CHAPTER - 1

INTRODUCTION
GENERAL INTRODUCTION TO BANKING

The world of banking has assumed a new dimension at the dawn of 21st century with advent of tech banking, thereby lending the industry a stamp of universality. In general, banking can be classified as retail and corporate banking. Retail banking which is designed to meet the requirement of individual customers and encourage their savings, includes payment of utility bills, consumer loans, credit cards, checking account and the like. Corporate banking, on the other hand, caters to the need of corporate customers like bills discounting, opening letters of credit, managing cash etc.

Metamorphic changes took place in the Indian financial system during the eighties and nineties consequent upon deregulation and liberalization of economic policies of the government. India began shaping up its economy and earmarked ambitious plan for economic growth. Consequently a sea change took place in the money and capital markets. Application of marketing concept in the banking sector was introduced to enhance the customer satisfaction. The policy of privatization of banking services aims at encouraging the competition in banking sector and introduction of financial services. Consequently services such as Demat, Internet banking, Portfolio management, Venture capital etc. came into existence to cater to the needs of public. An important agenda of every banker today is greater operational efficiency and customer satisfaction. The new watchword for bank is pretty ambitious: customer delight.

The introduction of the marketing concept to the banking sector can be traced back to American Banking Association Conference of 1958. Banks marketing can be defined as the part of management activity which seems to direct the flow of banking services profitability to the customers. The marketing concept basically requires that there should be thorough understanding of customer need and to learn about market it operates in. Further the market is segmented so as to understand the requirement of customer at a profit to the banks.
➢ DEFINITION OF BANK

The Oxford Dictionary defines the bank as:

“An establishment for the custody of money, which it pays out, on a customer’s order.”

According to Whitehead

“A Bank is defined as an institution which collects surplus funds from the public, safeguards them, and makes them available to the true owner when required and also lends sums be their true owners to those who are in need of funds and can provide security.”

Banking Company in India has been defined in the Banking Companies Act, 1949.

“One which transacts the business of banking which means accepting for the purpose of lending or investment of deposits of money from the public, repayable on the demand.

The banking system is an integral subsystem of the financial system. It represents an important channel of collecting small savings from the household and lending it to the corporate sector. The Indian Banking System has Reserve Bank Of India (RBI) as the apex body for all matters relating to the banking system. It is the central bank of India. It is also known as banker to all other banks.
HISTORY OF BANKING IN INDIA

Without a sound and effective banking system in India it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors.

For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process.

The government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalization of 14 major private banks of India. Not long ago, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. Today, he has a choice. Gone are days when the most efficient bank transferred money from one branch to another in two days. Now it is simple as instant messaging or dial a pizza. Money have become the order of the day. The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases. They are as mentioned below:

- Early phase from 1786 to 1969 of Indian Banks
- Nationalization of Indian Banks and up to 1991 prior to Indian banking sector Reforms.
- New phase of Indian Banking System with the advent of Indian Financial & Banking Sector Reforms after 1991. To make this write-up more explanatory, I prefix the scenario as Phase I, Phase II and Phase III.
Phase 1

The General Bank of India was set up in the year 1786. Next came Bank of Hindustan and Bengal Bank. The East India Company established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and called it Presidency Banks. These three banks were amalgamated in 1920 and Imperial Bank of India was established which started as private shareholders banks, mostly Europeans shareholders.

In 1865 Allahabad Bank was established and first time exclusively by Indians, Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935.

During the first phase the growth was very slow and banks also experienced periodic failures between 1913 and 1948. There were approximately 1100 banks, mostly small. To streamline the functioning and activities of commercial banks, the Government of India came up with The Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No. 23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in India as the Central Banking Authority.

During those days public has lesser confidence in the banks. As an aftermath deposit mobilization was slow. Abreast of it the savings bank facility provided by the Postal department was comparatively safer. Moreover, funds were largely given to traders.
Phase 2

Government took major steps in this Indian Banking Sector Reform after independence. In 1955, it nationalized Imperial Bank of India with extensive banking facilities on a large scale especially in rural and semi-urban areas. It formed State Bank of India to act as the principal agent of RBI and to handle banking transactions of the Union and State Governments all over the country.

Seven banks forming subsidiary of State Bank of India was nationalized in 1960 on 19th July, 1969, major process of nationalization was carried out. It was the effort of the then Prime Minister of India, Mrs. Indira Gandhi. 14 major commercial banks in the country were nationalized.

Second phase of nationalization Indian Banking Sector Reform was carried out in 1980 with seven more banks. This step brought 80% of the banking segment in India under Government ownership.

The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

- 1949: Enactment of Banking Regulation Act.
- 1955: Nationalization of State Bank of India.
- 1959: Nationalization of SBI subsidiaries.
- 1961: Insurance cover extended to deposits.
- 1971: Creation of credit guarantee corporation.
- 1975: Creation of regional rural banks.
- 1980: Nationalization of seven banks with deposits over 200 crore.
**Phase 3**

This phase has introduced many more products and facilities in the banking sector in its reforms measure. In 1991, under the chairmanship of M Narasimham, a committee was set up by his name which worked for the liberalization of banking practices.

The country is flooded with foreign banks and their ATM stations. Efforts are being put to give a satisfactory service to customers. Phone banking and net banking is introduced. The entire system became more convenient and swift. Time is given more importance than money.

The financial system of India has shown a great deal of resilience. It is sheltered from any crisis triggered by any external macroeconomics shock as other East Asian Countries suffered. This is all due to a flexible exchange rate regime, the foreign reserves are high, the capital account is not yet fully convertible, and banks and their customers have limited foreign exchange exposure.
NATIONALIZATION OF BANKS IN INDIA

The nationalization of banks in India took place in 1969 by Mrs. Indira Gandhi the then prime minister. It nationalized 14 banks then. These banks were mostly owned by businessmen and even managed by them.

- Central Bank of India
- Bank of Maharashtra
- Dena Bank
- Punjab National Bank
- Syndicate Bank
- Canara Bank
- Indian Bank
- Indian Overseas Bank
- Bank of Baroda
- Union Bank
- Allahabad Bank
- United Bank of India
- UCO Bank
- Bank of India

Before the steps of nationalizations of Indian banks, only State Bank of India (SBI) was nationalized. It took place in July 1955 under the SBI Act of 1955. Nationalization of Seven State Banks of India (formed subsidiary) took place on 19th July, 1960.

The State Bank of India is India's largest commercial bank and is ranked one of the top five banks worldwide. It serves 90 million customers through a network of 9,000 branches and it offers -- either directly or through subsidiaries -- a wide range of banking services.

The second phase of nationalization of Indian banks took place in the year 1980. Seven more banks were nationalized with deposits over 200 crores. Till this year, approximately 80% of the banking segment in India were under Government ownership.
After the nationalization of banks in India, the branches of the public sector banks rose to approximately 800% in deposits and advances took a huge jump by 11,000%.

- 1955: Nationalization of State Bank of India.
- 1959: Nationalization of SBI subsidiaries.
- 1980: Nationalization of seven banks with deposits over 200 crores

SCHEDULED COMMERCIAL BANKS IN INDIA

The commercial banking structure in India consists of:

- Scheduled Commercial Banks in India
- Unscheduled Banks in India

Scheduled Banks in India constitute those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934. RBI in turn includes only those banks in this schedule which satisfy the criteria laid down vide section 42 (6) (a) of the Act.

As on 30th June, 1999, there were 300 scheduled banks in India having a total network of 64,918 branches. The scheduled commercial banks in India comprise of State bank of India and its associates (8), nationalized banks (19), foreign banks (45), private sector banks (32), co-operative banks and regional rural banks.

"Scheduled banks in India" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955), a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970), or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), or any other bank being a bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934), but does not include a co-operative bank."
"Non-scheduled bank in India" means a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949), which is not a scheduled bank".

The following are the Scheduled Banks in India (Public Sector):

- State Bank of India
- State Bank of Bikaner and Jaipur
- State Bank of Hyderabad
- State Bank of Indore
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Saurashtra
- State Bank of Travancore
- Andhra Bank
- Allahabad Bank
- Bank of Baroda
- Bank of India
- Bank of Maharashtra
- Canara Bank
- Central Bank of India
- Corporation Bank
- Dena Bank
- Indian Overseas Bank
- Indian Bank
- Oriental Bank of Commerce
- Punjab National Bank
- Punjab and Sind Bank
- Syndicate Bank
- Union Bank of India
- United Bank of India
- UCO Bank
- Vijaya Bank
The following are the Scheduled Banks in India (Private Sector):

- Vysya Bank Ltd
- UTI Bank Ltd
- Indusind Bank Ltd
- ICICI Banking Corporation Bank Ltd
- Global Trust Bank Ltd
- HDFC Bank Ltd
- Centurion Bank Ltd
- Bank of Punjab Ltd
- IDBI Bank Ltd

The following are the Scheduled Foreign Banks in India:

- American Express Bank Ltd.
- ANZ Gridlays Bank Plc.
- Bank of America NT & SA
- Bank of Tokyo Ltd.
- Banque Nationale de Paris
- Barclays Bank Plc
- Citi Bank N.C.
- Deutsche Bank A.G.
- Hongkong and Shanghai Banking Corporation
- Standard Chartered Bank.
- The Chase Manhattan Bank Ltd.
- Dresdner Bank AG.
Indian Banking System

On the basis of functions, the banking institutions in India may be divided into the following types:

Types of Banks

- Central Bank (RBI)
- Development Banks
- Specialised Banks
  - (i) EXIM Bank
  - (ii) SIDBI
  - (iii) NABARD
- Commercial banks
  - (i) Public Sector Banks
  - (ii) Private Sector Banks
  - (iii) Foreign Banks
- Cooperative Banks
  - (i) Primary Credit Societies
  - (ii) Central Cooperative Banks
  - (iii) State Cooperative Banks

(Figure 1.1)
Central Bank: A bank which is entrusted with the functions of guiding and regulating the banking system of a country is known as its central bank. Such a bank does not deal directly with public. It acts essentially as Government’s banker, maintain deposit accounts of all other banks and advances money to other banks when needed. It is therefore called as banker’s bank. The Reserve Bank of India is the central bank of our country. Functions of RBI:

- Currency issuing authority
- Banker to the government.
- Banker to other Bank.
- Framing of monetary policy.
- Exchange control.
- Custodian to foreign exchange and gold reserves.
- Development activities.
- Research and development in the banking sector.

Commercial Banks: Commercial Banks are banking institutions that accept deposits and grant short term loans and advances to their customers. In addition to giving short term loans, commercial loans, commercial banks also give medium term and long term loans to business enterprises. Types of commercial banks are:

(i) Public Sector Banks: These are banks where majority stake is held by the government of India or Reserve Bank of India. Examples of Public Sector banks are: State Bank of India, Corporation Bank, Bank of Baroda etc. Public sector Banks comprise 19 nationalized banks and State Bank of India and its associates.

(ii) Private Sector Banks: In case of Private Sector banks majority of share capital of the bank is held by private individuals. These banks are registered as companies with limited liability. For example: ICICI Bank, HDFC Bank, Yes Bank etc.
(iii) **Foreign Banks:** These banks are registered and have their in a foreign country but operate their branches in our country. Some of the foreign banks operating in our country are HSBC, Citibank etc.

- **Development Banks:** Business often requires medium and long term capital for purchase of machinery and equipment, for using latest technology or for expansion and modernization. Such financial assistance is provided by Development Banks. They also undertake other development measures like subscribing to the shares and debentures issued by companies, in case of under subscription of the issue by the public. Industrial Finance Corporation of India (IFCI) and State Financial Corporations (SFCs) are example of development banks in India.

- **Cooperative Banks:** Cooperative Banks have been constituted by different States under various Acts related to cooperative societies of various states. Cooperative organization in India has three tier set up namely State Cooperative Bank, Central Cooperative Bank and Primary Credit Agency at village level.

- **Specialised Banks:** There are some banks which cater to the requirements and provide overall support for setting up business in specific areas of activity. EXIM Bank (Export Import Bank of India), SIDBI (Small Industries Development Bank of India) and NABARD (National Bank for Agricultural and Rural Development) are examples of such banks.
Prominent Services Provided by Banks

A) COMMERCIAL BANKS

(Figure 1.2)

PRIMARY FUNCTIONS:

1) Accepting of Deposits: A bank accepts deposits from the public. People can deposit their cash balances in either of the following accounts to their convenience:-

   a. Fixed or Time Deposit Account: Cash is deposited in this account for a fixed period. The depositor gets receipts for the amount deposited. It is called Fixed Deposit Receipt. The receipt indicates the name of the depositor, amount of deposit, rate of interest and the period of deposit. This receipt is not transferable. If the depositor stands in need of the amount before the expiry of fixed period, he can withdraw the same after paying the discount to the bank.

   b. Savings Account: This type of deposit suits to those who just want to keep their small savings in a bank and might need to withdraw
them occasionally. Banks provide a certain rate of interest on the minimum balance kept by the depositor during the month.

c. **Current Account:** This type of account is kept by the businessman who are required to withdraw money every new and then. Banks do not pay any interest on this account. Any sum or any number of withdrawals can be presented by such an account holder.

2) **Advancing of Loans:** The bank advances money in any one of the following ways.

a. **Overdraft Facilities:** Customers of good trading are allowed to overdraw from their current account. But they have to pay interest on extra amount they have withdrawn. Overdrafts are allowed to provide temporary accommodation since the extra amount withdrawn is payable within a short period.

b. **Money at Call:** It is the money lent for a very short period varying from 1 to 14 days. Such advances are usually made to other banks and financial institutions only. Money at call ensures liquidity. In the Interbank market it enables bank to make adjustment according to their liquidity requirements.

c. **Loans:** Loans are granted by the banks on securities which can be easily disposed off in the market. When the bank has satisfied itself regarding the soundness of the party, a loan is advanced.

d. **Cash Credit:** The Debtor is allowed to withdraw a certain amount on a given security. The debtor withdraws the amount within this limit, interest is charged by the bank on the amount actually withdrawn.

e. **Discounting Bill of Exchange:** It is another method of making advances by the banks. Under this method, bank give
advance to their clients on the basis of their bills of exchange before the maturity of such bills.

f. Investment in Government Securities: Purchasing of government securities by the banks. Banks prefer to buy government securities as these are considered to be the safest investment.

3) Credit Creation: One of the main functions of banks these days is to create credit. Banks create credit by giving more loans than their cash reserves. Banks are able to create credit because the demand deposits i.e. a claim against the bank is accepted by the public in settlement of their debts. In this process the bank creates money. For this reason Prof. Sayers has called bank “the manufactures of money.”

4) Cheque system of Payment of Funds: A cheque, a negotiable instrument, which in fact is a bill of exchange, drawn upon a banker, is the most popular credit instrument used by the client to make payments. Cheque system is the main credit instrument in the banking world. Although a cheque is not a legal tender money, they serve as a medium of exchange in a limited way as it is a negotiable instrument.

SECONDARY FUNCTIONS:
Besides the above primary functions, banks also perform many secondary functions such as agency functions, general utility and social functions.

A) Agency Functions
Banks act as agents to their customers in different ways:

i) Collection and Payment of Credit and Other Instruments: The Commercial banks collect and pay cheques, bills of exchange, promissory notes, rent, interest etc. On behalf of their customers and also make
payments of income tax, fees, insurance premium etc. on behalf of the customers

ii) **Purchase and Sale of Securities**: The modern commercial banks also undertake the purchase and sale of various securities like shares, stocks, bonds, units and debentures etc. On behalf of the customers, banks do not give any advice regarding the suitability or otherwise of a security but simply perform the functions of a broker.

iii) **Trustee and Executor**: Banks also acts as trustees and executors of the property of their customers on their advice. Sometimes banks also undertake income tax services on behalf of the customers.

iv) **Remittance of Funds**: The commercial banks remit funds on behalf of clients from one place to another through cheques, drafts, mail transfers etc.

v) **Representation and Correspondence**: Sometimes commercial banks acts as representatives or correspondents of the clients especially in handling various applications. For instance, passports and travel tickets, booking of vehicles, plots etc.

vi) **Billion Trading**: In many countries, the commercial banks trade is billions like gold and silver. In Oct 1997, 8 banks including SBI, IOB, Canara Bank and Allahabad Bank have been allowed import of gold which has been put under open general licensed category.

vii) **Purchase and Sale of Foreign Exchange**: Banks buy and sell foreign exchange, promoting international trade. This function is mainly discharged by Foreign Exchange Banks.

viii) **Letter of References**: Banks also give information about economic position of their customers to domestic and foreign traders and vice versa.
B) GENERAL UTILITY SERVICES

In addition to agency services, banks render many more utility services to the public. These services are :-

i) **Locker Facilities** : Banks provide locker facilities to their customers. People can keep their valuables or important documents in these lockers. Their annual rent is very nominal.

ii) **Issuing letters of credit** : Bankers in a way by issuing letters of credit certify the credit worthiness of the customers. Letters of credit are very popular in foreign trade.

iii) **Acting as Underwriters** : Banks also underwrite the securities issued by the Government and Corporate bodies for a commission. The name of bank as an underwriter encouraged investors to have faith in the security.

iv) **Help in Transportation of Goods** : Big businessmen or industrialists after consigning goods to their retailers send the Railway Receipt (Consignment Note) to the bank.

v) **Issuing of gift cheques** : Certain banks issue gift cheques of various denominations, e.g. Some Indian banks issue gift cheques of the denominations of Rs. 21, 31, 51 and 101 etc. They are generally issued free of charge.

vi) **Dealing in Foreign Exchange** : Major branches of commercial banks also transact business of foreign exchange. Commercial banks are the main authorized dealers of foreign exchange in India.

vii) **Merchant banking Services** : Commercial banks also render merchant banking services to the customers. They help in availing loans from non-banking financial institutions.
Some of the common available banking products are explained below:

1) **Credit Card:** Credit Card is “post paid” or “pay later” card that draws from a credit line—money made available by the card issuer (bank) and gives one a grace period to pay. If the amount is not paid full by the end of the period, one is charged interest. These bills are assembled in the bank and the amount is paid to the bank by the card holder totally or by installments. The card holder need not have to carry money/cash with him when he travels or goes for purchasing.

Credit cards have found widespread acceptance in the ‘metros’ and big cities. Credit cards are joining popularity for online payments. The major players in the Credit Card market are the foreign banks and some big public sector banks like SBI and Bank of Baroda. India at present has about 3 million credit cards in circulation.

2) **Debit Cards:** Debit Cards quickly debit or subtract money from one’s savings account, or if one were taking out cash.

When a customer makes a purchase, he enters this number on the shop’s PIN pad. When the card is swiped through the electronic terminal, it dials the acquiring bank system – either Master Card or Visa that validates the PIN and finds out from the issuing bank whether to accept or decline the transaction. The customer never overspread because the amount spent is debited immediately from the customers account. So, for the debit card to work, one must already have the money in the account to cover the transaction. There is no grace period for a debit card purchase. The major limitation of Debit Card is that currently only some 3000–4000 shops country wide accepts it.
3) **Automated Teller Machine**: The introduction of ATM’s has given the customers the facility of round the clock banking. ATM card is a device that allows customer who has an ATM card to perform routine banking transaction at any time without interacting with human teller. This can be done by inserting the card in the ATM and entering the Personal Identification Number and secret Password.

ATM’s are currently becoming popular in India that enables the customer to withdraw their money 24 hours a day and 365 days. It provides the customers with the ability to withdraw or deposit funds, check account balances, transfer funds and check statement information.

4) **E-Cheques**: The e-cheques consists five primary facts. They are the consumers, the merchant, consumer’s bank the merchant’s bank and the e-mint and the clearing process. This system uses the network services to issue and process payment that emulates real world chequing. The payer issue a digital cheques to the payee ant the entire transactions are done through internet. Electronic version of cheques are issued, received and processed.

The e-chequing is a great boon to big corporate as well as small retailers. Most major banks accept e-cheques. Thus this system offers secure means of collecting payments, transferring value and managing cash flows.

**Electronic Funds Transfer (EFT)**: Many modern banks have computerised their cheque handling process with computer networks and other electronic equipments. These banks are dispensing with the use of paper cheques. The system called electronic fund transfer (EFT) automatically transfers money from one account to another. This system facilitates speedier transfer of funds electronically from any branch to any other branch. In this system the sender and the receiver of funds may be located in different cities and may even bank with different banks. Funds
transfer within the same city is also permitted. The scheme has been in operation since February 7, 1996, in India.

5) Mobile Banking: A new revolution in the realm of e-banking is the emergence of mobile banking. On-line banking is now moving to the mobile world, giving everybody with a mobile phone access to real-time banking services, regardless of their location. The potential of mobile banking is limitless and is expected to be a big success.

According to this system, customer can access account details on mobile using the Short Messaging System (SMS) technology where select data is pushed to the mobile device. The wireless application protocol (WAP) technology, which will allow user to surf the net on their mobiles to access anything and everything. This is a very flexible way of transacting banking business. Already ICICI and HDFC banks have tied up cellular service providers such as Airtel, Orange, Sky Cell, etc. in Delhi and Mumbai to offer these mobile banking services to their customers.

6) Internet Banking: Internet banking involves use of internet for delivery of banking products and services. With internet banking is now no longer confirmed to the branches where one has to approach the branch in person, to withdraw cash or deposits a cheque or request a statement of accounts. In internet banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time. ICICI bank was the first one to offer Internet Banking in India.

Financial Transaction on the Internet:

Electronic Cash: Companies are developing electronic replicas of all existing payment system: cash, cheque, credit cards and coins.
**Automatic Payments:** Utility companies, loans payments, and other businesses use on automatic payment system with bills paid through direct withdrawal from a bank account.

**Direct Deposits:** Earnings (or Government payments) automatically deposited into bank accounts, saving time, effort and money.

**Stored Value Cards:** Prepaid cards for telephone service, transit fares, highway tolls, laundry service, library fees and school lunches.

**Point of Sale transactions:** Acceptance of ATM/Cheque at retail stores and restaurants for payment of goods and services. This system has made functioning of the stock Market very smooth and efficient.

7) **Demat:** Demat is short for de-materialisation of shares. In short, Demat is a process where at the customer’s request the physical stock is converted into electronic entries in the depository system.

The two banks which are included in this research for studying the employees satisfaction in Public Sector Banks are:

- State Bank of India
- Punjab National Bank
State Bank of India

State Bank of India (SBI) is India's largest commercial bank. SBI has a vast domestic network of over 9000 branches (approximately 14% of all bank branches) and commands one-fifth of deposits and loans of all scheduled commercial banks in India. The State Bank Group includes a network of five banking subsidiaries and several non-banking subsidiaries offering merchant banking services, fund management, factoring services, primary dealership in government securities, credit cards and insurance.

The origins of State Bank of India date back to 1806 when the Bank of Calcutta (later called the Bank of Bengal) was established. In 1921, the Bank of Bengal and two other Presidency banks (Bank of Madras and Bank of Bombay) were amalgamated to form the Imperial Bank of India. In 1955, the controlling interest in the Imperial Bank of India was acquired by the Reserve Bank of India and the State Bank of India (SBI) came into existence by an act of Parliament as successor to the Imperial Bank of India.

Today, State Bank of India (SBI) has spread its arms around the world and has a network of branches spanning all time zones. SBI's International Banking Group delivers the full range of cross-border finance solutions through its four wings - the Domestic division, the Foreign Offices division, the Foreign Department and the International Services division.

State Bank of India (SBI) (LSE: SBID) is the largest bank in India. If one measures by the number of branch offices and employees, SBI is the largest bank in the world. Established in 1806 as Bank of Calcutta, it is the oldest commercial bank in the Indian subcontinent. SBI provides various domestic, international and NRI products and services, through its vast network in India and overseas. With an asset base of $126 billion and its reach, it is a regional banking behemoth. The government nationalized the bank in 1955, with the Reserve Bank of India taking a 60% ownership stake. In recent years the bank
has focused on three priorities, 1), reducing its huge staff through Golden handshake schemes known as the Voluntary Retirement Scheme, which saw many of its best and brightest defect to the private sector, 2), computerizing its operations and 3), changing the attitude of its employees (through an ambitious programme aptly named 'Parivartan' which means change) as a large number of employees are very rude to customers.

Roots:

The State Bank of India traces its roots to the first decade of 19th century, when the Bank of Calcutta, later renamed the Bank of Bengal, was established on 2 June 1806. The government amalgamated Bank of Bengal and two other Presidency banks, namely, the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras on 27 January 1921, and named the reorganized banking entity the Imperial Bank of India. All these Presidency banks had been incorporated as joint stock companies, and were the result of the royal charters. The Imperial Bank of India continued as a joint stock company. Until the establishment of a central bank in India the Imperial Bank and its early predecessors served as India's central bank, at least in terms of issuing the currency. The State Bank of India Act 1955, enacted by the Parliament of India, authorized the Reserve Bank of India, which is the central banking organization of India, to acquire a controlling interest in the Imperial Bank of India, which was renamed the State Bank of India on 30 April 1955.

Timeline:

- June 2, 1806: The Bank of Calcutta established.
- January 2, 1809: This became the Bank of Bengal.
- April 15, 1840: Bank of Bombay established.
- July 1, 1843: Bank of Madras established.
- 1861: Paper Currency Act passed.
- January 27, 1921: all three banks amalgamated to form Imperial Bank of India.
- July 1, 1955: State Bank of India formed; becomes the first Indian bank to be nationalized.
• 1959: State Bank of India (Subsidiary Banks) Act passed, enabling the State Bank of India to take over eight former State-associated banks as its subsidiaries.

• 1980s When Bank of Cochin in Kerala faced a financial crisis, the government merged it with State Bank of India.

• Reserve Bank of India (RBI) shareholding in State Bank of India (SBI), consisting of over 314 million equity shares at a total amount of over 355 billion rupees.

**Affiliates of State Bank of India**

- Associate Banks
- Foreign Banking Subsidiaries
  - A) State bank of India International (Mauritius) Ltd
  - B) State Bank Of India (California)
  - C) State Bank Of India (Canada)
  - D) INMB Bank Ltd, Lagos
  - E) Bank SBI Indonesia (SBII)
- Non Banking Subsidiaries
  - A) SBI Capital Markets Ltd
  - B) SBI Funds Management Pvt Ltd
  - C) SBI Factors & Commercial Services Pvt Ltd
  - D) SBI Cards & Payments Services Pvt. Ltd. (SBICPSL)
  - E) SBI DFHI Ltd
  - F) SBI General Insurance Company Limited
- Joint Ventures
  - A) SBI Life Insurance Company Ltd (SBI LIFE)
  - B) SBI General Insurance Company Limited
  - C) SBI-SG Global Securities Private Limited
State Bank of India has the following five Associate Banks (ABs) with controlling interest ranging from 75% to 100%.

1. State Bank of Bikaner and Jaipur (SBBJ)
2. State Bank of Hyderabad (SBH)
3. State Bank of Mysore (SBM)
4. State Bank of Patiala (SBP)
5. State Bank of Travancore (SBT)

As on June 30, 2011, the five ABs have a combined network of 4748 branches in India which are on core banking and 4713 ATMs networked with SBI ATMs, providing value added services to clientele.

Products/Services of SBI

- Current Account
- Savings Bank Account
- Term Deposits
- Special Term Deposits
- Multi Option Deposit
- Savings Plus Account
- Recurring Deposit Account
- Premiums Savings Account
- No Frills Account
- Housing Loan
- Property Loan
- Car Loan
- Educational Loan
- Personal Loan
- Loan to Pensioners
- Credit khazana
- Loan against Shares/Debentures
- Festival Loans
- Tribal Plus Scheme
• Gold Loans
• Ez-trade@sbi
• ATM Services
• Gift Cheques
• Internet Banking
• Foreign Inward Remittance
• Locker
• Cards

Punjab National Bank

With over 72 million satisfied customers and 5937 domestic branches, PNB has continued to retain its leadership position amongst the nationalized banks. The Bank enjoys strong fundamentals, large franchise value and good brand image. Over the years PNB has remained fully committed to its guiding principles of sound and prudent banking irrespective of conditions. Bank has been earning many laurels and accolades in recognition to its service towards doing good to society, technology usage and on its overall performance. Some of the major awards won by the Bank are the:

• Best Bank Award,
• Most Socially Responsive Bank by Business World-PwC
• Most Productive Public Sector Bank,
• Golden Peacock Awards by Institute of Directors, etc
Besides, the Bank is ranked

- 6th amongst FE 500 India’s Finest Companies
- 26th amongst the Top 500 India's Largest Corporations by Fortune 500 India
- Banker ranked PNB on 186th position in 2011, improving from 257th position a year before
- 668th amongst 2000 Global Giants as per the Forbes

Since its humble beginning in 1895 with the distinction of being the first Swadeshi Bank to have been started with Indian capital, Punjab National Bank has continuously strived for growth in business which at the end of June 2012 amounted to Rs.6,79,823 crore. PNB is the largest nationalized Bank in the country in terms of Branch Network, Total Business, Advances, Operating Profit and Low Cost CASA Deposits. The CASA deposits share to the Total Deposits of the Bank was at 35.6% as on June 2012. Bank achieved a Net Profit of ` 1246 crore during the Q1 FY’13. Bank also has a strong capital base with Capital Adequacy Ratio of 12.57% as on June’12 as per Basel II with Tier I and Tier II capital ratio at 9.33% and 3.24% respectively.

Bank has been a frontrunner in the industry so far as the initiatives for Financial Inclusion is concerned. With its policy of inclusive growth and the mission “Banking for Unbanked”, it is a matter of pride for the Bank that it has been able to cover all its 4588 villages allotted under the Swabhiman Campaign of Government of India through Business Correspondents. Further, the Bank has also adopted 118 villages across country. Under FI plan, the Bank has engaged Technical Service Providers (TSPs) and the corporate Business Correspondents (BCs) for providing banking services in villages using ICT based BC model. The village level BC agents are using Hand Held
Terminals/ POS machines & smartcards. Bank has extensively used technology to reach out to those which have remained away from formal banking set up.

The Bank has been able to maintain the highest NIM at 3.60 % in Q1 FY’13 amongst its peers. Earnings per Share (EPS) improved to Rs.146.90 while the Book value per share (BVpS) improved to Rs.814.14. Punjab National Bank continues to maintain its frontline position in the Indian Banking industry.

The Bank has always been pioneer in implementation of technology in facilitating good services and suitable products to its customers. Bank has also opened specialized branches equipped with all the facilities to cater to the needs of all the segments of the society.

The Bank is offering all the technology enabled services to its customers ranging from Mobile Banking, Call Centre, Internet Banking, on line booking of rail tickets, payment of utilities bills, booking of airline tickets to SMS alerts and Mobile Banking services to keep them updated about their financial transactions at all time. Towards developing a cost effective alternative channels of delivery, the Bank with more than 6050 ATMs has the largest ATM network amongst Nationalized Banks. ATM Network of the Bank provides other value added services such as Funds Transfer, Bill Payments and mobile registration for generation of SMS alerts; Direct Tax Payment, request for stop payment of cheques, etc. are also provided to the cardholders.

Apart from offering banking products, the Bank has also taken up Wealth Management Services viz. credit card/ debit card; bullion business; life/non-life insurance; Gold coins & Asset Management, etc. Marking its foray into Life Insurance business, Bank has acquired 30% stake in a existing profit making life insurer i.e. Metlife India Insurance Co, Ltd. With the acquisition of 30% stake, the company has been renamed as PNB Metlife India Insuance Co. Ltd.
Bank has also institutionalised Corporate Social Responsibility system for transforming the lives of those who are less privileged. Towards this, PNB Prerna, an Association of the wives of the Senior Executives of the Bank, has been set up. It aims at serving the society and destitute on behalf of the Bank by extending assistance to the poors/disabled by way of distribution of articles of utility, computers, stationary, books, etc.

Backed by strong domestic performance, the Bank has its global aspirations as well. Bank has expanded its footprint into 10 countries. Bank also has 4 overseas branches in Hong Kong, Dubai & Afghanistan and an Offshore Banking Unit (OBU) Branch in SEEPZ, Mumbai. Bank has one wholly owned overseas Banking subsidiary, PNB International Ltd. (UK) along with other two overseas subsidiaries are Druk PNB Bank Ltd, Bhutan and PNB Kazakhstan besides Representative Office in Sydney, Australia, Dubai, Almaty, China & Norway. Bank is planning to set up its second wholly owned subsidiary in Canada. Bank is also looking to upgrade its Representative Offices at Norway, China and Australia to full-fledged branches. Bank is also exploring possibilities for presence in Maldives, South Africa, Bangladesh, Myanmar, Pakistan, Singapore and Brazil.

Moving forward and achieving Business Excellence, PNB Pragati, an Organization Transformation Programme has been initiated in a systematic and well planned manner. Under the programme, PNB Pragati Branches at various places have been rolled out commencing 1st August at Bhikaiji Cama Place branch at New Delhi. These branches will have all the convenient and modern banking facilities for the customers.

**Products/Service Offered by PNB**

- Savings Fund Account
  - a) PNB Premium Saving Account
  - b) PNB Prudent Sweep
  - c) Total Freedom Salary Account
d) PNB Vidyarthi SF Account  

e) PNB Mitra SF Account  

f) PNB Rakshak Scheme  

g) PNB Shikshak Sweep Scheme  

h) PNB Shikshak Overdraft Scheme  
i) Scheme for providing Overdraft facility to Pensioners  

- Current Account  

  a) PNB Smart Banking Current Account  

  b) PNB Current Account