CHAPTER 3: PROFILE OF THE BANKS OF BOTH SECTORS COVERED IN THE STUDY

Banks have always been an integral part of the economy of our country. Ever since the evolution of human civilization, banks have been an indispensable foundation. In modern day era, banking institutions are no more considered as dealers of money but also play a crucial role in the development of an economy.

The present chapter presents to working of the two banks that have played an important role in the growth of Indian economy i.e. State Bank of India and Industrial Credit and Investment Corporation of India. It describes the history and origin of the banks and displays their participation in the growth of Indian Economy.\(^7^5\)

This chapter further describes the various services provided by the State Bank of India and Industrial Credit and Investment Corporation of India.

3.1 INTRODUCTION

Up till 1640, there was no term as ‘banking’ known to people. Savings and safe-keeping are known to be practiced in 2000 B.C. in the temple of Babylon. Even in Arthashastra, Chanakya had mentioned about a few merchant bankers who used to perform the work of receiving deposits, advancing loans and issuing hundies (known as letter of credit now).

The Bank of Venice: The first bank was established in 1157 in Italy to provide funds to the monarch in the time of wars. In England, the bankers of Lombardy were quite popular. Gradually the modern banking was developed in 1640 with the English goldsmiths.\(^7^6\)

History apart, the evolution of the banking system by trading in commodities than money owes its credit to the merchant bankers. Remittance of money was one of their major trading activities; they used to issue ‘hundies’ for this purpose. In the Indian context they were called ‘Seths’.


Then in the next stage of the growth of banking business emerged the goldsmiths. Their primary business was to take special precautions against the theft of jewelry and gold. If considered to be an honest person, the neighborhood merchants used to leave their ornaments, bullion and money under his custody. As this practice became popular, the goldsmiths started charging some amount for taking care of their valuables. He started issuing receipts against those valuables. Just because the gold and silver coins had no specific marks of the owner on them, the goldsmiths started lending them. Then, the receipt issued by him started to be considered like cheques as a means of payment and a medium of exchange.\(^{77}\)

Then came the era of the money lenders; the drawback with the goldsmiths was that the average withdrawals of coins was much less than their deposits. Due to which he had to advance the coins on loan by charging interest. He also had to keep some money as safeguard in the form of reserves. Thus goldsmith-money-lenders became bankers performing two major modern day banking functions of accepting deposits and advancing loans.

### 3.2 ORIGIN OF BANKING

Since the early phase of civilization banks have been an essential foundation and are considered to be an integral part of the culture of our country, the people have found difficult to understand. There was a time when the concept of banking was not in existence and people were more dependent on the law of the land and followed it. Thus, the concept of labor was introduced and this gave a rise to the concept of money as any kind of exchange was a complex phenomenon and was not possible without the use of money. Thus it was understood that the exchange of money was not possible without an institution and the banking institution played an important role here.\(^{78}\)

The present/ modern banking system has its origin two hundred years back but as a profession it is very old in India. Since that time the term loan had its importance and was discussed and understood by the people. This term is even mentioned in the Vedas as debt. There are a lot of evidences that show the concept and presence of banking since the pre-historic times.


Deposits were received, loans were given, and personal security was provided to make the process of granting loans easier and simpler. The concept of loan deeds started gaining popularity. In the traditional period, banking system was practiced by the Vaishyas but gradually Brahmins and Kshatriyas also entered the field. This was the era when the concept of bills of exchange came into existence with complete control in the hands of the king. A group of people known as Mahajans, Seths and Sahukars looked into this activity and it was carried on by charging a high rate of interest. Way back when the whole world was trying to find out a standard of trade in the form of currency, the banking system in India had already evolved.\(^7^9\)

In India, during the era of Mughal rule, foreign and domestic trade loans were given to the Mughal rulers and further at the time of crises they assisted the economy. The document mostly used as bill of exchange was the Hundis. Then emerged the need for a common currency which could give bankers and people opportunities to develop their trade and hire officers, bankers, collectors, and money exchangers, etc. which was solved by metallic money. A lot of bankers who were considered to be trustworthy and had a strong influence were said to be the “trusted keepers for deposits”. They carried out twin purpose of carrying out the finances of the country on one hand and fulfilling the requirements of the royal treasury on the other. With the passage of time they were termed as institutions. India entered the field of modern banking system at the time when British companies merged the banking and trading activities. Simultaneously the local bankers carried out the banking activity with the resources available with them.\(^8^0\)

The banking business in India originated way back in the eighteenth century. The Bank of Hindustan, India’s first bank was established in Calcutta in 1770 by Alexander and company-European management. It was unable to function and prosper for long and thus had to liquidate very early. Since then, the evolution of Indian banking is categorized into three phases:

- **Phase I**: Initial phase of Primitive Indian Banking to the Nationalization of Banks.
- **Phase II**: From Nationalization to Liberalization and Banking Reforms (1969-1991).
- **Phase III**: From Banking and Financial Reforms to the establishment of the General Bank of India.

During that period, Calcutta was the trade hub as Britishers used to trade from there only, thus it became the banking center. Under the charters from British East India Company three presidency banks were established by the Government of India.

The three banks were the Bank of Bengal (1809), the Bank of Bombay (1840) and the Bank of Madras (1843). These three banks worked as quasi central banks for a long duration. In 1921, amalgamation of these three presidency banks was done and the Imperial Bank of India was formed under the Imperial Bank of India Act, 1920. Further in the year 1955, the Imperial Bank was renamed as the State Bank of India.\(^{81}\)

In 1839, Union Bank was started by a few Indian merchants which could not last long and was closed within ten years of its establishment. Then Allahabad Bank was established in 1865, which is actively functioning till date. It is said to be the oldest Public Sector Bank into existence and functioning since 150 years with branches spread all over India. The Bank of Upper India, the oldest Joint Stock Bank, could function only from 1863-1913. The oldest bank with limited liability (managed by Indian Board) was the Oudh Commercial Bank. Even it could not work for too long. It functioned from 1881-1958. Then Punjab National Bank was established in 1895 in Lahore, which was purely managed by Indians. It is successfully functioning till date and is one of the largest banks in India.

However, the Central Bank of India is the first Indian commercial bank to be wholly owned and managed by Indians and was established in 1911. It is also known to be India’s first complete Swadeshi Bank. It was a major challenge for the banks to maintain a balance between stability and efficiency when growth and survival of the Indian banks was accompanied by technological advancements, continuous innovations and deregulations.\(^{82}\)

Since Nationalization, the core function of banks is not only restricted to perform banking activity but also to come up with innovative business acts and provide all those services that can satisfy the ever increasing needs of their customers and clients. The banks were given greater autonomy to frame their own policies. Transaction costs have been reduced and it has become easier for banks to have a diversified portfolio with the banks using newer technology. With the passage of time, judicial norms were synchronised with the international standards for smooth and

---

\(^{82}\)ibid
better working of the banking sector. Banking activity included asset reconstruction and securitization, convergence, debt recovery, mass banking, consolidation, etc. which strengthened its functioning.

A new period for Indian banking system was witnessed in the year 1949, to keep a check and control the activities of the industrial banks a new banking legislation was formulated. A strong power and authority was given to the Reserve Bank of India for the same. Due to this the number of scheduled and non-scheduled banks got down.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SCHEDULED BANKS</th>
<th>BRANCHES OF SCHEDULED BANKS</th>
<th>NON-SCHEDULED BANKS</th>
<th>BRANCHES OF NON-SCHEDULED BANKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949</td>
<td>94</td>
<td>2852</td>
<td>526</td>
<td>1589</td>
</tr>
<tr>
<td>1956</td>
<td>89</td>
<td>2953</td>
<td>333</td>
<td>1240</td>
</tr>
<tr>
<td>1961</td>
<td>89</td>
<td>4388</td>
<td>209</td>
<td>725</td>
</tr>
<tr>
<td>1967</td>
<td>24</td>
<td>216</td>
<td>74</td>
<td>6620</td>
</tr>
<tr>
<td>1969</td>
<td>73</td>
<td>8045</td>
<td>16</td>
<td>217</td>
</tr>
</tbody>
</table>


It can be clearly observed from the above table, that the number of scheduled banks has been continuously declining in the period of 1949 - 1967 and it is also observed that there is an increase in the number in the year 1969. This year is the period of nationalization and the increase in the number of branches of scheduled banks was seen till the year 1961 and a notable decline in the number of branches of scheduled bank branches was there in 1967 which rose suddenly in the year 1969. Looking at the trend of non-scheduled banks a continuous decline can be seen in the number of banks till the year 1969 and non-scheduled branches till the year 1961 with a sudden rise in 1967 and a drastic fall in year 1969.
3.3 INDIAN BANKING SCENARIO

With the exception of a very few extremely wealthy people, who buy their homes, do their business deal and spend on other luxuries in all-cash transaction. The entire other lot needs either a mortgage, or some form of credit, to make such a large purchase. This is where we realize how important banking functions are for us. In fact, a lot of people use credit in the form of credit cards to pay for everyday items. The world has changed to a global village due to these banking activities. The two primary functions of banks are accepting money deposits from savers and then lending the same money to borrowers enhancing the flow of money to productive uses and investments. This in turn allows the economy to grow and prosper. In the absence of banking activity, savings would sit idle in our homes, the entrepreneurs would not be in a position to raise funds for business purposes, ordinary people dreaming and planning for a new house or a car or even planning a new business would not be able to do so. For the smooth functioning of any economy and channelized day to day activities of the banking industry is one of the most vital parts of any individuals, businesshouses both big and small, nation, large corporate houses, entrepreneurs and the world in general.83

Banks or financial organizations assist in establishing a relationship between customers and financial organization as far as financial matters are concerned. These financial institutions help in enhancing in the economic growth and acts as a channel between them. Banks provide a huge variety of facilities and options to the people associated with them through the mode of account holders, loans, fund transfer, debit and credit cards, mortgages etc. With the passage of time and emergence of the whole world as a global village there is a drastic increase in the commercial activities all across globe.84 With the emergence of this global trend, the banking industry is continuously providing new and innovative services and facilities. Even the working of a modern day bank is based on the aim to formulate new and better strategies and policies to cater the needs of the ever changing, highly innovative market so as to deliver best of services to its existing customers and attract the new ones.

---

Among the various public and private sector banks, next to the apex bank of the country, Reserve bank is the State bank that holds the position of the largest public sector bank. State Bank of India, a public sector bank having branches throughout the country does service in this regard.

Apart from State Bank of India, there are several other banks in public, private and cooperative sectors that carry out banking business in the country.

“Banking industry executed the business that means, accepting deposits in order to lend and invest money of public and give them greater profits, returned on demand and withdrawal can be done through cheques, drafts etc.”

Various definitions on banks have been given by various authors with different perspectives. According to the English law, A Banker is a person who conducts the activities of banking by staying in premises for the investors, people, and organizations etc. His domain of activities includes activities like opening current account, depositing, handling and withdrawing cheques etc. Indian law states that banking industry is the one which manages the businesses of the people or organizations by providing them financial assistance by means of accepting the cheques, lending money, helps in investing the money of the public, repaid if asked by the customers and also withdrawals can be done through cheques and demand drafts.

In simple terms, banks perform the following functions: receive money as deposits, repaid when asked for and earn a small portion of money as profits by loaning money. Banks help to gear up almost all the fiscal activities functioning in the market by trading with funds and mobilizing them. It accumulates, gathers and organizes the funds of the people and make it available to the various institutions and organizations for managing their funds in the form of capital and reserves and for handling their expenditures. Banks give financial assistance and services to the various institutions and organizations in the form of providing them with commission and discounts etc. The primary role of banks is related with funds i.e. financing, investing, depositing, withdrawing of funds, etc.

---

3.3.1 CATEGORIES OF BANKS

Banks can be classified under various heads on the basis of their clients or the product or type of specific activities performed by them. The major categories involve:

1. Retail Banks
2. Industrial banks/Commercial Banks
3. Cooperative banks
4. Investment Banks
5. Specialized banks
6. Central banks

3.3.1.1 Retail Banks

Under retail banking, individual customers are given primary services like deposits, granting loans, investment options, opening of saving account and fixed deposits. Other secondary services include deposit box, loans like personal, housing, educational, car loans, etc. They also deal in certificates of deposits.87

3.3.1.2 Industrial Banks/Commercial Banks

The basic function of Industrial/Commercial banks is to act like an intermediate agent who collects deposits from public and provides it to individuals, organizations, institutions, etc. who are in need of it for the purpose of investment. The secondary function of Industrial/Commercial banks is to provide the facilities of credit cards, debit cards, account handling, granting secured and unsecured loans, deposits etc. Due to deregulation, industrial/commercial banks have become hostile with the investments banks in matters like market operations, underwriting, bonds, dealing with them, etc. Industrial banks act as a financial organization which helps in lifting of money from the market.88

---

87http://old.nios.ac.in/Secbuscour/15.pdf
88ibid
There are two types of Industrial/Commercial Banks i.e. Public Sector and Private Sector Banks.

- **Public Sector Banks**

Public Sector Banks are the banks in which the government has a major stake and is involved in banking activities with a major concern of fulfilling the social welfare objectives and not just being concerned with profit generation.

- **Private Sector Banks**

Private Sector Banks are the banks which are possessed, controlled and guarded by private players. Their major concern is mobilization of funds in order to generate profit, for this purpose they function in accordance with the market scenario.

3.3.1.3 **Cooperative Banks**

Cooperative Banks are directly associated with various cooperative societies and work on the basis of the acts prepared by them. Their primary role is to provide credit at low prices to their members or associates. They play a major role in providing funds and act as an important resource for rural financing, rural credit, micro financing, micro leasing and finance for agriculture in India.\(^89\)

3.3.1.4 **Investment Banks**

An Investment Bank is a type of financial association that deals in supporting people, organizations, companies and administration in raising up funds by countersigning or acting as the customer’s representative for the purpose of issuing securities. In case there is any merger or acquisition these investment banks can help the organizations by providing additional services like foreign direct investment, market trading, securities, commodities and foreign exchange. These banks also provide consultative services to its customers on investment issues and their current dealings. They also provide advisory function to them on asset management.

\(^89\)http://www.yourarticlelibrary.com/banking/banking-the-evolution-origin-and-growth-of-banking/10998
3.3.1.5 Specialized Banks

Specialized Banks are established with a special purpose, these banks deal with foreign activities i.e. Foreign investments, foreign exchange banks and export-import banks fulfill the specific needs of the customers. Specialized bank provides special economic relief to the organizations and also support their ventures and other foreign investment or trading activities.\(^{90}\)

3.3.1.6 Central Banks

Central Banks owe their origin from the Bank of England. These banks provide continuous economic and financial support to individuals and organizations from country to country. They have a major role to play and also have an involvement in the smooth functioning of the economy of the country. Some of the important functions of the Central banks include managing policies related to foreign investments, managing reserves related to gold related to gold, fixation of interest rates are some of the important functions performed by the bank which help them to regulate the activities of the entire banking industry.\(^{91}\) These banks have monopoly as far as paper money is concerned, they also possess a right to buy government amount outstanding and also lend money to the commercial/industrial banks for which they are also called as custodian of last resort. They are the apex banks and thus the activities of all the industrial/commercial banks are legalized and controlled by the Central bank. The Reserve Bank of India is the Central Bank of India.

3.3.2 NATIONALIZATION OF COMMERCIAL/INDUSTRIAL BANKS

Very soon after the country got independence, it decided to form a united society so as to accomplish the goals of development collectively. This involved forming such a society where in the capital would be divided among all on the basis of equity, not making the nation an

\(^{90}\)http://www.gktoday.in/blog/brief-history-of-banking-in-india/

\(^{91}\)http://shodhganga.inflibnet.ac.in/bitstream/10603/2299/10/10_chapter%201.pdf
authoritarian state and with a motto of achieving these goals through democratic practices. A merged pattern of arrangement has been framed in order to achieve this.

The public sector and the private sector are separated and asked to function independently. The public sector is completely owned and governed by the government and works for the purpose of social welfare and the private sector is permitted to undertake their activities following a proper system i.e. licenses, regulations, control and legislative rules, policies and acts. The private sector works for the purpose of earning profit. Public sector organizations have an authority to grow and develop by the nationalization of government institutions and industries.\textsuperscript{92}

Bank is the custodian of the savings that are privately done and an influential organization for providing credit to its customers. The resources of the country are made portable by the banks. They do it by accommodating deposits from their customers and making it available to the individuals and the industries so as to use it for the purpose of national development and conceding advances. The first Indian bank to be nationalized was in the year 1955 and it was done by combining the three smaller banks and was named as The Imperial Bank of India, later The State Bank of India occupied its undertaking. With the passage of time, it was discovered that the commercial banks used to advance loans to the medium and large sized organizations rather than to small scale industries and agriculture. This became a major concern for all and thus, the Banking regulation act was modified in the year 1969. This modification aimed at the minimization of the faults in the system prevalent at that time. It was made sure that the demands and needs of the earlier ignored and weaker segment of the society were considered, instead of well-established big business houses and corporate houses. The fact is, even after taking such measures and obligations on social control the problem of commercial banks providing loans and advances to these large business establishments and big corporate houses, ignoring the agricultural, rural, small scale sector still persists. Development of public sector undertaking was expected from the act passed on July, 1969 and named as Banking Companies Act, 1969. Under this act, 14 huge commercial/industrial banks of India with deposits of Rs. 50 crore each were undertaken by the central government. The 14 banks had 4,134 branches and Rs. 2,626 crores of deposits. Following is the detail of all the 14 commercial banks discussed above:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Total Branches (No.)</th>
<th>Deposits</th>
<th>Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Bank of India</td>
<td>564</td>
<td>442</td>
<td>303</td>
</tr>
<tr>
<td>Bank of India</td>
<td>274</td>
<td>358</td>
<td>243</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>570</td>
<td>358</td>
<td>257</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>373</td>
<td>283</td>
<td>176</td>
</tr>
<tr>
<td>United Commercial Bank</td>
<td>349</td>
<td>203</td>
<td>136</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>325</td>
<td>148</td>
<td>109</td>
</tr>
<tr>
<td>United Bank of India</td>
<td>175</td>
<td>147</td>
<td>107</td>
</tr>
<tr>
<td>Dena Bank</td>
<td>234</td>
<td>125</td>
<td>76</td>
</tr>
<tr>
<td>Union Bank of India</td>
<td>241</td>
<td>115</td>
<td>74</td>
</tr>
<tr>
<td>Allahabad Bank</td>
<td>153</td>
<td>114</td>
<td>82</td>
</tr>
<tr>
<td>Syndicate Bank</td>
<td>307</td>
<td>110</td>
<td>90</td>
</tr>
<tr>
<td>Indian Bank</td>
<td>218</td>
<td>79</td>
<td>60</td>
</tr>
<tr>
<td>Bank of Maharashtra</td>
<td>153</td>
<td>78</td>
<td>55</td>
</tr>
<tr>
<td>Indian Overseas Bank</td>
<td>198</td>
<td>67</td>
<td>45</td>
</tr>
<tr>
<td>Total</td>
<td>4134</td>
<td>2626</td>
<td>1813</td>
</tr>
</tbody>
</table>

Source: Personal Website of R. Kannan Learning Circle - Banking Theory and Practices
3.3.3 HISTORY AND EVOLUTION OF INDIAN BANKING SYSTEM

One of the most important landmarks in the history of Indian banking is the nationalization of the above listed 14 banks. Public sector banks have such a position in the banking history that they now enjoy an authority to control 80 percent of whole industrial banks, 83 percent of deposits and 84 percent of proceedings. Following was the situation of public sector banks during that period:

Table 4 3.3 Position of Public Sector Banks after Nationalization
(Rs. In Crore)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Branches (No.)</th>
<th>Deposits</th>
<th>Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector Banks</td>
<td>6.596</td>
<td>3,872</td>
<td>3,035</td>
</tr>
<tr>
<td>State Bank of India</td>
<td>1,596</td>
<td>948</td>
<td>966</td>
</tr>
<tr>
<td>S.B.I. Associates</td>
<td>893</td>
<td>291</td>
<td>219</td>
</tr>
<tr>
<td>14 Nationalized Banks</td>
<td>4,134</td>
<td>2,633</td>
<td>1,850</td>
</tr>
<tr>
<td>Private Sector Banks</td>
<td>1,666</td>
<td>774</td>
<td>574</td>
</tr>
<tr>
<td>All Commercial Banks</td>
<td>8,262</td>
<td>4,646</td>
<td>3,609</td>
</tr>
<tr>
<td>Share of Public Sector Banks in Total</td>
<td>79.8%</td>
<td>83.19%</td>
<td>84.19%</td>
</tr>
</tbody>
</table>

Source: Banking Frontiers

The Indian banking history witnessed the era of revolution with the Nationalization of the industrial banks. It was done with the dual purpose of bringing a the change in the history of banking system on one hand and to work on a systematic and synchronized venture so that the various monetary devices are utilized properly for the overall growth and financial viability of the country. Government previewed the nationalized banks to pay more emphasis on the deprived sectors, to fulfil some of the demands of the public sector deeds along with maintaining

equilibrium between all the facets and sources in a way that the areas with less focus and the new ventures are preferred more than the big business houses. These objectives can be achieved by charging low interest rates from the backward areas and export sectors as compared to the well-established business houses, i.e. by subsidizing these small business concerns. Another important initiative that can be taken in this regard is in the form of credit guarantor payable by the large business concern to protect the people of the weaker sections and thus the risk involved in ventures can also be clearly visualized. With the aim of boosting the overall banking system and economic development and to safeguard the people, along with providing them the welfare benefits properly, six banks from private sector banks were nationalized on 13th April, 1980 with demand and liability of minimum Rs. 200 crores in India. These banks were Oriental Bank of Commerce, Corporation Bank, Vijaya Bank, New Bank of India, Andhra Bank, Punjab National Bank. Following was the position of these banks at the time of nationalization:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Branches(No.)</th>
<th>Deposits</th>
<th>Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab National Bank</td>
<td>520</td>
<td>466</td>
<td>336</td>
</tr>
<tr>
<td>Andhra Bank</td>
<td>588</td>
<td>460</td>
<td>308</td>
</tr>
<tr>
<td>New Bank of India</td>
<td>402</td>
<td>391</td>
<td>237</td>
</tr>
<tr>
<td>Vijaya Bank</td>
<td>571</td>
<td>365</td>
<td>208</td>
</tr>
<tr>
<td>Oriental Bank of Commerce</td>
<td>301</td>
<td>216</td>
<td>152</td>
</tr>
<tr>
<td>Corporation Bank</td>
<td>304</td>
<td>212</td>
<td>134</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2686</strong></td>
<td><strong>2110</strong></td>
<td><strong>1375</strong></td>
</tr>
</tbody>
</table>


With the nationalization of private sector banks, the number of public sector banks also rose to 28, apart from regional rural banks. The public sector banks that were nationalized were State Bank of India, seven of its associated banks and twenty nationalized banks.

---

3.3.4 ENTRY OF FRESH PRIVATE SECTOR BANKS

Since a long time even after the nationalization of 14 Indian banks in the year 1969, there is no admission of any private banks even after any legal restriction on the entries of the private sector banks. With the passage of time public sector banks have started spreading their branches all across the country and are also emphasizing on the social requirements of the society, specifically the neglected and weaker sections who are staying in rural areas. Public sector banks hold 91 percent of the total branches and constitute 86 percent of the entire banking industry of the country. After being aware of the value and significance of the public sector banking, a requirement of introducing healthy competition among them has been considered important for the purpose of leading it to efficiency and increase in productivity of the banking structure. Now is the era where new and fresh private sector banks have been authorized to set up their businesses in the banking so that a healthy competition among different branches can be developed and an overall market oriented system can be introduced.\(^{95}\)

Easing up the entry process in the fiscal system was suggested by the Narasimha Committee, which included the process of Reserve Bank of India setting up new private sector banks in the existing banking sector. R.B.I. expects the banks to abide by the rules related to start-up capital and other requirements which have been mentioned under the laws and regulations by them, it includes the matters relating to the basic requirements, accounting and other facets of business. Committee also suggested that a sense of equality must be maintained between the public and private sector banks. The Government of India has also given a declaration that nationalization of banks will not take place again in future.\(^{96}\) The Finance Minister has also ruled out the privatization of these nationalized banks and specified that the banking system must be open to better and more competition between private banks and foreign banks.

3.3.5 INDIAN BANKING INDUSTRY PREPARING FOR THE CHALLENGE

There is a tremendous growth of Indian banks after the nationalization of banks both in number of branches and geological extension which is extraordinary and incomparable in the world. Unimaginable change with respect to customer service like market development in interiors,

\(^{96}\) ibid
development of rural areas/sector, more saving accounts, change in credit flows dimensions etc. has taken place.

Many courses of actions for making the bank more effective and efficient have been adopted and regulations have been formulated by the government.\(^97\) It also includes improving supervision along with every other thing to avoid complete damage and reduction in bank outdoor limitation with respect to loans. It includes:

- Management and validation of the interest rates structure.
- Regulation and laws standards related to assets arrangement, income generation, and resource availability to be as per the international standards.
- Supervision system of bank as its core strength.
- Assisting the new entrants during their entry in the industry.
- Competing with the domestic and international players/competitors in the market and to survive in the market.
- Formulating strategies and have competent, skilled, specialist and committed people.
- The Indian banks need to follow the following to compete with the foreign banks while staying either in home country or in foreign countries.
- Updated Technology, advanced payment systems, up-to-date information to the customer regarding product and services and other banking operations.
- Dynamic work culture, congenial atmosphere and do away with of employee related inflexibility which creates resistance.
- Vigilant and encouraging management which supports employees and delegates tasks and activities as and when required.
- New systems and infrastructure must be installed to compete with the dynamic environment.
- To develop expertise and stay updated to manage the customer needs and requirements timely.
- Introduce latest products and services in advance to meet the customer demands.

\(^{97}\)Rajeswari, A. “A Comparative Study on Job Satisfaction of Women Employees of Public Sector Banks and LIC in Tirunelveli District”, 2000.
• To formulate the activities of branches in such a pattern that the branch focuses on more of specialized work.

For a sustainable growth, the banks must concentrate more on cost cutting, reducing variable costs, reduction in the fixed costs by mergers and acquisitions and charging the customers only for the actual services. In a lot of banks of various other countries the system of cheque processing has been reallocated from banks to some local centers for the purpose of cost reduction. In this high competition era, to retain the customer’s loyalty, the banks have to solve all the customer queries timely and fulfill their requirements in the prescribed duration. Banks must enlarge their range of products and facilities not concentrating solely on payment systems so that customers have more to choose from.\textsuperscript{98}

The astounding increase in the number of branches has given scope to the public sector banks to organize funds from the remote locations of the country and provide those funds to the poor sections of the society. This process of banks opening up their branches in these remote and unorganized parts of the country has helped a lot in allocation of funds in rural and semi-rural areas under the governmental and R.B.I. control.

Extension of banks and their branches in these areas has resulted into exaggeration of loans in tiny, small and medium scale enterprises and agriculture, etc. It is important to have a proper channel or cycle for funds rotation and its settlement to ensure the appropriate functioning of industrial/commercial banks. It is only done with an effective follow-up system.

3.4 ORIGIN OF STATE BANK OF INDIA

The largest and the oldest bank still functional, is the State Bank of India. It started as the Bank of Calcutta in June 1806 and was renamed as the Bank of Bengal in 1809; it worked as a government bank till it was merged to Imperial Bank of India.\textsuperscript{99} It was also authorized to issue notes which were in circulation within a specified and restricted geographic region. It was the first joint-stock bank of British India sponsored by the Government of Bengal. It was one of the

\textsuperscript{98}http://www.wisegeek.com/what-is-the-role-of-banks-in-economic-development.htm
three banks funded by a Presidency government; the other two were the Bank of Bombay and the Bank of Madras. On April 15, 1840 Bank of Bombay was set up to carry out similar functions in Bombay region as Bank of Bengal in Bengal Region. Thereafter, on July 1, 1843 Bank of Madras was set up to carry out government and corporate business in South India because till then there was no big bank in whole country. The three banks got amalgamated on January 22, 1921 as Imperial Bank of India and it was in 1955 that the Imperial Bank of India was taken over by State Bank of India after passing the State Bank of India Act by the Parliament. The three banks that were called presidency Banks namely Bank of Bengal, Bank of Bombay and Bank of Madras were governed by royal charter and the promoters subscribed four-fifth of its capital, these promoter were mainly British industry and the rest one-fifth was owned by the provincial governments of Bengal, Bombay and Madras respectively.

Initially the business of Presidency Banks was confined to discounting of bills of exchange and other negotiable private sector instruments, receiving deposits, keeping cash accounts and issuing and circulating cash notes. Loans upto Rs. 1 lakh were granted with the period of accommodation were confined to only three months. The securities for such loans included goods except perishable goods, public securities, bullion, treasurer and jewels interest was fixed maximum at twelve per cent per annum. With the passage of time loans were also extended against certain commodities like indigo, opium, salt, cotton, woolens, and cotton piece goods, silk and mulberry goods whose trade was basically confined to the hands of British traders. Gradually tea, sugar and jute were also financed.¹⁰⁰

Demand promissory notes in favor of the bank signed by borrowers were accepted. When the Paper Currency Act 1861 was passed a major change took place in which the government was given a right to issue currency notes to three banks. But March 1, 1862 onwards the solitary power of issuing notes was vested with the Government of India which changed the character of Presidency Banks and it shrunk the position of commercial banks along with the right to work as government bank. The Presidency Banks started opening branches 1876 onwards so as to help industry and trade; it included in its domain many ports for inland trade. On May 1, 1876, the

¹⁰⁰https://www.sbi.co.in/portal/web/about-us/evolution-of-sbi
Presidency Bank Act came into operation under a common statute. The Reserve Bank of India was set up in 1935 and since then banking sector was supervised and controlled by it.

Imperial Bank of India played a triple role which included the role of commercial bank, banker’s bank and banker to the government. In 1935 with the establishment of the Reserve Bank of India the role of Imperial Bank of India as banker’s bank and government banker was taken over by the Reserve Bank. Imperial Bank of India had capital base of Rs. 11.85 crores including reserves, deposits of Rs. 275.14 crores and advances of Rs. 72.94 crores. It had 172 branches and 200 sub-offices in 1947 when India became independent. A recommendation by the All India Rural Survey Committee on the creation of the state sponsored bank was made by taking over the Imperial Bank of India. This recommendation was accepted by the Government of India and in 1955 State Bank of India Act was passed. At that time 480 offices were held by the Imperial Bank which were taken over by the State Bank of India as per Act of 1955.  

3.4.1 FIRST FIVE-YEAR PLAN AND STATE BANK OF INDIA

In 1951, the development of rural India was given the highest priority in the First Five Year Plan and there came an important turning point in the history of State Bank of India. The Plan aimed at serving the Indian economy in general and the rural sector of the country, in particular. Prior to that, the commercial banks of the country, even the Imperial Bank of India, confined their services to the urban sector. Therefore, in order to serve the economy as a whole and rural sector in particular, the All India Rural Credit Survey Committee recommended the formation of a state-partnered and state-sponsored bank. It also proposed to take over of the Imperial Bank of India, and integrate it with the former state-owned or state-associate banks. An Act was then passed in the Parliament of India in May 1955 followed by the establishment of the State Bank of India (S.B.I.) on 1 July 1955. The State Bank of India was a powerful bank, because as much as a quarter of the resources of the Indian banking system were controlled directly by the State. Later on, in 1959 the State Bank of India (Subsidiary Banks) Act was passed. The Act enabled the State Bank of India to make the eight former State-associated banks (its subsidiaries). The

101 https://www.sbi.co.in/portal/web/about-us/evolution-of-sbi
102 http://planningcommission.nic.in/plans/planrel/fiveyr/index1.html
State Bank of India then emerged as a pioneer institute, with its operations carried out by the 480 offices comprising branches, sub offices and three Local Head Offices, inherited from the Imperial Bank. The major concern of the state bank was to cater the needs of its customers.

3.4.2 ESTABLISHMENT OF S.B.I.

In 1955, the State Bank of India Act was passed and with effect from July 1, 1955 the President of India signed and thus the State Bank of India came into existence. The major reason of the State Bank of India coming into existence was to transfer to it the undertaking of Imperial Bank of India to extend the banking facilities on a large scale, more specifically in the rural and semi-urban areas and for other public purposes. S.B.I. it had issued capital of Rs. 5 crores at the time of establishment and it was provided that the Reserve Bank of India will be holding shares not below 55 per cent at any time so that it may continue to have controlling interest in the Staff all the time.

The State Bank of India Act provided that all the employees shall become employees of the State Bank of India except Managing Director, Deputy Managing Director and other directors of Imperial Bank of India. The interest of the existing and retired employees was also safeguarded by the act and it was provided that all the employees of the State Bank of India will be paid benefits as they were entitled as employees of the Imperial Bank of India.103 The Act also accorded for the organization of the Bank and mentioned that the Central Office of the Bank will be located in Bombay with three local offices in Bombay, Calcutta and Madras, the number of which could be increased and more local offices can be set up at other places where the central government so prefers and gradually local offices were also been set up at New Delhi, Ahmedabad, Lucknow, Hyderabad, Bhopal, Patna, Bhubneshwar, Bangalore, Chandigarh, Guwahati and Thiruvananthapuram making the total of 14 local offices with a sight to better manage the Bank with the expansion in number of its branches and business but a lot of politics also played an inevitable role in expansion of these local offices.

103 Umesh Chandra Mohapatra, “Employee Motivation in Banks: Some Issues”, Macmillan India Ltd.
The Act also provided the procedure for the appointment of the Chairman and Vice Chairman and that their term shall not exceed five-years. The Government kept powers with itself to remove them with consultation with the Reserve Bank of India.

Under Section 32 of the S.B.I. Act it is provided that State Bank of India shall act as an agent of the Reserve Bank of India at all places in India where S.B.I. has a branch or where there is subsidiary bank or branch where there is no branch of the Reserve Bank of India i.e. State Bank of India will be acting as an agent of the Reserve Bank of India.\textsuperscript{104}

The State Bank of India has seven associated banks which earlier were banks of princely states. They are:

- State Bank of Bikaner and Jaipur
- State Bank of Hyderabad
- State Bank of Indore
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Saurashtra
- State Bank of Travancore\textsuperscript{105}

All these banks are taken over by the Central Government they have not been merged with the State Bank of India but in all these state associated banks, overall the State Bank of India holds capital between 75 percent to 100 percent and thus for all policy matters they are controlled by the State Bank of India and in 2007 there is a move to merge them with the State Bank of India.

**3.5 GROWTH OF STATE BANK OF INDIA**

A wide range of banking products is provided by S.B.I. through its network of branches in India and overseas, which includes the products aimed at non-resident Indians (N.R.Is).

\textsuperscript{104}https://www.sbi.co.in/
\textsuperscript{105}ibid
3.5.1 BRANCHES

The corporate center of S.B.I. is in Mumbai. In order to perform different functions, there are several establishments in and outside Mumbai, apart from the corporate center. The bank has 14 local head offices and 57 Zonal Offices, located at major cities throughout India. The State Bank of India is India's largest bank with a network of over 13000 branches and 5 associate banks located even in the remotest parts of India.\textsuperscript{106}

One of the objectives of State Bank of India's promotion is to expand banking facilities in the rural and semi-urban parts of India. It is well understood that some of the new branches will not be viable and profitable in their initial years of establishment. Therefore, it was provided in the State Bank of India Act to set-up Integration and Development Fund in which

(a) The dividends payable to the Reserve Bank of India on such shares of State Bank of India do not exceed 50 per cent of total issued capital

(b) Special contributions from the Reserve Bank of India and, central government from time to time will be utilized for meeting losses from branches opened in pursuance of sub-section (15) of Section 16 of the Reserve Bank of India Act. was also provided to subsidize losses of subsidiary banks with the approval of the Reserve Bank of India.

(c) Meet such other losses as may be approved by the Government of India in consultation with the Reserve Bank of India.

It was because of these provisions that the State Bank of India opened large number of rural branches but they could not flourish and sustain for long and due to heavy losses borne by many new branches gradually the process of opening enviable branches was stopped but even after this, S.B.I. still remains the largest bank in India with over 9300 branches at the end of 2007 and the process has not been stopped though now only viable branches are being opened.

3.5.2 A.T.M.SERVICES

S.B.I. has more than 8500 A.T.M.s in India that provides easy access to fast cash to its clients as

\textsuperscript{106}https://www.sbi.co.in/corporate/branchlocator.htm
well as the clients of the other banks. The free transaction of money at the A.T.M.s of State Bank Group, including the A.T.M.s of State Bank of India and its Associate Banks: State Bank of Bikaner and Jaipur, State Bank of Indore, State Bank of Hyderabad, etc. are also facilitated by the State Bank of India. Money can also be transacted though S.B.I. Commercial and International Bank Ltd. by using the State Bank A.T.M.-cum-Debit (Cash Plus) card.

3.5.3 SUBSIDIARIES

The State Bank Group has under it a network of eight banking subsidiaries and several non-banking subsidiaries. A variety of services including merchant banking services, fund management, factoring services, primary dealership in government securities, credit cards and insurance are provided through them.

The eight banking subsidiaries are

- State Bank of Bikaner and Jaipur (S.B.B.J.)
- State Bank of Hyderabad (S.B.H.)
- State Bank of India (S.B.I.)
- State Bank of Travancore (S.B.T.)
- State Bank of Patiala (S.B.P.)
- State Bank of Mysore (S.B.M.)
- State Bank of Indore (S.B.I.R)
- State Bank of Saurashtra (S.B.S.)

\[^{107}\text{https://www.sbi.co.in/portal/web/affiliates/banking_subsidiaries}^\]
3.6 ORGANIZATIONAL STRUCTURE OF STATE BANK OF INDIA

Figure 13  3.1 Organizational Structure of State Bank of India

Source:
3.7. PERSONAL BANKING PRODUCTS

Various types of deposit schemes of demand, savings and fixed deposits are provided by S.B.I. It also provides personal finance which includes education loans, housing loans, car loans and personal loans. The various schemes for providing loan are:

- S.B.I. Term Deposits
- S.B.I. Loan For Pensioners
- S.B.I. Educational Loan Medi-Plus Scheme
- S.B.I. Housing Loan
- Loan against Shares and Debentures
- S.B.I. Car Loan Rent plus Scheme
- S.B.I. Recurring Deposits Loan against Mortgage of Property

3.8. PERSONAL BANKING SERVICES

Personal banking Services include:

- Agriculture/rural banking:
- Gift cheques
- NRI services
- Broking services
- A.T.M. services
- S.B.I.vishwayatra foreign travel card
- Demat services
- Rbief
- Corporate banking
- Small industries finance
- Internet banking
- International banking
- Mobile banking

108: https://www.sbi.co.in/portal/web/corporate-banking/products-and-services
- Safe deposit locker
- E-rail
- E-pay
- Credit-debit cards
- Government business
- Other services
- Centralized Banking Services (C.B.S.)

3.9 ORIGIN OF I.C.I.C.I.

In 1994, I.C.I.C.I. Bank was promoted by an Indian financial institution, I.C.I.C.I. Limited as its wholly-owned subsidiary. In 1998, I.C.I.C.I.'s shareholding in I.C.I.C.I. Bank was reduced to 46% through offering shares to the public, further in 2000, an equity offering in the form of ADRs listed on the NYSE in 1955 with the initiative by the World Bank, the Government of India and representatives of Indian industry I.C.I.C.I. was formed. The principal aim was to create such a development financial institution that could provide medium-term and long-term project financing to Indian businesses.

Initially in 1990s, I.C.I.C.I. was working as a development financial institution offering only project finance but gradually it diversified into a wide variety of products and services, both directly and through a number of subsidiaries and affiliates, I.C.I.C.I. Bank is one of them.

I.C.I.C.I. became the first Indian company and the first financial institution or bank from non-Japan Asia to be listed on the N.Y.S.E. in 1999. It also acquired the Bank of Madura Limited in an all-stock amalgamation in the next fiscal year.

I.C.I.C.I. Bank is India’s second-largest bank in functioning with a total assets of 4,062.34 billion (U.S.$ 91 billion) as on March 31, 2011 and profit after tax of 51.51 billion (U.S.$ 1,155 million) for the year ended March 31, 2011. The network of I.C.I.C.I. bank is spread with 2,752 branches and 9,225 A.T.M.s in India, and has a presence in 19 countries, including India. A wide range of banking products and financial services to retail and corporate customers through a wide

---

variety of delivery channels and through its specialized subsidiaries in the areas like investment 
banking, life and non-life insurance, venture capital and asset management is provided by 
I.C.I.C.I. bank. At present, the Bank has subsidiaries in the United Kingdom, Russia and 
Canada, branches in United States, Bahrain, Singapore, Hong Kong, Qatar, Sri Lanka and 
Dubai International Finance Centre and representative offices in China, United Arab Emirates, 
Bangladesh, South Africa, Thailand, Malaysia and Indonesia. The subsidiary at the United 
Kingdom has established its branches in Belgium and Germany. I.C.I.C.I. Bank’s equity shares 
are listed in India on both the National Stock Exchange and the Bombay Stock Exchange of India 
Limited and its American Depositary Receipts (A.D.R.s) are listed on the New York Stock 
Exchange (N.Y.S.E.).

I.C.I.C.I. Bank was the first private sector bank in India that offered P.P.F. account facility at all 
bank branches. It was among the first banks to introduce account portability and also the one and 
only bank that offered portability on two additional channels: Internet Banking and Phone 
Banking.111

The first Electronic Toll Collection project on NH-1 was constructed the assistance of the bank. 
A first of its kind project initiated by the Ministry of Road, Transport and Highways, National 
Highway Authority of India (N.H.A.I.) and I.C.I.C.I. Bank was launched by I.C.I.C.I. bank. The 
Reserve Bank of India has given approval to I.C.I.C.I. Bank to set up an Infrastructure Debt 
Fund. It is the first debt fund to get government’s go ahead.112 An official Facebook Page is being 
launched by I.C.I.C.I. Bank.

It is the first bank in India to offer one-of-its kind “Your Bank Account” App, which allows 
access to bank account information on Facebook.

With its head office in Mumbai, I.C.I.C.I. Bank is a leading Indian financial provider. It is India’s 
second leading bank in terms of assets acquired in India and third biggest in terms of market 
capitalization. It provides a variety of products and services to the customers, retailers, 
individuals and various other channels and subsidiaries, venture capital and property 
management. I.C.I.C.I. Bank has a wide network approximately 3,000 plus branches all across 
the country with 10,021 A.T.M.’s in India and with a set-up across nineteen countries.

111http://www.icicibank.com/
112http://www.icicibank.com/aboutus/history.page
Subsidiaries of I.C.I.C.I. Bank are in the United Kingdom, Canada, Russia, Singapore, The United States, Sri Lanka, Hong Kong, United Arab Emirates, Dubai, Thailand, China, Malaysia, Bangladesh, Indonesia and South Africa. I.C.I.C.I. Bank is among the fourth biggest bank after State Bank of India, Punjab National Bank and Canara Bank.

3.10 GROWTH OF I.C.I.C.I.

In October 2001, the merger of I.C.I.C.I. and two of its wholly-owned retail finance subsidiaries, I.C.I.C.I. Personal Financial Services Limited and I.C.I.C.I. Capital Services Limited, with I.C.I.C.I. Bank was approved by the Boards of Directors. The merger was also approved by the shareholders of I.C.I.C.I. and I.C.I.C.I. Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. Following the merger, the I.C.I.C.I. group’s financing and banking operations, both wholesale and retail, were integrated as a single entity.\(^{113}\)

I.C.I.C.I. Bank - the home/parent company was formed in the year 1955 as a venture of World Bank, public sector banks in India and insurance company to provide finances to the Indian corporation. In the initial days the bank was known by its complete name i.e. Industrial Credit and Investment Corporation of India Bank before the bank give itself a curtailed name i.e. I.C.I.C.I. Bank. The Bank then merged with its parent company and launched internet banking in the year 1998. The Bank’s shareholding has been reduced to 46 percent after the offer made by public sector unit in the year 1998 along with the equity offers in the form of deposits in the year 2000. In the year 2001 I.C.I.C.I. Bank took over Bank of Madura with all the stocks inclusive and sold extra stocks to the investors in the year 2001-2002.

Initially I.C.I.C.I. Bank only offered business development finances to the organizations but after in the year 1990’s the bank started providing various products and services to its customers either directly or through subsidiaries of I.C.I.C.I. Bank. Then in the year 1999, I.C.I.C.I. Bank became the first Indian financial company to be listed on N.Y.S.E. with five millions American depositors along with a demand of issuing the shares\(^{30}\). In the year 2001, the management of I.C.I.C.I. decided to merge two of it completely owned venture i.e. I.C.I.C.I. Personal Financial

\(^{113}\)http://www.icicibank.com/aboutus/about-us.page
Services Limited and I.C.I.C.I. Capital Services Limited with the bank. Approval on the same has been received to the shareholders of I.C.I.C.I. by high court of Gujarat in 2002, the high court of Mumbai and Reserve Bank of India in April 2002. The rumors spread in the year 2008 of the financial crisis of the I.C.I.C.I. Bank. Customers visited I.C.I.C.I.A.T.M.s after knowing the news of the weakening financial position of the bank. A certificate was issued by RBI on strong financial condition of the bank to reduce the impact of the rumor. I.C.I.C.I. Bank is the second largest Indian financial bank, with a total asset of 93 billion dollars and its profit after tax is 1,271 million dollars at the end of financial year 2012. The Bank has 3100 branches and 11,000 A.T.M.s all across country with its existence is in nineteen countries. The Bank provides a wide variety of products and services through an effective systematic channel in the fields of life insurance, venture capital, wealth management, property management, investment banking etc.

3.10.1 MERGERS/ACQUISITIONS

I.C.I.C.I. Bank has acquired many establishments which are as follows: 1996: I.C.I.C.I. Bank acquired SCICI Ltd. 1997: I.T.C. finances, it is a non-banking financial institution. The company is engaged in leasing and buying operations. This company has been established in the year 1986, with eight branches, twenty six outlets and more than seven hundred agents. 1998: Anagram finance ltd. with a network of fifty branches in Rajasthan, Maharashtra and Gujarat. The company deals with finance on cars and trucks and has more than 2,50,000 depositors. 114

2001: Bank of Madura.

2002: Grind lays Bank

2005: Russian Bank i.e. Investitsionno - Kreditny Bank 2007: Sangli Bank, it is a private owned bank having its head office in Maharashtra.

2010: Bank of Rajasthan.

114http://www.banknetindia.com/issues/merge.htm
3.10.2 PRESENT SCENARIO

The equity shares of I.C.I.C.I. Bank are listed in India on The National Stock Exchange and the Bombay Stock Exchange of India Limited. Overseas also, its American Depositary Receipts (A.D.R.s) are listed on the New York Stock Exchange (N.Y.S.E.). I.C.I.C.I. was considered as India's second-largest bank, with an asset value of Rs. 3,744.10 billion and profit after tax Rs. 30.14 billion, for the nine months, as on December 31, 2008.

3.11 ORGANIZATIONAL STRUCTURE I.C.I.C.I.

Figure 14  3.2 Organizational Structure of I.C.I.C.I.

3.11.1 BRANCHES AND A.T.M.s

I.C.I.C.I. Bank has a wide network nationally and internationally. In India, the bank has 1,420 branches and about 4,644 A.T.M.s. In the foreign countries, I.C.I.C.I. Bank has its set up in 18 countries - United States, Sri Lanka, Bahrain, Hong Kong, Qatar Singapore, and Dubai International Finance Centre and representative offices in United Arab Emirates, South Africa, Bangladesh, China, Thailand, Indonesia and Malaysia. The Bank also holds its subsidiaries in the United Kingdom, Canada and Russia out of which, the U.K. subsidiary has established branches in Germany and Belgium.

3.12 PRODUCTS AND SERVICES

3.12.1 PERSONAL BANKING

I.C.I.C.I. Bank offers a wide range of products and services to the customers based on their requirements and priorities. It provides various facilities such as deposits, loans, investments, insurance, credit cards, debit cards, demat accounts, wealth management etc. for smooth functioning of individuals as well as various organizations.115

3.12.2 DEPOSITS

I.C.I.C.I. Bank offers a wide range of accounts and deposits to cater to the various banking needs of the different segments of the market. It offers Fixed Deposit Account where customers can open their accounts easily through a number of channels such as by way of internet, phone or by visiting the nearest branch of I.C.I.C.I. bank. It also provides options for the customers to keep a track of the recurring transactions with no penalty of any missed payments. This bank also offers Tax Saver F.D. in which the customer gets a tax deduction under section 80C of the Income Tax Act 1961. It also offers several other deposit schemes as Money Multiplier Fixed Deposit, iwish flexible recurring deposit etc.116

115 http://www.icicibank.com/Personal-Banking/products.page
116 http://www.icicibank.com/Personal-Banking/account-deposit/personal-banking-accounts-deposits
3.12.3 CARDS

I.C.I.C.I. Bank offers a variety of cards based on different priorities of the customers. The cards offered by this bank provide various lifestyle benefits, travel benefits, cash rewards, payback offers and many more. The coral credit card provides numerous offers to the customers on shopping and dining. The platinum chip credit card provides safe, convenient and flexible services along with lucrative benefits. I.C.I.C.I. also offers several beneficial card with unlimited cash rewards, discounts, points for fuel, faster payment facilities etc.\textsuperscript{117}

3.12.4 LOANS

As per the requirements of the customer, I.C.I.C.I. bank provides various kinds of loans. It provides home loans with lower E.M.I.s and offer higher eligibility. It is the most reliable source of finance in the country offering car loans at over 1800 regions. It provides easy process and flexible schemes to ensure customer satisfaction. The bank also provides personal loans up to Rs. twenty lakhs at low interest rates. It provides loan against gold and gold ornaments, to provide liquidity against gold and gold ornaments without parting from the ownership. It also provides comprehensive banking solutions to the customer for all the financial needs including various type of commercial business loans.\textsuperscript{118}

3.12.5 INVESTMENTS

There exist different needs and priorities for different individuals. Buying a car, a house, child’s education, family security, retirement etc. could be the priorities of different customers. Investment services provided by I.C.I.C.I. Bank cater all financial needs and helps in securing the future. I.C.I.C.I. Bank offers fixed investment options for creating and increasing wealth at low risk with Tax benefits, safe returns as well as convenience. Various investment products give

\textsuperscript{117}\url{http://www.icicibank.com/Personal-Banking/cards/personal-banking-cards}

\textsuperscript{118}\url{http://www.icicibank.com/Personal-Banking/loans/loans}
lucrative rate of returns along with option to withdraw fund as and when required as well as loan against the particular investment. I.C.I.C.I. Bank also offers investment in form of bonds with fixed maturity and regular returns in terms of interest for a particular period of time. It also provides safe investment products for the senior citizen with assured minimum returns. A wide range of investment products like Mutual Funds, Gold Monetization scheme, I.P.O.s etc. offered by I.C.I.C.I. have helped the money flow from one sector to the other and ultimately has resulted in increased growth of the economy.\textsuperscript{119}

3.12.6 DEMAT SERVICES

Demat service offered by the ICICI Bank is one of the most popular services in terms of customer base. It serves more than thirty lakh customers providing superlative services along with various attractive benefits. The customers easily get 24*7 supports through internet at a low cost and quick response. The customers can track their earnings by way of interest, dividend, and bonus through account statements. The customers need not issue any cheques while subscribing to IPO; the bank will follow the instructions by the customer.

3.12.7 INSURANCE

I.C.I.C.I. Bank offers numerous insurance schemes to protect the customers from various uncertainties and provide alternatives to save for long term financial goals. The insurance products offered by the bank are easy and convenient to buy. It offers various life insurance schemes for creating wealth, securing future and preparation for retirement. It provides opportunity to secure the health of family members against medical emergencies.\textsuperscript{120}

3.12.8 WEALTH MANAGEMENT

Wealth plays different roles at different times throughout the life of individuals. ICICI Bank understands the financial goals of individuals and assists them in growing their wealth. With various wealth management services the bank helps managing and protecting the wealth. It offers a comprehensive bag of products and services through specialized team of experts. The bank also

\textsuperscript{119} \url{http://www.icicibank.com/Personal-Banking/investments/investment}
\textsuperscript{120} \url{http://www.icicibank.com/Personal-Banking/insurance/insurance}
provides exclusive priority services as well as customized investment planning to its customers.\textsuperscript{121}

3.12.9 N.R.I.BANKING

I.C.I.C.I. Bank provides numerous facilities to the N.R.I.s with exclusive offers to cater to their financial needs. It offers an N.R.E. (Non Resident External) account where the customers can invest the foreign income earned outside India. It is the most convenient way of investing the foreign earnings as the customers can earn tax free interest and the funds are fully repatriable. It also offers N.R.O. (Non Resident Ordinary) savings account where the Non Residents can manage and maintain the income earned in India. An Indian resident can also be added as a joint holder to operate an N.R.O. account. The bank also offers various Foreign currency accounts and premium accounts such as N.R.I. premia, N.R.I. pro etc. It provides various specialized Fixed Deposit and Recurring Deposit accounts for the N.R.I. customers.\textsuperscript{122}

3.12.10 BANK ACCOUNTS

I.C.I.C.I. Bank offers various bank accounts for the different needs of customers. The savings account offered by the bank has a number of value added benefits and rewards. It offers a 3 in 1 trading platform to its customers where it provides banking, trading as well as demat services in a single and integrated account. It also offers salary account with numerous benefits. The bank helps its customers plan for their future through pension accounts with various services. The zero balance saving account gives an option to the customers of not maintaining any minimum balance with the basic saving account with interest payable half yearly.

3.12.11 MONEY TRANSFER

I.C.I.C.I. bank offers numerous easy and convenient ways of transfer of funds. It provides various options for online fund transfer. Under the System of National Electronic Fund Transfer, individuals can transfer funds by electronic means from any bank to any individual having an account with any other bank in the country. Real Time Gross Settlement is another scheme of

\textsuperscript{121}http://www.icicibank.com/wealth-management/index
\textsuperscript{122}http://www.icicibank.com/nri-banking/nri-banking
fund transfer offered by I.C.I.C.I. It is a continuous settlement of funds. Under R.T.G.S., the settlement of funds transfer orders occurs individually with the processing of orders at the actual time they are received. The funds settlement through R.T.G.S. is final and irreversible. Immediate Payment Service is another fund transfer option provided by I.C.I.C.I. It helps the individuals transfer funds from their I.C.I.C.I. bank account to any other bank account instantly and securely. The account of the beneficiary is credited instantly when a fund transfer request is made by the individual.123

3.12.12 PROPERTY SOLUTIONS

A number of property services are offered by I.C.I.C.I. Home Finance to various individuals, landlords, corporates, builders, developers etc. It offers integrated property solutions that include property for offices, malls, hotels, resorts etc. The property solution of I.C.I.C.I. includes real estate agency function offering services to both the owners as well as tenants. I.C.I.C.I. also offers pre-leasing for various supreme brands.124 It helps the investors for land acquisition as well as joint ventures. After various feasibility studies and detailed analysis of market, locations, finances etc. I.C.I.C.I. helps the investors in planning and implementing their real estate structures.

3.12.13 BUSINESS BANKING

I.C.I.C.I. bank offers a number of business banking services to its clients. It offers integrated banking services as per the banking requirements of Micro, Small and Medium Enterprises. In order to make the daily transactions easy and quick, it provides various current account services such as mobile banking, internet banking etc. Various customized accounts are available under the head Smart Business Account, Roaming Current Account- Gold/ Premium/ Classic/ Standard etc. The bank also offers a wide range of products for retail institutions, clubs, H.U.F.s etc. With

123 http://www.icicibank.com/Personal-Banking/onlineservice/online-services/FundsTransfer/fund-transfer
124 http://www.icicibank.com/Personal-Banking/loans/home-loan/loan-against-property/index
simplified and convenient documentation process of opening a current account, I.C.I.C.I. bank provides quick, convenient, safe and secured banking solutions.  

3.12.14 CASH MANAGEMENT

Cash Management Services of I.C.I.C.I. bank provides a number of customized products for managing the funds payable as well as funds receivable. The bank offers various services to enhance the financial position and to ensure effective management of business activities. The collection services of the bank include both the paper collection in terms of cheques and drafts as well as electronic collections. Using the Management Information System, the bank also offers huge payout solutions for making any number of payments including both, payments made in terms of paper as well as in electronic form. It also provides the facilities of payment of interest, dividends etc. to various corporates.

3.12.15 CORPORATE NET BANKING

Corporate Net Banking offered by I.C.I.C.I. bank provides all online banking solutions under one umbrella. In the contemporary business environment the corporate net banking solutions help the individuals to perform important business transactions rapidly from any location without any time lag. It has become an essential tool for the corporate entities. This product of I.C.I.C.I. helps the corporates intensely reduce their paper work and perform their transactions quickly and easily using internet. This banking solution also includes non-transaction services like Trade M.I.S., Real Time Account Balance Information etc.

---

125 http://www.icicibank.com/business-banking/index
127 http://www.icicibank.com/corporate/corporate/corporate
3.12.16 TRADE SERVICES

The various trade services offered by I.C.I.C.I. bank provide an integrated and comprehensive solution to both the Importers as well as Exporters.128 With a large network of more than 500 correspondent banks in more than 60 countries, I.C.I.C.I. bank helps the customers focus on their trade. The bank helps the traders develop the markets globally and strengthening their commercial dealings in the global market. It helps the business reduce their paper work and offers convenient and quick process of documentation and records.

3.12.17 SME SERVICES

I.C.I.C.I. Bank plays an important role in empowering the Small and Medium Enterprises of India. Through the various services and facilities provided by the bank, S.M.E.s are becoming more competitive globally. The website run by the bank i.e. www.india.smetoolkit.org offers online research center to the organizations. It offers various free software that help the organization build their business plans, websites etc. The bank works as a business consultant in collaboration with management experts, entrepreneurs etc. offering numerous services to the S.M.E.129

3.12.18 FXONLINE

ICICI offers a safe and convenient online portal for the transactions the involve dealings in foreign exchange. The facility of FXOnline is available 24*7 with real time information about the foreign exchange rates. It offers competitive rates with a transparent mechanism without involving any dealer or any middle man. FXOnline helps the customers open their account and log in into the same to know the current rates and undertake various transactions in a secured network. It also keeps a record of all past transactions and has an easy retrieval process.

128 http://www.icicibank.com/business-banking/tradeservice/trade-services
3.12.19 CUSTODIAL SERVICES

I.C.I.C.I. Bank offers numerous custodial services for a wide array of customers. It acts as a custodian of investments, American Depository Receipts, Global Depository Receipts, and Foreign Exchange etc. It provides an integrated and a comprehensive system of settlement of transactions. It helps the customers have a track on their dividends along with safekeeping of securities. It also offers services like derivative accounting, valuation of securities, and reconciliation of accounts, dematerialization and dematerialization.130

3.12.20 ONLINE TAXES

I.C.I.C.I. bank offers another exclusive service of payment of taxes electronically. It makes the complex process of tax payment simpler and easier. It also shows all records of past payments along with the challan details. The customer can immediately receive the acknowledgement of the tax that has been paid through the online tax service of I.C.I.C.I. bank. The various types of tax that can be paid through I.C.I.C.I. bank includes both Direct Taxes as well as Indirect Taxes like Corporate Tax, Wealth Tax, Banking Transaction Tax, Dividend Distribution Tax, Excise Duty, Service Tax, Value Added Tax, Central Sales Tax, Professional Tax, Commercial Tax etc.131

3.13 CAREERS

I.C.I.C.I. Group provides employment opportunities in the following companies132:

• I.C.I.C.I. Bank
• I.C.I.C.I. Securities Ltd.
• I.C.I.C.I. General Insurance Company
• I.C.I.C.I. Prudential Life Insurance Company
• I.C.I.C.I. Venture
• I.C.I.C.I. Lombard General Insurance Company

130http://www.icicibank.com/corporate/custodialservices/FI-CM-Custodial-Services
131http://www.icicibank.com/Personal-Banking/onlineservice/online-services/online-tax-payment/online-tax-payment
132http://www.icicigroupcompanies.com/careers.html
3.14 CRITERIA FOR THE SELECTION OF SBI AND ICICI

State Bank of India is an Indian multinational bank, a largest public sector banking enterprise and a major financial services company by yearly turnover and total assets. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra. As of 2014-15, it had assets of □20.480 trillion (US$300 billion) and more than 14,000 branches, including 191 foreign offices spread across 36 countries, making it the largest banking and financial services company in India by assets. The company is ranked 232nd on the Fortune Global 500 list of the world's biggest corporations as of 2016. It is a State owned bank. State Bank of India is banking giant and has 20% market share in deposits and loans among Indian commercial banks. SBI provides a range of banking products through its network of branches in India and overseas, including products aimed at non-resident Indians (NRIs). SBI has 14 regional hubs and 57 Zonal Offices that are located at important cities throughout India. SBI has 18,354 branches in India. As of 2014–15, the bank had 191 overseas offices spread over 36 countries having the largest presence in foreign markets among Indian banks. It has branches in Singapore, Moscow, Colombo, Dhaka, Frankfurt, Hong Kong, Tehran, Johannesburg, London, Los Angeles, Male in the Maldives, Muscat, Dubai, New York, Osaka, Sydney, and Tokyo. It has offshore banking units in the Bahamas and Bahrain, and representative offices in Myanmar, Bhutan and Cape Town.

Industrial Credit and Investment Corporation of India is an Indian multinational banking and financial services company headquartered in Mumbai, Maharashtra, with its registered office in Vadodara. In 2014, it was the second largest bank in India in terms of assets and third in term of market capitalisation. It offers a wide range of banking products and financial services for corporate and retail customers through a variety of delivery channels and specialised subsidiaries in the areas of investment banking, life, non-life insurance, venture capital and asset management. The bank has a network of 4,450 branches and 13,995 ATMs in India, and has a presence in 19 countries including India.

ICICI Bank is one of the Big Four Banks of India. The bank has subsidiaries in the United Kingdom and Canada; branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar, Oman, Dubai International Finance Centre, China and South Africa, and representative
offices in United Arab Emirates, Bangladesh, Malaysia and Indonesia. The company’s UK subsidiary has also established branches in Belgium and Germany.

3.15 CONCLUSION

The oldest and the largest bank in India that still functions in the country is the State Bank of India. It acts as an agent of Reserve Bank of India and also provides a wide range of products through its network of branches in the country including several products for the Non Resident Indians.

This chapter describes the working and management of the State Bank of India and I.C.I.C.I. S.B.I. is managed by 15 Directors including a Chairman. I.C.I.C.I. Bank was promoted by an Indian financial institution and today it is functioning as the second largest bank in India. Both these banks function as leading financial provider in India.

Following the above mentioned details of S.B.I. and I.C.I.C.I.; the next chapter deals with Socio-Economic variables and job satisfaction. It analyses the Job Satisfaction in State Bank of India and Industrial Credit and Investment Corporation of India.