.</td>
<td>State Bank of Bikaner &amp; Jaipur</td>
<td>1963</td>
<td>Jaipur</td>
<td>804</td>
</tr>
<tr>
<td>3.</td>
<td>State Bank of Hyderabad</td>
<td>1941</td>
<td>Hyderabad</td>
<td>902</td>
</tr>
<tr>
<td>4.</td>
<td>State Bank of Indore</td>
<td>1960</td>
<td>Indore</td>
<td>435</td>
</tr>
<tr>
<td>5.</td>
<td>State Bank of Mysore</td>
<td>1913</td>
<td>Mysore</td>
<td>621</td>
</tr>
<tr>
<td>6.</td>
<td>State Bank of Patiala</td>
<td>1917</td>
<td>Patiala</td>
<td>743</td>
</tr>
<tr>
<td>7.</td>
<td>State Bank of Saurashtra</td>
<td>1902</td>
<td>Patiala</td>
<td>418</td>
</tr>
<tr>
<td>8.</td>
<td>State Bank of Travancore</td>
<td>1945</td>
<td>Travancore</td>
<td>668</td>
</tr>
</tbody>
</table>

Source: Various Websites of Banks
EMPLOYEE STRENGTH

The outcome of the business depends upon the employees of the bank. SBI is the largest bank in India, with the highest number of employees. In 1955, when SBI came into existence, there were only 15,000 employees working across the country. But due to increase in volume of business and increase in number of branches, the strength of employees has been considerably increased. By the end of the year 2015, there are 2,13,238 employees in SBI are working in different parts of the country. Of this, 78,540 are officers and 94,455 are clerks the rest 23,404 are sub stuff.

TABLE - 2.4: EMPLOYEE STRENGTH IN SBI DURING 2014&2015-MARCH

<table>
<thead>
<tr>
<th>EMPLOYEE CADRE</th>
<th>NO. OF EMPLOYEES IN 2014</th>
<th>NO. OF EMPLOYEES IN 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFFICERS</td>
<td>80531</td>
<td>78540</td>
</tr>
<tr>
<td>ASSISTANTS</td>
<td>101648</td>
<td>94455</td>
</tr>
<tr>
<td>SUB-STAFF</td>
<td>24799</td>
<td>23404</td>
</tr>
<tr>
<td>WATCH AND WARD</td>
<td>15831</td>
<td>16839</td>
</tr>
<tr>
<td>TOTAL</td>
<td>222809</td>
<td>213238</td>
</tr>
</tbody>
</table>

SOURCE: ANNUAL REPORTS OF SBI

TABLE-2.5: WOMEN EMPLOYEE STRENGTH IN SBI DURING 2014&2015-MARCH

<table>
<thead>
<tr>
<th>EMPLOYEE CADRE</th>
<th>NO. OF EMPLOYEES IN 2014</th>
<th>NO. OF EMPLOYEES IN 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFFICERS STAFF</td>
<td>10720</td>
<td>11701</td>
</tr>
<tr>
<td>CLERICAL STAFF</td>
<td>3224</td>
<td>30102</td>
</tr>
<tr>
<td>SUB-STAFF</td>
<td>3188</td>
<td>2987</td>
</tr>
<tr>
<td>TOTAL WOMEN</td>
<td>45132</td>
<td>44790</td>
</tr>
<tr>
<td>TOTAL MEN &amp; WOMEN</td>
<td>222809</td>
<td>213238</td>
</tr>
</tbody>
</table>

SOURCE: ANNUAL REPORTS OF SBI
TABLE- 2.6: BRANCH NETWORK OF STATE BANK OF INDIA DURING 2009 – 2015

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of DOMESTIC BRANCHES</th>
<th>No. of FOREIGN BRANCHES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>11448</td>
<td>92</td>
</tr>
<tr>
<td>2010</td>
<td>12496</td>
<td>142</td>
</tr>
<tr>
<td>2011</td>
<td>13542</td>
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<td>2012</td>
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<td>2013</td>
<td>14816</td>
<td>186</td>
</tr>
<tr>
<td>2014</td>
<td>15869</td>
<td>190</td>
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SOURCE: ANNUAL REPORTS OF SBI

ORGANISATION STRUCTURE AND MANAGEMENT

The management of the State Bank vests in a Central Board of Directors which consists of:

- A Chairman and a Vice-Chairman appointed by the Central Government in consultation with the Reserve Bank of India.
- Two Managing Directors appointed by the Central Board of Directors with the approval of the Central Government.
- Six directors to be elected in the prescribed manner by the shareholders other than the Reserve Bank.
- Eight directors to be nominated by the Central Government in consultation with the Reserve Bank of India to represent territorial and economic interests in such a manner that not less than two of them have special knowledge of the working of the cooperative institutions and of rural economy and the others have experience in commerce, industry, banking and finance;
- One director to be nominated by the Central Government;\(^{31}\)
- One director to be nominated by the Reserve Bank; and
- Two directors to be appointed to represent the officers and the staff of the bank.
The Chairman, the Vice-Chairman and the Managing Director shall hold office for such terms not exceeding five years as the Central Government may fix when appointing them and shall be eligible for re-appointment. The directors elected by the shareholders and nominated by the Central Government will hold office for fours years and are eligible for re-election or re-nomination. The other nominated directors shall hold office as per recommendations of the authority appointing them. Besides the Central Board, there are Local Boards of Management established at Calcutta, New Delhi, Kanpur, Ahmedabad, Bhopal and Patna. Each local board consists of the members of the Central Board residing in the area and directors not exceeding four elected shareholders whose names appear in the branch register. To keep the management free from politics, the Act stipulates that no member of the Central or State Legislatures shall be appointed as directors of the State Bank of India. Structural changes have been introduced by the bank in order to re-orient the business according to changing conditions in the market. One such step, for the first time, was initiated in 1971. In the year 1979, for the second time the structural changes were implemented. The major organizational change in structure took place in 1995, by the appointment of Mckinsey Consultants. Through changes were introduced in strategies, structures, systems etc., in the organizational set up of SBI, as per recommendations of the consultant committee.

The organization structure of State Bank of India at National Level is shown in Chart 2.2. The Chairman is the Head of the Central Management Committee who is appointed by the Government of India in consultation with RBI. The Central Management Committee consisting of two Managing Directors – one belonging to Corporate Banking and the other to National Banking – and seven Deputy Managing Directors representing the areas such as Banks, International Banking, Corporate Development, Finance, Credit, Information Technology, and Information and Management Audit. Along with the Committee the Chief Vigilance Officer at CGM cadre, will also work under the Chairman. The Managing Director and Group Executive of the Corporate Banking are responsible for the banking operations relating to big size companies and corporations. The Corporate Account Group (CAG) under the leadership of the Managing Director and Group Executive caters to a majority of top 100 companies/Corporations in Indian ranked in the order of turnover and market capitalization. The credit sanction of Rs.100 crore and above per
company will fall under the jurisdiction of the managing director. The National Banking Group is headed by a Managing Director and Group Executive. This group consists of two distinct networks namely Development Banking and Personal Banking Network and Commercial Banking Network. About 90 per cent of the domestic deposits and 84 per cent of the domestic advances account for National Banking. The State Bank of India has seven Associate Banks and 7 subsidiaries one of them is Banking Subsidiary and the other six are Non-Banking subsidiaries.

Chart - 2.2: ORGANIZATION CHART AT NATIONAL LEVEL

Source: AGM, Local Head Office, Hyderabad.
LHO AND NETWORK HEADQUARTERS

The LHO is headed by a Chief General Manager and supported by three staff functionaries of the rank of Dy. General Managers, to oversee policy and strategy formulation and policy implementation in the areas of Financial, Management, Credit Management and Personnel Services. These functionaries are designated as Circle Financial Officer, Circle Credit Officer, and Circle Development Officer, respectively.

FIGURE - 2.4: SBI LHO OFFICE-MUMBAI

Source: AGM, Local Head Office, Hyderabad.

The State Bank of India has 14 Local Head Offices, which are also called ‘Offices at the Circles’ located at state head quarters. The heads of all LHOs are directly responsible to the Chairman of the bank. A model organization chart of a circle is shown in chart 2.2. The Circle Office has the jurisdiction of all Modules of the bank attached to it. The sanctions of above Rs.25 lakh and below Rs.100 crore are processed at the Circle Office. The Chief General Manager will be assisted by four Circle Officers at the DGM cadre in the areas of bank development, credit, finance and vigilance. The General Manager Personal and Development Banking is assisted by four Assistant General Managers (AGMs) in the areas of administration, personal,
development and expansion. The General Manager Commercial and International Banking is assisted by four AGMs in the areas of premises, computers, accounts and policy and decision making.

**Chart-2.3: ORGANIZATION CHART AT STATE LEVEL (LOCAL HEAD OFFICE)**

The regional office will be headed by an Assistant General Manager and takes the responsibility of co-ordination, developing and promoting the bank operations in a region. All Branch Managers in a region will report directly to the AGM. The functions such as credit support, sales planning, performance monitoring, general
banking, personnel and HRD and NPA management and recovery are managed at this office.

Hence, during pre-nationalization period, the banking was popularly known as class banking era. The management of risk was very less in SBI as the major focus was on organizational development and process management. There was strict adherence to meticulous maintenance of accounts and inward looking approach in transacting the credit approvals. The post nationalization period was also known as development banking period.
Chart - 2.4: ORGANIZATION CHART OF A MODULE

Source: AGM, Local Head Office, Hyderabad.
Deputy Managing Director will monitor the activities of all Associate Banks and Subsidiaries at the national level. Another Deputy Managing Director will coordinate and promote International Banking through a network of 83 overseas offices spread over in 33 countries covering all time zones. He is responsible for handling the country’s foreign trade and related business and providing foreign currency resources to the Indian companies. The Deputy Managing Director (Corporate Development) is concerned with the development and growth activities of the bank. He is responsible for developing new products and schemes from time to time. The Accounting and Finance wing is headed by a Deputy Managing Director. He is also called Chief Financial Officer. The compilation of financial data, preparation of financial statement as per the regulations from time to time and monitoring the performance of the bank on the financial front are his responsibilities.

One Deputy Managing Director will take care of Audit activities. The Deputy Managing Director, Information Technology is responsible for IT operations in the Bank. Considering the importance of IT to promote efficiency in banking, this new position is created in the organization system at the top management level. There is one Chief Vigilance Officer reporting to the Chairman. The officer will look after the activities including fraud detection and prevention of frauds. The disciplinary action against errant officials up to the level of DGM will be taken by this office. The Chief Vigilance Officer will maintain direct relations with Ministry of Finance, Government of India and Vigilance Committee of Reserve Bank of India.
Chart - 2.5: ORGANISATION CHART OF A REGIONAL OFFICE

Source: AGM, Local Head Office, Hyderabad.

There are 58 Modules operated by the bank. Each module will be headed by Deputy General Manager. The module organization chart of a Module is presented in Exhibit No.3.3. The Modules will co-ordinate the activities of the bank through regional offices. The heads of the regional offices and the branches headed by AGMs will directly report to the DGM of a Module.

SHAPE \* MERGEFORMAT
HUMAN RESOURCE MANAGEMENT IN STATE BANK OF INDIA

State Bank of India continuously has an action method in the area of Human Resource Management. The bank started labor welfare department with a view to attend to the matters relating to employees expeditiously and continuously for their welfare. This was proposed when the state of employer-employee relations in the banking industry was full of mistrust and employers were accused of unilateralism and fostering a litigious culture. The welfare oriented approach at the beginning of the 19th century was something unique in the banking industry. The bank’s professionalism in managing its personnel function was more than its conceptual belief. The bank honestly believed that unless the executives dealing with personnel function have professional orientation and concern, the bank would not function properly. The bank’s pro-active instance, in creating a climate of equality based on mutual respect and concern was not confined only to the managerial cadre but equally to employers and unions.

The bank has developed HRM area to transform the Bank from a ‘Big’ to a ‘Great’ organization, through planned actions in the following areas:

- Transmuting the Bank to an advanced, pro-active learning and change adopt organization.
- Augmenting the capabilities of the staff
- Appraising and refurbishing systems and dealings on an ongoing basis
- Developing Accounting and Information Systems as decision support systems
- Improving consumer focus to service heightened customer expectations
- Expecting to need and modifying product development efforts to enable differentiated product delivery at various outlets, and
- Generating approximate framework to measure, monitor and control risks, and optimizing risk / return thereof.

RECRUITMENT IN STATE BANK OF INDIA

State Bank of India is known for its actual recruitment policies. Getting job in State Bank of India is deliberate as one of the finest employment opportunity. In
State Bank of India, there is no recruitment calendar. Whenever vacancies arise, the Bank would alert for recruitment. The bank has altered recruitment methods for different cadres like Officers, Clerks and subordinate staff. For clerks, bank has a separate selection procedure in which, candidates applied have to take written examination, which includes Test of Reasoning, Test with Quantitative Aptitude and Test of Clerical Aptitude. Apart from these, candidate should take a descriptive test also which is followed by an interview. Based on written examinations and interview, the candidates who are rated high are given an appointment in accordance with the number of vacancies.

As far as Officers are concerned, selection procedure includes written examination, group discussion and interview. Written examination includes the Test of Reasoning, Test of Quantitative Aptitude, Test of English and General Awareness along with Descriptive Test. Candidates qualified in written examination are called for Group Discussion and Interview. Candidates who are rated high are given an appointment.

SBI follows all rules and regulations which are given by the Government in giving due representation to Scheduled Cases, Scheduled Tribes and Other Backward Castes. Apart from this normal process of recruitment, Bank these days is going for campus recruitments only for marketing officers especially in agriculturally dominant areas.

HUMAN RESOURCE DEVELOPMENT IN SBI

State Bank of India identifies its employees as the most valued corporate assets. The bank has retained emerging abilities and skills of its employee’s particularly in the core and thrust areas like credit, foreign exchange, information technology etc., through in house and external training. Apart from this, the Bank is undergoing a business process reengineering.

The Human Resource Development Philosophy for the bank is “Human Resource Development in State Bank of India is a continuous process, movement and direction to enable every individual, as a member of an effective team and the State
Bank Community, to realize and activate his potential so as to contribute to the achievement of the Bank’s goals and derive satisfaction the reform.”

The main HRD aims and objectives are:

1) To generate climate of openness, trust.
2) To build a common culture – whereby everyone is an essential member of an effective Team.
3) To encourage human abilities and capabilities in the association.
4) To carry about the amalgamation of the unambiguous and organizational goals.
5) To improve quality of life.

An HRD system as designed to fulfill the basic philosophy and aims. In brief, the main components of the Bank’s HRD system area:

- A performance Appraisal System – fundamentally focusing on the individual and his growth.
- A well-defined Career Path Plan
- An energetic and effective Training System

State Bank of India has several schemes for identifying good work of employees. Employees come out with pioneering suggestions for enhancing the quality of customer services, improving systems and procedures prevalent in the bank to make the functioning of the bank more efficient and economical.

The present CEO of SBI Ms Arundhati Bhattacharya is an Indian banker. She is the first woman to be the Chairperson of State Bank of India. In 2014, she was listed as the 36th most powerful woman in the world by Forbes. Female employees at SBI can look forward to fairer HR policies as the bank’s first woman chief Arundhati Bhattacharya today hinted at allowing staff to avail of long sabbaticals, among other initiatives. The 57-year-old Bhattacharya also hinted at easing transfer norms for couples, saying the organisation has to understand the changing work environment and culture wherein both partners work.
Clearly, Bhattacharya is a perfect role model. Her success story will inspire many women. "Being a woman myself, I think women employees have special problems. I will definitely try to be more sensitive to that," Bhattacharya said at her maiden interaction with reporters after taking over the reins of the country's biggest bank.
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