CHAPTER – III

GROWTH AND WORKING OF SBI AND KVB

"Our growth depends not on how many experiences we devour, but on how many we digest."

- Ralph W. Sockman
CHAPTER – III
GROWTH AND WORKING OF
STATE BANK OF INDIA AND KARUR VYSYA BANK

In this chapter an attempt has been made to discuss the growth and operational aspects of the two selected banks under study viz. State Bank of India and Karur Vysya Bank Limited. This chapter also covers the technological developments in the working of these two banks.

In India, commercial banking has about 200 years of its existence. Though one could trace the history of banking from the 19th century, the beginning of last century saw the birth of many banks in certain parts of the country set up by people with vision and national spirit.

BANKING SECTOR – AN OVERVIEW:

The evolution of the modern commercial banking in India can be traced to 1786 with the establishment of Bank of Bengal in Calcutta. Three presidency banks were set up in Calcutta, Bombay and Madras. In 1860, the limited liability concept was introduced in banking, resulting in the establishment of joint stock banks like Allahabad Bank Limited, Punjab National Bank Limited, Bank of Baroda Limited and Bank of India Limited. In 1921, the three presidency banks were amalgamated to form the Imperial Bank of India, which took on the role of a commercial bank, a bankers' bank and a banker to the government. The establishment of the RBI as the central bank of the country in 1935 ended the quasi-central banking role of the Imperial Bank of India. In order to serve the economy in
general and the rural sector in particular, the All India Rural Credit Survey Committee recommended the creation of a state-partnered and state-sponsored bank taking over the Imperial Bank of India and integrating with it, the former state-owned and state-associate banks. Accordingly, the State Bank of India ("SBI") was constituted in 1955. Subsequently in 1959, the State Bank of India (Subsidiary Bank) Act was passed, enabling the SBI to take over eight former state-associate banks as its subsidiaries. In 1969, 14 private banks were nationalized followed by six private banks in 1980. Since 1991 many financial reforms have been introduced substantially transforming the banking industry in India.

**Structure of the Banking Sector in India:**

Prior to 1991, India's banking system was almost entirely owned by the Government, with the exception of 22 private sector banks (which were considered too small to be nationalized) and the foreign banks. After the economic crisis in 1991, the process of financial reforms has resulted in the banking system moving from a totally administered sector into a more market-driven system. This was a result of the recommendations contained in the report of the Narasimham Committee set up in 1991.

In line with the established objectives of the banking industry reforms which include improving the macro economic policy framework, improving the financial health and competitive position of banks, building the financial infrastructure relating to supervision, audit technology and legal framework and improving the level of managerial competence and quality of human resources, the reforms include progressive tightening of
prudential norms for asset quality and capital adequacy in line with international norms, deregulation of interest rates, reducing the statutory co-option of bank deposits to finance Government deficits, liberalizing the entry norms for new intermediaries, and the development of new institutions (for trading, clearing and settlement of debt market transactions, forex and derivative instruments, credit information bureaus and asset reconstruction companies). The key drivers for this success within the Indian Banking industry have been a clear focus on the emerging opportunities in retail banking, technology architecture, relationship-based approach in Corporate/Treasury, Capitalization and a Quality Management Team.

The formal banking system in India comprises the RBI, Commercial Banks, Regional Rural Banks and the Cooperative banks. In the recent past, private non-banking finance companies also have been active in the financial system, and are being regulated by the RBI.

i) Central Bank in India:

The Reserve Bank of India (RBI) is the central banking and monetary authority in India. The RBI manages the country's money supply and foreign exchange and also serves as a bank for the Government of India and for the country's commercial banks. In addition to these traditional central-banking roles, the RBI undertakes certain developmental and promotional roles. The RBI issues guidelines on various areas including exposure standards, income recognition, asset classification, provisioning for non-performing assets, investment valuation and capital
adequacy standards for commercial banks, long-term lending institutions and non-bank finance companies. The RBI requires these institutions to furnish information relating to their businesses to the RBI on a regular basis. The Scheduled Commercial Banks (SCBs) consist of 28 public sector banks (State Bank of India and its seven associates, nationalized banks and other public sector bank (one)), 9 new private sector banks, 20 old private sector banks and 31 foreign banks.

ii) Public Sector Banks

Public sector banks make up the largest category of banks in the Indian banking system. Nationalized banks are governed by the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970 and 1980. The banks nationalized under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980 are referred to as "corresponding new banks". The Bank was constituted as a corresponding new bank in relation to the then Union Bank of India Limited under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970. At the end of March 2005, public sector banks had 47,320 branches and accounted for 74% of the aggregate deposits and 70.47% of the outstanding gross bank credit of the scheduled commercial banks in India.

iii) Private Sector Banks

After bank nationalization was completed in 1969 and 1980, the majority of Indian banks were public sector banks. Some of the existing private sector banks, which showed signs of an eventual default, were merged with state-owned banks. In July 1993, as part of the banking
reform process and as a measure to induce competition in the banking sector, RBI permitted entry by the private sector into the banking system. This resulted in the introduction of nine private sector banks. These banks are collectively known as the new private sector banks. There are nine "new" private sector banks operating at present. In addition, 20 private sector banks existing prior to July 1993 were operating as at March 31st, 2005.

iv) Foreign Banks

At the end of March 2005, there were 31 foreign banks with 220 branches operating in India, accounting for 4.40% of aggregate deposits and 6.60% of outstanding gross bank credit of scheduled commercial banks. The Government of India (GOI) permits foreign banks to operate through (i) branches; (ii) a wholly owned subsidiary; or (iii) a subsidiary with aggregate foreign investment of up to 74% in a private bank. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made consumer financing a significant part of their portfolios. These banks offer products such as automobile finance, home loans, credit cards and household consumer finance. The GOI in 2003 announced that wholly owned subsidiaries of foreign banks would be permitted to incorporate wholly owned subsidiaries in India. Subsidiaries of foreign banks will be required to adhere to all banking regulations, including priority sector lending norms, applicable to domestic banks. In March 2004, the Ministry of Commerce and Industry, GOI announced that the foreign direct
investment limit in private sector banks has been raised to 74% from the existing 49% under the automatic route including investment by FIIIs. The announcement also stated that the aggregate of foreign investment in a private bank from all sources would be allowed up to a maximum of 74% of the paid up capital of the bank. The RBI in July 2004 issued a Draft Policy on Investment and Governance in Private Sector Banks, which set out certain broad principles underlying the framework relating to ownership of private sector banks.

v) Co-operative Banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In light of the liquidity and insolvency problems experienced by some cooperative banks in fiscal 2001, RBI undertook several interim measures to address the issues, pending formal legislative changes, including measures related to lending against shares, borrowings in the call market and term deposits placed with other urban cooperative banks. RBI is currently responsible for the supervision and regulation of urban cooperative societies, the National Bank for Agriculture and Rural Development, state co-operative banks and district central co-operative banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 (which came into effect as of September 24, 2004), specifies that all co-operative banks are under the supervision and regulation of RBI.
GROWTH AND WORKING OF STATE BANK OF INDIA:

(i) Evolution:

The State Bank of India, the country's oldest bank and a premier in terms of balance sheet size, number of branches, market capitalization and profits remains among our best players in the Indian economy. The origin of the Bank goes back to the first decade of the 19th century with the establishment of the Bank of Calcutta in Calcutta on June 2, 1806. After three years, the bank received its charter and was renamed as the Bank of Bengal and it became a unique institution, which was the first joint stock bank of British India. The Bank of Bombay and the Bank of Madras followed by the Bank of Bengal are the three banks remained at the apex of modern banking in India till their amalgamation as the Imperial Bank of India on January 27, 1921. In 1955, the controlling interests of the Imperial Bank of India were acquired by the Reserve Bank of India and the State Bank of India was created by an Act of Parliament to succeed the Imperial Bank of India.

The State Bank of India over the years has richly merited its status as the flagship of Indian banking and continues in its endeavor to achieve the objective of its Mission. It has been in the forefront in all areas of banking – traditional, developmental and diversified. In several fields, the bank has pioneered innovative measures and contributed significantly to the growth of the Indian economy by improving its profitability and operating efficiency over the years. It has been taking new initiatives with the changing economic environment and is poised to be the premier Indian
financial services group with global perspective and world class standard of efficiency as it enters the new millennium. The bank is entering into many new businesses with strategic tie ups – Pension Funds, General Insurance, Custodial Services, Private Equity, Mobile Banking, Point of Sale Merchant Acquisition, Advisory Services, structured products etc. It is the only Indian Bank to find a place in the Fortune Global 500 List.

(ii) Official Language:

The bank complied with the statutory requirements relating to the official language policy. Several training programs and workshops were conducted for its officials at various levels. During the period of study, bilingual core banking software viz., 'Bank-master' has been started. Parliamentary Committee on Official Language visited some branches and expressed satisfaction in the progress of using official language in the bank. Several efforts were also made to popularize and use of official language among the members of the staff.

SBI's In-House Hindi magazine 'Praya' has once again bagged first Prize for the year 2005-06 among the In-House Hindi magazine competition for Public sector Banks/ Financial Institutions conducted by Reserve Bank of India, for the third consecutive year. Facility for transacting on SBI's ATMs in respective regional languages, Hindi and English is available. SBI's ATM Card is also issued to customers in bilingual format. News related to banking and finance and templates of letters and forms of repetitive nature in Hindi, general noting in Hindi, Hindi equivalents of new terms of banking and finance, Hindi teaching and
training material are also available on SBI's intranet 'SBI Time', which is helping in increased usage of Hindi in the Bank. A software enabling printing of reports in Hindi in Bank Master Branches is also available.

(iii) Vision, Mission and Values:

(a) Vision:

- to become premier Indian financial services group with global perspective, world class standards of efficiency and professionalism and core institutional values.
- to retain its position in the country as a pioneer in Development Banking.
- to maximize the shareholder value through high-sustained earnings per share.
- to make the institution with a culture of mutual care and commitment, a satisfying and exciting work environment and continuous learning opportunities.

(b) Mission:

To retain the position of the bank as a premier Indian financial services group, with world class standards and significant global business, committed to excellence in customer, shareholder and employee satisfaction, and to play a leading role in the expanding and diversifying financial sector, while continuing emphasis on its development banking role.

(c) Values:

- Excellence in customer service
- Profit orientation
- Belonging and commitment to the Bank
- Fairness in all dealings and relations
- Risk taking and innovation
- Team spirit
- Learning and Renewal
- Integrity
- Transparency and discipline in all policies and systems.

(iv) Organization Structure:

The Bank has its corporate office at Mumbai and its domestic operational area is divided into 14 Circles, each with one Local Head Office (LHO) and a few Zonal and Regional Offices. The same phenomenon has been shown in Figure 3.1. The Bank management consists of the Chairman, group executives for National Banking Group, Corporate Banking Group, International Banking Group and Associates and Subsidiaries, four staff functionaries in charge of finance, credit, human resource and technology management and inspection and audit.

The Central Board has constituted eight Committees of Directors, viz., Executive Committee, Audit Committee, Shareholders' / Investors' Grievance Committee, Risk Management Committee, Special Committee for Monitoring of Large Value Frauds (Rs.1crore and above), Customer Service Committee, Technology Committee and Committee on Rural Sector Business.

(v) Control System:

The State Bank of India has built-in internal control systems. The operations of the branches are controlled by the Regional Offices, which in turn are controlled by the Zonal Offices. The General Managers control the
operations of the Zonal Offices and Chief General Managers at the Local Head Office level. Local Head Offices come under the direct control of the Corporate Center. Besides, the bank has an elaborate system of Inspection and Audit, and Management Audit covering various functions.

(vi) Indian Associates and Subsidiaries:

A network of eight Indian banking subsidiaries of the bank, comprising seven associate banks and SBI Commercial and International Bank Ltd., are engaged in the business of commercial banking in the country. The bank also provides financial services through its non-banking subsidiaries, including merchant banking services, fund management, factoring services, primary dealing in government securities, credit cards and Insurance.

(vii) Financial Resources:

The SBI was the first public sector bank that captured the domestic capital market in 1994 to shore up its capital base. In the year 1994, the bank raised an amount of Rs. 22,104 million through the issue of unsecured redeemable subordinate floating bonds. During the year 2000-01, the bank augmented its Tier-II capital by private placement of unsecured, redeemable, subordinated bonds aggregating to Rs. 25 billion. The Reserve Bank of India is the single largest shareholder of the bank. The SBI's shares and bonds are listed for trading on all the major Indian stock exchanges.
### Figure 3.1: Geographical location of LHOs and ZOs of SBI.

<table>
<thead>
<tr>
<th>Circle</th>
<th>Local Head Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahmedabad</td>
<td>Ahmedabad</td>
</tr>
<tr>
<td>Bangalore</td>
<td>Bangalore</td>
</tr>
<tr>
<td>Bengal</td>
<td>Kolkata</td>
</tr>
<tr>
<td>Bhopal</td>
<td>Bhopal</td>
</tr>
<tr>
<td>Bhubaneswar</td>
<td>Bhubaneswar</td>
</tr>
<tr>
<td>Chandigarh</td>
<td>Chandigarh</td>
</tr>
<tr>
<td>Chennai</td>
<td>Chennai</td>
</tr>
<tr>
<td>Delhi</td>
<td>New Delhi</td>
</tr>
<tr>
<td><strong>Hyderabad</strong></td>
<td><strong>Hyderabad</strong></td>
</tr>
<tr>
<td>Kerala</td>
<td>Thiruvananthapura</td>
</tr>
<tr>
<td>Lucknow</td>
<td>Lucknow</td>
</tr>
<tr>
<td>Mumbai</td>
<td>Mumbai</td>
</tr>
<tr>
<td>North East</td>
<td>Guwahati</td>
</tr>
<tr>
<td>Patna</td>
<td>Patna</td>
</tr>
</tbody>
</table>

- **Zonal Offices under Hyderabad Circle (Andhra Pradesh)**
  1. HYDERABAD
  2. VISAKHAPATNAM
  3. TIRUPATI
  4. VIJAYAWADA

Source: [www.statebankofindia.com](http://www.statebankofindia.com)
Figure 3.2: Structure of the Corporate Office of SBI
Figure 3.3: Structure of the Local Head Office of SBI
Structure of the Local Head Office of SBI (Contd...)

Chief General Manager

General Manager - 1

Modules

NPA Management + Added Function Rehabilitation Cell

CM (IB)

Head (DGM)
Personal Banking
1. Retail Assets
2. Mass Affluent
3. Customer Service

Head # (AGM)
Government Business

Direct Branches

CM (GB)

CM (P & HR)

Head (DGM)
SME Segment
1. Manufacturing
2. Services
3. Consultancy
Services Cell – Manufacturing and Services Components

AGM (Agri.)
if contributes 20% or more
Agri. business

General Manager - 2

Modules

NPA Management + Added Function Rehabilitation Cell

CM (IB)

CM (P & HR)

Head (AGM)
Personal Banking

Head (AGM)
SME

Direct Branches

CM (GB)

Support Functions
CCFO, CDO, BPR, Vigilance, PR & Community Services

# Position will support both GMs wherever
Structure of the Local Head Office of SBI (Contd...)
At the end of March 2002, the bank has a network of 9,034 branches with Rs. 2,70,560 crores of deposits and an amount of Rs. 1,20,806 crores of loan. Where as the value of total assets of the bank on that date is Rs. 3,48,228 crores and earned a net profit of Rs. 2,432 crores. However, at the end of March 2007, the bank has a network of 9,517 branches with Rs. 4,35,521 crores of deposits and an amount of Rs. 3,37,336 crores of loan. Where as the value of total assets of the bank on that date is Rs. 5,66,565 crores and earned a net profit of Rs. 4,541 crores.

(viii) Branch Network:

At present, the bank has a nationwide network of 10,001 branches, by far the largest network of any bank in India. The domestic branches of the bank represent approximately 15 per cent of all bank branches in India. About 45 per cent of the bank branches are located in rural areas, 27 per cent in semi-urban areas and 16 per cent and 12 per cent are located in urban and metropolitan areas respectively.

(ix) Staff Strength:

At the end of March 2002, the SBI had total strength of 2,09,462 of staff members, of which 25.5% are officers, 48.9% are clerical staff, and the remaining 25.6% is sub-staff. However, on the 31st March 2007 the Bank had total staff strength of 1,85,388. Of this, 29.99% are officers, 43.73% clerical staff and the remaining 26.28% was sub-staff. Therefore, there was a huge reduction of workforce (24,074) in this public sector bank during the period of study and the average employee turnover per annum is 4815.
x) Persons with disabilities (PWD) Act 1995:

SBI provides reservation to persons with disabilities (PWDs) as per the guidelines of the Government of India and section 33 of the PWD Act 1995. The total number of persons with disabilities who were employed as on 31.03.2007 was 1179. Table 3.1 shows the division of PWDs among the human resources in this public sector bank.

Table 3.1: Distribution of Persons With Disabilities in the SBI

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Strength</th>
<th>No. of persons with Disabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officers</td>
<td>55599</td>
<td>290</td>
</tr>
<tr>
<td>Clerical</td>
<td>81080</td>
<td>635</td>
</tr>
<tr>
<td>Sub-staff</td>
<td>48709</td>
<td>254</td>
</tr>
<tr>
<td>Total</td>
<td>185388</td>
<td>1179</td>
</tr>
</tbody>
</table>

xi) International Banking:

The bank is also engaged in international banking operations for its Indian customers. At the end of March 2002, the bank has foreign offices in 31 countries with a network of 51 branches. The Bank also maintains comprehensive correspondent relationship with 591 top ranking banks in 126 countries. As on 31.03.2007, the Bank has a network of 83 overseas offices spread over 32 countries covering all time zones.
xii) Customer Service:

In SBI, a number of initiatives were launched to intensify focus on customer service. These include conducting of Open House or Town Hall Customer Meets with participation by Circle Management; 'Operation Samay' at branches to ensure that counters open for business before time and drawing up of ground rules for customer service for operating staff. Customers were encouraged to provide frank and honest feedback on services at Open House Meets. The Bank became a member of the Banking Codes and Standards Board of India (BCSBI) in September 2006. The Bank has thereby adopted the BCSBI's Code of Bank's Commitments to Customers as the Fair Practice Code for implementation at all its branches. The Bank has also appointed Code Compliance Officers at all its Local Head Offices. The Bank places importance not only to redress customer grievances but also in identifying systemic/attitudinal issues, if any, that lead to a high frequency of complaints in particular areas and in rectifying them.

In the recent Customer Loyalty Survey 2006-07 conducted by Business World, SBI has been ranked 'No.1' in all the parameters of Customer Satisfaction, Service Orientation, Customer Care/Call Center, Customer Loyalty and Home Loans.

xiii) Vigilance System:

Vigilance Department of the SBI oversees the primary aspect of preventive vigilance. Preventive vigilance committees have been set-up at
all branches, where the staff strength exceeds 20. Training programs on preventive vigilance are regularly conducted at the SBI training centers. During the period of study, the Bank organized 65 training programs on preventive vigilance, covering 1,561 participants, emphasizing meticulous compliance with systems and procedures. Training programs were also organized for investigating officers, inquiry officers and presenting officers.

A conference of senior vigilance officers was organized in the corporate center to review vigilance cases, speed-up their disposal and share information between the circles and corporate center. A workshop on vigilance awareness for branch managers was also conducted at all local head offices and 400 branch managers attended the workshop. A vigilance newsletter, covering vigilance matters in general and focusing on preventive vigilance in particular was also brought out.

xiv) Grievances Redressal:

In order, to effectively redress the grievances of the SC/ST employees of the bank liaison officers have been designated at all administrative offices of the Bank. Senior Officials hold regular meetings at periodical intervals with the representatives of the SC/ST Welfare Federation and SC/ST Welfare Association at the corporate office and LHOs. Workshops on reservation policy are also conducted for the benefit of the officials at SC/ST Cells, Liaison Officers and representatives of SC/ST Welfare Associations. In addition, the bank conducts pre-recruitment and pre-promotion training programs to enable the SC/ST
candidates for effectively competing with open category in recruitment, promotion and foreign assignments.

**xv) Union – Management Relations:**

There are two trade unions in the SBI. Officers have their registered association called 'State Bank Officers Association' and employees have their own registered union named as 'State Bank Employees Union'. These trade unions are affiliated to the national level unions namely 'All India Bank Officers Association (AIBOA)' and 'All India Bank Employees Unions (AIBEU)' respectively. The extensive configuration and a regular operation of their subsidiaries prove that the trade unions have commendable position in the organization than that of any other public sector bank. In many issues the management of SBI finds it relevant to consult the unions and implement their recommendations wherever it is necessary. Various functions of the unions include negotiations with the management regarding the issues on office procedures, employee grievances, job rotations, disciplinary actions, fund requirements for quality circles, pay structures and revisions, welfare provisions, etc.

In the area of industrial relations, the State Bank of India aims at developing a collaborative culture and resolving issues through joint consultations/negotiations. Well-established and on-going consultative machinery is functioning at various levels of the administration of the bank for achieving these objectives.
xvi) Technology Updation:

The Bank crossed many milestones in technological improvement. Electronic Nostro Account Reconciliation (ELENOR) and State Bank Electronic Payment Systems (STEPS) came into operation in December 2000 and January 2001 respectively. Both the projects were conceived, developed and implemented with in-house expertise, and the success was widely acclaimed. ELENOR, dealing with on-line 'nosto' account reconciliation, enabled online reporting of forex transactions from 444 forex intensive branches. 'STEPS' was launched to facilitate instantaneous electronic transfer of funds; its present coverage is 629 computerized branches. At the end of June 2002, 3091 fully computerized branches among 1012 centers came into being to cater over 80 per cent of the business of the bank.

Nationwide videoconference launched by the bank on the January 5, 2002, between 24 locations – the country's largest videoconference network. With the addition of video conferencing, bank has signed the break down of time-distance barriers, and brought about a greater synergy between operations and strategic planning to further strengthen its predominant position in customer service, market share, profit and technology driven products and services.

xvii) New Initiatives in Information Technology:

SBI is pursuing an aggressive IT policy as a strategic initiative to meet the growing competition for business and market share, achieve efficiency in internal operations, and meet customer expectations. With
this end in view, several initiatives were undertaken, viz. ATM Project, where ATMs are now also enabled to pay utility bills, and college fees, book air-line tickets, accept donations etc. Further, bilateral sharing of ATMs was extended to thirteen banks, covering 15,700 ATMs, and an MOU has been signed with the Indian Railways for installing ATMs at 682 railway stations.

Implementation of the plan is in progress with rolling out of Internet Banking facility for both retail and corporate customers and networked ATMs for customers at branches across the country. Under the plan, to roll out a Wide Area Network (WAN) connecting 1500 branches in 49 cities across the country, the bank has selected 'Datacraft'. The WAN would enable implementation of the Centralized Core Banking solution, selected by the bank to be procured from 'FNS', Australia. The implementation of the Core Banking solution has been entrusted to 'Tata Consultancy Services' (TCS). Core banking solution will provide the state-of-the-art anywhere, anytime banking for the customers. The State Bank of India has also selected 'Reuters-Unisys's Solution' for Treasury Operations and 'Oracle Financial' for asset liability management. The roll out of these solutions is under process.

Core Banking Solution (CBS) presently covers 72 million accounts, and more than 85% of the bank's business. Finacle Project for Treasury and Core Banking Solution has been implemented at 73 foreign offices in 22 countries, along with Internet Banking at all foreign offices. Further, Internet Banking has been implemented at 4841 domestic branches, and
used by retail banking customers for utility bill payment and booking of Rail and Air tickets.

The technology initiatives would result in a) improved productivity, b) reduced time-to-management in MIS, c) better risk management, d) efficient tracking of NPAs, e) regulatory compliance, f) swifter reaction to market changes and customer needs, and g) reduction in transaction costs. The initiative would make the bank more customer-centric and provide it the ability to extend services like a) any-where, any-time and any-channel banking, b) single view across channels, c) customer relationship management, and d) flexibility and swiftness in product design and delivery apart from improving efficiency in customer service.

xviii) Achievement of Technological Advancements:

SBI's Information Technology Program aims at achieving efficiency in operations, meeting customer and market expectations and facing competition. The achievements of the bank are:

a) Full Branch Computerization: There are over 4500 fully computerized branches handle 85 per cent of the domestic business of the bank. This strategy has enabled improved customer service, efficiency in housekeeping and improvement in base level customer services like prompt interest application, accurate book keeping and computerized passbook printing.

b) ATM Services: There are over 8500 ATMs on the SBI ATM Network. These ATMs are spread across the length and breadth of the country, thereby, creating a truly national network of ATMs with an unparalleled
reach. Value added services like ATM locator, payment of fees for college students, multi-lingual screens, voice over and withdrawal of cash advance by SBI credit cardholders have been introduced.

c) Internet Banking: This on-line channel enables customers' access to their account information and initiate transactions on a 24x7, boundary less basis. Today, there are 4841 branches of the bank, which are extending net banking service to their customers. All functionalities other than cash and clearing have been extended to individual retail customers. Bulk upload of data for corporate, Inter-branch funds transfer for retail customers, Electronic Bill Presentment and Payment, SMS Alerts and E-Poll are the new features deployed during May 2003.

d) Technology Award:

SBI has been conferred with the 'Special Award for Excellence in Banking Technology' by the 'Institute For Development & Research In Banking Technology' (IDRBT), Hyderabad in recognition of the bank's performance in branch computerization, network of infrastructure, technology application and overall technology absorption for operational efficiency and customer service.

xix) Community Service:

Apart from the normal Banking operations, the Bank, as a responsible and responsive corporate citizen, seeks to reinvest part of its profit in various community welfare projects to improve the quality of the life of the poor, neglected, weaker and downtrodden sections of society.
During the period of study, the bank made donations amounting to Rs. 2.6 crores of which Rs. 2.4 crores to the NGOs for projects with social orientation and Rs.0.2 crores to the Chief Ministers' Relief Fund. From the Research and Development Fund, the bank has so far extended Rs.6.61 crores as research grants to 71 chairs/research projects at various universities and academic institutions. Under the SBI Children Welfare Fund, the bank granted Rs. 8.55 lakhs to 18 projects through various NGOs for the benefit of underprivileged/handicapped children. Further, the bank's staff made a donation of Rs. 11.64 crores to the Prime Minister Relief Fund for the relief of victims in Gujarat earthquake.

GROWTH AND WORKING OF KARUR VYSYA BANK

i) Evolution:

The Karur Vysya Bank Limited popularly known as KVB was set up in 1916 by two great visionaries and illustrious sons of Karur, the Late Shri M A Venkatarama Chettiar and the Late Shri Athi Krishna Chettiar. The very fact behind the establishment of this bank is to inculcate savings habit and to provide financial assistance to traders and small agriculturists in and around Karur, a textile town in Tamil Nadu.

The Bank is presently professionally managed. The Chairman of the bank is a professional banker appointed by the Board with the prior approval of Reserve Bank of India. The Chairman is entrusted with the management of the affairs of the bank and he exercises his powers subject to the superintendence, control and directions of the Board of Directors. The day to day affairs are looked after by the whole time
Chairman and other executives who are professionals with banking experience. The Registered and Central Office of the Bank is located at Karur in the State of Tamil Nadu.

The goal of the bank is growth and extension of technology driven facilities to meet the ever growing needs of clientele resulting to higher profits and thus satisfying its stakeholders viz. shareholders, depositors, customers, employees and the society. In order to attain the visualized goal, the bank lays emphasis on maintaining its image of sound banking system built up on high level of ethical conduct.

Though the Bank had a very humble beginning with Rs.1 lakh Capital, the Bank had borne myriad changes and challenges in the past decades so fruitfully and profitably to emerge as one of the leading banks in India with strong and healthy fundamentals. Recently, the Bank is rated as 'The Most Efficient Bank' in the KPMG survey.

The Bank is professionally managed and guided by the Board of Directors drawn from different fields with vision, experience and knowledge and business acumen. Though it had inherited a regional flavor to start with, it has now spread its wings far wide with 280 branches and 5 extension counters in 10 States and One Union Territory. The Bank has been conducting its affairs with meticulous care to be in conformance with all prudential norms and exacting statutory regulations. KVB is one of the early banks to adhere to the norms of Capital Adequacy Ratio stipulated by RBI right from its introduction. The Bank has been maintaining a healthy Capital Adequacy Ratio of over 16% as against the mandatory
norm of 9% prescribed by the RBI, which will take care of future asset growth. The Bank has received many applauds from eminent persons for its inherent strength and financial discipline on various occasions.

Now, the Karur Vysya Bank has been effectively playing its part in promoting regional development and in attending to the needs of small and medium entrepreneurs. The Bank is also standing as one of the leading banks in the private sector as it follows the best banking practices and has been regarded as the safest bank for investors.

Late Shri T T Krishnamachari, one of the celebrated Union Finance Ministers on the eve of the Silver Jubilee of the Bank, commented that the success of KVB stands as a mirror of the general progress of its native state. KVB embraces newer technologies to provide world class banking services while remain deep rooted in its cherished values such as personalized service and competing for the future with confidence to carve out a place of pride in the banking fraternity.

It has been a constant endeavor of KVB to bring a sharper focus to the requirements of its customers and strive to leverage cutting-edge technology to provide the highest levels of service to them. KVB endeavors, therefore, to bring to the customers through this web-site a whole range of banking products and services. The bank's Product Development strategy involves life-cycle segmentation so that at every stage of customer's life the bank can offer a suitable product/service. In the business of providing exemplary financial service for over 90 years,
KVB is today the favorite banker to millions of customers around the country, enjoying a premier position in the banking industry.

ii) Vision and Mission:

a) Vision: Delight the customers continually by blending tradition with technology to deliver innovative products and services at affordable rates through a PAN India branch network.

b) Mission:

- Adapt technology to introduce innovative products and services as well as increase the value of products on an on-going basis and provide them at reasonable rates.
- Expand branch network to reach the top business centers, besides unbanked and under banked areas in the country;
- Strengthen the financials through effective deployment of funds and ensuring financial discipline while adhering to the regulator's guidelines;
- Update the knowledge and skills of the human capital to provide quality customer support.

iii) Staff Strength:

The Karur Vysya Bank has 2908 employees as on 31.03.2006.
Figure 3.4: Organization Structure of Karur Vysya Bank

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iv) Branch and ATM Network:

The bank is aiming to take the total branch network to 300 by the end of the current fiscal. The number of branches as on 30.09.2007 was 280, while the own inter-connected ATM network of the bank was 268.

Realizing that, it is very imperative to stay ahead with the latest technological developments in the evolving digital era, KVB is rapidly computerizing its operations by capturing more than 90% of the business turnover generated by computerized branches. With a view to providing any time and anywhere banking service on 24 X 7 basis the Bank has so far installed 268 ATMs at strategic locations in various parts of the Country. All the ATMs are interconnected through Base 24 Switch to provide anywhere access service to the customers.

The Bank is in the process of installing more number of ATMs in the near future. To enable the customers to have access to their account even in centers where KVB does not have a branch, the Bank has entered into an arrangement with UTI Bank Ltd. for sharing of their ATMs across the Country. The Bank is implementing core-banking solution at its computerized branches and an agreement to this effect has been signed with M/s. I-flex Solutions Ltd., a global leader in providing financial and banking software.

With the implementation of "Flex-cube" software the customer of a branch will be treated as "Customer of the Bank", facilitating transaction of accounts freely from anywhere within the network of the Bank. The deployment of core banking solution will enable the Bank to offer its
customers banking services on various delivery channels such as Internet banking, mobile banking etc. which will enhance the image the Bank among the corporate men and high net-worth individuals.

v) **Technological Accomplishments:**

One of the earliest banks in the country to achieve 100% networking of its branches and offices under Core Banking, providing services through multiple delivery channels. Some of the technological achievements of KVB are i) All the branches are covered under Core Banking Solution, which enables its customers to access their accounts from any of its branches. ii) Net Banking services, including financial transactions, are available to its customers to bank from the comforts of their office/home. iii) Mobile Banking services; providing credit and debit alerts and other services are available to its customers. iv) Facility has been offered to all its Savings bank customers to deposit Rs. 50000/- per month into their account and withdraw Rs. 25000/- per day from their account at any of its branches, without paying any service charges. v) Apart from 265 own inter-connected ATMs, its customers can access 10,000 ATMs of other banks coming under the VISA/NFS/MITR/UTI Bank cluster. Besides, through a tie-up with VISA, over 10 lakh of their ATMs are accessible to its customers world-wide. vi) KVB customers for better banking convenience can open Multicity Accounts.

vi) **Business Landmarks as on 30th September, 2007:**

- With a deposit base of Rs. 10916.38 cr. and advances figure of Rs. 7438.68 cr., KVB has recorded a total business of Rs. 18355.06 crores
• The Net Profit earned by the bank during the first half of 2007-08 was Rs. 91.36 crores
• The Net Owned Funds of the bank has reached a figure of Rs. 1063.16 cr. as on 31.03.2007. In fact, KVB is the first Tamilnadu based Old Private Sector Bank and the third in the country in this category to cross the Rs. 1000 cr. mark in Net Owned Funds. But the special landmark is that the entire amount is clocked under Tier I capital only.
• With a record of uninterrupted earning of profits and declaration of dividend, KVB has declared 100% dividend consecutively for the past four years. This year, the bank has declared Rights and Bonus shares to its stakeholder and the dividend of 100% declared for 2006-07 is on the enhanced capital base.

vii) Financial Resources:

The leading professional journals while judging the best among banks based on their balance sheet performance as on the 31st March 2002 have ranked KVB Bank as one of the top five banks in the private sector. At the end of March 2002, the bank has a network of 211 branches with Rs. 4186.06 crores of deposits and an amount of Rs. 2460.03 crores of loans. The bank in that financial year earned a net profit of Rs. 108.51 crores. However, at the end of March 2007, the bank has a network of 280 branches with Rs. 9340.29 crores of deposits and an amount of Rs. 7040.48 crores of loans. The bank in that fiscal year earned a net profit of Rs. 160.01 crores.
viii) **Bonus cum Rights Issue:**

Maximizing the shareholder wealth has been the avowed policy of KVB since its inception. The issuance of Bonus shares is another milestone in this journey. The rights issue was oversubscribed by 1.43 times. Maximizing the shareholder wealth on sustainable basis is the price agenda behind all the growth plans of the Bank.

The Bank's policy is to strike a right balance between returns to the shareholders and retention of sufficient funds to ensure healthy asset growth. The Bank has been adding value to its shareholders over years and the Board of Directors has declared a dividend of 70% tax-free. The above quantum of dividend will be viewed as praiseworthy reward as the proposed dividend is on an enlarged capital. To put it simply, a dividend of Rs.7/- per share is paid on three shares as compared to a single share in the previous year. The basic EPS stand high at Rs.156.28 as on 31st March 2003.

ix) **Investor Relations:**

A vibrant securities market is vital for the growth of the economy. Protection of investor interest has become a hallmark of the liberalization era. It is of paramount importance to respond to the queries of the investors for any listed company. Knowing the importance of maintaining good investor relations and in its pursuit for serving the shareholders and other investors, the bank ensures that complaints are minimal and that all complaints are resolved satisfactorily.
Table 3.2: A Comparison of Productivity of the Selected Banks During 2002-2007 in Rupees Lakh

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Business per Employee</th>
<th>Profit per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SBI</td>
<td>KVB</td>
</tr>
<tr>
<td>2002-2003</td>
<td>191.00</td>
<td>288.00</td>
</tr>
<tr>
<td>2003-2004</td>
<td>210.56</td>
<td>330.00</td>
</tr>
<tr>
<td>2004-2005</td>
<td>243.08</td>
<td>387.00</td>
</tr>
<tr>
<td>2005-2006</td>
<td>299.23</td>
<td>439.00</td>
</tr>
<tr>
<td>2006-2007</td>
<td>357.00</td>
<td>489.00</td>
</tr>
</tbody>
</table>

Source: www.rbi.org.in
The Registrars and Share Transfer Agents process transfer of shares in physical form viz. SKDC Consultants Ltd., Coimbatore. The said Registrars and Transfer Agents process the share transfers within a period of 15 days from the date of the receipt of the transfer documents.

The Bank's equity shares are listed on the following Stock Exchanges:
Madras Stock Exchange Limited (Regional), Chennai
Coimbatore Stock Exchange Limited, Coimbatore
The National Stock Exchange of India Limited, Mumbai

x) Corporate Governance:

KVB has established a tradition to achieve business excellence and maximizing shareholders value by adhering to the basic philosophy of good corporate governance. KVB's corporate Governance philosophy encompasses dynamism to suit the ever changing needs of the customers, adherence to the best corporate practices code, while continue to remain committed to fairness, transparency, accountability and responsibility.

xi) Para Banking Activities:

In addition to the regular banking services, KVB also offers life insurance policies of Birla Sun Life Insurance Company and non-life insurance policies of Bajaj Allianz General Insurance Company. The Bank also offers KVB Suraksha, a General Insurance product through a tie-up with Bajaj Allianz, exclusively for the customers of KVB. The scheme offers coverage to household contents (barring a few), baggage loss,
personal accident, medical expenses due to accident and break down of specified home appliances.

xii) Risk Management:

The business of banking is undergoing radical changes and the winners are those who manage their risks prudently. The primary emphasis of the New Basel accord is on improving the measurement of risk. The Bank is alive to the fast changing external environment and adopts the risk management system as a strategic intent rather than just a regulatory compliance. Therefore, the Bank has put in place a well-documented Risk Management Policy. The bank is well poised to meet the challenges and is continuously building its own funds.

xiii) Important Developments:

The founders of the Bank had a vision of providing people with financial security during both good and bad times. The Bank has grown big and is one of the leading private banks in the country with strong and healthy fundamentals. KVB has started celebrating the Founders' Day by arranging a commemorative lecture last year by Shri A D Navaneethan, former chairman of the Bank. This year, Shri N Rangachary, first Chairman of IRDA gave the lecture. Other measures such as rewarding meritorious students and donations to social welfare projects have also been initiated as a part of the Founders' Day celebrations.
xiv) Strategic Alliances:

The Bank has signed a Memorandum of Understanding (MoU) with Bajaj Allianz General Insurance Company to market non-life insurance products. The Bank has also started marketing the mutual fund schemes of Birla Sun Life Mutual Fund. This is expected to give a boost to the fee income. The Bank is in the process of tying up with VISA to offer debit cards and it will be launching this service very soon.

xv) Recognition:

KVB has consistently been ranked among the top banks in the country by leading financial dailies and magazines and professional journals. Based on the performance during 2005-06, KVB has been ranked as the Most Efficient Bank in the category of balance sheet size less than Rs. 20000 cr. in the survey of India's Best banks conducted by 'Business Today' magazine and KPMG. In a similar survey conducted by Financial Express and Ernst & Young, KVB has been adjudged as the No. 1 Old Private Sector Bank in the country. Speaking on the occasion of the 90th Anniversary celebrations of KVB in 2006, Smt. Shyamala Gopinath, Deputy Governor, Reserve Bank of India said 'KVB is almost on par with new generation private banks in technology. It has implemented Core Banking Solution across the bank including rural branches. Using this technology platform, it has enabled multiple delivery channels viz., ATM network, VISA Debit Cards, Mobile Banking and Internet Banking'.

Also, "The Banker" a London based leading professional journal in its August 2005 issue has included the Bank as one of the top 50
contenders likely to gain entry into the list of TOP 1000 banks worldwide in 2005-06.

The foregoing discussion makes it clear that the dominating role of public sector banks is gradually declining due to the entry of new private banks and foreign banks into the Indian banking system. In spite of its international presence with vast network of branches and high staff strength, the performance of the premier public sector banks in the country is under question. Even though the SBI is pursuing an aggressive IT policy and able to achieve operational efficiency, its financial performance reveals that the bank is an under-performer than many other banks in India. The analysis shows that in terms of business per employee and profit per employee, the SBI is lagging behind its counterpart under study. It is clearly observed that in any of the financial year during the period of study, the SBI was not able to outperform the private sector bank. Furthermore, the human resources now have plenty of opportunities to move out of their banks so as to improve their employment opportunities. The common reason for these conditions could be the existence of unproductive HRD climate in both the banks under study. Hence, the present study is intended to investigate into the nature of HRD climate in the banks under study.

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