Chapter 3

HISTORICAL BACKGROUND
STATE BANK OF INDIA

Historical Background

The origin of state Bank of India dates back to 2nd June 1806, when bank of Kolkata was established in Kolkata. On 2nd January 1809, the Bank received its charter and was redesignated as Bank of Bengal. It was the first joint stock Bank of British India sponsored by the Govt. of Bengal. Later on the Bank of Bombay was established on 15th April 1840 and the Bank of Madras on 1st July 1843. These three Banks were governed by the royal charters, which were revised from time to time. These three Banks popularly referred to as Presidency Banks, remained at the apex of modern banking in India till their amalgamation as the Imperial Bank of India (IBI) on 27th January 1921. The business of above mentioned Banks was initially confined to discounting of bills of exchange. These Banks were also allowed to issue notes which were acceptable for payment of public revenue within a restricted geographical area. A major change in the conditions of operation of the Banks occurred with the passing of the paper currency Act of 1861, which abolished their right of note issue. The Banks embarked on branch expansion at a rapid pace and by 1876, the branches, agencies and sub-agencies of the three presidency banks covered most of the trade centers in India. The presidency banks of Bengal, Bombay and Madras, with their 70 branches were merged in 1921 to form the imperial Bank of India (IBI). The IBI took on the triple role of a commercial bank, a banker’s bank and a Banker to Govt. The establishment of Reserve Bank of India (RBI) as the central bank of country in 1935 ended the quasi-central banking role of IBI. The IBI became an agent of RBI for the transaction of govt. business at centers where RBI was not established. In 1951, the first five year plan was launched and the development of rural India was given the highest priority. The commercial Banks of the country included the Imperial Bank of India had till then confined their operations to the urban sector and
were not equipped to respond to the emergent needs of economic regeneration of the rural areas. In order therefore to serve the economy in general and the rural sector in particular, the All India Rural Credit Survey Committee recommended the creation of the state-partnered and state-sponsored bank by taking over the imperial Bank of India and integrated with it the former state owned or state-associate banks. An Act was accordingly passed in the parliament in May 1955 and State Bank of India (SBI) was constituted on 1st July, 1955. The State bank of India thus came into being with a new sense of social purpose aided by the 480 offices comprising branches, sub-branches and three local head offices inherited from the imperial Bank of India.

**Organizational Structure**

The Bank’s management and organizational structure is sufficiently decentralized to provide senior managers decision making responsibility within their business units allowing them to continuously improve their management skills. In 1978, the services of the Indian institute of management, Ahmadabad were engaged and on their advice, the modular structure i.e. Zonal and regional offices were created under each local head office to handle growth and achieve efficient branch banking. The administrative structure was decentralized by making the controlling offices near to operating offices. In 1994, the Bank engaged Mckinsey & co. a firm of leading international consultants to help the bank identify strategies, structures, systems etc. to face the new challenges and retain its eminent position in the Indian banking industry. The present structure of the Bank is the outcome of the comprehensive change programmes covering all aspects structure, system, process, etc. implemented by the bank based on the diagnostic and recommendations of the consultants. In order to exploit the synergies among the various SBUs having close linkages or dealings with the same or integrated groups of customers they have been grouped together under a few business groups, each being headed by a senior executive of the rank Dy.
Managing Director. Each business group has full profit and loss responsibility for the group and enjoys a high level of autonomy including control over human and capital resource in order to achieve the Group’s business goals.

The organizational structure of the Bank is reviewed at periodic intervals and wherever feasible departments are merged with a view to improves efficiencies. The bank has carried out the exercise at corporate centre and is rolling it out at local, regional and Zonal office levels.

**Corporate Centre**

Corporate centre is at the apex level of the organizational structure. It is responsible for long term planning and policy formation. This management of the Bank consists of the following members:

**Chairman:** chairman is the chief executive officer of the Bank who presides over the Banks central board of directors. The staff functionaries are in charge of policy planning functions. The group executives have operational responsibility for the SBUs attached to their groups. All these executives are independently responsible for matters related to their group or staff area and directly report to the chairman.

**Local Head Office:** Chief General Manager is the top management executive heading the circle. Staff functionaries, network chiefs and the circle vigilance officer directly report to him. The circle management committee covers the following areas:

- Review of business programmes of the circle
- Review of functioning of all departments at the local head office.
- Ensuring compliance with the corporate objectives at suitable intervals.
Zonal Office: DGM is the executive heading the module. All personal Banking branches, branches with AGM incumbency and AGMs in charge of regions in the module directly report to the DGM. The Zonal office credit committee is constituted to handle credit proposals relating to sanction of loans as well as matters related to advances such as write off, losses, bad debts, initiation, withdrawal of legal action etc.

Regional Office: Assistant general manager is the head of regional network branches with incumbency of chief manager and below in a region. The necessary planning support is provided by the sales planners.

Branch Expansion

The Bank has been pursuing a policy of offering specialized services to specific customer segments through specialized outfits with a view to countering the competition from the private and foreign banks. It has 81 personal banking branches at selected centers. The Bank has so far opened 9 rehabilitation and recovery branches. It has opened a specialized housing finance branch in Chennai, Diamond branch in Mumbai and Leather branch in Chennai. It has total of 21,500 branches. The Bank has a network of 137 overseas offices spread over 32 countries covering all the time zones. The Bank also maintains comprehensive correspondent relationship with 593 top ranking branches in 127 countries. It has 25,000 ATMs and 99345 offices in India. Telebanking offered by the bank free of charge is operative in 301 branches in 18 cities. Over 31000 customers have registered for the service. Internet banking is provided by 501 branches in 97 cities. The special EFT (electronic fund transfer) scheme was launched by the Bank from 01-04-2003 in close coordination with RBI to facilitate efficient and expeditious interbank transfer of funds. 29 branches of the bank are participating in the scheme. The bank has two wholly owned subsidiaries abroad-SBI Canada, SBI California and two joint ventures namely Nepal SBI Bank Ltd and Bank of Bhutan. The other
subsidiaries are SBI international Ltd, Mauritius, indovigeria Merchant Bank Ltd. Besides there are 18 corresponding Banks working as agents of SBI. In our valley there are 46 computerized branches of the bank with 10 extension counters. The State Bank Group which has 13,635 branches has computerized all the branches. State Bank Group has 3,900 networked ATMs comprising over 2,800 ATMs of SBI and 1,100 ATMs of the associate banks. Internet banking has been rolled out to 1,100 branches. SBI has five associate banks:

State bank of Bikaner & Jaipur
State bank of Hyderabad
State bank of Mysore
State bank of Patiala
State bank of Travancore

**HRD Philosophy of the Bank**

HRD in State Bank of India is a continuous movement and direction to enable every individual as a member of an effective team and the SBI community, to realize and activate his potential so as to contribute to the achievement of the Banks goals and derive satisfaction thereof. The HRM policy aims at creating a facilitating environment for overall development of people and thereby enabling them to translate their potentials into role related competencies. The Bank recognizes the value of the contribution of the individuals in achieving the corporate objectives. All HR related interventions are based on the philosophy of individual and organizational development. The interventions aim at achieving professional excellence in individual and fostering team work.

Some of the HR policies of the Bank as well as areas of concern and where the policies are being reviewed and revamped are: Recruitment Policy, Career systems-consisting of manpower planning, potential appraisal and
promotions and career planning and development inclusive of placement, Work planning involving role analysis and performance appraisal systems. Performance counseling, job rotation, self renewal systems-comprising role efficiency and organizational development and cultural systems, which deal with HRD climate, value system, quality orientation, communication and empowerment.

Formal HRD structure emerged in 1979. In order to design a system, it was essential to state the values in respect of its people’s area and to describe the aims and objectives of having an HRD system. The values stated were that the Bank should respect all individuals, all individuals should feel wanted and valued by the Bank and bank should create an enabling culture whereby individuals get an opportunity to grow to their full potential The aims and the objectives fixed by the bank are:

- To create a climate of openness and trust.
- To build collaborative culture-whereby everyone is an important member of an effective team to promote human capabilities and competencies in the organization.
- To bring about integration of the individual and organizational goals
- To improve the quality of work life.

Based on the above aims SBI adopted the following HRD policies:

**Manpower Planning:** banks manpower planning is meant to improve the innovative and creative abilities of its people through promoting a conducive climate, enhancing the human touch and improving interpersonal relations. Manpower requirements are assessed at the micro level even though overall decisions are made within frame work of government guidelines and corporate perspectives. Branch activity analysis and productivity norms are the basis upon which the assessments are made. Manpower planning in the bank is subordinate to guide lines issued by the Govt. of India and RBI.
Training and Development: Training system enables the employees to take up their assignments and perform tasks with a higher level of confidence and perfection. Training system not only addresses the needs in the areas of knowledge and skills but also looks at the need for change in the attitude of employees. The Training programmes are aligned to the Bank’s business, goals and objectives and endeavor to build up competencies in the staff to achieve the declared objectives of the bank. While exclusive programmes on customer service are held in the training system, all training programmes have the customer as the central theme. Eminent specialists in different fields of management, banking, finance, HRM etc are invited for delivering guest lecturers to make the programmes more efficient. Training is a key variable in human resource development strategy of the Bank. The bank has constituted “advisory council” comprising management experts, academicians and the Bank’s senior executives. The advisory council aims at improving the training effectiveness.

Quality Circles: Quality circle is a small group in which people who works in the first line work place, continually improve and maintain the quality of products, services, job and so on. This small group promotes the activity in such a way as to autonomously administer it, utilize the quality circle concept and technique, display creativity and make self development and mutual development. Quality circle was introduced in SBI in 1984 in Bhopal circle. Presently there are over 1000 Quality circles operating in full swing at branch level in different circles.

Job Rotation: Developing functional versatility among employees is a must and it is possible only through job rotation. In SBI, the process of job rotation was started from 1989. Along with job rotation, job analysis occupies a central position in the design of HRD activities in SBI. The purpose of role analysis is to reduce role ambiguity of the role-occupant for maximizing his individual
contribution to the bank. The bank has well designed transfer, promotion, and placement policy. The career system in SBI includes various elements like career surveys, career information, career monitoring and several career support systems like human resource planning, potential appraisal and career planning are its inputs.

**Employee welfare:** The SBI has introduced a no. of welfare schemes to improve the Quality of work life of the employees. These schemes include canteen facilities, education scholarship to children of employees, consumer cooperative stores, housing loans, SBI employees mutual welfare scheme, festival advances, conveyance loans etc.

**Human Resource Information system:** Different aspects of information about individual employees—biographical, cultural traits, performance records, promotions obtained, potential for higher positions, critical incidents, placements enjoyed etc.—are well managed in SBI. The State Bank institute of information and communication management conducts a series of computer based human resource information system courses for various categories of employees. HRD Policies of the Bank seems to be of the ideal order to win competitive battles in globalised environment.

**Functions**

SBI along with its non banking subsidiaries has emerged as a financial service. Super market offering the entire range of financial services including investment banking, housing finance, factoring project finance, asset management primary dealership, securities trading credit card, gold banking etc. Internet banking facility provided by the bank is being used by more than 2,50,000 customers. The bank is working on core banking, 1291 branches are providing this service. The Bank has introduced customized products for tourism, besides tie-up arrangements with manufacturers of dental and medical equipments, loan for renovation and modernization of clinics, offices etc. SBI’s
international group (Banking group) delivers the full range of cross border finance solutions through four wings viz: The domestic division, the foreign office division, the foreign department and the international services division. Besides SBI provides a wide range of schemes like Housing loan scheme, Educational loan scheme, Agricultural loans. SBI is also providing finance to artisans, doctors, milk producing societies, small business units under different schemes. A joint venture between SBI and Cardiff S.A of France was incorporated on 29th March 2001. It is registered as SBI life insurance Company limited. SBI has divided the market into four segments viz: Commercial and institutional segment (C&I), Small industrial business segment (SIB), Personal segment (Per), and Agricultural segment (Agl).
THE JAMMU AND KASHMIR BANK LTD

Historical Background

Money lenders have been part of Indian society since ancient times. In the State of Jammu and Kashmir, traditional money lenders performed entire banking and that too at excessive interest rates. At the same time some banks functioned but at a very limited scale, such as Punjab National Bank, Grindlays Bank and Imperial Bank of India. The role of these Banks was reduced to the acceptance of deposits, they could not grant loans and advances to the people of the state owing to the statutory limitations. Under this scenario banks could not improve the financial and social position of the people of the state. To overcome this critical situation, the then maharaja of the state, Maharaja Hari Singh conceived the idea to establish a State bank to come out of the economic backwardness. Maharaja was determined to have its own state bank. It was June 18, 1930 a meeting was called which was attended by leading traders, manufacturers and local money lenders in the office chamber of the then finance and development minister, Mr. P.K. Wattal. The participants in the meeting unanimously took a decision to approach Sir Sorabji N. Pochkhanawala, the then managing director of the central bank of India, with a request to formulate a scheme to establishing a bank in the state of Jammu and Kashmir. Mr. Sarabji formulated a scheme on September 24, 1930, suggesting establishment of semi state bank with participation in capital by the state and the public under the control of state government. Thus the bank was formally incorporated on October 1, 1938 and commenced business on 4th July, 1939 at its registered office, Residency road Srinagar.

Jammu and Kashmir Bank had to face serious problems in 1947 i.e. at the time of independence. With the partition of Pakistan, two out of the total ten branches of the bank, namely the ones in Muzaffarabad and Mirpur, fell to the other side of the line of control (now Pak Occupied Kashmir), along with
cash and other assets. It was in the year 1971 that Jammu and Kashmir Bank was granted the status of a 'Scheduled Bank'. Five years later, it was declared as "A" Class Bank, by the Reserve Bank of India (RBI). As the years passed on, the bank started achieving more and more success. Today, it boasts of more than 700 branches across the country. It was only recently that Jammu and Kashmir Bank became a billion dollar company. Governed by the Companies Act and Banking Regulation Act of India, it is regulated by RBI and SEBI. It finds a listing on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) as well.

The J&K Bank is the first state owned bank of the country and 53% of the equity is held by the Govt. of J&K. It has unique distinction of being banker to the state Govt. and has also been appointed by RBI as its agency in J&K, responsible for carrying general banking business of the central Govt. and collection of taxes pertaining to the central board of direct taxes. Encouraged by the support of the public another branch of the bank was opened at Jammu. In February 20, 1940 the board of directors decided to open a branch outside state. Thus another branch was established in Amritsar. The foreign exchange business of the bank started from residency road branch on July 20, 1981, followed by the Shalimar branch in Jammu and Irwin road in Delhi. In the first year of its operation, the bank earned a profit of Rs 4.31 crore through foreign exchange. The RBI entrusted the bank with the responsibility of lead bank in four districts of the state in 1980. The four districts were Baramulla, Kupwara, Rajouri and Poonch. In 1983, The RBI assigned the responsibility of four more districts which include Budgam, Anantnag, Pulwama and Srinagar. In 1984, the bank created a ‘customer service cell’ at the centre office level with an objective to address customer complaints. 1989 was a historic year for the bank, as it completed its 50 years of existence The J&K bank installed an automated teller machine (ATM) in the valley on January 1, 1997.
Unique Characteristics & Services

- J&K Bank carries out banking business of the Central Government
- In spite of a government equity holding of 53 per cent, Jammu & Kashmir Bank is regarded as a private sector bank
- J&K Bank is the one and only banker and lender of last resort to the Government of J&K
- Plan and non-plan funds, taxes and non-tax revenues are routed through the J&K Bank
- J&K Bank claims the distinction of being the only private sector bank that has been designated as agent of RBI for banking
- The services of J&K Bank are utilized for the purposes of disbursing the salaries of Government officials
- J&K Bank collects taxes pertaining to Central Board of Direct Taxes, in Jammu & Kashmir

Organizational Structure

Jammu and Kashmir bank has a four tier organizational structure comprising of corporate office, zonal offices, district offices and branches with its head offices at Srinagar. Chairman and Chief executive officer who are assisted by one chief General Manager and four General Managers head the branch. Chief General Manager is looking after the portfolios of planning, development and information technology. Three General Managers are looking after the portfolios of Administration, Credit and Investments and Law and company affairs. The forth General Manager heads the Jammu division of the bank. The General Managers are assisted by fifteen DY. General Managers who in turn have the support of assistant General Managers in offices and as area managers/district managers. District and area managers supervise the functioning of the branches falling under their relative jurisdictions. Branches are headed by the branch Managers.
Functions

An essential objective of business strategy is to maximize value to customers, understand and anticipate their needs and offer products and services to them at competitive prices. Some of the schemes offered by the bank are: Millennium deposit scheme, Flexi deposit scheme, Fixed deposit scheme, Cash certificate scheme, Golden deposit scheme, Child care deposit scheme, Monthly yield deposit scheme etc. Besides some other schemes are also available as Housing loan scheme, loan scheme, Personal loan scheme etc. Entry of ATM’s has changed the profile of front offices in bank branches. Customers no longer need to visit branches for day to day banking transactions like cash deposits, withdrawals etc. The Bank has customized software solution in place to handle asset liability management system of the bank. The bank launched its credit card, a product in association with Master card. It has three specifications Gold, Silver and Blue. Internet banking facility is also available. Another facility offered by the bank is mobile ATM service in Srinagar. The bank also introduced western union inward money transfer facility at number of branches across the country. Through this service people in general and J&K bank customers in particular are able to receive money from their friends and relatives abroad. The J&K bank has tie-ups with Bajaj tempo, Bajaj auto Ltd, Ascorts Finance, Mahindra and Mahindra, Birla Power solutions Ltd, Honda Siel, Godrej India Ltd. The Bank is also offering registration for Shree Amarnath yatra. J&K bank has joined hands with MetLife insurance (USA) in floating MetLife India insurance Co. Pvt. Ltd. MetLife India formally launched its operations n the state of J&K on 7th and 8th march 2002. The bank has receiver in principle approval from RBI to act as corporate insurance agent.

Branch Expansion

The Bank has its first branch outside the state in Amritsar in 1940. In 1975 and 1981, the bank opened 38 branches. The bank opened 25 new
branches raising the number to 500 at the end of March 2005. The number of branches brought under computerization program has increased to 423. The bank has networked 200 important branches at various centers to offer anywhere banking besides networking of ATM’s. The number of ATM’s has increased to 170. At present bank has a network of > 700 branches. The bank has 62 extension counters and 6 regional collection centers (RCC) namely Jammu, Srinagar, Delhi, Mumbai, Sopore, Anantnag. The Bank has 27 MICR centers.

**Human Resource Development**

Quality of human resource is the key to competitive strength and performance of an organization. This has assumed much more significance and position in the current Hi-tech environment in the banking sector. J&K bank accords high priority to development of its vital resource HRD – at all levels. As the quality of human resource indicate the ability of the bank to deliver value to its customers, foremost attention is being given to development of skills, attitude and knowledge of the staff. Emphasis has been on integrating HRM strategies of the bank with its business strategies. HRM strategies of the bank include managing change, creating commitment, infusing flexibility and improving team work. In order to boast the morale of the staff, bank unilaterally adopted a revised salary package for its employees, which is one of the best in the industry. The bank has also introduced a merit based promotion policy to further encourage talent, efficiency and motivation of the staff. Training in handling computerized operations, audit and software rectifications has remained a thrust area. Training in various operational activities is imparted to the employees at various Training colleges within and outside the country. So far 3935 employees were imparted training in various banking, management, economic and IT related fields.
Support Services

- Anywhere Banking
- Internet Banking
- SMS Banking
- ATM Services
- Debit Cards
- Credit Cards
- Merchant Acquiring

Third Party Services

- Mutual Funds
- Insurance Services - Life & Non Life
- Remittance Services

Cash Management Services

- Real Time Gross Settlement (RTGS)
- National Electronic Fund Transfer (NEFT)