PREAMBLE

1.1 INTRODUCTION

Marketing of services is a specialty service and not as same as marketing of goods. Goods and services differ in characteristics. Services have unique features and it creates unique implications in marketing of services. In other words, service marketing is totally different from product marketing.

The difference between them is because of its unique features and they are as follows:

1. A Service is a performance: Services are performed, not produced:
Services are performance. They are not produced. For example desk top computer is a product while computer education is a service. Desk top computer is manufactured in advance while computer education is not. It will be provided on demand. When a student availed computer education, he gets services, nothing tangible is produced. Thus services are performances and not produced in anticipation of demand.

2. No transfer of Ownership:
Services do not involve transfer of ownership. Thus nothing is purchased only service is used or availed of or access to some facilities or experiences. When a person buys a membership of a club he does not become owner of the club he buys only some right to use the club. Hence nothing is transferred to customer as in the case of products.

3. Intangible:
One of the important characteristics of services is the intangibility. Goods are tangible while services are intangible. It means services are less subject to physical configuration and measurement. Consumer cannot sample a service in advance and judge the quality of services. A service can be judged only when it is purchased or experienced. However services may include some element of tangibility. For example services such as banking, hotels, and hospitals have some degree of tangibility and intangible component. It
depends on the nature of services, for example in the case of computer education or teaching services the degree of tangibility is very low.

4. Services are Inseparable:
Another important feature of services is inseparability. It means inseparability of production and consumption on one hand and inseparability of the person who provides the services. Services are produced and consumed at the same time and same place or location. In an operation theater the doctor performs the operation and patient receives services at the same place and same time. The doctor cannot be separated from the process of services. Thus services are inseparable.

5. Services are Heterogeneous and Variable:
Another important feature of service is the heterogeneity and variability. This is because of the inseparability of the services from the service provider. For example a teacher coaching three students at different timings, at each time his services will be different and not same. Further services are people intensive and therefore there is bound to be difference in people work or services. Heterogeneity also arises because services are produced and provided under different ambiance or environment. A coffee consumed a roadside dhaba and a coffee consumed at Café Coffee Day will be a different experience and hence variation in services. In other words services cannot be standardized like products.

6. Services are Perishable:
Another important characteristic of services is the perishability. Services cannot be stored. They are produced and consumed at the same time. It is for this reason that airline will charge customer even if he fails to report at the time of departure of flight. That service is lost forever. A teacher never refunds the money if a student fails in the examination. Colleges charge you whether you avail the service or do not avail it. That service is not transferable to someone else.
7. Consumer is a part of service process:
In the case of services consumer is a part of the service process. In other words unless customer is present the services cannot be performed. However it is possible service provider goes to customer or customer goes to service provider or both come to a common place where services can be provided or delivered. For example a doctor cannot perform an operation without a patient. Thus customer is a part of service process.

8. Different channels of marketing:
Services are not marketed through the traditional channels of marketing. It is difficult to use these channels for service marketing. A doctor or a teacher cannot offer services through wholesaler or retailer. In other words service marketing involves less intermediaries or no intermediaries. A doctor may offer his services to different clinics but he has to personally attend all to provide his services.

Thus, Service marketing is more challenging and complex than product marketing but it is essential if a firm wants to expand its service create larger market share, earn higher revenue and profit. Marketing in general is a difficult task and a good marketing personal has to take this challenge for his survival and growth.

The task involved in services marketing are understanding the nature of services, understanding customer and his expectation of services, developing service product, organizing service delivery/system/channel, pricing the services, promotion of services, planning of 7 P’s, achieving differentiation of services, measuring services quality, monitoring customer satisfaction to name a few of them. The factors that are responsible for growth of services sector in Indian economy are demographic, psychographic, socio-cultural, political to name a few of them for functioning of services in effective manner.

Marketing as a narrow management function, appears to be in decline. Marketing as a management philosophy and orientation, has been practiced throughout the corporate and is however seen increasingly as critical to the success of any organization. Bank
Marketing is thus being defined as that part of management activity which seems to direct not only flow of banking services but also financial services to most profitable customers. With the advent of technology, de licensing and basic trend towards global world, marketing of financial services and financial markets are differently designed that has an important impact and relation in the world of banks.

The financial system of an economy includes all financial institutions, financial markets, financial instruments and financial intermediaries. All the services that are provided by these financial institutions and financial markets can be brought under one head named as ‘Financial Services’. In a broader sense it implies mobilizing and allocating savings. It includes all those activities that will involve in transformation of savings into investment.

Efficiency of an emerging financial system highly depends upon the quality and variety of financial services provided by financial intermediaries. The term financial services may be described as ‘any activity, advantage, satisfaction, linked with the sale of money that offers to users and customers financial base value.

The financial services industry is an important pillar of the Indian financial system. The financial sector bridges the gap between the users who wants the funds and the saver’s who possesses the funds thereby making sure that difference can be narrowed out.

The financial services can be conventionally classified into two broad categories: -
(i) Capital market intermediaries consisting of term lending institutions and investing institutions providing long term funds.
(ii) Money market intermediaries comprising of commercial banks, co-operative banks and other agencies which supply funds for short term requirements.

Thus, financial services include all kinds of organizations, which intermediate and facilitate financial transaction of both individual and corporate customers.
The entities that provides financial services comprises of categories such as: Non Banking Financial Companies (NBFC’s), Commercial Banks and Investment Banks.

The term financial services includes all functions, activities and instruments which helps in transforming of savings into profitable investment. The financial services includes wide variety of services such as Fund Based/Non-Fund based Services like Merchant Banking, Hire Purchase, Leasing, Discounting, Forfiating, Factoring, Securitization of Debts, Credit Cards, Mutual Funds, Credit Ratings, Derivatives, Venture Capital, Crowd Funding, Underwriting, etc. to name a few of them.

Banks are providers of financial services, financial intermediaries, and key participants in nation’s payment system. Banks play a very important role in the economy and financial well being of the nation. Banks as institution deals with money and credit. Banks are not merely custodian of money but also manufacturers of money.

In India, banking structure is classified into Scheduled and Non – Scheduled commercial banks. Where scheduled banks refers to banks included in second scheduled of RBI, whereas, Non – Scheduled banks are those that are not included in second scheduled of RBI. The different types of banks are central bank, commercial bank, industrial banks / development banks, exchange banks, co-operative banks, etc, which offers a wide variety of services as per the needs of their customers in the market.

Indian Banks were traditionally in the 'Business of Banking', namely borrowing from one market and lending to another. However, since the commencement of banking sector reforms in the early 1990s, their orientation has become the 'business of financial services', with a much wider focus in relation to consumer market needs and consequent marketing strategies.

Due to de-regulation in India, since 1992, technology backed with an aggressive competition by banks made banking business a cut throat competition in the market. To
enable banks to remain in competition and being able to compete in an efficient and effective manner banks require an excellent marketing orientation.

Banks majority of revenue through the financial services are earned into the system either in the form of fund based or fee based services. Fund based services are those kind of services in which banks take full responsibility for the money collected by them and adds their own margin and lends to borrower. Whereas, under Fee based services banks provides advisory services from which they earned their commission. In today’s current scenario banks encourage more kind of Fee based services than Fund based services, as the risk involvement in Fee based services is way much lower than compared to Fund based services offered by them.

The services covered by banks under the domain area of Fund based services to name a few of them comprises of elements such as:
1) Minimum subscription guarantee for equity/preference shares, debentures, bonds, etc.
2) Transacting in stock market (Proprietary trading)
3) Other services such as Hire Purchase, Venture capital, Foreign exchange market, etc…

Similarly, the services offered by banks under the theme of Fee based services include services such as:
1) Arranging the equity or debt issue as per the guidance of SEBI (Securities Exchange Board of India)
2) Advising on project appraisal
3) Few additional services such as being consultant for rehabilitation of sick units, guiding investors which place is better off to invest, Liaisoning to companies, etc…
1.1.1 IMPORTANCE OF FINANCIAL MARKET/FINANCIAL SERVICES:

Financial markets are key to the success and development of any economy. When financial markets are well developed an economy can be considered as a developed economy. For example in USA, UK, Japan, Germany the financial markets are well developed and therefore the economy can be considered as developed and mature.

Financial markets that function smoothly and efficiently are crucial for the economic growth and development of a country.

The importance of financial market/services can be seen as below.

1. Accelerates Growth:
Financial markets are an engine of eco growth of a nation. Financial services mobilize savings into productive investment channels and accelerate the rate of economic growth. For example the growth rate has been accelerated from 3.5% to 5.5% to 7.5% and above and this has been possible because of the development of financial market in India.

2. Promotes Savings:
Financial markets promote savings by providing channels and avenues to the people. It provides short term loans to the people.

3. Promotes Capital Formation:
Financial markets are key to capital formation of a country savings and investments lead to higher capital formation. The higher capital formation result in higher economy development.

4. Provides liquidity to business:
Financial market and financial services also produce easy liquidity to the financial assets holders. For example in stock market shares are traded on daily basis. It helps investors to convert their assets into cash.
5. Financial Intermediaries:
Financial market provides various financial intermediaries which act as a link between those who want to save and those who want to invest in the market. There is organized as well as unorganized financial market. The financial intermediaries act in the money market as well as capital market.

6. Higher GDP:
The development of financial market also contributes to higher GDP and GNP of an economy. For example in India after 1991 where there was liberalization of economic policies there is greater integration of Indian financial market with the global financial market and this resulted in higher GNP.

7. Higher Employment Opportunities:
The development of financial market also results in creation of more employment opportunities. In India 60% of income comes from service sector and most employment opportunities are in the service sector.
1.1.2 FINANCIAL SERVICES AND PROMOTION OF INDUSTRIES

Financial services are highly useful to the promotion of industries and industrialization of an economy. This can be seen as below.

1. Promotion of Industries by Merchant Banking Services:
Merchant banking services are useful to industries in identifying the business, preparation of project report, feasibility report, obtaining necessary licenses and permission approval, expertise and professional services etc. Thus merchant banking is intermediaries are helpful for industrial development.

2. Obtaining Working capital Funding:
Financial services like factoring are useful to business and industries in obtaining working capital by converting credit bills and debts into immediate cash or liquidity.

3. Leasing promotes equipment financing:
A financial service in the form of leasing has benefited industries in acquiring machines and equipments without incurring any capital cost for the same. Thus industries can get 100% finance coverage in the form of leasing.

4. Mobilizing large funds through Mutual fund:
Financial services like mutual funds have helped in mobilization of large funds from different investors including small investors. It has also helped investor to get regular and steady returns on investments. It has also resulted in better services to customer.

5. Financing of Risky Business through Venture Capital:
As a result of the availability of venture capital it becomes easier to get finance for projects which are risky and involving high technology for which bank hesitate to extend finance.
6. Risk Management with the help of derivatives:
Financial markets are subject to greater risk due to changes in rate of inflation, interest rates, exchange rates, stock prices etc. The emergence of derivatives like forwards, futures, options has helped business firms to minimize the market risk.

7. Credit Rating Services:
Credit rating services has helped business units to raise capital from the open market as these rating agencies provide suitable rating to different business units on the basis of their economic and financial performance.

8. Economic Development and Industrial Development:
Financial market and financial services have helped industrialization by providing various financial services to industries such as underwriting, bill discounting, credit card, stock broking, depository services, etc. This has helped the economic development of a country.

Finally, Marketing of Financial services implies the delivery and creation of want satisfying services at the right time, at the right place and to a right customer.
1.1.3 CRITICALITY

The criticality part of the subject gives a clear understanding of the research being individual to the fact that the topic is unique and relevant. The criticality aspect of this research focuses on the following points:

1. The business environment in India is changing from control to decontrol, public sector denomination to privatization, licensing to delicensing, financial market reforms, economic reforms and so on. The government has initiated the process of liberalization, privatization and globalization since 1991. These changes have brought change in market place and marketing conditions in the banking and financial sector.

2. There is growing competition in the banking sector between the public sector banks, private sector banks and foreign banks; as a result there is greater focus on providing better services to customer to retain the market share. The rising competition has created greater need of marketing of services. At one time customer used to come to banks but today banks have to go to customer. Thus, the markets have changed from sellers market to buyers market. Hence, there is a continuous change in the marketing strategies of banks over the period of time.

3. Most of the banks in current scenario are facing problem of rising NPA (Non – performing assets) and declining profitability. The rising NPA and declining profitability has brought greater pressure on banks as there is pressure from government, shareholders and customers towards credibility of banks commitment.

4. There is introduction of various new financial products and services in the market which has changed the banking business in the country. These products include mutual funds, insurance products, leasing, merchant banking, derivative products and so on. These changes have also resulted in change in the methods of marketing and distribution of the financial products. There is change in the use of different channels of marketing.
There is introduction of services of outsourcing agencies in the field of marketing that has been the buzzword in the current scenario.

5. Banking sector has witnessed technology revolution in the last two decades. Banks are using technology to cover larger market and as much as possible minimize the marketing and distribution cost. Thus the focus of marketing has changed from phase to phase from manual connectivity to technology enabled marketing. It is because of this now possible to serve customer anytime, anywhere and at any place.

6. Customer needs and expectations are changing. Today customers don’t want to come to bank and wait for a long time to withdraw cash from the banks. Customers want better services, convenient services and reliable services. Thus quality and service has become the benchmark. Banks are focusing on customer satisfaction, interactive marketing, customer delight to name a few as strategy. All these strategies are making sure that customer retention being given the most important preference, which is also becoming a necessity in the wake of the current stiff competition the banks are passing through.

7. The changing market dynamics has resulted in change in the methods of marketing. The concept of marketing has changed from sales era to marketing era thereby making customer the king of business.

The study will highlight how banks have taken up the challenges of marketing in the changing business environment. It will focus on the marketing of public sector as well as private sector banks. It will help to understand their marketing strategies and the differences in marketing.
1.2 PROBLEM ON HAND

The banking sector has been the most dynamic sector in the current scenario. In this
dynamic situation the banking sector has been facing huge diversity and adverse
circumstances. One of the biggest challenges that banking sector has been passing
through is the congruity of quick developments been taking place. The following points
gives us brief understanding about research problem in hand and its relevant implications:

1. The banking sector has expanded rapidly over the period of time in number of bank
branches, deposits, advances, investments, ATM’s (Automated Teller Machine) and other
instruments. There have been around 14 banks existing in the past 45 years and since
2014, licenses have been issued to couple of banks and around 21 small payment banks.
This has ushered a new era of differentiated banking in India.

2. There is growing competition in the banking sector between public sector banks,
private sector banks and foreign banks. This stiff competition has brought pressure on
cost, margins and profitability. Hence, banks will have to overcome this challenge by
controlling cost, improving performance, productivity and profitability.

3. There is continuous growth of financial services in the country. The various financial
products available in the market are large and diverse. The success of banks will depend
on how quickly they reach out to large number of customers and get a larger market share
of growing business.

4. One of the major problems faced by banks today is continuous growing NPA (Non
performing assets). This has adversely affected efficiency and profitability of banks.

5. There are fast changes in the methods of distribution of financial services. Banks are
outsourcing services of third party to improve efficiency profitability and cut cost.
6. Technology and digital revolution is fast taking place in the financial sector as well as other sectors of the economy. This will have a greater impact on the performance of the bank.

7. There are greater challenges as well as continuous opportunities for the banking sector in the light of the changing business environment in India. The question is to what extent banks have accepted this challenge and how banks are undertaking their marketing strategies to overcome these problems.

8. The study will highlight the marketing of financial services by commercial banks and industrial banks to evaluate their advantages and suggest suitable measures for effective marketing.

9. The research will depict on marketing and promotion tools adopted by banks to improve their business, efficiency and profitability. The research will enhance in establishing relationship between marketing and banks performance.

The research thus will focus on marketing of financial services with special reference to mutual fund of commercial bank as well as industrial bank. The research will also be used to find out the differentiation of marketing tools and practices used to these banks over the period of time.
1.3 RESEARCH OBJECTIVES

Research methodology refers to the acceptance of different components with the help of research design, sampling methods, sources of data, questionnaire, data collection, data analysis to name a few of them, which will be used in research work.

The need, importance and justification of research on the subject ‘A comparative study of marketing of financial services between commercial banks and industrial banks’ is justified on the following grounds.

1. Indian economy has become a service economy as a large percentage of national income is contributed by service sector. The percentage contribution of this sector is growing.

2. Banking sector is one of the important components of service sector and its contribution to GDP is high as compared to the other constituents of service sector.

3. Banking sector has witnessed a rapid development over a period of time. There has been a rapid rise in the number of banks during last two decades especially after 1991. Many private sector banks and foreign banks have entered the market creating stiff competition.

4. Financial services are an important element of banking and finance in Indian economy. There has been a rapid change in the market for financial services. These services include wide variety of financial services like merchant banking, hire purchase, leasing, discounting, factoring, forfiating, mutual funds, etc. Financial services are either fee based services or fund based services or both. Over past few years there have been rapid rise in these services offered by banking and finance.

5. Financial services can be linked to the integration of Indian banking with global banking and financial markets. The government policies are changing in favor of
globalization and greater international linkages in terms of greater transparency, accountancy and policies.

6. As market for financial services is growing, there is greater need of marketing of financial services by banks to capture larger market share. The present study will find out the ways and means by which banks are marketing their financial services. It will include both commercial as well as industrial banks. The study will highlight marketing strategies, marketing mix, market segmentation, market targeting and market positioning policies adopted by these banks in the specific domain area of mutual funds.

**Objectives:**

The major objectives of the research are as follows:-

1. To find out and analyze the marketing strategies used by Commercial banks and Industrial banks in marketing their financial services.

2. To find out and analyze the key tool in the promotional strategies of financial services used by Commercial banks and Industrial Banks.

3. To examine the Profitability aspect of Commercial Banks and Industrial Banks with the help of financial ratios.
1.4 SCOPE OF RESEARCH WORK

The scope of the research work revolves around the following base:

A) SUBJECT SCOPE
The research aims at focusing on Marketing of Financial Services between commercial banks and industrial banks with the specific domain area of Mutual Funds as an instrument for generating revenue for banks. It also will help to identify the promotional strategies and profitability aspect between commercial banks and industrial banks.

B) TIME SCOPE
The research is associated with a time period comprising from 2000 – 2015 to evaluate the marketing of the financial services between commercial banks and industrial banks with respect to mutual fund sector as an important contributor to the revenue generation of the commercial as well as industrial banks.

C) GEOGRAPHICAL SCOPE
The research has been completed within the Central Mumbai region, Maharashtra, India as an important parameter to view challenges and issues faced by commercial and industrial banks for marketing of their financial services product (mutual funds).

D) FUNCTIONAL SCOPE
The functional scope has contributed in area of marketing of financial services between commercial banks and industrial banks with respect to mutual fund as an important eye opener for banks to realize that in mutual fund industry banks which markets and promotes, commands more high respect as they are able to connect to the end user.

E) ANALYTICAL SCOPE
The research in analytical scope focused on the domain area for marketing of financial services as a yardstick for complete development of commercial and industrial banks as focused in the research objectives.
1.5 ORGANISATION PROFILE

The research conducted comprises of ‘A comparative study of marketing of financial services between commercial banks and industrial banks’ where the organization to justify the study is the leading organization in its domain expertise in commercial banks and industrial banks. The selected entities and their profile are as follows:

1.5.1 STATE BANK OF INDIA (SBI)

The evolution of SBI can be traced back to that decade when the establishment of Bank of Calcutta came into existence during the 19th century. The bank of Calcutta was established on June’ 02’ 1806. Few years later the bank received a charter status and was re established as Bank of Bengal. This was one of such type of institution which was set up as joint stock bank in consultation with British bank and notified by the government of Bengal. Later on after few years with trade increasing two more banks were set up namely the Bank of Bombay, which was set up on April’15’ 1840 and Bank of Madras, which got started on July’ 1’ 1843 after the Bank of Bengal. These three banks functioned as the pinnacle of modern banking in India till they were brought together as Imperial Bank of India that happened on January’ 27’ 1921.

Mainly during the Anglo Indian era, the three major presidency banks came into survival due to result of the necessitate of imperial finance or local European business hub. These mechanisms were not made compulsion from outside bodies in an arbitrary manner but to modernize the India’s economy structure. The transformation was however crafted by mind set announced from the familiar changes taking place in Europe and England both in local business structure and those in connections with the Indian economy to the economy of Europe and England with major impact being on global economic guidelines.

The new phase of Indian banking system was enunciated by the Indian Financial & Banking sector changes that took place after 1991.
The government during those times took major steps in this Indian banking industry after India’s independence in 1947. The Indian government had identified till than that the banking system would be the major contributor to the role of development of India’s economy. During the 20th century, specifically 1955, government brought Imperial bank of India under the ownership and control of itself and started offering full fledged banking facilities on a large way to rural and semi – urban areas of the country. The government later formed State bank of India to act as the cardinal representative of Reserve Bank of India and to manage the banking activities on behalf of state governments and union governments all across the country.

State Bank of India was nationalized on July’ 19’ 1969 with seven banks forming the associated and subsidiary bank. The contributions of the then Honorable Prime Minister was realized and major fourteen commercial banks in the country were brought under the ownership of government aka (also known as) nationalization took place.

These developments brought Imperial Bank of India to enter into major commercial status that open doors for the bank to enter into number of new banking areas such as foreign exchange, being a trustee and estate management that was restricted previously to the bank. The imperial bank being not functioning as the government lead banking still provided banking services to the Reserve Bank of India majorly to the areas where Reserve Bank had no established banking services and it had not yet set up any major offices in those locations. Similarly, the Imperial Bank continued to possess its position as a Banker’s Bank.

During the era of post independence majorly after 1950’s, the Imperial bank grew regularly controlling the Indian commercial banking industry. The bank than continued to continuously work and build up its capital structure and also went into country wide expansion. During, the mid of 1950’s, the Imperial bank started its operations in more than 175 branches and set up around 200 offices supporting the banks. Despite all the major changes taking place during those times, the banks attention was primarily on the country’s urban area as a major development for the economy.
All the transformations were revolving around the substance of banking sector. Although all round developments were focused upon, India had achieved independence. Around 1951, the government had launched its maiden five year plan focusing majorly on the countries rural sector. There was a huge gap in banking infrastructure in these regions led by the government to support the rural class, which brought the development of a state owned banking entity to bridge the difference. As a result the Imperial bank of India was brought under ownership of government; this move resulted into the creation of State Bank of India in year 1955.

The newly formed state bank now started focusing on more than $\frac{1}{4}$th of India’s banking industry. The situation of the bank slowly expanded by the end of decade, when new rules and regulations were passed and accordingly implemented. Under the guidance of the new rules, SBI took over eight regionally based government controlled banks.

During the initial part of 1960’s, the SBI’s network comprised of around five hundred plus branches and small offices and also the three major presidency banks passed down during the transformation period. Giving support to government’s plan, SBI commenced a period of expansion thereby driving as a vehicle of India’s industrial and agricultural development to convert it into the world’s largest financial support system. The presence was visualized by SBI achieving the target of around fifteen thousand branches and small offices across the country and putting itself onto the world’s single largest branch network banking business.

SBI acted as a crucial part in developing India’s rural arm for offering finances that were required to develop the countries agricultural sector and new techniques that will bring in new irrigation facilities and development of cattle breeding with creation of dairy farming and poultry sector. The contribution of SBI was also seen in the sector of infrastructure development at the rural sector specifically in villages by giving them development of the roads, highways to waterways to many other necessities. The SBI was nationalized i.e. came into the government ownership in 1969 which became one of the most explicit
event in the history of the India’s banking story thereby leading the country’s banking sector from the front.

Despite of SBI’s major role to develop the rural sector, it contributed largely in the Indian government’s industrial and farming (agricultural) policies. SBI also started focusing on development of commercial banking operations by offering not only banking services of accepting deposits and lending loans, but also got a license from the Reserve Bank of India to render service such as Merchant Banking. The need of variety of financial services backed by development of capital market emerged the requirement of creating a dedicated subsidiary named SBI Capital in 1986 under which offered services like Demat Services, Custodial Services, Book Running and Lead Managers, etc. to name a few of them. With the rapid expansion in housing and construction industry, SBI set up it’s yet another subsidiary named SBI Home Finance in collaboration with HDFC to support the government plan of ensuring home to everyone. With time passing by many more subsidiaries were created by SBI with an objective to contribute towards the government plans and policies supporting the nations development and having a healthy growth structure for economic development.

SBI now acts as the countries biggest and the largest commercial bank. The government and the Reserve Bank of India control’s the bank by having a major stake of around sixty percentage. The SBI now functions as one of the world’s biggest branch banking system with nearly 15,000 branch and small offices throughout India having an employee base of around two hundred thousand dedicated staff. With its presence across the world in many Western, European and few Asian nations connects around more than fifty plus branch and small offices in nearly around thirty countries.

SBI has always been into progressive growth plan since its inception and worked by complementing the government vision of development of infrastructure, agricultural and industrial development policies. SBI at regular junctions have been pressurized to change the countries commercial banking system since competition was been visible in the commercial banking system. To cope up with the effort, SBI introduced many new things and upgraded them as today’s generation lead bank by offering services through
electronic and internet medium like ATM (Automated Teller Machines), Any Time Banking, ECS (Electronic Clearing Services), etc. to name a few of them.

SBI over period of time has transformed itself from just offering banking services to universal banking and now majorly known as investment banking. The regulations and delicensing has given a huge growth to SBI by offering under universal banking scheme services such as insurance and in investment banking services such as issue management related services providing and connecting the different sectors and spheres of the banking arena. SBI has contributed majorly by encouraging the people to enter into the mode of investment from savings concept by building up a huge portfolio. While savings getting converted into investments SBI has developed a wonderful mechanism to lend money by creating a well balanced portfolio of its assets and growing its wealth sustainably.

A country cannot grow without a balance and proper banking system in India. India if it needs to have a healthy economy than it can be done only with the help of banking system and none other than SBI leading from the front and contributing to the economies development. The banking system in India should not only be disputed free but it should also be able to meet the challenges and changes coming up in the years ahead. SBI has laid down a strong foundation based upon its research skills backed with its strong credit rating and understanding the market dynamics for economic growth. This is also one of the most important factors contributing to the India’s growth process.
1.5.2 INDUSTRIAL AND DEVELOPMENT BANK OF INDIA (IDBI)

The formation of Industrial Development Bank of India (IDBI) was brought into force by the act of parliament on 1st July’ 1964 as wholly owned subsidiary of Reserve Bank of India (RBI). IDBI’s ownership was then transferred to Government who administers the functioning of India as country and it was given the mandate to be the prime financial institution engaging in industrial development of the country focusing on financing, developing and promoting the economic development.

IDBI played a pioneering role in completing its mission of promoting its industrial growth through financing of medium and long term projects. Over the decades IDBI has enlarged its portfolio of products and services covering almost the entire spectrum of industrial activities including manufacturing and services sector.

With the moment of establishment of IDBI, it got involved in offering different schemes based upon rediscounting usance bills, promissory notes of transaction based upon machinery and heavy equipment whose payment was based on deferred term basis.

IDBI offered financial assistance both in rupee as well as major international currencies for projects focusing for green field concepts (agriculture projects) for growth, development and differentiation purposes. IDBI on this occasion decided to support its financial operations as planned with a check based upon risk sharing mechanism. The government to fulfill the project set up The Development Assistance Fund to contribute towards the financial aspirations.

Over a period of time, with development of the economy IDBI went into rapid growth mode by setting up few other institutional bodies such as Kerala Industrial and Technical Consultancy Organization, North Eastern Industrial and Technical Consultancy Organization, Ltd., Bihar Industrial and Technical Consultancy Organization, Ltd, etc. to name a few of them.
IDBI also started providing under government flagship program refinance facilities to certain selected and eligible banks that were authorized to deal in foreign exchange, offer medium term export loans to private sector who were involved in manufacturing and exporting of goods and services. IDBI as an important institution has been given powers with the responsibility of strengthening the resources position of the term financing institutions with a view to expand and diversify their activities. IDBI at regular intervals has been given support from World Bank and International Development Assistance.

The government over a periodic transition also set up Technical Development Fund in consultation with IDBI to encourage manufacturers for capacity utilization, technology upgradation and export development. Also, IDBI provided rupee support to industrial units for procuring import licenses.

With the changes in economic environment in the past few years the flow of funds to Development Financial Institution (DFI) from Reserve Bank of India’s national industrial credit long term operations and allocation of statutory liquidity rating bonds dried up and it became necessary for the Development Financial Institution (DFI) to raise funds mainly from the markets.

Simultaneously, commercial banks also began to offer project finance at lower cost of funds than the Development Financial Institution (DFI). With the lower cost of funds from banks, the business model of Development Financial Institution (DFI) came under strain.

IDBI on the other side functioned as an instrumentalized resource to support for setting up of many institutions to name a few of them been Industrial Finance Corporation of India (IFCI), State Financial Corporations (SFC), Stock Holding Corporation of India Ltd. (SHCIL), Securities and Exchange Board of India (SEBI), Discount and Finance House of India Ltd. (DFHI), Tourism Finance Corporation of India Lt. (TFCI), Over the Counter Exchange of India (OTCEI), etc. to name a few of them.
Further as the time progressed in the consequent periods IDBI introduced Equipment Finance Scheme and later on also institutionalized Equipment Refinance Scheme.

IDBI also initiated scheme called as Foreign Currency Refinance Scheme to State Industrial Development Corporation (SIDC) and SIDBI Innovation and Incubation Centre (SIIC) as supporting means towards upgradation and accelerating the growth of the institutions.

Small Industries Development Fund (SIDF) was later on enunciated to focus on areas of financial and non-financial support to the small scale industries in the country. IDBI also launched the National Equity fund scheme to support new tiny and small scale industrial units that were involved in producing small products and for improvement of potentially but viable sick small scale units.

In 1991, after the introduction of New Industrial Economic Policy based upon the concept of Liberalization, Privatization and Globalization (LPG), IDBI entered into the area of Merchant Banking to provide professional services to industries and sectors for raising funds, mergers and acquisitions, acquisition of assets or leased out assets, etc. IDBI also set up the foreign exchange dealing room operations to deal with foreign exchange transactions with the customers to fulfill their requirements and help government generate foreign exchange that can be used to balance the balance of payment position.

In view of changes in the operating environment, government of India decided to transform IDBI into commercial bank. The migration to this new model of commercial banking would help IDBI to overcome most of the limitations and develop simultaneously enabling IDBI to diversify its client base. Based on the need of the hour IDBI was incorporated and promoted as IDBI Bank Ltd as a commercial bank of India.

The IDBI Bank than for development set up a Mutual Fund company with a view to render new instruments to investors that were backed by high quality servicing. IDBI
Bank over period of time came up with new ventures and the benefit of the fund was achieved to sectors such as electronics, industrial automation, software industries, industrial manufacturing based upon machinery and allied products to name a few of them.

IDBI over a period of time became the first financial institution to apply to National Securities and Depository Services Limited (NSDL) as Depository Participant. With continuous development happening in its surrounding IDBI Bank Ltd. contributed towards the foreign exchange and domestic treasury operations following the rapid deregulation of the money and foreign exchange markets in the country.

IDBI has played a major role in the development of banking sector and financial sector over a period of time. The major role and functions of IDBI are enlisted as below:

A) ROLE OF IDBI

1. IDBI has played a wonderful role from the time of its existence not only in just providing a well developed, diversified and proper industrial and banking infrastructure but also doing value addition to the development of the industries in the country.

2. IDBI played a logical role by satisfying its major task of supporting industrial growth through providing finance through medium and long term projects for the development of the economy.

3. IDBI has done a wonderful task in pre liberalisation, privatisation and globalisation period by delivering to the governments call for contributing to the development of Industrial sector and contribution to the rural areas as well.

4. The contribution of IDBI ranged from lending money to long term industry, balanced industrial growth through focus on backward areas of the community and modernizing specific industries so as to generate employment to generate entrepreneurship development.
5. The role of IDBI was not just confined to banking and finance sector but it also contributed to the development of a proper domestic capital market for its upliftment and functioning for the growth.

B) FUNCTIONS OF IDBI

1. IDBI has almost exposed its portfolio of products and services covering the entire range of industrial activities comprising of manufacturing and services as well.

2. IDBI during its financial sector evolution has contributed to variety of Non Fund Based Services with a view of providing a holistic approach to meet entire demand of financial and liasioning services to its corporate for supporting its clients.

3. IDBI also started offering support of finance by offering services like refinancing of loans to state financial institutions and banks by way of discounting and rediscounting the sale of machinery products on deferred term payment basis that would have a maturity period ranging to around more than 180 days.

Thus IDBI has been one of its type of industrial banks that deals in financing various industries for development of the economy than focuses on the normal banking businesses, unlike other banks focuses first on banking business than concentrates on financing industries for development of the country. IDBI has over period of time not left the core activity of providing financial activities to industries for development of the modern business.