CHAPTER-2

Global Banking Industry and Indian Banking Sector: Profile of SBI & ICICI Bank

This chapter deals with the portrayal of Global banking industry and Indian banking sector concisely. Global banking present scenario, opportunities, growth and challenges of the industry are discussed. Profile of the select banks is also presented and described in detail.
Banking

Wikipedia defined the Banking Sector as “financial intermediaries that accepts deposits and channels those deposits into lending activities, either directly by loan or indirectly through capital markets”. A banking industry links customers who have a capital deficit to that of customers with capital surpluses. The banking industry is highly fragmented and includes segments such as retail banking, corporate and investment banking, asset and wealth management.

Global Banking Sector

The world’s retail banking segment registered significant growth during 2006-2011 and has excellent potential to grow at an even more rapid pace over the forecast period. In 2013, the global banking market generated revenues of around $5.8 trillion, with global banking profits hitting over $900 billion. Notably, revenues from banks in emerging markets grew strongly with revenues up nearly 20% in India, 18% in Brazil and 14% in China. Global Banking industry assets forecast to climb an estimated US$ 163,058 billion in 2017 and with a CAGR of 8% over the next three years. At present, the global banking industry dominates by the EU with 43% of total market share. However, the Asia Pacific banking industry grew much faster than both the European and North American regions during 2006-2011. Asia Pacific continues to possess huge opportunity for industry growth. Rising per capita income in the region is expected to drive consumer savings and investment in the banking sector. The massive unbanked population in India and China offers immense opportunity for banking companies. The North American banking industry is anticipated to grow modestly in the near term. The rest of the world’s banking sector growth trajectory offers opportunity for companies to expand their business in selected nations.

The global banking industry has faced short-term uncertainty due to the Europe’s debt crises and largest government budget deficit in the US in 2007-08. They reduce government spending, resulting in sluggish short-term economic growth in both regions. The recession was shaken several major economies across the world. But the banking world recovers in 2010 very strongly from the crises. At present, the industry is
undergoing a period of very significant transformation. The last five years in the banking world seem truly extraordinary, even to the most casual observer. While much still remains to be sorted out, especially on the regulatory front, the industry for the most part has taken a number of proactive steps to adapt to the new environment. Rising middle class populations and escalating household incomes in emerging markets provide substantial opportunity for global banks. The rapid technological advances are leading to dramatic shifts in the banking industry as the processing cost per transaction is approaching zero while simultaneously improving efficiency. These advantages are likely to increase trading volumes at the institutional level. Due to the banking significance in the financial system and its influence on national economies, banks are highly regulated in most countries.

Table -2.1: Key players in World Banking Sector

<table>
<thead>
<tr>
<th>S. No</th>
<th>Name of the Country</th>
<th>World Rank</th>
<th>Market Capital in US $ B as on 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>USA</td>
<td>1</td>
<td>1040.85</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>2</td>
<td>956.37</td>
</tr>
<tr>
<td>3</td>
<td>UK</td>
<td>3</td>
<td>432.89</td>
</tr>
<tr>
<td>4</td>
<td>Australia</td>
<td>4</td>
<td>403.55</td>
</tr>
<tr>
<td>5</td>
<td>Canada</td>
<td>5</td>
<td>331.52</td>
</tr>
<tr>
<td>6</td>
<td>Brazil</td>
<td>6</td>
<td>212.19</td>
</tr>
<tr>
<td>7</td>
<td>Spain</td>
<td>7</td>
<td>129.19</td>
</tr>
<tr>
<td>8</td>
<td>Switzerland</td>
<td>8</td>
<td>111.32</td>
</tr>
<tr>
<td>9</td>
<td>France</td>
<td>9</td>
<td>97.04</td>
</tr>
<tr>
<td>10</td>
<td>Japan</td>
<td>10</td>
<td>96.37</td>
</tr>
</tbody>
</table>
Table 2.1 demonstrates shifting paradigm of the world banking industry. Indian Banking sector ranked 11th in the year 2014 with a capital market of worth US$ 86.31 billion, where USA is the top global market player with a capital market of worth US$ 1040.85 billion followed by Asian giant China and UK. In the Asian region, the rival of India, China, far ahead with a capital market of worth US$ 956.37 billion and other Asian country, Japan rank 10th in the global market scenario in 2014.

Indian Banking Sector

Globalization opened plenty of opportunities and challenges for Indian Banks to battle globally. Indian Banking sector is like a mammoth with more than 1.2 billion customers, Rs. 81 trillion (US$ 1.8 trillion) of business. No doubt, it becomes the backbone of the Indian economy which is giving perfect shape to the Indian Service Sector. The revenue of Indian banks increased from US$ 11.8 billion to US$ 46.9 billion during the period 2001-2010. The Indian banking industry is estimated to touch US$ 28.5 trillion in 2025 and with a CAGR of 21.2% over the next ten years. At present, it's contributing nearly 6 per cent of GDP and employing nearly 7.4 million people. Indian banks have outperformed most banking indices in the world with highest total returns to shareholders at 36.76%. The Indian banking sector has a large market still unexplored with the Indian households being one of the highest savers in the world accounting for 69% of India gross national saving, of which only 47% is accessed by the banks. The massive unbanked population in India offers huge opportunity for banking companies.
At present, the Indian banking sector is undergoing a period of very significant transformation. The opportunities are vast to enter new businesses and new markets, to develop new ways of working, to improve efficiency, and to deliver higher levels of customer service. The biggest opportunity for the Indian banking system today is the Indian consumer. As the Indian banks moving gradually beyond universal banking and positioned themselves as financial service providers, banking business are getting redefined. Technology is unsettling the earlier business processes and customer behaviour is witnessing typical change. Demographic shifts in terms of income levels and cultural shifts in terms of lifestyle aspirations are changing the profile of the Indian consumer. This will be a key driver of economic growth going forward.

The Indian consumer now seeks to fulfill his lifestyle aspirations at a younger age with an optimal combination of equity and debt to finance consumption and asset creation. This is leading to a growing demand for competitive, sophisticated retail banking services. These have enhanced the forces of competition. To survive under these conditions and to capitalize these opportunities, the public and private sector banks have to undertake business process reengineering, redefine their strategy, and re-orient their organizational structure. Besides, they have to align their IT and HR strategies to the overall business strategy.

Building knowledge-driven, learning organizations is imperative in the current compete scenario. Knowledge and assimilation of new ideas and trends are essential to keep the organization ahead of the curve. Banks must continuously seek to be aware of cutting edge practices in banking internationally and institutionalize this learning across the organization. This will prepare them for the future as Indian markets became more sophisticated and integrated into the global financial markets.

The Indian banks even braved the subprime crises that rocked the global financial sector in 2008. But over the past couple of years, the Indian banking sector has displayed a high level of resiliency in the face of high domestic inflation, rupee depreciation and fiscal uncertainty in the US and Europe market. In order to stimulate the economy and support the growth of the banking sector, the Reserve Bank of India (RBI)
adopted severe policy measures such as increasing the key monetary policy rates, such as repo and reverse repo 29 times from April 2009 to September 2014 by tightening provisioning requirements.

**History of Indian Banking Sector**

The reminisce of banking in India can be traced back to the 4th century BC in the “Kautilya Arthashastra”, which contains references to creditors and lenders. Arthashastra also makes a reference to the “Interest on Commodities Loaned” (PRAYOG PRATYADANAM) to be accounted as revenue of the state. Thus, lending activities were not entirely unknown in the medieval India and the concept such as 'priority of claims of creditors' and 'commodity lending' was established business practices even then. However, the real roots of commercial banking in India can be traced back to the early eighteenth century with the establishment of the three presidency banks.

**Evolution of the Indian Banking Industry**

The first bank in India, called the General Bank of India was established in the year 1786. The East India Company established the Bank of Bengal/Calcutta (1809), Bank of Bombay (1840) and Bank of Madras (1843). The next bank the Bank of Hindustan was established in the year 1870. These three individual units Bank of Calcutta, Bank of Bombay, and Bank of Madras were called as Presidency Banks. Allahabad Bank established in 1865, which was completely run by Indians for the first time. Punjab National Bank Ltd. was set up in 1894 with headquarters in 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. In 1921, all presidency banks were amalgamated to form the Imperial Bank of India. This bank was run by European Shareholders. After that the Reserve Bank of India was established in April, 1935.

In the first phase, the growth of the banking sector was very slow. Between 1913 and 1948 there were approximately 1100 small banks in India. 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 a Central Banking Authority.

After independence, the Government has taken most important steps in regard of Indian Banking Sector reforms. The following are the major steps taken by the Government of India to Regulate Banking institutions in the country:

- 1949: Enactment of Banking Regulation Act.
- 1955: Nationalisation of State Bank of India.
- 1959: Nationalization of SBI subsidiaries.
- 1961: Insurance cover extended to deposits.
- 1965: Amendment of Banking Regulation Act.
- 1971: Creation of credit guarantee corporation.
- 1975: Creation of regional rural banks.
- 1980: Nationalisation of seven banks with deposits over 200 Crores.
- 1991: Narasimham Committee on Banking Sector Reforms.
- 1998: Narasimham Committee on Banking Sector Reforms.
* 2012: Amendment of Banking Laws.

**Figure-2.1: The Structure of Indian Banking Sector**

- RESERVE BANK OF INDIA
  - Banks
    - Scheduled Commercial Banks (SCBs)
    - Public Sector Banks-27
    - Private Sector Banks-22
    - Foreign Banks-41
    - Regional Rural Banks-62
    - Urban Cooperative Banks -1674
    - Rural Cooperative Credit Institutions - 96,751
  - Cooperative credit institutions
  - Financial Institutions
    - All India Financial Institutions
    - State Level Institutions
    - Other Institutions
The Indian banking industry has been divided into two parts, Organized and Unorganized sectors. The Organized sector consists of Reserve Bank of India, Commercial Banks and Co-operative Banks, and Specialized Financial Institutions (IDBI, ICICI, IFC etc.). The Unorganized sector is not homogeneous. This sector is largely made up of money lenders and indigenous bankers.

An outline of the Indian Banking structure may be presented as follows:-

1. Reserve banks of India.
2. Indian Scheduled Commercial Banks.
   a) State Bank of India and its associate banks.
   b) Twenty nationalized banks.
   c) Regional rural banks.
   d) Other scheduled commercial banks.
3. Foreign Banks
5. Co-operative banks.


**Strengths of Indian Banking Sector**

The Indian economy’s liberalization in the early 1990s has resulted in the conception of various private sector banks. This has sparked a boom in the country’s banking sector in the past two decades. The revenue of Indian banks grew four-fold from US$ 11.8 billion to US$ 46.9 billion, whereas the profit after tax rose nearly nine-fold from US$ 1.4 billion to US$ 12 billion over 2001-2010. This growth was driven primarily by two factors. First, the influx of Foreign Direct Investment (FDI) up to 74 percent with certain restrictions and second, the conservative policies of the Reserve Bank of India (RBI) which have shielded Indian banks from recession and global economic turmoil.
Growth of Indian Banking Sector

Indian banks are doing better than their emerging Asian counterparts, with 10 of them among Asia’s top 30 value creator banks in the past decade. In the next 10 years, banking revenues in India are likely to climb further from $56 billion in 2010 to US$250 billion by 2020, contributing to more than 12% of Asia’s total banking revenue growth. Consequently, 4 or 5 of Indian banks could potentially enter into the global top 20 market capitalization by the year 2020. According to a report by the Boston Consulting Group (BCG prepared in association with the Indian Banks’ Association) India would be the world’s third largest in asset size by 2025.

**Indian Banking will be the world’s 3rd largest by 2025**

Source: Dinodia Capital Advisors Report, January 2013, pp. 49.

Opportunities in Indian Banking Sector

Indian Banking industry’s opportunities includes

- A growing economy
- Banking deregulation
- Increased client borrowing
- An increase in the money supply
- An increase in the number of banks
- Low government-set credit rates and
- Larger customer checking account balances.
Challenges faced by the Indian Banking Sector

Developing countries like India, still has a huge number of people who do not have access to banking services due to scattered and fragmented locations. But if we talk about those people who are availing banking services, their expectations are raised as the levels of services are increasing due to the emergence of Information Technology and competition. Since, foreign banks are playing their role in Indian market, the number of services offered has increased and banks have laid emphasis on meeting the customer expectations. Now, the existing external environment has created various challenges and opportunity for Indian Commercial Banks. In order to encounter the universal scenario of the banking industry, we need to understand the challenges and opportunities lying with banking industry of India.

On the other hand there are many internal challenges which the Indian banking industry has to face in the road ahead like, customer retention, financial inclusion, management of human asset quality, deregulation of interest rates on saving deposits, slow industrial growth, a large government deficit, delayed payments by large scale buyers, technology obsolescent, infrastructure bottleneck, marketing constraints, plethora rules and regulations, increased stress on some sectors such as, State utilities, Airlines, and Microfinance and the implementation of Basel III.

Major Issues in Indian Banking Industry

More impetus on fee based and non-interest income services

Traditionally, Indian banks have derived limited income from fee based services such as wealth management, credit card services, treasury services, investment banking and advisory services. However, as the economy is showing signs of a slowdown and the demand for
credit is slowed banks are struggling to keep their margins intact. Also, with changing times, consumer needs have changed with various avenues of investment that available. This is likely to increase banks focus on offering fee based services as the earnings from such services are more stable than interest bearing products and it also helps in mitigating risk via diversification of products and services. Thus, this will get success when they obtain and retain skilled human assets.

Financial inclusion to play a key role in the near future

As per census 2011, huge section of Indian population is still un-banked. The overall percentage of households availing banking services in India stood at around 59% as of 2011, which means still over 40% of total households lacks access to formal banking services. This is largely driven by rural areas and low income group (LIG) population, due to their financial illiteracy, low level of income and savings, lack of collateral and absence of verifiable credit history. Thus, in recent years, the RBI and Government of India have increased its focus on providing formal banking services to the huge un-banked population.

RBI has set up Khan Commission in 2004 to look into financial inclusion and the recommendations of the commission were incorporated into the midterm review of the policy (2005-06) and urged banks to review their existing practices to align them with the objective of financial inclusion. RBI has also undertaken several policy initiatives to promote financial inclusion, such as encouraging opening of no-frills accounts, engaging intermediaries to provide financial and banking services.

In the course of action, Prime Minister of India, *Mr. Narendra Modi* launched a scheme, namely “*Pradhan Mantri Jan Dhan Yojana*” on 28th of August, 2014. The programme envisages opening 15 Crore no-frill bank accounts for excluded poor in rural and urban areas by 26th January, 2019 as a national priority. The account package comprising 3 basic products, Overdraft facility of Rs.5000, RuPay debt card facility and Rs.1 lakh accidental insurance coverage for account holders. This programme is running on a rocket speed and it's already reached 12 crore landmark within 3 months.
Banks will expand into overseas market

In order to sustain the business growth amid highly competitive market and slowing Indian economy, banks are likely to expand into the overseas market. They will try to trap emerging opportunities by expanding into newer markets such as Africa, the former Soviet region and other South East Asian countries, in which India has maintained good trade relations. They can set up captive operations or expand through inorganic means by undergoing M & As with the banks in foreign countries. However, high capital cost for setting up foreign operations can act a deterrent in the way of expansion.

Mobile banking, next major technological leap

With the adoption of technology, the Indian banking sector has undergone significant transformation from local branch banking to any where-any time banking. Over the past couple of years, there has been huge growth registered in the number of transactions done through mobile devices. As per RBI, there were 49 banks with a customer base of about 13 million offering mobile banking services at the end of March, 2012. During FY12, around 25.6 million mobile banking transactions valued at Rs. 18.2 billion recording a growth of 198% and 174% year after year respectively. This rapid growth is driven by availability of 3G and 4G network, increasing number of smart phones as several telecom companies offering economical data usage packages. In order to encourage cashless transactions, particularly for small value transactions, the RBI raised the cap on mobile banking without end-to-end encryption from Rs. 1,000 to Rs. 5,000. Further, the transaction limit of Rs. 50,000 per customer per day was removed by permitting banks to fix the transaction limits based on their own risk perception. In the near term, it is expected to emerge as one of the most preferred medium for banking transactions.

Competition set to intensify
In August, 2011, the RBI drafted guidelines for licensing of new banks in the private sector. Thus, with the entry of new players in the market, competition among banks will increase. This is expected to benefit the consumers in the long-run as with increased competition banks will adopt fresh strategies to retain and attract customers and protect their market share. For instance, increasingly banks are tied up with insurance companies to sell insurance products. In this business model, both bank and insurance companies share the commission. Further, with the deregulation of savings rate in October, 2011, competition among banks has already intensified.

Passage of 'Banking Laws (Amendment) Bill' aimed at attracting more FDI's

With an aim to reform and strengthen India's banking sector, the Lok Sabha passed the 'Banking Amendment Bill' on December, 2012. Once, the bill is passed by Rajya Sabha as well, it will pave way for RBI to issue new banking licenses to the private sector and attract more foreign investments in the sector. The Bill also proposes to enhance the voting rights of investors in case of both public and private sector banks from existing 1% to 10% of public sector banks and from 10% to 26% of private sector banks. This move will attract more foreign investment in the sector.

The competition commission clause in the new Bill allows the RBI to continue with its role as the banking regulator, while the Competition Commission of India (CCI) will regulate mergers and acquisitions (M & A) and will have powers to investigate and clear M & A in the banking sector. Moreover, the bill has a clause, which will allow foreign banks to convert their Indian operations into local subsidiaries or transfer its shareholding to a holding company of the bank without paying stamp duty.

Table-2.2: Key players in Indian Banking Sector

<table>
<thead>
<tr>
<th>S. No</th>
<th>Name of Bank</th>
<th>Established year</th>
<th>Location</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State Bank of India</td>
<td>1955</td>
<td>Mumbai</td>
<td>18%</td>
</tr>
</tbody>
</table>
Indian Banking Sector Profile

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Year Founded</th>
<th>City</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab National Bank</td>
<td>1895</td>
<td>New Delhi</td>
<td>6%</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>1908</td>
<td>Vadodara</td>
<td>5%</td>
</tr>
<tr>
<td>ICICI Bank</td>
<td>1955</td>
<td>Mumbai</td>
<td>5%</td>
</tr>
<tr>
<td>Bank of India</td>
<td>1906</td>
<td>Mumbai</td>
<td>5%</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>1906</td>
<td>Bangalore</td>
<td>5%</td>
</tr>
<tr>
<td>HDFC Bank</td>
<td>1994</td>
<td>Mumbai</td>
<td>4%</td>
</tr>
<tr>
<td>IDBI Bank</td>
<td>1964</td>
<td>Mumbai</td>
<td>4%</td>
</tr>
<tr>
<td>Axis Bank</td>
<td>1994</td>
<td>Ahmedabad</td>
<td>3%</td>
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<tr>
<td>Central Bank of India</td>
<td>1911</td>
<td>Mumbai</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Annual Reports, Results of banks, ICRA Research

State Bank of India (SBI) is a multinational (MNC) banking and financial services company in India. It is a Government of India owned corporation with its headquarters in Mumbai, Maharashtra. As of March 2014, it had assets of US$501 billion and 16,635 branches, including 190 foreign offices in 34 countries, making it the largest banking and financial services company in India by assets.

The bank traces its ancestry to British India through the Imperial Bank of India to the founding of the Bank of Calcutta in 1806, making it the oldest commercial bank in the Indian Subcontinent. Bank of Madras merged with two other presidency banks - Bank of Calcutta and Bank of Bombay-to form the Imperial Bank of India, which in turn became the State Bank of India. Government of India nationalized the Imperial Bank of India in 1955 with the Reserve Bank of India taking a 60% stake, and renamed it the State Bank of India. In 2008, the government took over the stake held by the Reserve Bank of India.
SBI is a regional banking mammoth and has 18% market share in deposits and loans amongst Indian commercial banks. SBI had 16,635 branches in India as on 31st March, 2014, of which 10,979 (66%) were in Rural and Semi-urban areas. In the financial year 2013-14, its revenue was INR 26,39,531 Crores (US$ 36.9 billion).

SBI is one of the largest employers in the country having 2,22,033 employees as on 31st March 2014, out of which there were Officers 79,755 (35.92%), Assistants 1,01,648 (45.78%) and Sub-staff 40,630 (18.30%). The female employees 45,132 (20%) and 2,610 disabled employees (1.17%). On the same date, SBI had 42,744 Schedule Caste (19.25%) and 17,243 Schedule Tribe employees (7.76%) respectively.

**Major shareholders of the bank**

The major shareholder of SBI is the President of India with 58.60% shareholding (Table 2.3). The other major shareholders include LIC of India - Group with 14.99 %, the Bank of New York Mellon 2.13%, HDFC Trustee Company Ltd -Mutual Fund 1.65%, Skagen Kon-Tiki Verdip Apirfond (FII) 1.00%, GIC of India 0.63%, Abu Dhabi Investment Authority 0.57%, Reliance Capital Trustee Co. Ltd (Mutual Fund) 0.43% and Morgan Stanley Asia (Singapore) PTE (FII) 0.35%.

**Table-2.3: Top Ten Share Holders of the SBI**

<table>
<thead>
<tr>
<th>S. No</th>
<th>Name of the Share Holders</th>
<th>% Shares in Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>President of India</td>
<td>58.60</td>
</tr>
<tr>
<td>2</td>
<td>Life insurance Corporation of India- Group</td>
<td>14.99</td>
</tr>
<tr>
<td>3</td>
<td>The Bank of New York Mellon (GDRS)</td>
<td>2.13</td>
</tr>
</tbody>
</table>
SBI provides a range of banking products through its network of branches in India and overseas, including products aimed at NRIs. SBI has 14 regional hubs and 57 Zonal Offices that are located at important cities throughout India.

A. Domestic presence

SBI had 16,635 branches in India, as on 31st March, 2014, of which 10,979 (66%) were in Rural and Semi-urban areas. In the financial year 2013-14, its revenue was INR 26,39,531 Crores (US$ 36.9 billion), out of which domestic operations contributed to 95.35% of revenue. Similarly, domestic operations contributed to 88.37% of total profits for the same financial year.
B. International presence

By 31st of March, 2014, the bank had 190 overseas offices spread over 34 countries. It has branches in London, Moscow, Johannesburg, Frankfurt, Los Angeles, Hong Kong, Colombo, Dhaka, Tehran, Maley in the Maldives, Muscat, Dubai, New York, Osaka, Sydney, and Tokyo. It has offshore banking units in the Bahamas, Bahrain, and Singapore, and representative offices in Bhutan and Cape Town. It also has an ADB in Boston, USA.

The Canadian subsidiary, State Bank of India (Canada) also dates to 1982. It has seven branches, four in the Toronto area and three in the Vancouver area. SBI operates several foreign subsidiaries or affiliates. In 1990, it established an offshore bank: State Bank of India (Mauritius). SBI (Mauritius) has 15 branches in major cities/towns of the country including Rodriguez.

In 1982, the bank established a subsidiary, State Bank of India (California), which now has ten branches - nine branches in the state of California and one in Washington D.C. The 10th branch was opened in Fremont, California on 28 March 2011. The other eight branches in California are located in Los Angeles, Artesia, San Jose, Canoga Park, Fresno, San Diego, Tustin and Bakersfield.

The State Bank of India already has a branch in Shanghai and plans to open one in Tianjin. In Nepal, SBI owns 55% of Nepal SBI Bank, which has branches throughout the country. In Moscow, SBI owns 60% of Commercial Bank of India, whereas Canara Bank owns the rest. In Indonesia, it owns 76% of PT Bank Indo Monex.

In Nigeria, SBI operates as INMB Bank. This bank began in 1981 as the Indo-Nigerian Merchant Bank and received permission in 2002 to commence retail banking. It now has five branches in Nigeria. In Kenya, State Bank of India owns 76% of the Giro Commercial Bank which it acquired for US$8 million in October 2005.

Associate Banks
SBI has five associate banks, and they use the "State Bank of" (name and logo) followed by the regional headquarters' name:

1. State Bank of Bikaner & Jaipur
2. State Bank of Hyderabad
3. State Bank of Mysore
4. State Bank of Patiala
5. State Bank of Travancore

Earlier SBI had seven associate banks, all were belonged to the princely states until the government nationalized them between October 1959 and May 1960. In tune with the first Five Year Plan, which prioritized the development of rural India, the government integrated these banks into State Bank of India system to expand its rural outreach. There has been a proposal to merge all the associate banks into SBI to create a "mega bank" and streamline the group's operations.

The first step towards unification occurred on 13\textsuperscript{th} August, 2008 when State Bank of Saurashtra merged with SBI reducing the number of associate state banks from seven to six. Then on 19\textsuperscript{th} of June 2009, the SBI board approved the absorption of State Bank of Indore. SBI holds 98.3\% share in State Bank of Indore. (Individuals who held the shares prior to its takeover by the government hold the balance of 1.77\%.)

The acquisition of State Bank of Indore added 470 branches to SBI's existing network of branches. Also, following the acquisition, SBI's total assets will inch very close to the ₹10 trillion marks (10 billion long scale). The total assets of SBI and the State Bank of Indore stood at ₹9,981,190 million as of March, 2009. The process of merging State Bank of Indore was completed by April, 2010, and the SBI Indore branches started functioning as SBI branches on 26\textsuperscript{th} August, 2010.
Non-Banking Subsidiaries

Apart from its five associate banks, SBI also has the following non-banking subsidiaries:

- SBI Capital Markets Ltd.,
- SBI Funds Management Pvt. Ltd.,
- SBI Factors & Commercial Services Pvt. Ltd.,
- SBI Cards & Payments Services Pvt. Ltd. (SBICPSL),
- SBI DFHI Ltd.,
- SBI Life Insurance Company Limited.,
- SBI General Insurance.

In March, 2001, SBI (with 74% of the total capital), joined with BNP Paribas (with 26% of the remaining capital) to form a joint venture life insurance company named SBI Life Insurance company Ltd. In 2004, SBI DFHI (Discount and Finance House of India) was founded with its headquarters in Mumbai.

Other SBI Service Points

SBI has 27,000+ ATMs and SBI group (including associate banks) has 32,752 ATMs. SBI has become the first bank to install an ATM at Drass in the Kargil region of Jammu & Kashmir.

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 to achieve their goals.
- We will go beyond the call of duty to make our customers valued.
- We will be provided services 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 the 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 10th Indian is a customer.

**Values of SBI**
- 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.

**Logo and Slogan**
- 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.

**Principal Competitors**
The major competitors are ICICI Bank, Bank of Baroda, Canara Bank, Punjab National Bank, Bank of India, Union Bank of India, Central Bank of India, HDFC Bank, and Oriental Bank of Commerce.

Corporate Governance

Corporate Governance facilitates effective management and controls business as this ensures transparency and integrity in communication. This, in turn, enables the organizations to maintain a high level of business ethics and to optimize the value for all its stakeholders.

Banks Philosophy on Code of Governance

State Bank of India has complied in all material respects with the Corporate Governance Code as per clause 49 of the Listing Agreement with the Stock Exchanges. The State Bank of India is committed to the best practices in the area of Corporate Governance. The objectives of Corporate Governance in SBI are:

1. To protect the interest and enhance all other shareholder value. Such as customers, employees and society at large.
2. To ensure transparency and integrity in communication and to make available full, accurate and clear information to all concerned.
3. To ensure accountability for performance and customer service and to achieve excellence at all levels.
4. To provide corporate leadership of highest standard for others to emulate.

Thus, the SBI is well equipped with rendering its products and services to the customers at large.

State Bank of India Products and Services

State Bank of India offers a wide range of services in the Personal Banking Segment which are as follows:

Term deposits
SBI provides security, trust and a competitive rate of interest. Flexibility in period of term deposit from 7 days to 10 years. It is affordable that low minimum deposit amount with SBI for a nominal amount is Rs.1000 only. Customers can avail a loan or overdraft against their deposit. SBI provides loan/overdraft up to 90 percent of their deposit amount at nominal cost.

**Recurring Deposits**

Recurring Deposit provides customers the element of compulsion to save at higher rates of interest applicable to Term Deposits along with liquidity to access that savings any time. Recurring Deposit is flexible in period of deposit to maturity, ranging from 12 months to 120 months. It is a low minimum monthly deposit amount. The customer can start a Recurring Deposit with SBI for a monthly installment of Rs.100 only.

**SBI Home Loan**

It offers interest rates concessions on Green Homes in accordance with SBI’s commitment to Environment protection. The product gives the customers a one time irrevocable option to choose one of the three customized combinations of fixed and floating interest rates and also to choose the order in which the fixed and floating rate will be availed.

The minimum loan amount sanctioned is Rs.5 lakh. Its products are again segregated into different types on the basis of their term of repayment and their loan package: SBI-Maxgain Home Loans, Realty Home Loans, Home Equity Loans, NRI Home Loans, Tribal Plus, Gram Niwas, Sahyog Niwas, Green Home Loan, Surakshit Home Loan, Yuva Home Loan and Pal Home Loan. Thus, the bank provides its customers comfortable repayment facility. Tenure of the loans equal to the residual maturity of the original Home Loans.

**SBI Car Loan**
The bank provides its customers the best car loan schemes with excellent service and lower costs. A quick view by the customers of similar schemes available with other banks shows that SBI Car Loans for new and old vehicles offer for the customers.

**SBI Education Loan**

A term loan granted to Indian Nationals for pursuing higher education in India or abroad where admission has been secured. All courses having employment prospects are eligible for getting education loans and they are briefed below.

**SBI Loan to Pensioners**

The customer can avail of a loan from their branch to meet their personal expenses. They can avail a loan up to a maximum of 12 months pension, subject to a ceiling of Rs.1 lakh. The loan may be repaid over a 5 years and will carry a low interest rate of 13.25 percent per annum.

**SBI Loan against Shares/Debentures**

The customers can avail of loans up to Rs.20 lakh against their shares/debentures to enable them to meet contingencies, personal needs or even for subscribing to rights or new issue of shares.

**SBI Agricultural Loans**

The Bank launched the new products, to increase the flow of credit to agriculture sector in the year 2003-2004. The advances of Agriculture Business Group increased from Rs.1360 crore in 2003-04 to Rs.1,16,081 crore in 2013-14 showing an increase of 85.35 percent. Agricultural loans are provided for the purchase of assets connected with rural activities under agriculture, horticulture, plantation, sericulture, animal husbandry, fisheries, etc., where the loan amount is repayable over a period of time exceeding 3 years. Under this agricultural loan, there are other kinds of benefits provided by SBI through schemes such as the Kisan Credit Card Scheme, Land Development Schemes, Minor
Irrigation Schemes, Farm Mechanisation Schemes, Krishi Plus Scheme for Customised Hiring of Tractor to Rural Youth, Lead Bank Scheme etc.

**SBI Industrial Loans**

SBI offers working capital finance to meet the entire range of short-term fund requirements that arise within a corporate’s day-to-day operational cycle. The SBI working capital loans can help company in financing inventories, managing internal cash flows, supporting supply chains, funding production and marketing operations, providing cash support to business expansion and carrying current assets. The SBI corporate term loans can support company in funding ongoing business expansion, repaying high cost debt, technology upgradation, R&D expenditure, leveraging specific cash streams that accrue into a company, implementing early retirement schemes and supplementing working capital. Hence, the Bank extends financial assistance to help agriculturists, industrialists and common man in various modes.

**Human Resources**

**Learning & Development**

The bank has taken up several key initiatives to enthuse and motivate the employees to perform better so as to achieve the Bank’s growth plans. As part of the initiative it has taken up a ‘Leadership Pipeline’ initiative with the objective of grooming the officials from the level of Scale-IV up to GM for future leadership positions. Services of reputed institutions like ISB or Duke University or IIMs have been engaged for the purpose. Further, the Bank has gone in for accreditation of one of the training institutions for training of debt recovery agents to facilitate the future appointments of recovery agents. As the accreditation process is mandatory for the recovery agents.

**Personnel Management**
To foster team spirit amongst the employees and to motivate them to excel in customer service the bank has set up the Performance Linked Incentive Scheme, which also helped the Bank in exploiting the new emerging business opportunities to achieve the Bank’s growth plans. The Bank has also gone for contract employment, on cost to company basis. The specialists like Chartered Accountants, Law Officers, Statisticians, Economists, Customer Relation Executives, Credit Analysts, etc. to take care of Bank’s growing needs to face competition in the current scenario.

The Bank also revised the Family Pension Scheme for the family pensioners of the Bank retrospectively from the 1st May, 2005. The pension fund has been separated from the Banks’ liability after obtaining necessary approval from the Board of Trustees. The fund will be managed by the Treasury Department of SBI.

**HRMS Project**

The Bank has implemented leveraging Technology in the employee management area for automation of its HR process through SAP-ERP-HRMS software. A centralized database of all employees across SBI is now available where salary processing for 2.28 lakh employees across SBI and pension processing of approximately 1 lakh SBI/IBI pensioners has been centralized. The bank also introduced a variety of services like online request submission and viewing of data, etc. to all the employees of the Bank on an online ‘real time’ basis, which will increase efficiency in HR operations and help the management in making employee related decisions faster.

**Recruitment**

To meet the requirement of skilled manpower and to tap the emerging business opportunities, the bank has recruited 66 Specialist Management Executives with qualification of CA/ICWA/MBA (Finance, Marketing) during 2013-14. Also the bank has appointed 7 Special Technical Executives with B.E / B.Tech qualification in the fields of Chemical, Mechanical, Electrical, Metallurgical Engineering for manning
consultancy cells in Circles. Further, 1246 Probationary Officers, 148 Specialist Officers and 1776 Clerical Staff have been recruited during FY 2013-14. This will take care of the Bank’s requirements of officers in operations and specialized areas and helps in reducing the age profile of staff, but will also provide an opportunity for greater mobility and marketing thrust across the Bank to achieve its growth plans. Besides these, the bank has also been successfully holding online examination for promotion from JMGS I to MMGS II, all promotion exercises in respect of officers up to the grade of Deputy Managing Director.

**Training**

The bank is making continuous efforts to impart knowledge, develop skills re-orient the attitude of its employees and keep pace with the changing business environment. The bank's network of providing training to its employees consists of 5 Apex level colleges viz. State Bank Staff College, Gurgaon; State Bank Staff College, Hyderabad; State Bank Institute of Rural Development and State Bank Institute of Information and Communication Management and over 47 training centres located across the country. The bank also provides on-site training to its employees working in the branches under the visiting faculty scheme.

**Support Systems and Internal Communication System**

Adequate support systems have been provided by the bank to its employees for proper flow of information to them. The employees are also informed about the achievements in the business. The media used for internal communication include: The SBI Monthly Review, Gurukula, SBI Economic Newsletter, and Choyanika.

**Industrial Relations**

In view of garnering good and excellent relationships with the members of both the Staff and Officers Federations, the State Bank of India sorted out various industrial relations and issues through their consistent support and healthy dialogue / discussions during the year.
It also enhanced the limits under various staff loan schemes and other initiatives for providing better facilities / incentives to the employees in order to create a better industrial relations environment in the Bank.

**Human Resources Management Solutions (HRMS)**

The bank has set up a centralized platform for the processing and payment of salary to all the employees of SBI, SBP, SBM and SBH. It further introduced the automation of the centralized Provident Fund related services to faster settlement of terminal benefits.

**Strategic Training Unit (STU)**

The bank's Strategic Training Unit (STU) has been fully operationalized on 5th April 2010. It has undertaken a number of initiatives during the year 2013-14 to increase the efficiency and effectiveness of the Bank’s training system.

Some of the major initiatives in this regard are as follows:

- State Bank Training Management System has been operationalized for creating a comprehensive database and tracking of training of all employees.
- More than 2,34,736 employees were trained at 5 ATIs and 47 SBLCs during 2013-14 covering 60% of Officials and 68% of Award Staff.
- E-learning through HRMS portal has been expanded to over 219 short duration E-capsules (of 15 minutes each) uploaded for faster dissemination of knowledge amongst employees, especially frontline staff.
- Mobile nuggets (short study materials on mobile handsets) made available on a pilot basis.
- All employees are made aware of gender sensitivity at work place.
- Senior officials motivated to pursue Harvard Manage Mentor, an online course on management issues under tie up with Harvard Business School.
Video lectures on industry specific inputs arranged for senior executives.

Leadership Development Programmes were organized for Top Executives and Senior Management.

Research studies by the Bank officials were recognized by various outside publications/agencies like Bancon, ICRIER, and IBFA.

**Employee Benefits**

The bank in order to retain the talented and potential employees, offers its employees, both financing packages and also welfare facilities. The vision of the Bank for its human resources is to create an enabling environment to enhance the efficiency of the organization. The aim of the bank is encourage the employees to perform to their best ability of a system for proper placements, incentives, while creating an atmosphere of trust and a feeling that the organization cares about the well-being and personal aspirations of the staff. This helps align personal aspirations with professional goals and help enhance efficiency. The Bank runs multiple benefit schemes for its employees some of which include providing them provident fund, gratuity, pension, medical benefits, concessionary interest rates on advances, higher interest rates on deposits, scholarships to employees’ children, holiday homes, reservation in schools, grant of sabbatical leave to employees, executive health check-up etc.,

**Financial Benefits**

Financial benefits to the employees of State Bank of India are in the form of monthly salary. The pay scales are revised once in every four years. Based on the changes in the cost of living, the dearness allowances are given. The pay structure at the State Bank of India can be divided into three categories: Officers, Clerical and Cash department and the Subordinate Staff. The pay structure of the three categories of employees is presented below.

**Supervising Staff Scales of Pay W.E.F. 01.11.2007**

| Scale I | 14500 600 | 18700 700 | 20100 800 | 25700
|---------|-----------|-----------|-----------|-----------
| 7       | 2         | 7         |
## Clerical Staff Scales of Pay W.E.F. 01.05.2010

<table>
<thead>
<tr>
<th>Scale</th>
<th>Wages 1</th>
<th>Wages 2</th>
<th>Wages 3</th>
<th>Wages 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale II</td>
<td>19400</td>
<td>20100</td>
<td>28100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scale III</td>
<td>25700</td>
<td>29700</td>
<td>31500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scale IV</td>
<td>30600</td>
<td>34200</td>
<td>36200</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scale V</td>
<td>36200</td>
<td>38200</td>
<td>40400</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scale VI</td>
<td>42000</td>
<td>46800</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scale VII</td>
<td>46800</td>
<td>52000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*TEGSS-I Chief General Manager Rs.60600 - 1600/4 - 67000

*TEGSS-II Deputy Managing Director Rs.67000 - 2000/4 – 75000

## Subordinate Staff Scales of Pay W.E.F. 01.05.2010

<table>
<thead>
<tr>
<th>Scale</th>
<th>Wages 1</th>
<th>Wages 2</th>
<th>Wages 3</th>
<th>Wages 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale II</td>
<td>7200</td>
<td>8400</td>
<td>9900</td>
<td>12300</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Scale III</td>
<td>17200</td>
<td>18500</td>
<td>19300</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>1</td>
<td>(20 years)</td>
<td></td>
</tr>
</tbody>
</table>
Short term Employee Benefits

The undiscounted amount of short-term employee benefits, such as medical benefits, casual leave, etc. which are expected to be paid in exchange for the services rendered by employees.

Post Employment Benefits

Defined Benefit Plan

SBI operates a Provident Fund Scheme. All eligible employees are entitled to receive benefits under the Bank’s Provident Fund Scheme. SBI contributes monthly at a determined rate (currently 10 per cent of the employee’s basic pay plus eligible allowance). The Bank provides for gratuity to all eligible employees. The benefit is in the form of lump sum payments to vested employees on retirement, on death while in employment, or on termination of employment, for an amount equivalent to 15 days basic salary payable for each completed year of service, subject to a maximum amount of Rs. 3,50,000. Vesting occurs upon completion of five years of service.

The Bank provides pension to all eligible employees. The benefit is in the form of monthly payments as per rules and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. The pension liability is reckoned based on an independent actuarial valuation carried out annually. The Bank makes an annual contribution to the pension fund at 10 per cent of salary in terms of SBI Pension Fund Rules. The balance is retained in the special provision account which should be utilized at the time of settlement. The
cost of providing defined benefits is determined by using the projected unit credit method with actuarial valuations being carried out at each balance sheet date.

**Other Long term Employee Benefits**

All eligible employees of the bank are eligible for compensating absences, Silver Jubilee Award, leave travel concession, retirement award and resettlement allowance. The costs of such long term employee benefits are internally funded by the Bank. This is shown in the Table 2.4. The cost of providing other long term benefits is determined using the projected unit credit method with actuarial valuations being carried out at each balance sheet date. Past service cost is immediately recognized in the statement of profit and loss, and is not deferred.

Table 2.4: Details of Provisions made for various long Term Employees’ Benefits

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Long term Employees’ Benefits Current</th>
<th>Year 2014</th>
<th>Year 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Privilege Leave (Encashment) incl. Leave encashment at the time of retirement.</td>
<td>33.85</td>
<td>88.00</td>
</tr>
<tr>
<td>2</td>
<td>Leave Travel and Home Travel Concession (Encashment/Availment)</td>
<td>0.81</td>
<td>25.12</td>
</tr>
<tr>
<td>3</td>
<td>Sick Leave</td>
<td>17.06</td>
<td>18.40</td>
</tr>
<tr>
<td>4</td>
<td>Silver Jubilee Award</td>
<td>6.35</td>
<td>1.22</td>
</tr>
<tr>
<td>5</td>
<td>Resettlement Expenses on superannuation</td>
<td>2.55</td>
<td>3.73</td>
</tr>
<tr>
<td>6</td>
<td>Causal Leave</td>
<td>5.78</td>
<td>2.02</td>
</tr>
</tbody>
</table>
Organization Structure and Management

The management of the SBI Central Board of Directors 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 the rural economy and the others have experience in commerce, industry, banking and finance;
- One director to be nominated by the Central Government;
- 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 (MD) shall hold office for such terms not exceeding five years as the Central Government may fix at the time of their appointment will be eligible for re-appointment. The directors elected by the shareholders and nominated by the Central Government will hold office for four 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

<table>
<thead>
<tr>
<th></th>
<th>Retirement Award</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td></td>
<td>0.42</td>
</tr>
<tr>
<td>8</td>
<td>Total</td>
<td>49.05</td>
</tr>
</tbody>
</table>

Source: Annual report of State Bank of India 2013-2014
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. 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 Figure 2.1. The Chairman is the Head of the Central Management Committee who is appointed by the GOI 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 MD 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 MD and Group Executive caters to a majority of top 100 Corporations in India 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 MD.

The National Banking Group is headed by a Managing Director and Group Executive. This group consists of two distinct networks, namely Development Banking, 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 5 Associate Banks and
subsidiaries; one of them is Banking Subsidiary and the other six are Non-Banking subsidiaries. One 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 34 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 DMD (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 at 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 who reports 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 the Ministry of Finance, Government of India and Vigilance Committee of Reserve Bank of India.

The State Bank of India has 14 Local Head Offices, which are also called ‘Offices at the Circles’ located at state headquarters. The heads of all LHOs are directly responsible to the Chairman of the bank. A model organization chart of a circle is shown in Figure 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 of Personal and Development Banking is assisted by four Assistant General Managers (AGMs) in the areas of administration, personal, development and expansion. The General Manager of Commercial and International Banking is assisted by four AGMs in the areas of premises, computers, accounts and policy and decision making.

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 Figure 2.3. 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. 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, personal, HRD, NPA management and recovery are managed by this office. A model organization chart of the regional office is shown in Figure 2.4.

The organization chart of a branch is shown in Figure 2.5. A branch is the first level office having direct interaction with a large number of customers. The branch manager is the functional head of a branch. He is assisted by managers, officers and clerks. The size of the staff is based upon the volume of business.

Hence, during pre-nationalization period, the banking was popularly known as class banking era. The management of risk was very less in SBI. 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 era.
Figure - 2.1
ORGANIZATION CHART AT NATIONAL LEVEL

CHAIRMAN

Deputy Managing Director & Chief Credit Officer

Deputy Managing Director & Corporate Development Officer

Deputy Managing Director (Information Technology)

Deputy Managing Director & Group Executive (Corporate Banking)

Deputy Managing Director & Group Executive (National Banking)

Deputy Managing Director (International Banks)

Deputy Managing Director & Chief Finance Officer

Deputy Managing Director (Information & Management Audit)

Civil Vigilance Officer

Deputy Managing Director & Group Executive (Associates & Subsidiaries)
Figure - 2.2

ORGANIZATION CHART AT STATE LEVEL
(LOCAL HEAD OFFICE)

CHIEF GENERAL MANAGER

General Manager
(Personal & Development Banking)

AGM (Public Relations & Community Services Banking)

DGM Circle Development Officer

DGM Circle Credit & Finance Officer

DGM Law*

DGM Circle Vigilance Officer

DGM Business Process Reengineering Implementation

AGM (Administration)

AGM (Personnel)

AGM (Development)

AGM (Expansion)

AGM (Premises)

AGM (Computers)

AGM (Accounts)

AGM (Policy & Decision making)

Source: www.sbi.co.in
AGM (Law) will report to DGM & CirDO, Modules 1, 2, ..., 58.

* Where DGM (Law) is posted.

Source: www.sbi.co.in
Figure - 2.4

ORGANISATION CHART OF A REGIONAL OFFICE

Source: www.sbi.co.in
Figure - 2.5
ORGANIZATION CHART OF A BRANCH

Source: www.sbi.co.in
Table-2.5: Board of Directors - List of Directors on the Central Board

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Smt. Arundhati Bhattacharya</td>
<td>Chairman</td>
</tr>
<tr>
<td>2</td>
<td>Shri A. Krishna Kumar</td>
<td>Managing Director</td>
</tr>
<tr>
<td>3</td>
<td>Shri P. Pradeep Kumar</td>
<td>Managing Director</td>
</tr>
<tr>
<td>4</td>
<td>Shri. B. Sriram</td>
<td>Managing Director</td>
</tr>
<tr>
<td>5</td>
<td>Shri. V. G. Kannan</td>
<td>Managing Director</td>
</tr>
<tr>
<td>6</td>
<td>Shri Sanjiv Malhotra</td>
<td>Director</td>
</tr>
<tr>
<td>7</td>
<td>Shri Sunil Mehta</td>
<td>Director</td>
</tr>
<tr>
<td>8</td>
<td>Shri M.D. Mallya</td>
<td>Director</td>
</tr>
<tr>
<td>9</td>
<td>Shri Deepak I. Amin</td>
<td>Director</td>
</tr>
<tr>
<td>10</td>
<td>Shri Jyoti Bhushan Mohapatra</td>
<td>Workmen Employee Director</td>
</tr>
<tr>
<td>11</td>
<td>Shri S.K. Mukherjee</td>
<td>Officer Employee Director</td>
</tr>
<tr>
<td>12</td>
<td>Dr. Rajiv Kumar</td>
<td>Director</td>
</tr>
<tr>
<td>13</td>
<td>Shri Harichandra Bahadur Singh</td>
<td>Director</td>
</tr>
<tr>
<td>14</td>
<td>Shri Tribhuwan Nath Chaturvedi</td>
<td>Director</td>
</tr>
<tr>
<td>15</td>
<td>Shri Gurdial Singh Sandhu</td>
<td>Director</td>
</tr>
<tr>
<td>16</td>
<td>Dr. Urjat R. Patel</td>
<td>Director</td>
</tr>
</tbody>
</table>
Table 2.5 above presents the list of directors in the central board of State Bank of India. The SBI central board includes 1 Chairman, 4 Managing Directors, 9 Directors and 2 Special Directors. The 2 special directors are Shri Jyoti Bhushan Mohapatra, enacting as Workmen Employee Director and Shri S.K. Mukherjee, who is acting as Officer Employee Directors.

Table -2.6: Net Profit of SBI during 2001-02 to 2011-14 (Rs. in crore)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>Profit</th>
<th>Growth over Previous Year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2001-02</td>
<td>2432</td>
<td>51.62</td>
</tr>
<tr>
<td>2</td>
<td>2002-03</td>
<td>3105</td>
<td>27.67</td>
</tr>
<tr>
<td>3</td>
<td>2003-04</td>
<td>3681</td>
<td>18.55</td>
</tr>
<tr>
<td>4</td>
<td>2004-05</td>
<td>4305</td>
<td>16.95</td>
</tr>
</tbody>
</table>
### Table 2.6

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profit (Rs. crores)</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>4407</td>
<td>2.36</td>
</tr>
<tr>
<td>2006-07</td>
<td>4541</td>
<td>3.04</td>
</tr>
<tr>
<td>2007-08</td>
<td>6729</td>
<td>48.18</td>
</tr>
<tr>
<td>2008-09</td>
<td>9121</td>
<td>35.54</td>
</tr>
<tr>
<td>2009-10</td>
<td>9166</td>
<td>0.49</td>
</tr>
<tr>
<td>2010-11</td>
<td>8264</td>
<td>-0.09</td>
</tr>
<tr>
<td>2011-12</td>
<td>11707</td>
<td>41.66</td>
</tr>
<tr>
<td>2012-13</td>
<td>14,105</td>
<td>20.48</td>
</tr>
<tr>
<td>2013-14</td>
<td>10,891</td>
<td>-29.51</td>
</tr>
</tbody>
</table>

**Source:** Annual reports of SBI during 2001-02 to 2013-14

Table 2.6 above presents the net profits of the bank for the period 2001-02 to 2013-14. The net profit of the bank was Rs. 2,432 crore in the year 2001-02 which increased to Rs. 14105 in the year 2012-13. The bank registered a decline in profits in the year 2009-10 & 2013-14. The growth in the net profits of SBI varied from 2.36 per cent to 48.18 per cent. The highest growth rate in the net profit was 48.18 per cent in the year 2007-08.
Table-2.7: Profit per Employee of SBI during 2001-02 to 2013-14 (Rs. lakhs)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>Profit per Employee (Rs. lakhs)</th>
<th>Growth over Previous Year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2001-02</td>
<td>1.16</td>
<td>65.71</td>
</tr>
<tr>
<td>2</td>
<td>2002-03</td>
<td>1.48</td>
<td>27.59</td>
</tr>
<tr>
<td>3</td>
<td>2003-04</td>
<td>1.77</td>
<td>19.59</td>
</tr>
<tr>
<td>4</td>
<td>2004-05</td>
<td>2.07</td>
<td>17.51</td>
</tr>
<tr>
<td>5</td>
<td>2005-06</td>
<td>2.17</td>
<td>04.33</td>
</tr>
<tr>
<td>6</td>
<td>2006-07</td>
<td>2.37</td>
<td>09.25</td>
</tr>
<tr>
<td>7</td>
<td>2007-08</td>
<td>3.73</td>
<td>57.33</td>
</tr>
<tr>
<td>8</td>
<td>2008-09</td>
<td>4.74</td>
<td>27.16</td>
</tr>
<tr>
<td>9</td>
<td>2009-10</td>
<td>4.46</td>
<td>-05.85</td>
</tr>
<tr>
<td>10</td>
<td>2010-11</td>
<td>3.85</td>
<td>-13.76</td>
</tr>
<tr>
<td>11</td>
<td>2011-12</td>
<td>5.31</td>
<td>38.05</td>
</tr>
</tbody>
</table>
The data relating to the profit per employee for the period 2001-02 to 2013-14 is shown in the Table 2.7. The profit per employee was Rs.1.16 lakhs in the year 2001-02 increased to Rs.6.45 in the year 2012-13. The profit per employee in the years 2009-10, 2010-11 and 2013-14 showed a negative growth rate over the previous years. The percentage growth of the profit per employee varied from 4.33 per cent to 65.71 per cent.

### Table-2.8: Business per Employee of SBI during 2001-02 to 2013-14 (Rs. lakhs)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>Business per Employee (Rs. lakhs)</th>
<th>Growth over Previous Year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2001-02</td>
<td>1.73</td>
<td>26.28</td>
</tr>
<tr>
<td>2</td>
<td>2002-03</td>
<td>1.73</td>
<td>26.28</td>
</tr>
<tr>
<td>Year</td>
<td>Business</td>
<td>Profit</td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>-----------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td>2003-04</td>
<td>2.11</td>
<td>10.47</td>
<td></td>
</tr>
<tr>
<td>2004-05</td>
<td>2.43</td>
<td>15.17</td>
<td></td>
</tr>
<tr>
<td>2005-06</td>
<td>2.99</td>
<td>23.05</td>
<td></td>
</tr>
<tr>
<td>2006-07</td>
<td>3.57</td>
<td>19.40</td>
<td></td>
</tr>
<tr>
<td>2007-08</td>
<td>4.56</td>
<td>27.73</td>
<td></td>
</tr>
<tr>
<td>2008-09</td>
<td>5.56</td>
<td>21.93</td>
<td></td>
</tr>
<tr>
<td>2009-10</td>
<td>6.36</td>
<td>14.38</td>
<td></td>
</tr>
<tr>
<td>2010-11</td>
<td>7.04</td>
<td>10.79</td>
<td></td>
</tr>
<tr>
<td>2011-12</td>
<td>7.98</td>
<td>10.69</td>
<td></td>
</tr>
<tr>
<td>2012-13</td>
<td>9.44</td>
<td>18.29</td>
<td></td>
</tr>
<tr>
<td>2013-14</td>
<td>10.64</td>
<td>12.71</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Annual reports of SBI during 2001-02 to 2013-14

The above Table 2.8 presents business per employee in SBI from the period of 2001-02 to 2013-14. In SBI, from consecutive years, the business per employee has been showing a constant growth. The growth rate over the years has been fluctuating in SBI, but when the matter comes to business per employee, it presents a positive progress. The business per employee started from Rs. 1.73 lakhs in the year 2001-02 and
it reaches Rs. 10.64 in the year 2013-14. The growth over the previous year varied from 10.47 per cent in the year 2002-03 to 27.73 per cent in the year 2007-08.

**Recent Awards and Recognitions**

- SBI was ranked 298th in the *Fortune Global 500* rankings of the world's biggest corporations for the year 2012.
- SBI won "Best Public Sector Bank" award in the *D&B* India's study on 'India's Top Banks 2013'.
- SBI won National Award for its performance in the implementation of Prime Minister’s Employment Generation Programme (PMEGP) scheme for the year 2012.
- Best Online Banking Award, Best Customer Initiative Award & Best Risk Management Award (Runner Up) by IBA Banking Technology Awards 2010
- SKOCH Award 2010 for Virtual Corporation Category for its e-payment solution.
- SBI was the only bank featured in the "top 10 brands of India" list in an annual survey conducted by *Brand Finance* and *The Economic Times* in 2010.
- The Bank of the year 2009, India (won the second year in a row) by *The Banker Magazine*.
- Best Bank – Large and Most Socially Responsible Bank by the Business Bank Awards 2009.
ICICI BANK

ICICI Bank is an Indian multinational bank and financial services company whose headquarters is in Mumbai. ICICI Bank was established by the Industrial Credit and Investment Corporation of India, an Indian financial institution, as a wholly owned subsidiary in 1955. The parent company was formed in 1955 as a joint-venture of the World Bank to provide project financing for India's public-sector banks and public-sector insurance companies. The bank was initially known as Industrial Credit and Investment Corporation of India Bank, before it changed its name to abbreviated ICICI Bank. The parent company was later merged with ICICI bank.

It is the second largest bank in India by assets and third largest by market capitalization as on 2014. It offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries in the areas of investment banking, life and non-life insurance, venture capital and asset management. The Bank has a network of 3,515 branches.
ICICI Bank is one of the Big Four banks of India, along with State Bank of India, Punjab National Bank and Canara Bank. The bank has subsidiaries in the United Kingdom, Russia, and Canada. Branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre; and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. The company's UK subsidiary has established branches in Belgium and Germany.

ICICI's shareholding in ICICI Bank was reduced to 46 percent, through a public offering of shares in India in 1998, followed by an equity offering in the form of American Depositary Receipts on the NYSE in 2000. ICICI Bank acquired the Bank of Madura Limited in an all-stock deal in 2001 and sold additional stakes to institutional investors during 2001-02.

In 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group, offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI become the first Indian company and the first bank from non-Japan Asia to be listed on the NYSE.

In 2000, ICICI Bank became the first Indian bank to list on the New York Stock Exchange with its five million American depository shares issue generating a demand book 13 times the offer size.

In October, 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002. The merger was also approved by the High Court of Gujarat at Ahmedabad in March, 2002 and High Court of Judicature at Mumbai and the Reserve Bank of India in April, 2002.
In 2008, customers rushed to ICICI ATMs and branches in some locations due to rumours of adverse financial position of ICICI Bank. The Reserve Bank of India issued a clarification on the financial strength of ICICI Bank to dispel the rumours.

Vision

To be the leading provider of financial services in India and enhance our positioning among global banks through sustainable value creation.

Mission

To create value for our stakeholders by;

✓ Being the financial services provider of first choice for our customers by delivering high quality, world-class products and services.,

✓ Playing a proactive role in the full realisation of India’s potential and contributing positively in all markets where we operate.,

✓ Maintaining high standards of governance and ethics; and balancing growth, profitability and risk to deliver and sustain healthy returns on capital.

Corporate Governance

✓ Group Anti Money Laundering Policy: The ICICI Group AML Policy establishes the standards of AML compliance and is applicable to all activities.

✓ Code of Conduct: ICICI Bank has formulated a Code of Business Conduct and Ethics for its directors and employees.

Creation of Market Infrastructure in India
ICICI Bank has contributed to set up different institutions include the following:

**National Stock Exchange**

The National Stock Exchange was promoted by India’s leading financial institutions including ICICI Limited in 1992 on behalf of the Government of India with the objective of establishing a nation-wide trading facility for equities, debt instruments and hybrids, by ensuring equal access to investors all over the country through an appropriate communication network.

**Credit Rating Information Services of India Limited**

In 1987, ICICI Ltd along with the UTI formed CRISIL as India's first professional Credit Rating Agency. CRISIL offers a comprehensive range of integrated products and service offerings which include credit ratings, capital market information, industry analysis and detailed reports.

**National Commodities and Derivatives Exchange Limited**

NCDEX is a professionally managed online multi-commodity exchange, founded in 2003 by ICICI Bank Ltd, LIC, NABARD, NSE, Canara Bank, CRISIL, Goldman Sachs, Indian Farmers Fertilizer Cooperative Limited (IFFCO) and PNB.

**Financial Innovation Network and Operations Pvt. Ltd**

ICICI Bank has facilitated setting up of "FINO Cross Link to Case Link Study" in 2006 as a company that would provide technology solutions and services to reach the underserved and under banked population of the country. Using cutting edge technologies like smart cards, biometrics and a basket of support services FINO enables financial institutions to conceptualize, develop and operationalise projects to support sector initiatives in microfinance and livelihoods.
Entrepreneurship Development Institute of India

Entrepreneurship Development Institute of India (EDII), an autonomous body and not-for-profit society was set up in 1983 by the erstwhile apex financial institutions like IDBI, ICICI, IFCI and SBI with the support of the Government of Gujarat as a national resource organization committed to entrepreneurship development, education, training and research.

North Eastern Development Finance Corporation

North Eastern Development Finance Corporation (NEDFI) was promoted by national level financial institutions like ICICI Ltd in 1995 at Guwahati of Assam for the development of industries, infrastructure, animal husbandry, agri-horticulture plantation, medicinal plants, sericulture, aquaculture, poultry and dairy in the North Eastern states of India. NEDFI is the premier financial and development institution for the North East Region.

Asset Reconstruction Company India Limited

Following the enactment of the Securitization Act in 2002, ICICI Bank together with other institutions set up Asset Reconstruction Company India Limited (ARCIL) in 2003 to create a facilitative environment for the resolution of distressed debt in India. ARCIL was established to acquire non-performing assets (NPAs) from financial institutions and banks with a view to enhance the management of these assets and help in the maximization of recovery. This would relieve institutions and banks from the burden of pursuing NPAs and allow them to focus on core banking activities.

Credit Information Bureau of India Limited

ICICI Bank has also helped in setting up Credit Information Bureau of India Limited (CIBIL). It is the India’s first national credit bureau in 2000. CIBIL provides a repository of information which contains the credit history of commercial and consumer borrowers to its members in
the form of credit information reports. The members of CIBIL include banks, financial institutions, state financial corporations, non-banking financial companies, housing finance companies and credit card companies.

**Institutional Investor Advisory Services India Limited (IIAS)**

ICICI Bank has invested in IIAS through ICICI Prudential Life Insurance Company. IIAS is a voting advisory firm aka proxy advisory firm dedicated to providing participants in the Indian market with data, research and commentary. It provides recommendations on resolutions placed before shareholders of over 300 companies.

**Products**

1. **My Savings Rewards**

   ICICI Bank has rolled-out the programme ‘My Savings Rewards’ from 1st September, 2012 where reward points are offered to individual domestic customers for a variety of transactions done through the savings bank account. Reward points are offered automatically to customers for activating [Internet banking, shopping online](#) or paying utility bills with Internet banking and auto-debit from savings account towards equated monthly installments for home loan or auto loan or personal loan recurring deposit. Customers are required to maintain a monthly average balance of 15,000 or more.

   Customers can redeem their reward points by:
   
   - Logging into his ICICI Bank internet banking account.,
   - Calling up customer care.,
Walking into the nearest ICICI Bank branch.

2. I-Wish - the flexible recurring deposit

I-Wish is a flexible recurring deposit product launched by ICICI Bank for its savings account customers. I-Wish is a fun and flexible way to encourage savings among youth for fulfilling aspirations. This flexible recurring deposit gives the customer same interest as a fixed deposit. Unlike a traditional recurring deposit, I-Wish allows customers to save varying amounts of money at any time of their choice. Customers can create several goals and track their progress on an easy-to-use online interface.

The customer can also share their wishes on Facebook and let their friends and family be a part of their dreams by contributing to their account from any bank account. There will be no penalties if a customer misses his monthly contribution to the recurring deposit. The minimum duration is six months and a customer can open his account starting with Rs. 500.

The key features of I-Wish are;

- Flexibility: Flexible recurring deposit allows a customer to deposit any amount at any point of time. Customers also have an option of depositing money by giving a standing instruction.
- Better returns: Customers can earn recurring deposit interest rates on their I-Wish account while enjoying the freedom of not having to deposit every month.
- Sharing: Customers can choose to share their wishes on Facebook and let their friends and family be part of their dreams.
✓ Contributions: I-Wish gives an opportunity to the family and friends of a customer to contribute and help him attain his aspirations faster. Contributions can be made from any bank account using a VISA debit card.

✓ ICICI Bank has developed this product in collaboration with Social Money.

Green Products and Services

A. Instabanking

It is the platform that brings together all alternate channels under one umbrella and gives customers the option of banking through Internet banking, i-Mobile banking, IVR Banking. This reduces the carbon footprint of the customers by ensuring they do not have to resort to physical statements or travel to their branches.

B. Vehicle Finance

As an initiative towards more environment friendly way of life, Auto loans offer 50% waiver on processing fee on car models which uses alternate mode of energy. The models identified for the purpose are Maruti's LPG version of Maruti 800, Omni and Versa, Hyundai's Santro Eco, Civic Hybrid of Honda, Reva electric cars, Tata Indica CNG and Mahindra Logan CNG versions.

Carbon Footprint Calculator

Inputs include region, user input of the distance traveled in a particular medium of transport daily, electricity consumed per month and LPG cylinder/piped natural gas used per month. It calculates the net carbon footprint to create awareness and sensitize people about the environment. It also shows the world's and India's average carbon footprint.

CSR Programmes for Elementary Education
Read to Lead Phase I:

Read to Lead is an initiative of ICICI Bank to facilitate access to elementary education for underprivileged children in the age group of 3–14 years including girls and tribal children from the remote rural areas. The Read to Lead initiative supports partner NGOs to design and implement programmes that mobilise parent and community involvement in education, strengthen schools and enable children to enter and complete formal elementary education. Read to Lead has reached out to 100,000 children across 14 states of Andhra Pradesh, Bihar, Delhi, Gujarat, Haryana, Jharkhand, Karnataka, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh and West Bengal.

Read to Lead Phase II:

In Phase II of the Read to Lead programme, ICICI Bank has supported the establishment of 63 libraries that will reach out to approximately 7,200 children in the rural areas of Jagdalpur block of Bastar district in Chhattisgarh. The programme includes building libraries, sourcing books and conducting various interactive activities to make the library a dynamic centre for learning.

Go Green Initiative

The Go Green Initiative is an organization wide initiative that moves beyond moving people, processes and customers to cost effective automated channels to build awareness and consciousness of our environment, our nation and our society.

Objective

ICICI Bank’s Green initiative is to understand and make healthy environment in the organization i.e., by create intrapersonal skills amongst the customer and employees of the organization.

Broad Objectives of the ICICI are:

1. To assist in the creation, expansion and modernization of private concerns,
2. To encourage the participation of internal and external capital in the private concerns,

3. To encourage private ownership of industrial investment.

**Human Resources**

The Bank’s Human Resources (HR) strategy is aligned to its corporate strategy. The four key elements of the HR strategy are:

1. Bringing the Khayaal Aapka promise alive for the Bank’s customers by weaving it into the Bank’s culture
2. Building a best in class retail deposit franchise
3. Building best in class risk management orientation and processes
4. Encouraging innovation orientation

**Business Overview**

The Bank is of the view that good service is integral to the quality of business generated when employees experience service orientation themselves; they would exemplify the same towards customers.

This led to the launch of “Saath Aapka” as the Bank’s promise to its employees, similar to the Khayaal Aapka promise to customers. Saath Aapka emphasizes five anchors:

- Growth & Learning
- Meritocracy
- Care
Enabling Environment

Winning Organization

In this context, the HR strategy is focused on:

**A culture of meritocracy & high performance balanced with sensitivity:**

The Bank is a caring meritocracy. While the leaders in the Bank are demanding when it comes to performance, they are also sensitive and caring towards their team members and colleagues. Treating others with respect, dignity and empathy are important aspects of the Bank’s culture. The leaders in the Bank support their team members during difficult times and invest their personal time to develop team members’ capabilities. Care and sensitivity are important behaviours that the Bank evaluates during the annual leadership potential assessment exercise. All HR policies and practices are underpinned by the Bank’s philosophy of being a caring meritocracy. The Bank has liberal leave policies which are aligned to cater to the life stage needs of the employees. The Bank provides specific leave for adoption, childcare, fertility treatment and maternity in addition to privilege leave, casual leave and flexible sick leave. The Bank has established a 24X7 emergency helpline to support employees and their family members. The Bank has launched Quick Response Teams (QRT) to assist women employees if they are in distress while commuting. Each QRT has a GPS-enabled vehicle, with a stretcher and other equipment, and a team trained to deal with medical and personal safety related emergencies. The Bank believes that the care, it shows towards employees, will motivate them to exhibit the philosophy of *Khayaal Aapka* while dealing with customers.

**Investing in pre-employment training and support structures for new recruits:**

It has been seen that the higher education system in India does not adequately prepare students with the requirements of the workplace and hence young employees often struggle in the initial years of their professional life. As a result, they suffer from low productivity leading to erosion in self-confidence which adversely impacts their performance. To address this challenge, the Bank decided to move to a model of
investing in young people and making them job-ready, even before they join the Bank. Further, the Bank broke the stereo type definition of talent, by identifying nascent talent in the hinterland of the country, beyond the metropolitan cities. This strategy, since its implementation in 2006, has enabled the Bank to build robust capacity for creating a steady pool of pre-trained, job-ready talent not only for itself but also for the banking & financial services sector. The Bank launched a number of industry-academia programmes such as the Institute for Banking, Finance & Insurance (IFBI) for entry-level jobs in customer service and operations; ICICI Bank Sales Academy for front line sales roles; ICICI Manipal Academy (IMA) for entry level managerial roles and ICICI Business Leadership Programmes for roles in risk management, wholesale banking, treasury and IT. All these programmes have significant focus on skill building through practice sessions in classrooms as well as structured internship in the Bank’s branches and offices. They provide inputs on the Bank’s products, norms, IT systems, service philosophy and the regulatory guidelines, equipping the new employees with required knowledge and skills even before they join the Bank. The various industry-academia programmes serve the twin objectives of acculturation and ensuring, first day-first hour productivity of the new hires. This investment in industry academia initiatives has made a significant impact on sales and customer service. This is reflected in the growth of the Bank’s retail franchise.

**Leveraging innovation and technology:**

Constant innovation and challenging the status quo have been key aspects of the Bank’s culture. Ideas that bring about change in order to continually improve, adapt and create competitive advantage are encouraged among all employees, irrespective of their position or function. Innovation at the Bank is a well-structured process and is nurtured by the Innovation Steering Committee. The Bank strives to offer innovative services to its customers by implementing new technologies in various areas. The Bank is credited with many Firsts in India such as internet banking, mobile banking, automated branches, Facebook banking and I-Wish. The recent Tab Banking initiative by the Bank is another First in the country. The Bank has leveraged technology and used innovative methods to assist employees to serve the customers effectively. It uses
game and simulation based training to develop service and transaction processing skills in employees. The Bank now provides real-time performance support to employees “Business Companion”, a smart phone/tablet based performance support tool for employees across business groups who need real time, on-the-go access to critical product and process related information. Easy access to product and process knowledge, while on the move, has helped the relationship teams and operations groups to reduce rework and strengthen our “leadership through service” proposition to the customers.

**Leadership depth at various levels:**

The Bank has a strong focus on leadership and talent development within the organization. The Bank believes in grooming and preparing internal talent for future leadership roles. At the senior management level, ICICI Bank ensures nurturing and building adequate cover for critical leadership roles. This is tracked through a Leadership Cover Index (LCI). In addition, the Bank has built a deep leadership bench for all critical positions up to the middle management level and sales, service and operations roles. An internal bench for such critical roles is created through placement of prospective incumbents as under study to these roles. This ensures continuity and facilitates a long term, steady association with customers. The Bank also leverages its internal, role-linked, functional training academies to provide the requisite knowledge and skills to employees, enhancing the pool of suitable successors for critical roles. These academies provide banking knowledge with focus on application-orientation. The Branch Banking Academy conducts the Branch Leadership Programme to train and certify eligible employees to assume leadership roles in branches. Skill through Drill, a 12-week video based programme is conducted for all branch employees to build skills in threshold service behaviours through regular practice and role plays. The Bank was first in the country to launch a unique programme called, “Service Assessor Programme”, for building service excellence in branches. Under this programme, service assessor’s video record live customer engagement by employees in 900 branches across the country for coaching and providing feedback on service skills and engagement behaviours. The Branches that exemplify the service ethos are felicitated during the celebration of the Spirit of Leadership Awards every year.
For employees in the sales function, the Bank has recently launched a structured career progression plan for high performing sales personnel called STAR (Sales Talent Acceleration and Recognition). Under this programme, a set of high performing sales personnel are select into the Probationary Officers’ programme of the Bank. The STAR program aims to inculcate strong relationship skills in the frontline managers for bringing to bear the *Khayaal Aapka* philosophy in every customer engagement. The availability of a deep leadership bench, at all levels, has been the key differentiator for the successful execution of the Bank’s strategy.

**Subsidiaries:**

**International**
- ICICI Bank UK PLC
- ICICI Bank Canada
- ICICI Bank Eurasia Limited Liability Company
- ICICI Securities Holdings Inc.
- ICICI Securities Inc.
- ICICI International Limited

**Domestic**
- ICICI Prudential Life Insurance Company Limited
• **ICICI Lombard** General Insurance Company Limited
• ICICI Prudential Asset Management Company Limited
• ICICI Prudential Trust Limited
• ICICI Securities Limited
• ICICI Securities Primary Dealership Limited
• ICICI Venture Funds Management Company Limited
• ICICI Home Finance Company Limited
• ICICI Investment Management Company Limited
• ICICI Trusteeship Services Limited
• ICICI Prudential Pension Funds Management Company Limited

**Acquisitions**

1. 1996: SCICI Ltd. A diversified financial institution with headquarters in Mumbai
2. 1997: ITC Classic Finance. Incorporated in 1986 and it was a non-bank financial firm that engaged in hire, purchase, and leasing operations. At the time of being acquired, ITC Classic had eight offices, 26 outlets, and 700 brokers.
3. 1998: Anagram Finance. Anagram had built up a network of some 50 branches in Gujarat, Rajasthan, and Maharashtra that were primarily engaged in retail financing of cars and trucks. It also had some 250,000 depositors.
4. 2001: Bank of Madurai

5. 2002: The Darjeeling and Shimla branches of Grind lays

6. 2005: Investitsionno-Kreditny Bank (IKB), a Russian bank

7. 2007: Sangli Bank. Sangli Bank was a private sector unlisted bank, founded in 1916, and 30% owned by the Bahte family. Its head quarter was in Sangli in Maharashtra, and it had 198 branches. It had 158 in Maharashtra and 31 in Karnataka, and others in Gujarat, Andhra Pradesh, Tamil Nadu, Goa, and Delhi. Its branches were relatively evenly split between metropolitan areas and rural or semi-urban areas.

8. 2010: The Bank of Rajasthan (BOR) was acquired by the ICICI Bank in 2010 for 3,000 Crores. RBI was critical of BOR's promoters not reducing their holdings in the company. BOR has since been merged with ICICI Bank.

**Awards**

2004

- Best Bank in India Award presented by Euromoney Magazine

2007

- ICICI Bank has been conferred the Euromoney Award 2007 for the Best Bank in the Asia-Pacific Region
- ICICI Bank wins the Excellence in Remittance Business award by The Asian Banker

2009

- ICICI Bank bags the "Best bank in SME financing (Private Sector)" at the Dun & Bradstreet Banking awards
2011

- ICICI Bank is the only Indian brand to figure in the BrandZ Top 100 Most Valuable Global Brands Report, second year in a row.
- ICICI Bank ranked 5th in the list of "57 Indian Companies", and 288th in World Rankings in Forbes Global 2000 list.
- ICICI Bank has won "Banking Technology Awards 2010" at The Indian Banks Association.
- ICICI Bank was recognized for its Special Citation of the Fully Electronic Branch Service Channel, first set up at Hiranandani Estate, Thane, at the Financial Insights Innovation Awards held in conjunction with Asian Financial Services Congress.
- For the second year in a row, ICICI Bank was ranked 70th in the Brand Directory league tables of the world’s most valuable brands by the Brand Finance® Banking 500.
- ICICI Bank was ranked 1st in the Banking and Finance category and 9th in the "2010 Best Companies To Work For" by Business Today.
- ICICI Bank UK, Hi-SAVE product range has been awarded the Consumer Money-facts Awards 2011 for the 'Best Online Savings Provider'.
- For the second consecutive year, ICICI Bank was ranked second in the "India's 50 Biggest Financial Companies", in The BW REAL 500 by Business World.
- ICICI Bank was one of the winners of the Global Awards for Enterprise & IT Architecture Excellence. ICICI Bank bagged the award in the 'Business Intelligence and Analytics' category.
- [The Brand Trust Report](#) ranks ICICI among the top 4 most trusted financial institutions.
- ICICI Bank was awarded "House of the Year (India)", by Asia Risk magazine, for the eighth time in a row since 2004.
ICICI Bank was awarded the most Tech-friendly Bank award by Business World.

ICICI Bank received the Best Trade Finance Bank in India by The Asset Triple A Award, Hong Kong.

2012

Airtel, ICICI among 'top 100 global brands'.

ICICI Bank won the "Best Bond House (India) 2011", by IFR Asia.

ICICI Bank was awarded as the Best Bank (India) by Global Finance.

ICICI Bank won the "Century International Quality Era Award" at Geneva.

ICICI Bank was awarded the "Best Foreign Exchange Bank (India)" by Finance Asia Country Awards.

ICICI Bank received the "Dataquest Technology Innovation Awards 2012" for Data centre migration by Dataquest.

ICICI Bank was conferred the Best Performance Award for Self Help Group (SHG) Bank Linkage Programme in NABARD's State Level Awards announced by their Maharashtra Regional Office. The Bank received the first prize for the year 2010-11 in the Private Sector Bank category and 2nd runner up for the year 2011-12 in the Commercial Bank category.

For the second consecutive year, ICICI Bank won the NPCI's NFS Operational Excellence Awards in the MNC and Private Sector Banks Category for its ATM network.

Mr. K.V. Kamath was awarded the "Hall Of Fame" by Outlook Money for his long standing contribution in the financial services sector.

ICICI Bank won the Best Bank - India Award by The Banker.
• Ms. Chanda Kochhar ranked 18th in the Fortune's list of '2012 Business Persons of the Year'. The 50 global leaders is Fortune's annual ranking of leaders who are "the best in business".

• Ms. Chanda Kochhar tops the list of "50 Most Powerful Women in Business" by Fortune India.

• ICICI Bank tops the list of "Private sector and Foreign Banks" by Brand Equity, Most Trusted Brands 2012. It ranks 15th in the "Top Service 50 Brands".

• For the third consecutive year, ICICI Bank ranked second in "India's 50 Biggest Financial Companies" in The BW Real 500 by Business World.

• For the second year in a row, Ms. Chanda Kochhar, Managing Director & CEO was ranked 5th in the International list of 50 Most Powerful Women in Business by Fortune.

• ICICI Bank tops the list of most fans in India and globally ranks fifth amongst financial institutions on Facebook in the social media engagement study conducted by Ketchum Sampark.

• ICICI Bank in the Private Sector Bank category won the Best Technology Bank of the Year, Best Financial Inclusion Initiative and Best Use of Technology in Training and e-Learning by Indian Bank's Association (IBA) Technology Awards. The Bank also received the first runner up for Best Online Bank, Best Customer Relationship Initiative and Best Use of Mobility Technology in Banking by IBA Technology Awards.

• ICICI Bank was awarded the Best SME Bank for Treasury and Working Capital (India) by The Asset Triple A.
• ICICI Bank received the Best Trade Finance House and Best Cash Management House by The Corporate Treasurer Alliance Country Awards.

• ICICI Bank was awarded the Best Private Sector Bank in Global Business Development, Rural Reach and SME financing categories by Dun & Bradstreet - Polaris Financial Technology Banking Awards.

2013

• ICICI Bank was awarded the Most Admired Infrastructure Debt Financer and PPP Project of the Year: Yamuna Expressway Project, in the 5th KPMG Infrastructure Today Awards by ASAPP Media Information Group

• ICICI Bank Limited has been conferred the Best Remittance Business award at The Asian Banker's International Excellence in Retail Financial Services 2013 Awards ceremony.

• ICICI Bank was honoured with Medici Innovation Hall of Fame Award, instituted by The Medici Institute in collaboration with the Medici Group, USA.

• ICICI Bank and its IT partner Fund-tech won The Asian Banker Technology Implementation Award for the Convergence Banking project from Asian Banker.

• Ms. Chanda Kochhar, MD & CEO, was ranked as the most powerful business woman in India in Forbes' list of 'The World's 100 Most Powerful Women 2013'.

• Ms. Chanda Kochhar, MD & CEO was also featured in the Power List, 2013 of 25 most powerful women in India by India Today, for the third year in a row.
• ICICI Bank won an award under the Social Media category at the InformationWeek EDGE Award.

Controversies

A. Inhuman debt recovery methods

A few years after its rise to prominence in the banking sector, ICICI bank faced allegations on the recovery methods it used against loan payment defaulters. A number of cases were filed against the bank and its employees’ for using "brutal measures" to recover the money. Most of the allegations were that the bank was using goons to recover the credit card payments and that these "recovery agents" followed wrongful practices and inhuman behaviour in some cases. Incidents were reported wherein the defaulters were put to "public shame" by the recovery agents.

The bank also faced allegations of inappropriate behaviour in recovering its loans. These allegations started initially when the "recovery agents" and bank employees started threatening the defaulters. In some cases, notes written by the bank's employees asking the defaulters to "sell everything in the house including family members", were found. Such charges faced by the bank rose to a peak when suicide cases were reported wherein the suicide notes spoke of the Bank's recovery methods as the cause of the suicide. This led to a lot of legal battles and the bank paying huge compensations.
B. Money laundering allegations

ICICI Bank was one of the leading Indian banks accused of blatant money laundering through violation of RBI guidelines in the famous Cobra Post sting operation which shook up Indian banking industry during April–May 2013. On 14 March 2013 the online magazine, Cobra post released video footage from Operation Red Spider showing high-ranking officials and some employees of ICICI Bank agreeing to convert black money into white, an act of violation of Money Laundering Control Act. The Government of India and Reserve Bank of India ordered an inquiry following the exposé. On 15th March, 2013, ICICI Bank suspended 18 employees, pending inquiry. On 11th April, 2013, Deputy Governor of RBI, H R Khan reportedly told that the central bank is initiating action against ICICI Bank in connection with allegations of money laundering.

C. Credit Rating

On account of the growing concerns over India's sovereign debt ratings, credit ratings agency, Moody's lowered the ratings for ICICI Bank from Baa3 to Baa2 in May, 2012.

Table-2.9: Board of Directors - List of Directors on the Central Board

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr. K. V. KAMATH</td>
<td>Chairman</td>
</tr>
<tr>
<td>No.</td>
<td>Name</td>
<td>Position</td>
</tr>
<tr>
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</tr>
<tr>
<td>2</td>
<td>Mrs. CHANDA KOCHHAR</td>
<td>Managing Director &amp; CEO</td>
</tr>
<tr>
<td>3</td>
<td>Mr. N. S. KANNAN</td>
<td>Executive Director</td>
</tr>
<tr>
<td>4</td>
<td>Mr. K. RAMKUMAR</td>
<td>Executive Director</td>
</tr>
<tr>
<td>5</td>
<td>Mr. RAJIV SABHARWAL</td>
<td>Executive Director</td>
</tr>
<tr>
<td>6</td>
<td>Mr. DILEEP CHOKSI</td>
<td>Director</td>
</tr>
<tr>
<td>7</td>
<td>Mr. HOMI R. KHUSROKHAN</td>
<td>Director</td>
</tr>
<tr>
<td>8</td>
<td>Mr. M.S. RAMACHANDRAN</td>
<td>Director</td>
</tr>
<tr>
<td>9</td>
<td>Dr. TUSHAAR SHAH</td>
<td>Director</td>
</tr>
<tr>
<td>10</td>
<td>Mr. V. K. SHARMA</td>
<td>Director</td>
</tr>
<tr>
<td>11</td>
<td>Mr. V. SRIDAR</td>
<td>Director</td>
</tr>
<tr>
<td>12</td>
<td>Mr. ARVIND KUMAR</td>
<td>Director</td>
</tr>
</tbody>
</table>

Figure – 2.6
ORGANIZATION CHART AT NATIONAL LEVEL

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Joint M.D & C E O

Deputy M.D

SGM-Risk Management

GM Accounts & Taxation

GM HRD

GM Secretarial Custodial Services

SAP-Central Operations Group-MIS

SGM Legal

SGM Treasury

Major Client Group

SGM Personal Financial Services

SGM Growth Client Group

GM IT

GM M & A

MG Treasury Investments

GM -Western Region

GM-Northern Region

GM-Corporate Marketing

GM Oil & Gas

GM MCG

GM Infrastructure Group

Source: www.icici.com
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