Chapter 4: Industry Analysis: Banking Sector

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Chapter 4.1: Banking

1. Introduction
2. Definitions
Chapter 4.1: Banking

1. Introduction

A bank is a financial institution that accepts deposits and channels those deposits into lending activities. Banks primarily provide financial services to customers while enriching investors. Government restrictions on financial activities by banks vary over time and location. Banks are important players in financial markets and offer services such as investment funds and loans. In some countries such as Germany, banks have historically owned major stakes in industrial corporations while in other countries such as the United States banks are prohibited from owning non-financial companies. In Japan, banks are usually the nexus of a cross-share holding entity known as the keiretsu. In France, bancassurance is prevalent, as most banks offer insurance services (and now real estate services) to their clients. Bank a corporation empowered to deal with cash, domestic and foreign, and to receive the deposits of money and to loan those monies to third-parties.

2. Definitions

Bank has been defined by various authors, experts and judges. The definitions are given below:

(a) Bank is defined as a noun, ”An establishment for receiving, keeping, lending, or, sometimes, issuing money, and making easier the exchange of funds by checks, notes, etc. the office or building of such an establishment, the fund put up by the dealer in baccarat, out of which losses are paid, the entire monetary pool of a gambling establishment, a common fund of chips, pieces, etc. used in playing a game, as poker or dominoes, a reserve of things for later distribution or use, or a place for this; a store of blood for transfusions, body organs for transplantation, etc., a store or a device for keeping retrievable data a memory bank”

(b) Again It is Defined as a Noun

(i) a long mound or heap, as of ground, clouds, or snow; ridge
(ii) a steep rise or slope, as of a hill
(iii) a stretch of rising land at the edge of a body of water, esp. a stream
(iv) a shoal or shallow place, as in a sea or lake; esp., a raised part of a continental shelf
(v) the sloping of an airplane laterally to avoid slipping sideways on a turn
(vi) the sloping of a road, racing track, etc. laterally along a curve
(vii) Billiards cushion (sense)
(vii) Mining the face or top end of the body of ore.

(c) **Bank Defined as a Transitive Verb**

(i) To heap dirt around for protection from cold, light, etc.; embank
(ii) To arrange (a fire) by covering with ashes, adding fuel, etc. so that it will burn low and keep longer
(iii) To heap or pile up so as to form a bank
(iv) To construct (a curve in a road, etc.) so that it slopes up from the inside edge
(v) To slope (an airplane) laterally on a turn, with the inside wing low and the outside wing high so as to prevent slipping sideways
(vi) Basketball to shoot (the ball) so that it bounces from the backboard into the basket
(vii) Billiards to stroke a ball so that it recoils from a cushion to make a shot in this way.

(d) **Bank Defined as an Intransitive Verb**

(i) To take the form of a bank or banks
(ii) To fly an airplane with lateral slope on a turn

(e) **Business Definition**

‘Bank is a commercial institution that keeps money in accounts for individuals or organizations, makes loans, exchanges currencies, provides credit to businesses, and offers other financial services’.

(f) **An Organization**

Usually a corporation, chartered by a state or federal government, which does most or all of the following: receives demand deposits and time deposits, honors instruments drawn on them, and pays interest on them; discounts notes, makes loans, and invests in securities; collects checks, drafts, and notes; certifies depositor's checks; and issues drafts and cashier's checks.
(g) **Bank is an Establishment**
Authorized by a government to accept deposits, pay interest, clear checks, make loans, act as an intermediary in financial transactions, and provide other financial services to its customers.

(h) **Bank is a Financial Institution**
That is licensed to deal with money and its substitutes by accepting time and demand deposits, making loans, and investing in securities. The bank generates profits from the difference in the interest rates charged and paid.

(i) **In 1899, the United States Supreme Court (Austen)**
Used these words to define a bank: "A bank is an institution, usually incorporated with power to issue its promissory notes intended to circulate as money (known as bank notes); or to receive the money of others on general deposit, to form a joint fund that shall be used by the institution, for its own benefit, for one or more of the purposes of making temporary loans and discounts; of dealing in notes, foreign and domestic bills of exchange, coin, bullion, credits, and the remission of money; or with both these powers, and with the privileges, in addition to these basic powers, of receiving special deposits and making collections for the holders of negotiable paper, if the institution sees fit to engage in such business."

(j) **In 1901, Justice Holmes Wrote, In An Irish Case (Re Shields Estate)**
"The real business of the banker is to obtain deposits of money which he may use for his own profit by lending it out again."

(k) **Justice Atkin Wrote in Case of Joachimson in 1921**
"The bank undertakes to receive money and to collect bills for its customer's account. The proceeds so received are not to be held in trust for the customer, but the bank borrows the proceeds and undertakes to repay them. The promise to repay is to repay at the branch of the bank where the account is kept, and during banking hours. It includes a promise to repay any part of the amount due against the written order of the customer addressed to the bank at the branch."
Bankers never do make a payment to a customer in respect of a current account except upon demand."

(i) In 1948, the Privy Council (England)
Used these words to describe a bank (in Bank of Chettinad)."a company which caries on as its principal business the accepting of deposits of money on current account or otherwise, subject to withdrawal by cheque, draft or order."

(m) In United Dominions (1966), Lord Denning
Defined a bank: "an establishment for the custody of money received from, or on behalf of, its customers. Its essential duty is to pay their drafts on it: its profits arise from the use of money left unemployed by them.

(n) In Canada, Justice Richards of the Manitoba Court of Appeal (1949)
Tried his hand at listing the business of a bank as being: Receiving money on deposit from its customers; Paying a customer's cheques or drafts on it to the amount on deposit by such customers, and holding Dominion Government and bank notes and coin for such purpose; Paying interest by agreement on deposits; Discounting commercial paper for its customers; Dealing in exchange and in gold and silver coin and bullion; Collecting notes and drafts deposited; Arranging credits for itself with banks in other towns, cities and countries; Selling its drafts or cheques on other banks and banking correspondents; Issuing letters of credit; Lending money to its customers on the customers' notes, by way of overdraft (or) on bonds, shares and other securities.

(o) Judge Cohen
Defined bank as,"a banker undertakes by the very carrying on of his business that he will honour any cheque drawn upon an account, provided that that account is in credit to the amount of the draft."
(p) In United Dominion Trust (1966), Justice Diplock Defined bank as, "what I think is common to all modern definitions of banking and essential to the carrying on of the business of banking is that the banker should accept from his customers loans of money on deposit, that is to say, loans for an indefinite period on running account, repayable as to the whole or any part thereof on demand by the customer."
4.2: Functions of Commercial Banks

1. Introduction

2. Functions of a Commercial Banks

3. Differences between Primary and Secondary Functions

4. Different Modes of Acceptance of Deposits

5. Different Methods of Granting Loans by Bank

6. Ancillary Services

7. Conclusion
4.2: Functions of Commercial Banks

1 Introduction

Commercial banks offer a wide range of corporate financial services that address the specific needs of private enterprise. They provide deposit, loan and trading facilities but will not service investment activities in financial markets. Commercial banks can be described as a type of financial intermediary. In the US, the term is used to refer to any banking organization or division that deals with the deposits and loans of business organizations. The term commercial bank is used to differentiate these banks from investment banks, which are primarily engaged in the financial markets. Commercial banks are also differentiated from retail banks that cater to individual clients only. In non English-speaking countries the term commercial bank is used interchangeably with the term trading bank. Commercial banks play a number of roles in the financial stability and cash flow of a country's private sector. They process payments through a variety of means including telegraphic transfer, internet banking and electronic funds transfers. Commercial banks issue bank checks and drafts, as well as accept money on term deposits.

Commercial banks also act as moneymen, by way of installment loans and overdrafts. Loan options include secured loans, unsecured loans, and mortgage loans. A secured loan is one where the borrower provides a certain property or asset as collateral against the loan. The main condition of these loans is that if the loan remains unpaid, the bank has the right to use the property in any way they like to realize the outstanding amount. Unsecured loans have no collateral and therefore command higher interest rates. There are a variety of unsecured loans available today and these include credit cards, credit facilities such as a lines of credit, corporate bonds, and bank overdrafts. Mortgage loans that are provided by commercial banks are similar to secured loans but are used specifically to buy real estate property for commercial purposes. In most of these cases, the banks hold a lien on the title to the particular property purchased with the loan. If the borrower is unable to pay the loan back, the bank leverages this item against the loan to generate funds or recover the principal. Commercial banks provide a number of import financial and trading documents such as letters of credit, performance bonds, standby letters of credit, security underwriting.
commitments and various other types of balance sheet guarantees. They also take responsibility for safeguarding such documents and other valuables by providing safe deposit boxes.

2. Functions of a Commercial Banks

The functions of a bank are divided into two categories:
(a) Primary Functions, and
(b) Secondary Functions Including Agency Functions.
These functions are explained in the following paragraphs.

(a) Primary Functions
The primary functions of a commercial bank include:
(i) Accepting deposits; and
(ii) Granting loans and advances;

(i) Accepting deposits: The most important activity of a commercial bank is to mobilize deposits from the public. People who have surplus income and savings find it convenient to deposit the amounts with banks. Depending upon the nature of deposits, funds deposited with bank also earn interest. Thus, deposits with the bank grow along with the interest earned. If the rate of interest is higher, public are motivated to deposit more funds with the bank. There is also safety of funds deposited with the bank.

(ii) Grant of loans and advances: The second important function of a commercial bank is to grant loans and advances. Such loans and advances are given to members of the public to the business community at a higher rate of interest than allowed by banks on various deposit accounts. The rate of interest charged on loans and advances varies depending upon the purpose, period and the mode of repayment. The difference between the rate of interest allowed on deposits and the rate charged on the Loans is the main source of a bank’s income.
• **Loans:** A loan is granted for a specific time period. Generally, commercial banks grant short-term loans. But term loans, that is, loan for more than a year, may also be granted. The borrower may withdraw the entire amount in lump sum or in installments. However, interest is charged on the full amount of loan. Loans are generally granted against the security of certain assets. A loan may be repaid either in lump sum or in installments.

• **Advances:** An advance is a credit facility provided by the bank to its customers. It differs from loan in the sense that loans may be granted for longer period, but advances are normally granted for a short period of time. Further the purpose of granting advances is to meet the day to day requirements of business. The rate of interest charged on advances varies from bank to bank. Interest is charged only on the amount withdrawn and not on the sanctioned amount.

Modes of short-term financial assistance

Banks grant short-term financial assistance by way of cash credit, overdraft and bill discounting.

• **Cash credit:** Cash credit is an arrangement whereby the bank allows the borrower to draw amounts up to a specified limit. The amount is credited to the account of the customer. The customer can withdraw this amount as and when he requires. Interest is charged on the amount actually withdrawn. Cash Credit is granted as per agreed terms and conditions with the customers.

• **Overdraft:** Overdraft is also a credit facility granted by bank. A customer who has a current account with the bank is allowed to withdraw more than the amount of credit balance in his account. It is a temporary arrangement. Overdraft facility with a specified limit is allowed either on the security of assets, or on personal security, or both.

• **Discounting of bills:** Banks provide short-term finance by discounting bills, that is, making payment of the amount before the due date of the bills after deducting a certain rate of discount. The party gets the funds without waiting for the date of maturity of the bills. In case any bill is dishonoured on the due date, the bank can recover the amount from the customer.
(b) Secondary Functions

Besides the primary functions of accepting deposits and lending money, banks perform a number of other functions which are called secondary functions. These are as follows:

(i) Issuing letters of credit, travelers- cheques, circular notes etc.
(ii) Undertaking safe custody of valuables, important documents, and securities by providing safe deposit vaults or lockers.
(iii) Providing customers with facilities of foreign exchange.
(iv) Transferring money from one place to another; and from one branch to another branch of the bank.
(v) Standing guarantee on behalf of its customers, for making payments for purchase of goods, machinery, vehicles etc.
(vi) Collecting and supplying business information.
(vii) Issuing demand drafts and pay orders; and.
(viii) Providing reports on the credit worthiness of customers.

3. Differences between Primary and Secondary Functions

Table 4.2.1: Differences between Primary and Secondary Functions

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<th>Primary Functions</th>
<th>Secondary Functions</th>
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<td>(a). These are the main activities of the bank.</td>
<td>These are the secondary activities of the bank.</td>
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<td>(b). These are the main sources of income of the bank.</td>
<td>These are not the main sources of income of the banks</td>
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<td>(c). These are obligatory on the part of bank to perform. But generally all commercial activities.</td>
<td>These are not obligatory on the part of bank to perform. banks perform these</td>
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4. Different Modes of Acceptance of Deposits

Banks receive money from the public by way of deposits. The following types of deposits are usually received by banks:

(a) Current Deposit
(b) Saving Deposit
(c) Fixed Deposit
(d) Recurring Deposit
(e) Miscellaneous Deposits

(a) Current Deposit
Also called ‘demand deposit’, current deposit can be withdrawn by the depositor at any time by cheques. Businessmen generally open current accounts with banks. Current accounts do not carry any interest as the amount deposited in these accounts is repayable on demand without any restriction. The Reserve bank of India prohibits payment of interest on current accounts or on deposits up to 14 Days or less except where prior sanction has been obtained. Banks usually charge a small amount known as incidental charges on current deposit accounts depending on the number of transaction.

(b) Savings Deposit / Savings Bank Accounts
Savings deposit account is meant for individuals who wish to deposit small amounts out of their current income. It helps in safe guarding their future and also earning interest on the savings. A saving account can be opened with or without cheque book facility. There are restrictions on the withdrawals from this account. Savings account holders are also allowed to deposit cheques, drafts, dividend warrants, etc. drawn in their favour for collection by the bank. To open a savings account, it is necessary for the depositor to be introduced by a person having a current or savings account with the same bank.
(c) Fixed Deposit
The term ‘Fixed deposit’ means deposit repayable after the expiry of a specified period. Since it is repayable only after a fixed period of time, which is to be determined at the time of opening of the account, it is also known as time deposit. Fixed deposits are most useful for a commercial bank. Since they are repayable only after a fixed period, the bank may invest these funds more profitably by lending at higher rates of interest and for relatively longer periods. The rate of interest on fixed deposits depends upon the period of deposits. The longer the period, the higher is the rate of interest offered. The rate of interest to be allowed on fixed deposits is governed by rules laid down by the Reserve Bank of India.

(d) Recurring Deposits
Recurring Deposits are gaining wide popularity these days. Under this type of deposit, the depositor is required to deposit a fixed amount of money every month for a specific period of time. Each installment may vary from Rs.5/- to Rs.500/- or more per month and the period of account may vary from 12 months to 10 years. After the completion of the specified period, the customer gets back all his deposits along with the cumulative interest accrued on the deposits.

(e) Miscellaneous Deposits
Banks have introduced several deposit schemes to attract deposits from different types of people, like Home Construction deposit scheme, Sickness Benefit deposit scheme, Children Gift plan, Old age pension scheme, Mini deposit scheme, etc

5. Different Methods of Granting Loans by Bank
The basic function of a commercial bank is to make loans and Advances out of the money which is received from the public by way of deposits. The loans are particularly granted to businessmen and members of the public against personal security, gold and silver and other movable and immovable assets. Commercial bank generally lends money in the following form:
(a) Cash Credit
(b) Loans
(c) Bank Overdraft, and
(d) Discounting of Bills

(a) Cash Credit
A cash credit is an arrangement whereby the bank agrees to lend money to the borrower up to a certain limit. The bank puts this amount of money to the credit of the borrower. The borrower draws the money as and when he needs. Interest is charged only on the amount actually drawn and not on the amount placed to the credit of borrower’s account. Cash credit is generally granted on a bond of credit or certain other securities. This a very popular method of lending in our country.

(b) Loans
A specified amount sanctioned by a bank to the customer is called a ‘loan’. It is granted for a fixed period, say six months, or a year. The specified amount is put on the credit of the borrower’s account. He can withdraw this amount in lump sum or can draw cheques against this sum for any amount. Interest is charged on the full amount even if the borrower does not utilise it. The rate of interest is lower on loans in comparison to cash credit. A loan is generally granted against the security of property or personal security. The loan may be repaid in lump sum or in installments. Every bank has its own procedure of granting loans. Hence a bank is at liberty to grant loan depending on its own resources. The loan can be granted as demand loan or term loan as explained below:

(i) Demand loan: Demand loan is repayable on demand. In other words it is repayable at short notice. The entire amount of demand loan is disbursed at one time and the borrower has to pay interest on it. The borrower can repay the loan either in lump sum (one time) or as agreed with the bank. Loans are normally granted by the bank against tangible securities including securities like N.S.C., Kisan Vikas Patra, Life Insurance policies and U.T.I. certificates.
(ii) **Term loans:** Medium and long term loans are called ‘Term loans’. Term loans are granted for more than one year and repayment of such loans is spread over a longer period. The repayment is generally made in suitable installments of fixed amount. These loans are repayable over a period of 5 years and maximum up to 15 years. Term loan is required for the purpose of setting up of new business activity, renovation, modernization, expansion/extension of existing units, purchase of plant and machinery, vehicles, land for setting up a factory, construction of factory building or purchase of other immovable assets. These loans are generally secured against the mortgage of land, plant and machinery, building and other securities. The normal rate of interest charged for such loans is generally quite high.

(c) **Bank Overdraft**
Overdraft facility is more or less similar to cash credit facility. Overdraft facility is the result of an agreement with the bank by which a current account holder is allowed to withdraw a specified amount over and above the credit balance in his/her account. It is a short term facility. This facility is made available to current account holders who operate their account through cheques. The customer is permitted to withdraw the amount as and when he/she needs it and to repay it through deposits in his account as and when it is convenient to him/her. Overdraft facility is generally granted by bank on the basis of a written request by the customer. Sometimes, banks also insist on either a promissory note from the borrower or personal security to ensure safety of funds. Interest is charged on actual amount withdrawn by the customer. The interest rate on overdraft is higher than that of the rate on loan.

(d) **Discounting of Bills**
Apart from granting cash credit, loans and overdraft, banks also grant financial assistance to customers by discounting bills of exchange. Banks purchase the bills at face value minus interest at current rate of interest for the period of the bill. This is known as ‘discounting of bills’. Bills of exchange are negotiable instruments and enable the debtors to discharge their obligations towards their creditors. Such bills of exchange arise out of commercial
transactions both in internal trade and external trade. By discounting these bills before they are due for a nominal amount, the banks help the business community. Of course, the banks recover the full amount of these bills from the persons liable to make payment.

6. Ancillary Services

Agency and General Services provided by Modern Commercial Banks. As we know that the primary activities of commercial banks include acceptance of deposits from the public and lending money to businessmen and other members of society. Besides these two main activities, commercial banks also render a number of ancillary services. These services supplement the main activities of the banks. They are essentially non-banking in nature and broadly fall under two categories:

(a) Agency Services, and
(b) General Utility Services

These services are explained in the following paragraphs.

(a) Agency Services

Agency services are those services which are rendered by commercial banks as agents of their customers. They include:

(i) Collection and payment of cheques and bills on behalf of the customers;
(ii) Collection of dividends, interest and rent, etc. on behalf of customers, if so instructed by them;
(iii) Purchase and sale of shares and securities on behalf of customers;
(iv) Payment of rent, interest, insurance premium, subscriptions etc. on behalf of customers, if so instructed;
(v) Acting as a trustee or executor.
(vi) Acting as agents or correspondents on behalf of customers for other banks and financial institutions at home and abroad.
(b) General Utility Services

General utility services are those services which are rendered by commercial banks not only to the customers but also to the general public. These are available to the public on payment of a fee or charge. They include:

(i) Issuing letters of credit and travellers’ cheques;
(ii) Underwriting of shares, debentures, etc.;
(iii) Safe-keeping of valuables in safe deposit locker;
(iv) Underwriting loans floated by government and public bodies.
(v) Supplying trade information and statistical data useful to customers.
(vi) Acting as a referee regarding the financial status of customers.
(vii) Undertaking foreign exchange business.

7. Conclusion

The functions of banks are divided into two categories: (i) Primary functions (ii) Secondary functions. Primary functions include accepting deposits and lending money. Loans given by banks are: Short-term loan and long-term loans. Banks grant short-term loan to its customers by way of cash credit, overdraft, discounting of bills. Banks accepts deposits from the public and their customers in the form of Current deposit, saving, deposit, fixed deposit, and under other deposit schemes. Banks grant loans to customers as demand loan and term loan. The ancillary services of banks are agency services and general utility services. Agency services are rendered as agent of customers, whereas general utility services are rendered to the general public.
4.3: World Banking History

1. Introduction
2. History of World Banking
4.3: World Banking History

1. Introduction

In ancient time the business activities were not there or were limited. The major activities were agriculture, piggery, forestry, dairy and poultry. The public was dependent on these activities. The works were done manually and locally. The labourers, artisans, farmers used to do their work of their own. The activities were limited and their earning was very limited. This was only to meet the requirement of their families. The per capita income was very meager and people were not in position to save anything or the need for storing their income was not felt at all. With the development of activities the earning also started increasing. In medieval time better methods of agriculture and allied activities were used. This contributes in increasing income also. The need for safe custody and timely availability was felt. This way the need for party who can provide these services was felt. Other side those who were having limited resources but wanted to perform certain activities, felt need for money. Their requirements were not fulfilled. They felt the need for assistance of the party that can help them by providing money at required time. The need for such agencies was felt.

In present time the agriculture and allied activities are supported by manufacturing and service sectors. Unlimited activities are being performed in every economy so the need for money and its safe custody is required. Everyone is involved in that those who are having sources of income or want to start some activity. In present time the service of a bank is the need of most of the people directly or indirectly. A common man saves out of his earning and deposits in a bank for interest and safe custody. As and when he wants can withdraw and use his money. A serving class person gets every month salary. A part of his salary is used for his requirements and part is kept in bank for interest and safe custody, A business man is in need of money every moment. As per requirements he deposits and withdraws from the bank. His business activities are supported by taking loans and advances.

A firm carries out the business in different areas. To carry out these activities it is in need for machines, equipments, materials, manpower and money to meet day to day expenses. To buy all these things it needs money. If it is having sufficient money from its own sources the
requirement can be fulfilled. When sources are not allowing then it approaches to the bank for advances or loans etc. At every step the need for the service of bank is felt. The different types of services are being required in the present time. Similarly governments also need money to perform different types of tasks at local, state, national and international levels. The requirement of fund is felt. When it is within the limit of government the requirements are fulfilled. When more funds are needed the government also approach to the banks. The banks’ services are used for deposits, safe custody, liquidity and finance purposes. It is said that right from a common man to serving man, business man, firms, government all are in need for bank service for deposits, safe custody, liquidity, loans and advances. In an economy a bank plays a very important role. It is the back bone of the economy without support of it there are limited chances for development.

2. History of World Banking

The banking activities started nearly thirty thousand years back It is very difficult to trace the exact year or starting but it can be estimated. From starting to the present modern banking system it has undergone many changes. For easy understanding it can be studies under the following phases:

(a) Earliest Banks

The first banks were probably the religious temples of the ancient world, and were probably established sometime during the third millennium B.C. Banks probably predated the invention of money. Deposits initially consisted of grain and later other goods including cattle, agricultural implements, and eventually precious metals such as gold, in the form of easy-to-carry compressed plates. Temples and palaces were the safest places to store gold as they were constantly attended and well built. As sacred places, temples presented an extra deterrent to would-be thieves. There are extant records of loans from the 18th century BC in Babylon that were made by temple priests/monks to merchants. By the time of Hammurabi's Code, banking was well enough developed to justify the promulgation of laws governing banking operations. Ancient Greece holds further evidence of banking. Greek temples, as well as private and civic entities, conducted financial transactions such as loans, deposits, currency exchange, and
validation of coinage. There is evidence too of credit, whereby in return for a payment from a client, a moneylender in one Greek port would write a credit note for the client who could "cash" the note in another city, saving the client the danger of carting coinage with him on his journey.

Pythius, who operated as a merchant banker throughout Asia Minor at the beginning of the 5th century B.C., is the first individual banker of whom we have records. Many of the early bankers in Greek city-states were “metics” or foreign residents. Around 371 B.C., Pasion, a slave, became the wealthiest and most famous Greek banker, gaining his freedom and Athenian citizenship in the process. The fourth century B.C. saw increased use of credit-based banking in the Mediterranean world. In Egypt, from early times, grain had been used as a form of money in addition to precious metals, and state granaries functioned as banks. When Egypt fell under the rule of a Greek dynasty, the Ptolemies (332-30 B.C.), the numerous scattered government granaries were transformed into a network of grain banks, centralized in Alexandria where the main accounts from all the state granary banks were recorded. This banking network functioned as a trade credit system in which payments were effected by transfer from one account to another without money passing. In the late third century B.C., the barren Aegean island of Delos, known for its magnificent harbor and famous temple of Apollo, became a prominent banking center. As in Egypt, cash transactions were replaced by real credit receipts and payments were made based on simple instructions with accounts kept for each client. With the defeat of its main rivals, Carthage and Corinth, by the Romans, the importance of Delos increased. Consequently it was natural that the bank of Delos should become the model closely imitated by the banks of Rome.

Ancient Rome perfected the administrative aspect of banking and saw greater regulation of financial institutions and financial practices. Charging interest on loans and paying interest on deposits became more highly developed and competitive. The development of Roman banks was limited, however, by the Roman preference for cash transactions. During the reign of the Roman emperor Gallienus (260-268 AD), there was a temporary breakdown of the Roman banking system after the banks rejected the flakes of copper produced by his mints. With the ascent of Christianity, banking became subject to additional restrictions, as the charging of interest was seen as immoral. After the fall of Rome, banking was abandoned in Western Europe and did not revive until the time of the crusades.
(b) Religious Restrictions on Interest
Most early religious systems in the ancient Near East, and the secular codes arising from them, did not forbid usury. These societies regarded inanimate matter as alive, like plants, animals and people, and capable of reproducing itself. Hence if you lent 'food money', or monetary tokens of any kind, it was legitimate to charge interest. Food money in the shape of olives, dates, seeds or animals was lent out as early as 5000 BC, if not earlier. Among the Mesopotamians, Hittites, Phoenicians and Egyptians, interest was legal and often fixed by the state. But the Jews took a different view of the matter. The Torah and later sections of the Hebrew Bible criticize interest-taking, but interpretations of the Biblical prohibition vary. One common understanding is that Jews are forbidden to charge interest upon loans made to other Jews, but allowed to charge interest on transactions with non-Jews, or Gentiles. However, the Hebrew Bible itself gives numerous examples where this provision was evaded.

(c) During Medieval Ages
During the 3rd century AD, banks in Persia and other territories in the Persian Sassanid Empire issued letters of credit known as Ṣakks. Muslim traders are known to have used the cheque or Ṣakk system since the time of Harun al-Rashid (9th century) of the Abbasid Caliphate. In the 9th century, a Muslim businessman could cash an early form of the cheque in China drawn on sources in Baghdad, a tradition that was significantly strengthened in the 13th and 14th centuries, during the Mongol Empire. Indeed, fragments found in the Cairo Geniza indicate that in the 12th century cheques remarkably similar to our own were in use, only smaller to save costs on the paper. They contain a sum to be paid and then the order "May so and so pay the bearer such and such an amount". The date and name of the issuer are also apparent.

Jews were ostracized from most professions by local rulers, the Church and the guilds and so were pushed into marginal occupations considered socially inferior, such as tax and rent collecting and money lending, while the provision of financial services was increasingly demanded by the expansion of European trade and commerce. Medieval trade fairs, such as the one in Hamburg, contributed to the growth of banking in a curious way: moneychangers issued documents redeemable at other fairs, in exchange for hard currency. These documents could be
cashed at another fair in a different country or at a future fair in the same location. If redeemable at a future date, they would often be discounted by an amount comparable to a rate of interest. Eventually, these documents evolved into bills of exchange, which could be redeemed at any office of the issuing banker. These bills made it possible to transfer large sums of money without the complications of hauling large chests of gold and hiring armed guards to protect the gold from thieves. Beginning around 1100s, the need to transfer large sums of money to finance the Crusades stimulated the re-emergence of banking in Western Europe. In 1156, in Genoa, occurred the earliest known foreign exchange contract. Two brothers borrowed 115 Genoese pounds and agreed to reimburse the bank's agents in Constantinople the sum of 460 bezants one month after their arrival in that city. In the following century the use of such contracts grew rapidly, particularly since profits from time differences were seen as not infringing canon laws against usury.

In 1162, King Henry the II levied a tax to support the crusades - the first of a series of taxes levied by Henry over the years with the same objective. The Templars and Hospitallers acted as Henry's bankers in the Holy Land. The Templars' wide flung, large land holdings across Europe also emerged in the 1100-1300 time frame as the beginning of Europe-wide banking, as their practice was to take in local currency, for which a demand note would be given that would be good at any of their castles across Europe, allowing movement of money without the usual risk of robbery while traveling. By 1200 there was a large and growing volume of long-distance and international trade in a number of agricultural commodities and manufactured goods in western Europe; some of the goods traded during that period included wool, finished cloth, wine, salt, wax and tallow, leather and leather goods, and weapons and armour.

Individual trading concerns and combines often specialized in one or more of these, as did individual producers; because a large amount of capital was required to establish, e.g., a cloth manufacturing business, only the largest firms could diversify. As a result, businesses and clusters of businesses tended to market fairly narrow product lines. Big firms like the Medici bank could and did specialize; the Medici's manufacturing division had a number of manufacturing facilities producing many different types of cloth. Perhaps the best example of product policy comes from the Cistercian monastic order, where individual monasteries and
granges tended to specialize in particular agricultural products or types of industrial production, usually with an eye to meeting particular local or regional market needs.

Ironically, the Papal bankers were the most successful of the Western world, though often goods taken in pawn were substituted for interest in the institution termed the Monte di Pietà. When Pope John XXII (born Jacques d'Euse (1249 - 1334) was crowned in Lyon in 1316, he set up residency in Avignon. Civil war in Florence between the rival Guelph and Ghibelline factions resulted in victory for a group of Guelph merchant families in the city. They took over papal banking monopolies from rivals in nearby Siena and became tax collectors for the Pope throughout Europe. In 1306, Philip IV expelled Jews from France. In 1307 Philip had the Knights Templar arrested and had gotten hold of their wealth, which had become to serve as the unofficial treasury of France. In 1311 he expelled Italian bankers and collected their outstanding credit. In 1327, Avignon had 43 branches of Italian banking houses. In 1347, Edward III of England defaulted on loans. Later there was the bankruptcy of the Peruzzi (1374) and Bardi (1353). The accompanying growth of Italian banking in France was the start of the Lombard moneychangers in Europe, who moved from city to city along the busy pilgrim routes important for trade. Key cities in this period were Cahors, the birthplace of Pope John XXII and Figeac. Perhaps it was because of these origins that the term Lombard is synonymous with Cahorsin in medieval Europe, and means 'pawnbroker'. Banca Monte dei Paschi di Siena SPA (MPS), Italy, is the oldest surviving bank in the world.

After 1400, political forces turned against the methods of the Italian free enterprise bankers. In 1401, King Martin I of Aragon expelled them. In 1403, Henry IV of England prohibited them from taking profits in any way in his kingdom. In 1409, Flanders imprisoned and then expelled Genoese bankers. In 1410, all Italian merchants were expelled from Paris. In 1401, the Bank of Barcelona was founded. In 1407, the Bank of Saint George was founded in Genoa. This bank dominated business in the Mediterranean. In 1403 charging interest on loans was ruled legal in Florence despite the traditional Christian prohibition of usury. Italian banks such as the Lombards, who had agents in the main economic centres of Europe, had been making charges for loans. The lawyer and theologian Lorenzo di Antonio Ridolfi won a case which legalised interest payments by the Florentine government.
In 1413, Giovanni di Bicci de’Medici appointed banker to the pope. In 1440, Gutenberg invents the modern printing press although Europe already knew of the use of paper money in China. The printing press design was subsequently modified, by Leonardo da Vinci among others, for use in minting coins nearly two centuries before printed banknotes were produced in the West. By the 1390s silver was short all over Europe, except in Venice. The silver mines at Kutná Hora had begun to decline in the 1370s, and finally closed down after being sacked by King Sigismund in 1422. By 1450 almost all of the mints of northwest Europe had closed down for lack of silver. The last money-changer in the major French port of Dieppe went out of business in 1446. In 1455 the Turks overran the Serbian silver mines, and in 1460 captured the last Bosnian mine. The last Venetian silver grosso was minted in 1462. Several Venetian banks failed, and so did the Strozzi bank of Florence, the second largest in the city. Even the smallest of small change became scarce.

(d) Western Banking History
Modern Western economic and financial history is usually traced back to the coffee houses of London. The London Royal Exchange was established in 1565. At that time moneychangers were already called bankers, though the term "bank" usually referred to their offices, and did not carry the meaning it does today. There was also a hierarchical order among professionals; at the top were the bankers who did business with heads of state, next were the city exchanges, and at the bottom were the pawn shops or "Lombards. Some European cities today have a Lombard street where the pawn shop was located. After the siege of Antwerp the trade moved to Amsterdam. In 1609 the Amsterdamsche Wissel bank (Amsterdam Exchange Bank) was founded which made Amsterdam the financial centre of the world until the Industrial Revolution.

Banking offices were usually located near centers of trade, and in the late 17th century, the largest centers for commerce were the ports of Amsterdam, London, and Hamburg. Individuals could participate in the lucrative East India trade by purchasing bills of credit from these banks, but the price they received for commodities was dependent on the ships returning (which often didn't happen on time) and on the cargo they carried (which often wasn't according to plan). The
commodities market was very volatile for this reason, and also because of the many wars that led to cargo seizures and loss of ships.

(e) Global Banking
Around the time of Adam Smith (1776) there was a massive growth in the banking industry. Within the new system of ownership and investment, the state's role as an economic factor changed substantially. In the 1970s, a number of smaller crashes tied to the policies put in place following the depression, resulted in deregulation and privatization of government-owned enterprises in the 1980s, indicating that governments of industrial countries around the world found private-sector solutions to problems of economic growth and development preferable to state-operated, semi-socialist programs. This spurred a trend that was already prevalent in the business sector, large companies becoming global and dealing with customers, suppliers, manufacturing, and information centres all over the world. Global banking and capital market services proliferated during the 1980s and 1990s as a result of a great increase in demand from companies, governments, and financial institutions, but also because financial market conditions were buoyant and, on the whole, bullish. Interest rates in the United States declined from about 15% for two-year U.S. Treasury notes to about 5% during the 20-year period, and financial assets grew then at a rate approximately twice the rate of the world economy. Such growth rate would have been lower, in the last twenty years, were it not for the profound effects of the internationalization of financial markets especially U.S. Foreign investments, particularly from Japan, who not only provided the funds to corporations in the U.S., but also helped finance the federal government; thus, transforming the U.S. stock market by far into the largest in the world.

Nevertheless, in recent years, the dominance of U.S. financial markets has been disappearing and there has been an increasing interest in foreign stocks. The extraordinary growth of foreign financial markets results from both large increases in the pool of savings in foreign countries, such as Japan, and, especially, the deregulation of foreign financial markets, which has enabled them to expand their activities. Thus, American corporations and banks have started seeking investment opportunities abroad, prompting the development in the U.S. of mutual funds specializing in trading in foreign stock markets. Such growing internationalization and opportunity in financial services has entirely changed the competitive landscape, as now many
banks have demonstrated a preference for the “universal banking” model prevalent in Europe. Universal banks are free to engage in all forms of financial services, make investments in client companies, and function as much as possible as a “one-stop” supplier of both retail and wholesale financial services.

Many such possible alignments could be accomplished only by large acquisitions, and there were many of them. By the end of 2000, a year in which a record level of financial services transactions with a market value of $10.5 trillion occurred, the top ten banks commanded a market share of more than 80% and the top five, 55%. Of the top ten banks ranked by market share, seven were large universal-type banks (three American and four European), and the remaining three were large U.S. investment banks who between them accounted for a 33% market share.

This growth and opportunity also led to an unexpected outcome: entrance into the market of other financial intermediaries: non banks. Large corporate players were beginning to find their way into the financial service community, offering competition to established banks. The main services offered included insurances, pension, mutual, money market and hedge funds, loans and credits and securities. Indeed, by the end of 2001 the market capitalisation of the world’s 15 largest financial services providers included four non banks. In recent years, the process of financial innovation has advanced enormously increasing the importance and profitability of non bank finance. Such profitability restricted to the non banking industry, has prompted the Office of the Comptroller of the Currency (OCC) to encourage banks to explore other financial instruments, diversifying banks' business as well as improving banking economic health. Hence, as the distinct financial instruments are being explored and adopted by both banking and non banking industries, the distinction between different financial institutions is gradually vanishing.

(f) Major Events in Banking History
Florentine banking - Medicis and Pittis were among others.
Knights Templar- Earliest Euro wide / Mid East banking (1100-1300).
Bank notes - Introduction of paper money.
1602 - First joint-stock company, the Dutch East India Company founded.
1720 - The South Sea Bubble and John Law's Mississippi Scheme, which caused a European financial crisis and forced many bankers out of business.

1781 - The Bank of North America was found by the Continental Congress.

1800 - Rothschild family founds Euro wide banking.

1930-33 in the wake of the Wall Street Crash of 1929, 9,000 banks close, wiping out a third of the money supply in the United States.

1986 - The "Big Bang" (deregulation of London financial markets) served as a catalyst to reaffirm London's position as a global centre of world banking.

2008 - Washington Mutual collapses. It was the largest bank failure in history.
4.4: History of Indian Banking

1. Introduction
2. Early History
3. World War-I to Independence
4. Post-Independence
5. Nationalisation of Banks
6. Liberalization
7. Last Updates, February 2010
4.4: History of Indian Banking

1. Introduction

The Indian Banking Sector is quite different from the banking system in the rest of Asia, because of the distinctive geographic, social and economic characteristics of the country. India is the second most populated nation in the world; it has marked economic disparities and high levels of illiteracy. The country followed a socialist approach for well over 4 decades after independence till the government initiated the economic reforms through the policy of liberalization. The banking structure in India is therefore a reflection of the countries socialistic set up. It had to meet the goals set by the five year plans, especially with regard to equitable distribution of wealth, balanced regional economic growth and removing private sector monopolies in trade and industry. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process. The government regular policy for Indian bank since 1969 has paid rich dividends with the nationalisation of 14 major private banks of India.

2. Early History

Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India which started in 1786, and the Bank of Hindustan, both of which are now defunct. The oldest bank in existence of India is State Bank of India, which originated from Bank of Calcutta in June, 1806 that became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. For many years the Presidency banks acted as quasi-central banks, as did their successors. The three banks merged in 1921 to form the Imperial Bank of India, which, upon India's independence, became the State Bank of India.

Indian merchants in Calcutta established the Union Bank in 1839, but it failed in 1848 as a consequence of the economic crisis of 1848-49. The Allahabad Bank, established in 1865 and
still functioning today, is the oldest Joint Stock bank in India. It was not the first though. That honor belongs to the Bank of Upper India, which was established in 1863, and which survived until 1913, when it failed, with some of its assets and liabilities being transferred to the Alliance Bank of Simla. When the American Civil War stopped the supply of cotton to Lancashire from the Confederate States, promoters opened banks to finance trading in Indian cotton. With large exposure to speculative ventures, most of the banks opened in India during that period failed. The depositors lost money and lost interest in keeping deposits with banks. Subsequently, banking in India remained the exclusive domain of Europeans for next several decades until the beginning of the 20th century.

Foreign banks too started to arrive, particularly in Calcutta, in the 1860s. The Comptoir d'Escompte de Paris opened a branch in Calcutta in 1860, and another in Bombay in 1862; branches in Madras and Pondichery, then a French colony, followed. HSBC established itself in Bengal in 1869. Calcutta was the most active trading port in India, mainly due to the trade of the British Empire, and so became a banking center. The Bank of Bengal, which later became the State Bank of India. The first entirely Indian joint stock bank was the Oudh Commercial Bank, established in 1881 in Faizabad. It failed in 1958. The next was the Punjab National Bank, established in Lahore in 1895, which has survived to the present and is now one of the largest banks in India.

Around the turn of the 20th Century, the Indian economy was passing through a relative period of stability. Around five decades had elapsed since the Indian Mutiny, and the social, industrial and other infrastructure had improved. Indians had established small banks, most of which served particular ethnic and religious communities. The presidency banks dominated banking in India but there were also some exchange banks and a number of Indian joint stock banks. All these banks operated in different segments of the economy. The exchange banks, mostly owned by Europeans, concentrated on financing foreign trade. Indian joint stock banks were generally under capitalized and lacked the experience and maturity to compete with the presidency and exchange banks. This segmentation let Lord Curzon to observe, "In respect of banking it seems we are behind the times. We are like some old fashioned sailing ship, divided by solid wooden bulkheads into separate and cumbersome compartments."
The period between 1906 and 1911, saw the establishment of banks inspired by the Swadeshi movement. The Swadeshi movement inspired local businessmen and political figures to found banks of and for the Indian community. A number of banks established then have survived to the present such as Bank of India, Corporation Bank, Indian Bank, Bank of Baroda, Canara Bank and Central Bank of India. The fervour of Swadeshi movement lead to establishing of many private banks in Dakshina Kannada and Udupi district which were unified earlier and known by the name South Canara ( South Kanara ) district. Four nationalised banks started in this district and also a leading private sector bank. Hence undivided Dakshina Kannada district is known as "Cradle of Indian Banking".

3. World War-1 to Independence

The period during the First World War (1914-1918) through the end of the Second World War (1939-1945), and two years thereafter until the independence of India were challenging for Indian banking. The years of the First World War were turbulent, and it took its toll with banks simply collapsing despite the Indian economy gaining indirect boost due to war-related economic activities. The banks in India failed between 1913 and 1918 as indicated in the following table:

<table>
<thead>
<tr>
<th>Years</th>
<th>No. of banks that failed</th>
<th>Authorised capital (Rs. Lakhs)</th>
<th>Paid-up Capital (Rs. Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1913</td>
<td>12</td>
<td>274</td>
<td>35</td>
</tr>
<tr>
<td>1914</td>
<td>42</td>
<td>710</td>
<td>109</td>
</tr>
<tr>
<td>1915</td>
<td>11</td>
<td>56</td>
<td>5</td>
</tr>
<tr>
<td>1916</td>
<td>13</td>
<td>Authorised capital (Rs. Lakhs)</td>
<td>Paid-up Capital (Rs. Lakhs)</td>
</tr>
<tr>
<td></td>
<td>No. of banks that failed</td>
<td>231</td>
<td>4</td>
</tr>
<tr>
<td>1917</td>
<td>9</td>
<td>76</td>
<td>25</td>
</tr>
<tr>
<td>1918</td>
<td>7</td>
<td>209</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 4.4.1: The Banks in India Failed Between 1913 and 1918
4. Post-Independence

The partition of India in 1947 adversely impacted the economies of Punjab and West Bengal, paralyzing banking activities for months. India's independence marked the end of a regime of the Laissez-faire for the Indian banking. The Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy. This resulted into greater involvement of the state in different segments of the economy including banking and finance. The major steps to regulate banking included:

(a) In 1948, the Reserve Bank of India, India's central banking authority, was nationalized, and it became an institution owned by the Government of India.

(b) In 1949, the Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI) "to regulate, control, and inspect the banks in India."

(c) The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors.

However, despite these provisions, control and regulations, banks in India except the State Bank of India, continued to be owned and operated by private persons. This changed with the nationalisation of major banks in India on 19 July 1969.

5. Nationalisation of Banks

By the 1960s, the Indian banking industry had become an important tool to facilitate the development of the Indian economy. At the same time, it had emerged as a large employer, and a debate had ensued about the possibility to nationalise the banking industry. Indira Gandhi, the then Prime Minister of India expressed the intention of the GOI in the annual conference of the All India Congress Meeting in a paper entitled "Stray thoughts on Bank Nationalisation." The paper was received with positive enthusiasm. Thereafter, her move was swift and sudden, and
the GOI issued an ordinance and nationalised the 14 largest commercial banks with effect from the midnight of July 19, 1969. Jayaprakash Narayan, a national leader of India, described the step as a "masterstroke of political sagacity." Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received the presidential approval on 9 August 1969. A second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the GOI controlled around 91% of the banking business of India. The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

1949 : Enactment of Banking Regulation Act.
1955 : Nationalisation of State Bank of India.
1959 : Nationalisation of SBI subsidiaries.
1961 : Insurance cover extended to deposits.
1969 : Nationalisation of 14 major banks.
1971 : Creation of credit guarantee corporation.
1975 : Creation of regional rural banks.
1980 : Nationalisation of 6 banks with deposits over 200 crore.

Banking in the sunshine of Government ownership gave the public implicit faith and immense confidence about the sustainability of these institutions. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalised banks from 20 to 19. After this, until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy. The nationalised banks were credited by some, including Home minister P. Chidambaram, to have helped the Indian economy withstand the global financial crisis of 2007-2009.

6. Liberalization

In the early 1990s, the then Narsimha Rao government embarked on a policy of liberalization, licensing a small number of private banks. These came to be known as New Generation tech-
savvy banks, and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of Commerce, Axis Bank (earlier as UTI Bank), ICICI Bank and HDFC Bank. This move, along with the rapid growth in the economy of India, revitalized the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks. The next stage for the Indian banking has been setup with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%, at present it has gone up to 74% with some restrictions.

The new policy shook the Banking sector in India completely. Bankers, till this time, were used to the 4-6-4 method (Borrow at 4%; Lend at 6%, go home at 4) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks. All this led to the retail boom in India. People not just demanded more from their banks but also received more. Currently (2007), banking in India is generally fairly mature in terms of supply, product range and reach—even though reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region. The Reserve Bank of India is an autonomous body, with minimal pressure from the government. The stated policy of the Bank on the Indian Rupee is to manage volatility but without any fixed exchange rate—and this has mostly been true. With the growth in the Indian economy expected to be strong for quite some time—especially in its services sector—the demand for banking services, especially retail banking, mortgages and investment services are expected to be strong. One may also expect M&A, takeovers, and asset sales.

In March 2006, the Reserve Bank of India allowed Warburg Pincus to increase its stake in Kotak Mahindra Bank (a private sector bank) to 10%. This is the first time an investor has been allowed to hold more than 5% in a private sector bank since the RBI announced norms in 2005 that any stake exceeding 5% in the private sector banks would need to be vetted by them. In recent years critics have charged that the non-government owned banks are too aggressive in their loan
recovery efforts in connection with housing, vehicle and personal loans. There are press reports that the banks' loan recovery efforts have driven defaulting borrowers to suicide.

7. Last Updates, February 2010

The Indian banking system is financially stable and resilient to the shocks that may arise due to higher non-performing assets (NPAs) and the global economic crisis, according to a stress test done by the Reserve Bank of India (RBI). Significantly, the RBI has the tenth largest gold reserves in the world after spending US$ 6.7 billion towards the purchase of 200 metric tonnes of gold from the International Monetary Fund (IMF) in November 2009. The purchase has increased the country's share of gold holdings in its foreign exchange reserves from approximately 4 per cent to about 6 per cent. Following the financial crisis, new deposits have gravitated towards public sector banks. According to RBI's 'Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks: September 2009', nationalised banks, as a group, accounted for 50.5 per cent of the aggregate deposits, while State Bank of India (SBI) and its associates accounted for 23.8 per cent. The share of other scheduled commercial banks, foreign banks and regional rural banks in aggregate deposits were 17.8 per cent, 5.6 per cent and 3.0 per cent, respectively.

With respect to gross bank credit also, nationalised banks hold the highest share of 50.5 per cent in the total bank credit, with SBI and its associates at 23.7 per cent and other scheduled commercial banks at 17.8 per cent. Foreign banks and regional-rural banks had a share of 5.5 per cent and 2.5 per cent respectively in the total bank credit. The report also found that scheduled commercial banks served 34,709 banked centres. Of these centres, 28,095 were single office centres and 64 centres had 100 or more bank offices. The confidence of non-resident Indians (NRIs) in the Indian economy is reviving again. NRI fund inflows increased since April 2009 and touched US$ 45.5 billion on July 2009, as per the RBI's February bulletin. Most of this has come through Foreign Currency Non-resident (FCNR) accounts and Non-resident External Rupee Accounts. India's foreign exchange reserves rose to US$ 284.26 billion as on January 8, 2010, according to the RBI's February bulletin.
(a) Major Developments
The State Bank of India (SBI) has posted a net profit of US$ 1.56 billion for the nine months ended December 2009, up 14.43 per cent from US$ 175.4 million posted in the nine months ended December 2008. The SBI is adding 23 new branches abroad bringing its foreign-branch network number to 160 by March 2010. This will cement its leading position as the bank with the largest global presence among local peers. Amongst the private banks, Axis Bank's net profit surged by 32 per cent to US$ 115.4 million on 21.2 per cent rise in total income to US$ 852.16 million in the second quarter of 2009-10, over the corresponding period last year. HDFC Bank has posted a 32 per cent rise in its net profit at US$ 175.4 million for the quarter ended December 31, 2009 over the figure of US$ 128.05 million for the same quarter in the previous year. Further, the efforts are on for acquiring the smaller banks by larger banks. ICICI Bank has tried for Bank of Rajasthan and HSBC for RBS to merge. The profitability of banking sector in India is improving as per expectation. The future of baking sector in India is definitely certain and bright.

(b) Government Initiatives
In its platinum jubilee year, the RBI, the central bank of the country, in a notification issued on June 25, 2009, said that banks should link more branches to the National Electronic Clearing Service (NECS). Ideally, all core-banking-enabled branches should be part of NECS. NECS was introduced in September 2008 for centralised processing of repetitive and bulk payment instructions. Currently, a little over 26,000 branches of 114 banks are enabled to participate in NECS. In the Third Quarter Review of Monetary Policy for 2009-10, the RBI observed that the Indian economy showed a degree of resilience as it recorded a better-than-expected growth of 7.9 per cent during the second quarter of 2009-10.

In its Third Quarter Review of Monetary Policy for 2009-10, the RBI hiked the Cash Reserve Ratio (CRR) by 75 basis points (bps) to 5.75 per cent, while keeping other rates unchanged. According to the RBI, the monetary policy for the remaining period of 2009-10 will be to:

(i) Anchor inflation expectations and keep a vigil on inflation trends and respond swiftly through policy adjustments,
(ii) Actively manage liquidity to ensure credit demands of productive sectors are met adequately,
(iii) Maintain an interest rate environment consistent with financial stability and price stability.

The money supply (M3) growth on a year-on-year basis at 18.9 per cent as on October 9, 2009, remained above the indicative projection of 18.0 per cent set out in the First Quarter Review of July 2009. The main source of M3 expansion was bank credit to the government, reflecting large market borrowings of the Government. Meanwhile, outstanding bank credit in the 15 days up to January 29 2010 rose by US$ 4.32 billion, pointing to a revival in credit growth. This is the highest year-on-year growth recorded since August 14, 2009. Exchange rate used: 1 USD = 46.29 INR (as on January 2010).1 USD = 46.66 INR (as on December 2009)

(c) Effect of Global Crisis on Indian Banking System
(i) The global economic meltdown has not had a deep impact on the banking system in India. The banks in India have a strong fundamental structure and are protected from the economic crisis.
(ii) The robust economic growth in India, low defaulter ratio, non existence of complex financial products, constant monitoring by the central bank, efficient monetary policy and the non aggressive close banking culture has shielded the Indian banking sector.

(d) Banking Sector Forecast
(i) Today in India there are totally 56,640 branches, 893,356 employees and 27,088 ATMs. Public sector banks account for 87.7 per cent of the offices, 82 per cent of staff and 60.3 per cent of ATMs.
(ii) As of January 2, 2009, bank deposits were 21.2 per cent. Bank credit was 24 per cent against 21.4 per cent on January 4 2008.
(iii) The total flow of capital to the commercial sector from the banks as on January 2, 2009 stood at 6.1 per cent.
4.5: Banking Structure in India

1. Introduction
2. Reserve Bank of India
3. Nationalised /Public Sector Banks
4. Private Sector Banks
5. Cooperative Banks in India
6. Development Banks
7. Foreign Banks in India
4.5: Banking Structure in India

1. Introduction

The Indian banking can be broadly categorized into nationalized (government owned), private banks and specialized banking institutions. The Reserve Bank of India acts as a centralized body monitoring any discrepancies and shortcomings in the system. Since nationalization of banks in 1969 the public sector banks or the nationalized banks have acquired a place of prominence and has since then seen tremendous progress. The need to become highly customer focused has forced the slow-moving public sector banks to adopt a fast track approach. Further the focus of government policy was to develop cooperative sector and rural areas. Further with liberalization of world economies the government permitted the public sector also to operate in banking sector since 19991. At present the Indian financial system consists of public, private, cooperative, development and foreign banks. To control and regulate the operation of all these banks the authority has been vested to Reserve Bank of India and it is the central controlling authority for all banks in India. These are explained here in detail in the following paragraphs:

2. Reserve Bank of India

(a) History

The central bank was founded in 1935 to respond to economic troubles after first world war. The Reserve Bank of India was set up on the recommendations of the Hilton Young Commission. The commission submitted its report in the year 1926, though the bank was not set up for another nine years. The Preamble of the Reserve Bank of India describes the basic functions of the Reserve Bank as to regulate the issue of Bank Notes, to keep reserves with a view to securing monetary stability in India and generally to operate the currency and credit system in the best interests of the country. The Central Office of the Reserve Bank was initially established in Kolkata, Bengal, but was permanently moved to Mumbai in 1937. The Reserve Bank has continued to act as the central bank for Myanmar till Japanese occupation of Burma and later up to April 1947, though Burma seceded from Indian Union in 1937. After the partition, the Reserve bank served as the central bank for Pakistan up to June 1948 when the
State Bank of Pakistan commenced operations. Though originally set up as a shareholder's bank, the RBI has been fully owned by the Government of India since its nationalization in 1949. Between 1950 and 1960 the Indian government developed a centrally planned economic policy and focused on the agricultural sector. The administration nationalized commercial banks and established, based on the Banking Companies Act, 1949 (later called Banking Regulation Act) a central bank regulation as part of the RBI. Beside that the central bank was ordered to support the economic plan with loans. As a result of bank crashes the reserve bank was requested to establish and monitor a deposit insurance system. It should restore the trust in the national bank system and was initialized on 7. December 1961. The Indian government founded funds to promote the economy and used the slogan Developing Banking. The Gandhi administration and their successors restructured the national bank market and nationalized a lot of institutes. As a result the RBI had to play the central part of control and support of this public banking sector. It has 22 regional offices, all of them in state capitals.

(b) Functions of RBI

The functions performed by RBI are numerous. Some of them are explained below in the following paragraphs:

(i) **Monetary authority**: Formulates implements and monitors the monetary policy. Objective: maintaining price stability and ensuring adequate flow of credit to productive sectors.

(ii) **Regulator and supervisor of the financial system**: Prescribes broad parameters of banking operations within which the country's banking and financial system functions. Objective is to maintain public confidence in the system, protect depositors' interest and provide cost-effective banking services to the public. The Banking Ombudsman Scheme has been formulated by the Reserve Bank of India (RBI) for effective redressal of complaints by bank customers.

(iii) **Manager of exchange control**: Manages the Foreign Exchange Management Act, 1999. Objective: to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.
Picture 4.5.1: RBI headquarters in Mumbai

Picture 4.5.2: RBI Regional Office, Delhi.
(iv) **Issuer of currency**: Issues and exchanges or destroys currency and coins not fit for circulation. Objective: the main objective is to give the public adequate supply of currency of good quality and to provide loans to commercial banks to maintain or improve the GDP (Gross Domestic Product). The basic objectives of RBI are to issue bank notes, to maintain the currency and credit system of the country to utilize it in its best advantage, and to maintain the reserves. RBI maintains the economic structure of the country so that it can achieve the objective of price stability as well as economic development, because both objectives are diverse in themselves.

(v) **Developmental role**: Performs a wide range of promotional functions to support national objectives and industries.[9] The RBI faces a lot of inter-sectoral and local inflation-related problems. Some of the problems are results of the dominant part of the public sector.

(vi) **Related functions**: Banker to the Government: performs merchant banking function for the central and the state governments; also acts as their banker. The National Housing Bank (NHB) was established in 1988 to promote private real estate acquisition. Bank to banks: maintains banking accounts of all scheduled banks. There is now an international consensus about the need to focus the tasks of a central bank upon central banking. RBI is far out of touch with such a principle, owing to the sprawling mandate described above. The recent financial turmoil world over, has however, vindicated the Reserve Bank's role in maintaining financial stability in India.

(c) **Tarapore Committee**

The Tarapore committee is a committee setup by the Reserve Bank of India under the chairmanship of former RBI deputy governor S S Tarapore to "lay the road map" to capital account convertibility. The five-member committee recommended a three-year timeframe for complete convertibility by 1999-2000.
(d) Major Liabilities of Commercial Banks

### Table 4.5.1: Liabilities of Commercial Banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposits (Million Rs.)</th>
<th>Bills Payable (Million Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>19,983</td>
<td>173</td>
</tr>
<tr>
<td>1955</td>
<td>11,592</td>
<td>262</td>
</tr>
<tr>
<td>1960</td>
<td>20,218</td>
<td>317</td>
</tr>
<tr>
<td>1965</td>
<td>32,897</td>
<td>446</td>
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<tr>
<td>1970</td>
<td>64,793</td>
<td>923</td>
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<tr>
<td>1975</td>
<td>156,665</td>
<td>2,254</td>
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<tr>
<td>1980</td>
<td>439,869</td>
<td>10,995</td>
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<tr>
<td>1985</td>
<td>1,032,134</td>
<td>24,556</td>
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<tr>
<td>1990</td>
<td>1,820,468</td>
<td>38,656</td>
</tr>
<tr>
<td>1995</td>
<td>3,984,352</td>
<td>116,622</td>
</tr>
</tbody>
</table>

(e) Major Assets of Commercial Banks

### Table 4.5.2: Assets of Commercial Banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Investments (Million Rs.)</th>
<th>Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>4,330</td>
<td>5,353</td>
</tr>
<tr>
<td>1955</td>
<td>4,600</td>
<td>7,037</td>
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<tr>
<td>1960</td>
<td>7,241</td>
<td>12,458</td>
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<tr>
<td>1965</td>
<td>9,884</td>
<td>21,954</td>
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<tr>
<td>1970</td>
<td>18,148</td>
<td>46,850</td>
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<tr>
<td>1975</td>
<td>45,999</td>
<td>106,167</td>
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<td>1980</td>
<td>126,642</td>
<td>272,000</td>
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<tr>
<td>1985</td>
<td>303,378</td>
<td>623,553</td>
</tr>
<tr>
<td>1990</td>
<td>687,151</td>
<td>1,095,412</td>
</tr>
<tr>
<td>1995</td>
<td>1,750,206</td>
<td>2,243,308</td>
</tr>
</tbody>
</table>
Diagram 4.5.3: Banking Structure in India
3. Nationalised / Public Sector Banks

Nationalised banks dominate the banking system in India. These banks are under the control of central and state governments. They are providing a variety of services to the customer in India. The services offered include deposits, loan, locker facility, project finance, consultancy service, documentation facility, agency service, foreign exchange, dematerlisation of stock account, internet banking, on line banking, credit card, ATM service, electronic fund transfer, government business, Gold Card Scheme for exports, Depository services, credit products, Mortgage service, mutual funds, insurance schemes and many other services. Their services are totally customized. There is a big list of these banks in India given below:

(a) Allahabad Bank
(b) Andhra Bank
(c) Bank of Baroda
(d) Bank of India
(e) Bank of Maharashtra
(f) Canara Bank
(g) Central Bank of India
(h) Corporation Bank
(i) Dena Bank
(j) IDBI Bank
(k) Indian Bank
(l) Indian Overseas Bank
(m) Oriental Bank of Commerce
(n) Punjab National Bank
(o) Punjab & Sind Bank
(p) State Bank of Bikaner & Jaipur
(q) State Bank of Hyderabad
(r) State Bank of India (SBI)
(s) State Bank of Indore
(t) State Bank of Mysore
(u) State Bank of Patiala
Initially all the banks in India were private banks, which were founded in the pre-independence era to cater to the banking needs of the people. In 1921, three major banks i.e. Banks of Bengal, Bank of Bombay, and Bank of Madras, merged to form Imperial Bank of India. In 1935, the Reserve Bank of India (RBI) was established and it took over the central banking responsibilities from the Imperial Bank of India, transferring commercial banking functions completely to IBI. In 1955, after the declaration of first-five year plan, Imperial Bank of India was subsequently transformed into State Bank of India (SBI). Following this, occurred the nationalization of major banks in India on 19 July 1969. The Government of India issued an ordinance and nationalized the 14 largest commercial banks of India, including Punjab National Bank (PNB), Allahabad Bank, Canara Bank, Central Bank of India, etc. Thus, public sector banks revived to take up leading role in the banking structure. In 1980, the GOI nationalized 6 more commercial banks, with control over 91% of banking business of India. In 1994, the Reserve Bank Of India issued a policy of liberalization to license limited number of private banks, which came to be known as New Generation tech-savvy banks. Global Trust Bank was, thus, the first private bank after liberalization; it was later amalgamated with Oriental Bank of Commerce (OBC). Then Housing Development Finance Corporation Limited (HDFC) became the first (still existing) to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. At present, Private Banks in India include leading banks like ICICI Banks, ING Vysya Bank, Jammu & Kashmir Bank, Karnataka Bank, Kotak Mahindra Bank, SBI Commercial and International Bank, etc. Undoubtedly, being tech-savvy and full of expertise, private banks have played a major role in the development of Indian banking industry. They have made banking more efficient and customer friendly. In the process they have jolted public sector banks out of complacency and forced them to become more competitive. Major Private Banks in India are:
5. Cooperative Banks in India

The Co operative banks in India started functioning almost 100 years ago. The Cooperative bank is an important constituent of the Indian Financial System, judging by the role assigned to co operative, the expectations the co operative is supposed to fulfil, their number, and the number of offices the cooperative bank operate. Though the co operative movement originated in the West, but the importance of such banks have assumed in India is rarely paralleled anywhere else in the world. The cooperative banks in India play an important role even today in rural financing. The business of cooperative bank in the urban areas also has increased phenomenally in recent years due to the sharp increase in the number of primary co-operative banks. Co operative Banks in India are registered under the Co-operative Societies Act. The cooperative bank is also regulated by the RBI. They are governed by the Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1965. Cooperative banks in India finance rural areas under Farming, Cattle, Milk, Hatchery, Personal finance. Cooperative banks in India finance urban areas under Self-employment, Industries, Small scale units, Home finance, Consumer finance and Personal finance. Some cooperative banks in India are more forward than many of the state and private
sector banks. According to NAFCUB the total deposits & lending of Cooperative Banks in India is much more than Old Private Sector Banks & also the New Private Sector Banks. This exponential growth of Cooperative Banks in India is attributed mainly to their much better local reach, personal interaction with customers, their abilities to catch the nerve of the local clientele. The cooperative banks are formed at state and district and city levels. There is a large number of such banks in every state in India.

6. Development Banks

Indian economy was under developed at the time of independence. Indian government was interested for development of this economy in various areas. With this objectives under five years plan government decided to support the public sector to take initiatives for development. The development was sought in agriculture and allied activities, small can cottage industries, medium and large scale industries, export and import, power generation etc. For this reason the many banks and financial institutions were established. Some of them are mentioned below:

(a) NABARD
(b) Small Industries Development Bank of India (SIDBI)
(c) Exim Bank of India
(d) Industrial Development Bank of India (IDBI)
(e) IFCI

7. Foreign Banks in India

Foreign banks have brought latest technology and latest banking practices in India. They have helped made Indian Banking system more competitive and efficient. Government has come up with a road map for expansion of foreign banks in India. The road map has two phases. During the first phase between March 2005 and March 2009, foreign banks may establish a presence by way of setting up a wholly owned subsidiary (WOS) or conversion of existing branches into a WOS. The second phase will commence in April 2009 after a review of the experience gained after due consultation with all the stake holders in the banking sector. The review would examine
issues concerning extension of national treatment to WOS, dilution of stake and permitting mergers/acquisitions of any private sector banks in India by a foreign bank.

Major foreign banks in India are:

(a) ABN AMRO Bank, India
(b) Abu Dhabi Commercial Bank (ADCB), India
(c) American Express Bank, India
(d) Barclays Bank
(e) BNP Paribas, India
(f) Citibank, India
(g) DBS Bank, India
(h) Deutsche Bank
(i) HSBC Bank, India
(j) Standard Chartered Bank, India
4.6: Selected Banks from Indian Banking Sector

1. Introduction
2. State Bank of India
3. Punjab National Bank
4. Bank of Baroda
5. HDFC Bank
6. ICICI Bank Ltd
7. IDBI Bank
8. The Export-Import Bank of India
9. HSBC
10. Citi Bank
11. Standard and Chartered Bank
12. Rajkot Nagarik Sahakari Bank
4.6: Selected Banks from Indian Banking Sector

1. Introduction

After liberalization of the Indian economy since 1991, the Indian banking sector has undergone drastic changes and has a good growth rate. After independence the banks were under the control of central and state governments. Later on the private banks were nationalized in 1969. The Indian economy was a closed economy. The foreign banks and corporations were not allowed for business in India. But in 1991, under the international pressure the Indian economy was opened. The private and foreign banks were allowed to do banking business in India. With this many banks came into existence. At present the public, private, cooperative and foreign banks exist in Indian banking sector and doing their business very well. These are under the control of Reserve Bank of India. RBI is the regulatory body and has established a vibrant regulatory framework which is at par with the best economies in the world.

Time to time the regulator policies are reviewed by RBI by keeping in mind the requirement of changing time and governmental policies. To meet the challenges and maintain the growth in the banking sector, many steps are to be taken by policy makers, Reserve Bank of India, the Finance Ministry and other regulatory bodies. The government and other regulatory bodies will have to constantly keep a tab on the banking sector scenario and ensure constant policy and regulatory interventions. The government should ensure that a better industry structure evolves with greater consolidation of the banking industry. Overall the control of RBI over operation of banks is very effective to control irregularities in banking sector. However, in the recent past the world economies have faced terrible crises. The banking sector across the world faced great problems. Many banks in USA collapsed. The effects of financial crisis were felt almost in every economy and Indian economy is of no exception. Though the Indian banks were less affected and have performed well on the parameters of asset quality and profitability, there are several notable limitations which hamper the growth of the sector. The first and foremost is the low penetration of the Indian banking system.

The balance sheets of top 10 Indian banks suggest the greater scope of consolidation to reap the benefits of large sized globally competitive Indian banks, according to an Assocham Eco Pulse Study. The Assocham Study titled “The Need for Banking Sector Consolidation” analyzed the position of total assets of India’s ten largest banks vis-à-vis the size of the GDP at the end of financial year 2008-09 and found that size of Indian banks in terms of their assets stands very small to make optimal use of their capacities to raise funds at internationally competitive rates. Indian banks are not able to compete globally in terms of fund mobilization, credit disbursement, investment and rendering of financial services therefore consolidation to certain degree is highly warranted, said Dr. Swati Piramal, President, Assocham.
Undiscerning the apprehension about the likelihood of a big bank failure in India, the Study stated that the size of Indian banks is relatively very small as the combined assets of top ten banks constitute less than 60 per cent of the GDP unlike the western banks where even after the global financial turmoil the assets of only top five banks has grown to four times of the GDP.

**Table 4.6.1: Assets of Top Indian Banks**

<table>
<thead>
<tr>
<th>Top 10 Indian Banks</th>
<th>Total Assets (in Rs crore)</th>
<th>Total Assets (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bank of India</td>
<td>964432.08</td>
<td>19.55</td>
</tr>
<tr>
<td>ICICI Bank</td>
<td>379300.96</td>
<td>7.69</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>246918.62</td>
<td>5.01</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>227406.73</td>
<td>4.61</td>
</tr>
<tr>
<td>Bank of India</td>
<td>225501.75</td>
<td>4.57</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>219645.80</td>
<td>4.45</td>
</tr>
<tr>
<td>HDFC Bank</td>
<td>183270.78</td>
<td>3.72</td>
</tr>
<tr>
<td>Union Bank of India</td>
<td>160975.51</td>
<td>3.26</td>
</tr>
<tr>
<td>Axis Bank</td>
<td>147722.06</td>
<td>2.99</td>
</tr>
<tr>
<td>Central Bank of India</td>
<td>147655.24</td>
<td>2.99</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2902829.53</td>
<td>58.84</td>
</tr>
</tbody>
</table>

*Source: Bank’s website, Assocham Research Bureau*

*Note: Size of India’s GDP (current price) at end March 2009 was Rs. 49,33,183 crore*

There are many other challenges and issues that the Indian banking sector is facing like other banking sectors. However despite of many difficulties still Indian banking system is performing well and it is robust when compare with banking sector of other countries. The role of Indian banking sector is future is going to be more important. For this study purpose the leading banks have been selected from public, private, foreign and cooperative banks. These are explained in detail in following paragraphs.

**2. State Bank of India**

State Bank of India (SBI) is that country's largest commercial bank. The government-controlled bank--the Indian government maintains a stake of nearly 60 percent in SBI through the central Reserve Bank of India--also operates the world's largest branch network, with more than 13,500 branch offices throughout India, staffed by nearly 220,000 employees. SBI is also present worldwide, with seven international
subsidiaries in the United States, Canada, Nepal, Bhutan, Nigeria, Mauritius, and the United Kingdom, and more than 50 branch offices in 30 countries. Long an arm of the Indian government's infrastructure, agricultural, and industrial development policies, SBI has been forced to revamp its operations since competition was introduced into the country's commercial banking system. As part of that effort, SBI has been rolling out its own network of automated teller machines, as well as developing anytime-anywhere banking services through Internet and other technologies. SBI also has taken advantage of the deregulation of the Indian banking sector to enter the bancassurance, assets management, and securities brokering sectors. In addition, SBI has been working on reigning in its branch network, reducing its payroll, and strengthening its loan portfolio. In 2003, SBI reported revenue of $10.36 billion and total assets of $104.81 billion.

(a) History

(i) Origins: The evolution of State Bank of India can be traced back to the first decade of the 19th century. It began with the establishment of the Bank of Calcutta in Calcutta, on 2 June 1806. The bank was redesigned as the Bank of Bengal, three years later, on 2 January 1809. It was the first ever joint-stock bank of the British India, established under the sponsorship of the Government of Bengal. Subsequently, the Bank of Bombay (established on 15 April 1840) and the Bank of Madras (established on 1 July 1843) followed the Bank of Bengal. These three banks dominated the modern banking scenario in India, until when they were amalgamated to form the Imperial Bank of India, on 27 January 1921. The Imperial Bank of India appeared to inaugurate a new era in India's history—culminating in its declaration of independence from the British Empire. The Imperial Bank took on the role of central bank for the Indian government, while acting as a bankers' bank for the growing Indian banking sector. At the same time, the Imperial Bank, which, despite its role in the government financial structure remained independent of the government, carried on its own commercial banking operations. In 1926, a government commission recommended the creation of a true central bank. While some proposed converting the Imperial Bank into a central banking organization for the country, the commission rejected this idea and instead recommended that the Imperial Bank be transformed into a purely commercial banking institution. The government took up the commission's recommendations, drafting a new bill in 1927. Passage of the new legislation did not occur until 1935, however, with the creation of the Reserve Bank of India. That bank took over all central banking functions. The Imperial Bank then converted to full commercial status, which accordingly allowed it to enter a number of banking areas, such as currency exchange and trustee and estate management, from which it had previously been restricted. Despite the loss of its role as a government banking office, the Imperial Bank continued to provide banking services to the Reserve
Bank, particularly in areas where the Reserve Bank had not yet established offices. At the same time, the Imperial Bank retained its position as a bankers' bank.

(ii) After independence: Into the early 1950s, the Imperial Bank grew steadily, dominating the Indian commercial banking industry. The bank continued to build up its assets and capital base, and also entered a new phase of national expansion. By the middle of the 1950s, the Imperial Bank operated more than 170 branch offices, as well as 200 sub-offices. Yet the bank, like most of the colonial government, focused primarily on the country's urban regions. By then, India had achieved its independence from Britain. In 1951, the new government launched its first Five Year Plan, targeting in particular the development of the country's rural areas. The lack of a banking infrastructure in these regions led the government to develop a state-owned banking entity to fill the gap. As part of that process, the Imperial Bank was nationalized and then integrated with other existing government-owned banking components. The result was the creation of the State Bank of India, or SBI, in 1955. The new state-owned bank now controlled more than one-fourth of India's total banking industry. That position was expanded at the end of the decade, when new legislation was passed providing for the takeover by the State Bank of eight regionally based, government-controlled banks. As such the Banks of Bikaner, Jaipur, Indore, Mysore, Patiala, Hyderabad, Saurashtra, and Travancore became subsidiaries of the State Bank. Following the 1963 merger of the Bikaner and Jaipur banks, their seven remaining subsidiaries were converted into associate banks. In the early 1960s, the State Bank's network already contained nearly 500 branches and sub-offices, as well as the three original head offices inherited from the presidency bank era. Yet the State Bank now began an era of expansion, acting as a motor for India's industrial and agricultural development that was to transform it into one of the world's largest financial networks. Indeed, by the early 1990s, the State Bank counted nearly 15,000 branches and offices throughout India, giving it the world's single largest branch network.

SBI played an extremely important role in developing India's rural regions, providing the financing needed to modernize the country's agricultural industry and develop new irrigation methods and cattle breeding techniques, and backing the creation of dairy farming, as well as pork and poultry industries. The bank also provided backing for the development of the country's infrastructure, particularly on a local level, where it provided credit coverage and development assistance to villages. The nationalization of the banking sector itself, an event that occurred in 1969 under the government led by Indira Gandhi, gave SBI new prominence as the country's leading bank. Even as it played a primary role in the Indian government's industrial and agricultural development policies, SBI continued to develop its commercial banking operations. In 1972, for example, the bank began offering merchant banking services. By the mid-1980s, the bank's merchant banking operations had grown sufficiently to support the creation of a
dedicated subsidiary, SBI Capital Markets, in 1986. The following year, the company launched another subsidiary, SBI Home Finance in collaboration with the Housing Development Finance Corporation.

(iii) After liberalization: SBI was allowed to dominate the Indian banking sector for more than two decades. In the early 1990s, the Indian government kicked off a series of reforms aimed at deregulating the banking and financial industries. SBI was now forced to brace itself for the arrival of a new wave of competitors eager to enter the fast-growing Indian economy's commercial banking sector. Yet years as a government-run institution had left SBI bloated— the civil-servant status of its employees had encouraged its payroll to swell to more than 230,000. The bureaucratic nature of the bank's management left little room for personal initiative, nor incentive for controlling costs. The bank also had been encouraged to increase its branch network, with little concern for profitability. As former Chairman Dipankar Baku told the Banker in the early 1990s: "In the aftermath of bank nationalisation everyone lost sight of the fact that banks had to be profitable. Banking was more to do with social policy and perhaps that was relevant at the time. For the last two decades the emphasis was on physical expansion."

Under Baku, SBI began retooling for the new competitive environment. In 1994, the bank hired consulting group McKinsey & Co. to help it restructure its operations. McKinsey then led SBI through a massive restructuring effort that lasted through much of the decade and into the beginning of the next, an effort that helped SBI develop a new corporate culture focused more on profitability than on social and political policy. SBI also stepped up its international trade operations, such as foreign exchange trading, as well as corporate finance, export credit, and international banking. SBI had long been present overseas, operating some 50 offices in 34 countries, including full-fledged subsidiaries in the United Kingdom, the United States, and elsewhere. In 1995 the bank set up a new subsidiary, SBI Commercial and International Bank Ltd., to back its corporate and international banking services. The bank also extended its international network into new markets such as Russia, China, and South Africa.

Back home, in the meantime, SBI began addressing the technology gap that existed between it and its foreign-backed competitors. Into the 1990s, SBI had yet to establish an automated teller network; indeed, it had not even automated its information systems. SBI responded by launching an ambitious technology drive, rolling out its own ATM network, then teaming up with GE Capital to issue its own credit card. In the early 2000s, the bank began cross-linking its banking network with its ATM network and Internet and telephone access, rolling out "anytime, anywhere" banking access. By 2002, the bank had succeeded in networking its 3,000 most profitable branches. The implementation of new technology helped the bank achieve strong profit gains into the early years of the new century. SBI also adopted new human resources and retirement policies, helping trim its payroll by some 20,000, almost entirely through voluntary
retirement in a country where joblessness remained a decided problem. By the beginning of 2004, SBI appeared to be well on its way to meeting the challenges offered by the deregulated Indian banking sector. In a twist, the bank had become an aggressor into new territories, launching its own line of bancassurance products, and also initiating securities brokering services. In the meantime, SBI continued its technology rollout, boosting the number of networked branches to more than 4,000 at the end of 2003. SBI promised to remain a central figure in the Indian banking sector as it entered its third century.

(b) Principal Subsidiaries
Bank of Bhutan (Bhutan); Indo Nigeria Merchant Bank Ltd. (Nigeria); Nepal SBI Bank Ltd. (Nepal); SBI (U.S.A.); SBI (Canada); SBI Capital Market Ltd.; SBI Cards & Payments Services Ltd.; SBI Commercial and International Bank Ltd.; SBI European Bank plc (U.K.); SBI Factors & Commercial Services Ltd.; SBI Funds Management Ltd.; SBI Gilts Ltd.; SBI Home Finance Ltd.; SBI Securities Ltd.; State Bank International Ltd. (Mauritius); State Bank of Bikaner & Jaipur; State Bank of Hyderabad; State Bank of Indore; State Bank of Mysore; State Bank of Patiala; State Bank of Travancore and State Bank of Saurashtra has already merged in it in 2009.

(c) Branches
The corporate center of SBI is located in Mumbai. In order to cater to different functions, there are several other establishments in and outside Mumbai, apart from the corporate center. The bank boasts of having as many as 14 local head offices and 57 Zonal Offices, located at major cities throughout India. It is recorded that SBI has about 10000 branches, well networked to cater to its customers throughout India.

(d) ATM Services
SBI provides easy access to money to its customers through more than 8500 ATMs in India. The Bank also facilitates the free transaction of money at the ATMs of State Bank Group, which includes the ATMs of State Bank of India as well as the Associate Banks – State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Indore, etc. You may also transact money through SBI Commercial and International Bank Ltd by using the State Bank ATM-cum-Debit (Cash Plus) card.

(e) Principal Competitors
ICICI Bank; Bank of Baroda; Canara Bank; Punjab National Bank; Bank of India; Union Bank of India; Central Bank of India; HDFC Bank; Oriental Bank of Commerce. SBI is facing competition from public, private, cooperative and foreign banks. The level of completion is very high. Since long the bank has been enjoying the leader position. It is the time for bank to gear up to provide better quality of service to customers if it wants to maintain the position in future.
(f) State Bank of India – Financial Statement

Table 4.6.2: Profit Loss Accounts  
(Rs. crore)

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<tr>
<th></th>
<th>Mar '10</th>
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<th>Mar '07</th>
<th>Mar '06</th>
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<td><strong>Income</strong></td>
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<td></td>
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<tr>
<td>Operating income</td>
<td>85,909.36</td>
<td>74,880.76</td>
<td>56,821.55</td>
<td>43,860.57</td>
<td>37,869.52</td>
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<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Personnel expenses</td>
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<td>8,123.04</td>
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<td>251.23</td>
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<tr>
<td>Expenses capitalized</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost of sales</td>
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<td>17,360.52</td>
<td>13,929.57</td>
<td>12,649.38</td>
<td>11,143.78</td>
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<tr>
<td>Operating profit</td>
<td>14,578.54</td>
<td>14,604.94</td>
<td>10,962.90</td>
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<td><strong>Financial expenses</strong></td>
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<td>31,929.08</td>
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<td>20,159.29</td>
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<td>Depreciation</td>
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<td>763.14</td>
<td>679.98</td>
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<td>729.13</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted PBT</td>
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<td>14,736.06</td>
<td>11,184.25</td>
<td>8,180.32</td>
<td>7,250.98</td>
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<td>Tax charges</td>
<td>6,166.62</td>
<td>6,115.12</td>
<td>3,929.20</td>
<td>3,083.77</td>
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<td>9,124.18</td>
<td>6,718.08</td>
<td>4,529.18</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reported net profit</td>
<td>9,166.05</td>
<td>9,121.23</td>
<td>6,729.12</td>
<td>4,541.31</td>
<td>4,406.67</td>
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<tr>
<td>Earnings before appropriation</td>
<td>9,166.39</td>
<td>9,121.57</td>
<td>6,729.46</td>
<td>4,541.65</td>
<td>4,407.01</td>
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<td>1,841.15</td>
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<td>736.82</td>
<td>736.82</td>
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<td>Preference dividend</td>
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<td>-</td>
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</tr>
<tr>
<td>Dividend tax</td>
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<td>248.03</td>
<td>165.87</td>
<td>125.22</td>
<td>103.34</td>
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<td>Retained earnings</td>
<td>7,024.99</td>
<td>7,032.38</td>
<td>5,205.94</td>
<td>3,679.61</td>
<td>3,566.85</td>
</tr>
</tbody>
</table>
3. Punjab National Bank

Punjab National Bank (PNB) is the second largest government-owned commercial bank in India. Having more than 3.5 crore customer, Punjab National Bank has one of the largest branch networks in India. The bank's assets for financial year 2007 were about US$60 billion. The bank was established in 1895 at Lahore. PNB's founders included several leaders of the Swadeshi movement like Dyal Singh Majithia, Lala HarKishen Lal, Lala Lalchand, Kali Prosanna Roy, EC Jessawala, Prabhu Dayal, Bakshi Jaishi Ram, and Lala Dholan Dass. Lala Lajpat Rai was actively associated with the bank's management in its early years. It was nationalized by the Government of India along with 13 other banks. Its total assets touched to Rs. 246919 crores in March, 2009.

(a) Important Years in PNB History

Following are the important years in the history of Punjab National Bank:

1895: PNB established in Lahore.
1904: PNB established branches in Karachi and Peshawar.
1947: Partition of India and Pakistan at Independence. PNB lost its premises in Lahore, but continued to operate in Pakistan.
1960: PNB amalgamated Indo-Commercial Bank Limited (established in 1933) in a rescue.
1961: PNB acquired Universal Bank of India.
1965: After the Indo-Pak war the government of Pakistan seized all the offices in Pakistan of Indian banks, including PNB's head office, which may have moved to Karachi. PNB also had branches in East Pakistan (Bangladesh).
1978: PNB opened a branch in London.
1986: The Reserve Bank of India required PNB to transfer its London branch to State Bank of India after the branch was involved in a fraud scandal.
2003: PNB took over Nedungadi Bank (established the bank in 1899), the oldest private sector bank Kerala.
### Table 4.6.3: Profit Loss Accounts

#### (Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>Mar '10</th>
<th>Mar '09</th>
<th>Mar '08</th>
<th>Mar '07</th>
<th>Mar '06</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Operating income</td>
<td>24,524.78</td>
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<td>15,925.65</td>
<td>12,104.24</td>
<td>9,791.12</td>
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<tr>
<td><strong>Expenses</strong></td>
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</tr>
<tr>
<td>Personnel expenses</td>
<td>3,121.14</td>
<td>2,924.38</td>
<td>2,461.54</td>
<td>2,352.45</td>
<td>2,114.97</td>
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<td>Selling expenses</td>
<td>40.11</td>
<td>31.24</td>
<td>23.31</td>
<td>18.03</td>
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<td>Administrative expenses</td>
<td>2,377.28</td>
<td>1,880.13</td>
<td>1,247.47</td>
<td>1,360.77</td>
<td>941.38</td>
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<tr>
<td>Expenses capitalized</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>5,538.52</td>
<td>4,835.76</td>
<td>3,732.33</td>
<td>3,731.25</td>
<td>3,076.51</td>
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<tr>
<td>Operating profit</td>
<td>6,042.24</td>
<td>4,776.35</td>
<td>3,462.46</td>
<td>2,350.09</td>
<td>1,797.23</td>
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<tr>
<td>Other recurring income</td>
<td>436.59</td>
<td>553.00</td>
<td>231.62</td>
<td>186.67</td>
<td>131.54</td>
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<tr>
<td>Adjusted PBDIT</td>
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<td>5,329.35</td>
<td>3,694.08</td>
<td>2,536.76</td>
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<tr>
<td>Financial expenses</td>
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<td>12,295.30</td>
<td>8,730.86</td>
<td>6,022.91</td>
<td>4,917.39</td>
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<tr>
<td>Depreciation</td>
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<td>191.06</td>
<td>170.23</td>
<td>194.80</td>
<td>186.65</td>
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<td>Other write offs</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted PBT</td>
<td>6,256.00</td>
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<td>3,523.85</td>
<td>2,341.96</td>
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<td>412.83</td>
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<td>3,089.11</td>
<td>2,047.63</td>
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<td>1,436.66</td>
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<tr>
<td>Non recurring items</td>
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<td>1.13</td>
<td>0.76</td>
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<tr>
<td>Other non cash adjustments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reported net profit</td>
<td>3,905.36</td>
<td>3,090.88</td>
<td>2,048.76</td>
<td>1,540.08</td>
<td>1,439.31</td>
</tr>
<tr>
<td>Earnings before appropriation</td>
<td>3,913.00</td>
<td>3,090.88</td>
<td>2,064.28</td>
<td>1,723.57</td>
<td>1,439.31</td>
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<td>Equity dividend</td>
<td>693.67</td>
<td>630.61</td>
<td>409.89</td>
<td>409.89</td>
<td>189.18</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend tax</td>
<td>116.43</td>
<td>107.17</td>
<td>69.66</td>
<td>63.11</td>
<td>26.53</td>
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<tr>
<td>Retained earnings</td>
<td>3,102.91</td>
<td>2,353.10</td>
<td>1,584.73</td>
<td>1,250.57</td>
<td>1,223.60</td>
</tr>
</tbody>
</table>
(c) PNB Overseas Offices

PNB has a banking subsidiary in United Kingdom. It has its branches in Hong Kong and Kabul. It has representative offices in Almaty, Shanghai, and Dubai. This bank is planning further for opening its branches in UK, USA and Canada. Efforts are on for strengthening the international banking network.

(d) Awards and Distinctions

(ii) Ranked among top 50 companies by the leading financial daily, Economic Times.
(iii) Ranked as 323rd biggest bank in the world by Bankers Almanac (January 2006), London.
(iv) 9th place among India's Most Trusted top 50 service brands in ET- A.C Nielson Survey.
(v) Included in the top 1000 banks in the world according to The Banker, London.
(vi) Golden Peacock Award for Excellence in Corporate Governance-2005, Institute of Directors
(vii) FICCI's Rural Development Award for Excellence in Rural Development – 2005

4. Bank of Baroda

(a) History

Bank of Baroda is one of the leading banks in India, was founded by Maharaja Sayajirao Gaekwad then Maharaja of Baroda on 20th of July 1908 with a paid capital of Rs. 10 Lacs. The Bank was brought into existence by a Ordinance issue on 19th July, by the Central Government. The Bank is a Government of India Undertaking and carries on all types of banking business including foreign exchange. The Ordinance was replaced by the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1969. Besides managing public issues and giving underwriting support, the Bank established a `Non-resident Portfolio Management Consultancy Cell. Due to closure of 2 branches in U.K. and 1 branch in UAE, non-operative branch in Bangladesh was not taken into account.

1970 Income-Tax consultancy services was set-up in September to assist its constituents in the filing of income returns. Bank of Baroda (U.K.) Nominees Ltd., London is a subsidiary of the Bank. Bob Fiscal Services Ltd. is also a subsidiary of the Bank which handles functions such as merchant banking, equipment leasing, investment banking, inter-corporate deposit, etc. Bank of Baroda (Kenya) Ltd., Kenya is subsidiary of the Bank. Time to time capital was subscribed by government to BOB. The bank received in principle approval from RBI to set up a separate subsidiary for its credit card business. It had established a new department to act as custodian of shares issued by Indian companies who came out with Euro Issues (GDRs/ADRs) to raise funds from abroad. With this in view, the bank entered into an agreement with Bank of New York, who act as Depository for issue of GDRs by companies. The bank was associated as lead manager/co-manager in respect of 142 issues involving a sum of Rs 3411 crores. It was activity considering
The Bank devised new products, two new deposit schemes 'BOB SUVIDHA', BOB CAPITAL GAINS EXEMPTION DEPOSIT' was launched to suit the savings requirements of individuals, HUF, Association of pursuing, firms and companies. It took initiatives to bring qualitative improvement in the area of credit. A fast track system for processing credit proposals of A+ & A rated corporate client was introduced. In addition, schemes to increase credit fluid sectors like leasing, hire purchase, advances against shares, Can Loan Schemes etc. were formulated and guidelines were issued for increased lending to infrastructure projects. Bank of Baroda (BoB) has received permission from the Reserve Bank of India to open a branch at Durban in South Africa. BoB proposes to start operations in the country soon after it receives a banking licence from the South African Reserve Bank (SARB). Bank of Baroda (BoB) proposes to undertake a survey of West Bengal, Sikkim and North- Eastern States to explore business opportunities and also for setting up new branches.

Bank of Baroda (BoB) plans to have an alliance with a foreign bank for merchant banking. The proposed venture would manage external commercial borrowings (ECBs) by Indian. Corporate and handle is investment programmes of public sector undertakings. Bobcards Ltd, a wholly owned subsidiary of Bank of Baroda, has achieved a 40 per cent growth in profit before tax in the first half year ended September, 1997. Bank of Baroda's New York branch has received the highest 1 rating from the US Federal Reserve. This is for the first time that the US Fed has given the highest rating to any Indian bank branch operating in New York. In 1998 Bank of Baroda has become the first public sector bank to implement the autonomy package announced by the ministry of finance. Bank of Baroda has the second largest resource base in the country after State Bank of India.

(b) Financial Details

As of March 2007, the bank had total deposits worth Rs. 1,24,915 Crores while it had a total number of 2956 branches located worldwide as on April 2009, out of which 626 were located in Metro cities, 524 in Urban areas, 642 in Semi-Urban locations, 1092 in Rural areas and 72 were located outside India. The bank has 10 Zonal Offices and 43 Regional Offices which help it control its operations nationally. Its total assets touched to Rs. 227407 crores in March, 2009.
## (c) Bank of Baroda: Financial Statement

### Table 4.6.4: Profit Loss Accounts (Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>Mar '10</th>
<th>Mar '09</th>
<th>Mar '08</th>
<th>Mar '07</th>
<th>Mar '06</th>
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</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>19,114.76</td>
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<td>13,133.81</td>
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<td>Personnel expenses</td>
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<td>1,803.76</td>
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<td></td>
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</tr>
<tr>
<td>Cost of sales</td>
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<td>3,138.28</td>
<td>2,577.18</td>
<td>2,613.63</td>
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<tr>
<td>Operating profit</td>
<td>3,875.53</td>
<td>3,022.76</td>
<td>2,093.87</td>
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<td>3,730.20</td>
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<td>230.50</td>
<td>232.00</td>
<td>194.28</td>
<td>111.13</td>
</tr>
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<td>Other write offs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted PBT</td>
<td>4,415.30</td>
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<td>2,550.44</td>
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<tr>
<td>Tax charges</td>
<td>1,179.73</td>
<td>1,115.74</td>
<td>771.63</td>
<td>627.80</td>
<td>287.64</td>
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<tr>
<td>Adjusted PAT</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-223.11</td>
</tr>
<tr>
<td>Reported net profit</td>
<td>3,058.33</td>
<td>2,227.20</td>
<td>1,435.52</td>
<td>1,026.46</td>
<td>826.96</td>
</tr>
<tr>
<td>Earnings before appropriation</td>
<td>3,058.33</td>
<td>2,227.20</td>
<td>1,435.52</td>
<td>1,026.46</td>
<td>826.96</td>
</tr>
<tr>
<td>Equity dividend</td>
<td>639.26</td>
<td>383.56</td>
<td>340.94</td>
<td>252.46</td>
<td>207.68</td>
</tr>
<tr>
<td>Preference dividend</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
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<td>Retained earnings</td>
<td>2,419.07</td>
<td>1,843.65</td>
<td>1,094.58</td>
<td>774.01</td>
<td>619.28</td>
</tr>
</tbody>
</table>
(d) International Presence
Along with a huge network of its branches spread across India, Bank of Baroda has its overseas branches located in 14 other countries, which include Bahamas, Bahrain, Belgium, China, Fiji Islands, Hong Kong, Mauritius, Republic of South Africa, Seychelles, Singapore, Sultanate of Oman, United Arab Emirates, United Kingdom and United States of America. Apart from it, the bank has established its subsidiaries in 7 countries viz. Botswana, Ghana, Guyana, Kenya, Tanzania, Trinidad & Tobago and Uganda, and its representative offices in 3 countries which are Australia, Malaysia and Thailand.

(e) Other Details
Bank of Baroda had a total workforce of 38063 employees offering their services to the institution as of September 2006. Out of these, 13525 were Officers, 16497 were Clerks while 8041 were Sub-Staff members. The bank offers a wide array of customized and specialized services to meet the diverse needs of its customers, and these services have been categorized into Personal Banking, Business Banking, Corporate Banking, International Banking, Treasury Banking and Rural Banking services.

5. HDFC Bank

(a) History
1994: The Bank was incorporated on 30th August. A new private sector Bank promoted by housing Development Corporation Ltd. (HDFC), a premier housing finance company. The bank is the first of its kind to receive an in-principle approval from the RBI for establishment of a bank in the private sector. Certificate of Commencement of Business was received on 10th October 1994 from RBI. The Bank transacts both traditional commercial banking as well as investment banking.

1995: The Bank opened its first branch in Ramon House at Church gate, Mumbai on January 16th. The Bank has created an efficient operating system using well tested state-of-the-art software.

1996: HDFC Bank has entered the banking consortia of over 50 corporate, including some leading multinational companies, flagship companies of local business houses and strong public sector companies.

1997: The bank is one of the largest mobilisers of retail deposits through its network of 20 branches. Its credit deposits ratio was 53.8%. The bank has set up a ultra-modern hub at Powai in Mumbai where the bank's central computer is housed. The bank has also recently signed up as a depository participant, under the newly set up NSDL, wherein the members clearing accounts settlement for dematerialized
shares can be done through the bank. HDFC Bank, one of the nine new-generation private sector banks, has planned to set up an all-India on-line automated teller machine (ATM) network.

1998: HDFC Bank has tied up with the Ahmedabad Stock Exchange (ASE) to act as its clearing bank. HDFC Bank proposes to strengthen its branch network in Calcutta with the addition of two new branches in the first quarter of the next fiscal. HDFC Bank has signed an agreement with the National Stock Exchange (NSE) which will give it a second charge over the brokers deposit for providing loan against share facility to NSE brokers. The bank has also entered into a similar understanding with the Bombay Stock Exchange (BSE) whereby the bourse will provide support for recovery of money against the card for loan against share facility. HDFC Bank has become the first bank in India to link up its automated teller machine (ATM) network with all the three major payment systems world-wide. HDFC Bank will be the first bank in the Asia-Pacific region to connect the American Express (Amex) payment system.

2000: HDFC Bank also signed a memorandum of understanding with Singapore Telecom's e-commerce arm Sesami.Com Pvt Ltd. HDFC Bank is also launching an online electronic banking solution called Enet which will allow corporate to access their accounts over the net and carry out trade related transactions and cash management functions. HDFC Bank entered into a tie-up with Telco by which the bank would provide preferential financing options for Tata's range of passenger cars including the Indica, Sumo, Safari, Estate and Sierra. HDFC Bank is also set to become the first bank in the country to offer wireless application protocol (WAP) services to customers. Sky Cell Communications Ltd, one of the two cellular service providers in Chennai, has launched 'Sky Banking', for which the company has tied up with ICICI Bank and HDFC Bank.

BPL Mobile has tied up with HDFC Bank to offer Internet banking through the mobile phone. HDFC Bank launched 'eInstant Car Loans' a new scheme for offering customers a range of net-enabled loan products. HDFC Bank launched depository services on the net. HDFC Bank tied up with NSE.IT, a wholly owned subsidiary of the National Stock Exchange, for providing payment gateway services for the latter's Internet trading operations. HDFC Bank has been identified as the best domestic commercial bank for the second consecutive year by FinanceAsia.com, which provides a network for financial decision makers.

2001: The Bank has opened its first branch in Aurangabad. HDFC Standard Life Insurance has entered into a memorandum of understanding with the Chennai-based Indian Bank. The Bank has launched the international Maestro debit card in association with Master Card. HDFC Bank will launch its credit card in June through link-ups with MasterCard and Visa. HDFC Bank files with US regulators to list more than 11 million American Depositary Shares on the New York Stock Exchange.
2002: HDFC Bank unveiled a new online account aggregation service 'One View'. HDFC launched 'One View' service to customers - HDFC Bank launched its 9th branch in Karnataka. HDFC opens its branch in Mangalore. HDFC Bank unveils Silver card in Hyderabad. HDFC Bank opens first overseas representative office. HDFC Bank unveils gold card Mediclaim facilities to HDFC Bank gold cardholders. HDFC Bank launched new products to its wealth management programme to increase its customer base.

2003: HDFC Bank unveils resident foreign currency account. HDFC Bank unveils co-branded credit card with e-Seva. HDFC enters into agreement with HDFC Bank to source housing loans. HDFC Bank, IRCTC in tie up for online railway booking. HDFC Bank inks pact with ANB for remittance service HDFC Bank introduces.

2004: HDFC Bank and Bahraini Saudi Bank (BSB) have announced an alliance to cater to service the needs of the non-resident Indians (NRIs) in Bahrain. HDFC Bank launches new scheme for Maruti 800 buyers, providing 85 per cent finance on the on-road price of the car for seven years. HDFC Bank wins Asia money award for Best Domestic Bank.

2005: HDFC Bank joins hands with NCR Corporation to offer managed ATM services. IKF Finance Ltd has entered in to a Joint Lending Arrangement with HDFC Bank Ltd 2005. TMB forges alliance with HDFC Bank. HDFC Bank inaugurates first ATM in Hotel - HDFC Bank ties up with the International Bank of Qatar (IBQ) to launch banking services in Qatar. HDFC Bank launches loyalty rewards programme for its debit and credit cardholders under the name Insta Wonderz.

2007: HDFC sets up two more branches in AP 2007. HDFC Bank has signed an agreement with Tata Pipes to offer credit facilities to farmers across the country. HDFC Bank Ltd has appointed Mr. Pandit Palande as an additional Director of the Bank at the Board Meeting held today i.e. on 24th April 2007.

2008: HDFC Bank Ties Up With Postal Department, Extends Rural Reach. HDFC Bank Wins ‘Nasscom IT User Award of the Year. HDFC Bank Opens Its First Overseas Branch In Bahrain. HDFC Bank and Centurion Bank of Punjab merger at share swap ratio of 1:29. Bank Launches India’s First Rural Banking BPO at Tirupathi. HDFC Bank Launches India’s First Online Market Linkage Programme for Self Help Groups.

2010: With a view to attract long term deposits and prevent premature withdrawal when the interest rates peak, HDFC, the housing finance major, has decided to pay variable interest rate on recurring deposits. HDFC Bank on Feb 19 increased the fixed deposit rates by up to 150 basis points across maturities, a move that follows the Cash Reserve Ratio hike of 75 basis points by the Reserve Bank of India last month.

(b) Amalgamations
In 2002, HDFC Bank witnessed its merger with Times Bank Limited (a private sector bank promoted by Bennett, Coleman & Co. / Times Group). With this, HDFC and Times became the first two private banks in the New Generation Private Sector Banks to have gone through a merger. In 2008, RBI approved the amalgamation of Centurion Bank of Punjab with HDFC Bank. With this, the Deposits of the merged entity became Rs. 1,22,000 crore, while the Advances were Rs. 89,000 crore and Balance Sheet size was Rs. 1,63,000 crore.

(c) Tech-Savvy
HDFC Bank has always prided itself on a highly automated environment, be it in terms of information technology or communication systems. All the branches of the bank boast of online connectivity with the other, ensuring speedy funds transfer for the clients. At the same time, the bank's branch network and Automated Teller Machines (ATMs) allow multi-branch access to retail clients. The bank makes use of its up-to-date technology, along with market position and expertise, to create a competitive advantage and build market share.

(d) Capital Structure
At present, HDFC Bank boasts of an authorized capital of Rs 550 crore (Rs5.5 billion), of this the paid-up amount is Rs 424.6 crore (Rs.4.2 billion). In terms of equity share, the HDFC Group holds 19.4%. Foreign Institutional Investors (FIIs) have around 28% of the equity and about 17.6% is held by the ADS Depository (in respect of the bank's American Depository Shares (ADS) Issue). The bank has about 570,000 shareholders. Its shares find a listing on the Stock Exchange, Mumbai and National Stock Exchange, while its American Depository Shares are listed on the New York Stock Exchange (NYSE), under the symbol 'HDB'.

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### Table 4.6.5 Profit Loss Accounts (Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>Mar '10</th>
<th>Mar '09</th>
<th>Mar '08</th>
<th>Mar '07</th>
<th>Mar '06</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>19,958.76</td>
<td>19,770.72</td>
<td>12,354.41</td>
<td>8,303.34</td>
<td>5,567.67</td>
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<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>2,289.18</td>
<td>2,238.20</td>
<td>1,301.35</td>
<td>776.86</td>
<td>486.82</td>
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<tr>
<td>Selling expenses</td>
<td>83.12</td>
<td>108.68</td>
<td>114.73</td>
<td>74.88</td>
<td>80.85</td>
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<td>Administrative expenses</td>
<td>4,936.73</td>
<td>4,583.86</td>
<td>2,247.48</td>
<td>1,519.32</td>
<td>1,424.59</td>
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<tr>
<td>Expenses capitalised</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>7,309.02</td>
<td>6,930.74</td>
<td>3,663.56</td>
<td>2,371.06</td>
<td>1,992.26</td>
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<tr>
<td>Operating profit</td>
<td>4,863.44</td>
<td>3,928.87</td>
<td>3,803.73</td>
<td>2,752.83</td>
<td>1,645.91</td>
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<tr>
<td>Other recurring income</td>
<td>17.72</td>
<td>-</td>
<td>43.04</td>
<td>102.96</td>
<td>31.38</td>
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<tr>
<td>Adjusted PBDIT</td>
<td>4,881.17</td>
<td>-</td>
<td>3,846.77</td>
<td>2,855.79</td>
<td>1,677.29</td>
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<td>Financial expenses</td>
<td>7,786.30</td>
<td>8,911.10</td>
<td>4,887.12</td>
<td>3,179.45</td>
<td>1,929.50</td>
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<tr>
<td>Depreciation</td>
<td>394.39</td>
<td>359.91</td>
<td>271.72</td>
<td>219.60</td>
<td>178.59</td>
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<td>Other write offs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>241.09</td>
<td>245.16</td>
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<tr>
<td>Adjusted PBT</td>
<td>4,486.77</td>
<td>3,568.97</td>
<td>3,575.05</td>
<td>2,395.10</td>
<td>1,253.54</td>
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<tr>
<td>Tax charges</td>
<td>1,340.99</td>
<td>1,054.92</td>
<td>690.90</td>
<td>497.70</td>
<td>383.03</td>
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<tr>
<td>Adjusted PAT</td>
<td>2,944.68</td>
<td>2,240.75</td>
<td>1,589.48</td>
<td>1,142.50</td>
<td>870.51</td>
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<tr>
<td>Nonrecurring items</td>
<td>4.02</td>
<td>4.19</td>
<td>0.70</td>
<td>-1.05</td>
<td>0.27</td>
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<tr>
<td>Other non cash adjustments</td>
<td>-0.93</td>
<td>-0.59</td>
<td>-0.06</td>
<td>-0.35</td>
<td>-</td>
</tr>
<tr>
<td>Reported net profit</td>
<td>2,947.77</td>
<td>2,244.35</td>
<td>1,590.12</td>
<td>1,141.10</td>
<td>870.78</td>
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<tr>
<td>Earnings before appropriation</td>
<td>6,403.33</td>
<td>4,818.98</td>
<td>3,522.15</td>
<td>2,596.12</td>
<td>1,473.12</td>
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<tr>
<td>Equity dividend</td>
<td>549.29</td>
<td>425.38</td>
<td>301.27</td>
<td>223.57</td>
<td>172.23</td>
</tr>
<tr>
<td>Preference dividend</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend tax</td>
<td>91.23</td>
<td>72.29</td>
<td>51.20</td>
<td>38.00</td>
<td>24.16</td>
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<tr>
<td>Retained earnings</td>
<td>5,762.81</td>
<td>4,321.31</td>
<td>3,169.68</td>
<td>2,334.55</td>
<td>1,276.73</td>
</tr>
</tbody>
</table>
6. ICICI Bank Ltd

(a) History of ICICI

1955: The Industrial Credit and Investment Corporation of India Limited (ICICI) incorporated at the initiative of the World Bank, the Government of India and representatives of Indian industry, with the objective of creating a development financial institution for providing medium-term and long-term project financing to Indian businesses. Mr. A. Ramaswami Mudaliar elected as the first Chairman of ICICI Limited. ICICI emerges as the major source of foreign currency loans to Indian industry.

1956: ICICI declared its first dividend of 3.5%.

1958: Mr. G. L. Mehta appointed the second Chairman of ICICI Ltd.

1960: ICICI building at 163, Backbay Reclamation, inaugurated.

1961: The first West German loan of DM 5 million from Kredianstalt obtained.

1967: ICICI made its first debenture issue for Rs. 6 crore, which was oversubscribed.

1969: The first two regional offices in Calcutta and Madras set up.

1972: The second entity in India to set up merchant banking services. Mr. H. T. Parekh appointed the third Chairman of ICICI.

1977: ICICI sponsored the formation of Housing Development Finance Corporation. Managed its first equity public issue

1978: Mr. James Raj appointed the fourth Chairman of ICICI.

1979: Mr. Siddharth Mehta appointed the fifth Chairman of ICICI.

1982: ICICI became the first ever Indian borrower to raise European Currency Units. ICICI commences leasing business.

1986: ICICI became the first Indian institution to receive ADB Loans. ICICI, along with UTI, set up Credit Rating Information Services of India Limited, India's first professional credit rating agency. ICICI promotes Shipping Credit and Investment Company of India Limited.
1987: ICICI signed a loan agreement for Sterling Pound 10 million with Commonwealth Development Corporation (CDC), the first loan by CDC for financing projects in India.

1988: Promoted TDICI - India's first venture capital company.


ICICI Asset Management Company set up.

1994: ICICI Bank set up.

1996: ICICI Ltd became the first company in the Indian financial sector to raise GDR. SCICI merged with ICICI Ltd. Mr. K.V. Kamath appointed the Managing Director and CEO of ICICI Ltd.

1997: ICICI Ltd was the first intermediary to move away from single prime rate to three-tier prime rates structure and introduced yield-curve based pricing. The name The Industrial Credit and Investment Corporation of India Ltd changed to ICICI Ltd. ICICI Ltd announced the takeover of ITC Classic Finance.


1999 ICICI launched retail finance - car loans, house loans and loans for consumer durables. ICICI becomes the first Indian Company to list on the NYSE through an issue of American Depositary Shares.

2000: ICICI Bank became the first commercial bank from India to list its stock on NYSE. ICICI Bank announces merger with Bank of Madura.

2001: The Boards of ICICI Ltd and ICICI Bank approved the merger of ICICI with ICICI Bank.

2002: ICICI Ltd merged with ICICI Bank Ltd to create India’s second largest bank in terms of assets. ICICI assigned higher than sovereign rating by Moody’s. ICICI Bank launched India’s first CDO (Collateralized Debt Obligation) Fund named Indian Corporate Collateralized Debt Obligation Fund.

2003: The first Integrated Currency Management Centre launched in Pune. ICICI Bank announced the setting up of its first ever offshore branch in Singapore. The first offshore banking unit (OBU) at Seepz Special Economic Zone, Mumbai was launched. ICICI Bank’s representative office was inaugurated in Dubai. Representative office set up in China.
2004: ICICI Bank and CNBC TV 18 announced India’s first ever awards recognizing the achievements of SMEs, a pioneering initiative to encourage the contribution of Small and Medium Enterprises to the growth of Indian economy. ICICI Bank opened its 500th branch in India.

2005: First rural branch and ATM launched in Uttar Pradesh at Delpandarwa, Hardoi. "Free for Life" credit cards launched wherein annual fees of all ICICI Bank Credit Cards were waived off. ICICI Bank became the largest bank in India in terms of its market capitalization.

2006: ICICI Bank became the first Indian bank to issue hybrid Tier-1 perpetual debt in the international markets. ICICI Bank subsidiary set up in Russia. It introduced a new product the ‘NRI smart save Deposits. Representative offices opened in Thailand, Indonesia and Malaysia.

2007: ICICI Bank raised Rs 20,000 crore (approx $5 billion) from both domestic and international markets through a follow-on public offer. ICICI Bank’s GBP 350 million international bond offering marked the inaugural deal in the sterling market from an Indian issuer and also the largest deal in the sterling market from Asia. In a first of its kind, nationwide initiative to attract bright graduate students to pursue a career in banking,

2008: ICICI Bank enters US, launches its first branch in New York. ICICI Bank enters Germany, opens its first branch in Frankfurt. ICICI Bank launched iMobile, a breakthrough innovation in banking where practically all internet banking transactions can now be simply done on mobile phones. ICICI Bank and British Airways launch co-branded credit card, which is designed to earn accelerated reward points to the card holders with every British Airways flight or by spending on everyday purchases ICICI Bank Board appoints Mr K. V. Kamath as non-executive Chairman and Ms Chanda Kochhar as Managing Director & CEO effective May 1, 2009,  

2009: ICICI Bank Limited acting through its Hong Kong Branch (ICICI Bank) signed an agreement on Export Credit Line totalising up to US$100 million with the Japan Bank for International Cooperation (JBIC) which constitutes the international wing of Japan Finance Corporation. ICICI Bank Limited acting through its Hong Kong Branch (ICICI Bank) signed a loan agreement with the Export-Import Bank of China (China Exim) for USD 98 million under the Two-step Buyer Credit (Export Credit) arrangement. ICICI Bank is the first Indian Bank to have entered into this arrangement with China Exim. ICICI Bank with Singapore Airlines launched “ICICI Bank Singapore Airlines Visa Platinum Credit Card”, Ms Chanda Kochhar takes charge as the Managing Director & CEO of ICICI Bank from May 1, 2009
### Table 4.6.6: Profit Loss Accounts (Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>Mar '10</th>
<th>Mar '09</th>
<th>Mar '08</th>
<th>Mar '07</th>
<th>Mar '06</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>32,747.36</td>
<td>38,250.39</td>
<td>39,467.92</td>
<td>28,457.13</td>
<td>17,517.83</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>1,925.79</td>
<td>1,971.70</td>
<td>2,078.90</td>
<td>1,616.75</td>
<td>1,082.29</td>
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<tr>
<td>Selling expenses</td>
<td>236.28</td>
<td>669.21</td>
<td>1,750.60</td>
<td>1,741.63</td>
<td>840.98</td>
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<tr>
<td>Administrative expenses</td>
<td>7,440.42</td>
<td>7,475.63</td>
<td>6,447.32</td>
<td>4,946.69</td>
<td>2,727.18</td>
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<tr>
<td>Expenses capitalised</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>9,602.49</td>
<td>10,116.54</td>
<td>10,276.82</td>
<td>8,305.07</td>
<td>4,650.45</td>
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<tr>
<td>Operating profit</td>
<td>5,552.30</td>
<td>5,407.91</td>
<td>5,706.85</td>
<td>3,793.56</td>
<td>3,269.94</td>
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<tr>
<td>Other recurring income</td>
<td>305.36</td>
<td>330.64</td>
<td>65.58</td>
<td>309.17</td>
<td>466.02</td>
</tr>
<tr>
<td>Adjusted PBDIT</td>
<td>5,857.66</td>
<td>5,738.55</td>
<td>5,772.43</td>
<td>4,102.73</td>
<td>3,735.96</td>
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<td>Financial expenses</td>
<td>17,592.57</td>
<td>22,725.93</td>
<td>23,484.24</td>
<td>16,358.50</td>
<td>9,597.45</td>
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<td>Depreciation</td>
<td>619.50</td>
<td>678.60</td>
<td>578.35</td>
<td>544.78</td>
<td>623.79</td>
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<tr>
<td>Other write offs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted PBT</td>
<td>5,238.15</td>
<td>5,059.96</td>
<td>5,194.08</td>
<td>3,557.95</td>
<td>3,112.17</td>
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<td>Tax charges</td>
<td>1,600.78</td>
<td>1,830.51</td>
<td>1,611.73</td>
<td>984.25</td>
<td>556.53</td>
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<tr>
<td>Adjusted PAT</td>
<td>3,890.47</td>
<td>3,740.62</td>
<td>4,092.12</td>
<td>2,995.00</td>
<td>2,532.95</td>
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<td>Non recurring items</td>
<td>134.52</td>
<td>17.51</td>
<td>65.61</td>
<td>115.22</td>
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<td>Other non cash adjustments</td>
<td>-</td>
<td>-0.58</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Reported net profit</td>
<td>4,024.98</td>
<td>3,757.55</td>
<td>4,157.73</td>
<td>3,110.22</td>
<td>2,540.07</td>
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<tr>
<td><strong>Earnings before</strong></td>
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<td></td>
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<tr>
<td>Equity dividend</td>
<td>1,337.95</td>
<td>1,224.58</td>
<td>1,227.70</td>
<td>901.17</td>
<td>759.33</td>
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<td>Preference dividend</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend tax</td>
<td>164.04</td>
<td>151.21</td>
<td>149.67</td>
<td>153.10</td>
<td>106.50</td>
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<tr>
<td>Retained earnings</td>
<td>5,332.63</td>
<td>4,818.07</td>
<td>3,778.63</td>
<td>2,349.39</td>
<td>1,862.46</td>
</tr>
</tbody>
</table>
7. IDBI Bank

(a) History

1964: The Company was incorporated on 1st July, at Mumbai. The Bank was established as a wholly owned subsidiary of the Reserve Bank of India on 1st July, under a special statute, viz., Industrial Development Bank of India Act.

1965: With effect from 1st April, the Bank introduced a scheme for rediscounting bills/promissory notes arising out of sale of indigenous machinery on deferred payment basis. The Bank decided to supplement its refinance operations with a measure of risk-sharing with other institutions on a systematic basis and introduced a participation scheme for this purpose, with effect from 1st April, 1966.

1972: The IDBI took initiative in establishing a technical consultancy service centre at the State level in Kerala in February called the Kerala Industrial and Technical Consultancy Organization and contributed 51% to its paid-up capital of Rs 2 lakhs.

1973: North Eastern Industrial and Technical Consultancy Organisation, Ltd. (NEITCO), was sponsored by the IDBI in May. Another technical consultancy organisation, viz., Bihar Industrial and Technical Consultancy Organisation, Ltd. (BITCO), was set up. Refinance facilities are provided to eligible banks, which are authorised dealers in foreign exchange, against medium-term export credits granted to exporters in the private sector, who are manufacturers recognised export houses or other exporters of standing.

1976: With a view to promoting fuller utilisation of capacity, technological up gradation and export development, the Government of India established in March, the Technical Development Fund (TDF). - Two Seed Capital Assistance Schemes were introduced by IDBI during the year viz. (i) SFC's Special Share Capital Scheme and (ii) IDBI's own scheme.

1977: IDBI introduced in January, at the instance of the Government of India, a scheme for providing rupee assistance, to industrial units receiving import licences, under the TDF. IDBI, apart from giving resource support for setting up of IFCI, UTI and SFCs, helped in establishing Shipping Credit and Investment Corporation of India, Ltd., Stock Holding Corporation of India Ltd., Securities and Exchange Board of India, Discount and Finance House of India, Ltd., Tourism Finance Corporation of India Ltd., Over The Counter (OTC) Exchange of India, Biotech Consortium India Ltd., and Indian Investment Management Company Ltd.
1985: A new scheme known as Equipment Refinance Scheme was introduced with effect from July 1st. The Bank introduced a new scheme called the Foreign Currency Refinance scheme. Under this Scheme, the Bank would extend foreign currency refinance facility to SIDCs/SIICs under the Bank's Normal Refinance Scheme.

1986: Small industries development fund was set up in May to pay concentrated attention to the provision of financial and non-financial inputs to the small scale sector. 30,00,000 shares issued.

1987: The National Equity Fund Scheme was introduced in August for providing equity type support to new tiny and small scale industrial units which are engaged in manufacturing activities and also for rehabilitation of potentially viable sick SSI units.

1991: With effect from 1st April, DAF was merged with the General Fund. The Bank's resources can be augmented through issue of bonds and debentures with or without Government guarantee. IDBI introduced 3-year 9% capital for sale to the public in the domestic market. 66, 00,000 shares were issued.

1992: The Bank issued unsecured bonds for a minimum aggregate amount of Rs 300 crores as follows: Deep Discount Bond had a face value of Rs 1, 00,000 was issued at a deeply discounted price of Rs 2,700 with a maturity period of 25 years from the date of allotment. The bank entered the area of merchant banking to provide professional advice and services to industry for raising resources from capital market, acquisition of assets on lease and mergers/take-overs of existing units. The Bank set up a foreign exchange dealing room to deal with all foreign exchange transactions.

1993: Authorised Capital reclassified. Equity Shares sub-divided. 2530, 00,000 Pref. shares were issued. Under Section 4 of IDBI Act, 1964, Government of India by the notification in Official Gazette date 16.11.1994 converted 2530, 00,000 No. of equity shares into Preference shares.

1994: The Bank obtained the membership of National Stock Exchange. IDBI Bank Ltd. promoted and incorporated in September as a commercial bank with an authorised capital of Rs 500. The Bank had set up a Mutual Fund as a trust with a view to offering innovative investment products to investors backed by high quality servicing. 17, 30, 93,300 shares were allotted to public.

1995: 17 new ventures were sanctioned. The beneficiary industries were electronics, industrial automation, industrial products and machinery, computer software etc. The bank entered into an Umbrella Grant Agreement with the World Bank for US $ 50 million aimed at phasing out use of ozone Depleting Substances in industry as part of ongoing efforts to reduce environmental degradation. The Bank offered 16,80,00,000 No. of Equity shares of Rs 10 each to Public at a premium of Rs 120 each along with
1,44,20,000 No. of equity shares of Rs 10 each at a price of Rs 130 per share was offered for sale by
Government of India.

1997: The Bank accepted 68 debenture trusteeship assignments in respect of bonds and debentures
aggregating to Rs 2,743 crores. IDBI became the first financial institution to apply NSDL as DP. IDBI
has signed an agreement with National Securities Depository Ltd (NSDL) to get its equity shares admitted
for dematerialization.

1998: The Industrial Development Bank of India (IDBI) has commissioned a study on the country's debt
market. The IDBI has tied up a 0 million line of credit with the Export Import Bank of Japan for financing
Indo-Japanese joint venture projects in India. The IDBI is set to enter the capital market with a mega Rs
1,000-1,500 crore debt issue (Flexibond 4). This will be IDBI's maiden retail issue in the current fiscal.
American Express Bank, the travel related and financial services company, has entered into a strategic
alliance for financial services with IDBI Bank.

1999: IDBI Bank Ltd, came out with a maiden public offering of four crore equity shares of Rs 10 each at
a premium of Rs 8 per share aggregating Rs 72 crore, said four lakh shares were reserved for its
employees and another 40 lakh shares were reserved for IDBI's equity holders on a competitive basis.
American Express Bank (Amex) has entered into a strategic alliance with IDBI Bank for its personal
financial services (PFS) division to jointly explore the development of products such as smart card and
debit card, and market complementary products and services to customers of both the banks.

2000: The Company proposal for the forfeiture of 3, 03,100 No. of equity shares of Rs. 10/- each for non-
payment of allotment money. The Bank has been made the nodal agency for disbursing the Montreal
Protocol-approved million compensation package to four Indian companies, including SRF Ltd., and
Gujarat Fluorocar bonds. IDBI and CIDC would set up a joint working group to chalk out modalities for
lending to the construction industry and risk assessment of the business. IDBI has become the first all-
India financial institution to qualify for the ISO 9002 certification for its treasury operations. Industrial
Development Bank of India and the Export-Import bank of the United States have signed an
memorandum of understanding for financing to support import of US-sourced goods for Indian
borrowers.

have entered into a long-term rupee interest rate swap. The Industrial Development Bank of India has
launched a new company IDBI Trusteeship Services Ltd. for carrying out trusteeship and other related
business. Industrial Development Bank of India has formed a new company -- IDBI Trusteeship Services Ltd. for carrying out trusteeship and related businesses

2001: India's largest term lender Industrial Development Bank of India raised Rs 55 crore (.68 million) through a private placement of 90-day commercial paper, debt dealers said.

2002: ICRA assigns downward rating to IDBI long-term programmes. Government gives nod for the restructuring package for the company by repealing the IDBI Act and facilitating the conversion of the development financial institution into a stand-alone bank

2003: IDBI board okayed 50 % Asset Management Company (AMC) stake sell off to Principal Financial Group of the USA. Off loads 25 lakh Discount and Finance House of India (DFHI) equity shares to State Bank of India (SBI). Acquires entire stake of Tata Finance Ltd. in Tata Homefinance Ltd. for Rs 49.98 crore, enters housing finance sector.

2004: Standard & Poor's (S&P) Ratings Services on February 19 assigned Industrial Development Bank of India's (IDBI) proposed 0 million senior unsecured notes a 'BB' rating. An obligation rated BB is less vulnerable to non-payments and other speculative issues.

2005: Industrial Development Bank of India Ltd (IDBI) has informed that the Public Issue of IDBI Flexibonds - 23, which was opened for subscription on March 21, 2005 has been closed on March 29, 2005.IDBI enters into CO-Financing tie-up with SIDBI.

2007: IDBI, Federal Bank and Fortis Sign Joint Venture Agreement To Establish A New Life Insurance Company In India. IDBI Launches new 600 days ‘Suvidha Plus FD Scheme

2008: Industrial Development Bank Of India Limited has submitted to a copy of the Resolution passed by the Board by circulation on March 12, 2008 in respect of change of name of the Bank to IDBI Bank Limited by passing a Special Resolution through Postal Ballot in terms of Section 192A of the Companies Act, 1956. Company name has been changed from Industrial Development Bank of India Ltd to IDBI Bank Ltd. IDBI ties up with Motilal Oswal Securities for online trading

2009: IDBI Bank has slashed its benchmark prime-lending rate (BPLR) by 25 basis points to 12.75 per cent. The reduction will come into effect from July 1 and will apply to all loans linked to the BPLR, including home loans, according to a press release from the bank. The bank cut deposit rates by 25-50 basis points earlier this week. IDBI Bank bags IBA's prestigious Banking Technology award. IDBI Bank Ltd and Tata Motors Limited (TML) sign MoU for Vehicle Loan Financing.
(b) IDBI's Role as a Catalyst

IDBI's role as a catalyst to industrial development encompasses a wide spectrum of activities. IDBI can finance all types of industrial concerns covered under the provisions of the IDBI Act. With over three decades of service to the Indian industry, IDBI has grown substantially in terms of size of operations and portfolio.

(c) Developmental Activities of IDBI

(i) **Promotional activities:** In fulfilment of its developmental role, the Bank continues to perform a wide range of promotional activities relating to developmental programmes for new entrepreneurs, consultancy services for small and medium enterprises and programmes designed for accredited voluntary agencies for the economic upliftment of the underprivileged. These include entrepreneurship development, self-employment and wage employment in the industrial sector for the weaker sections of society through voluntary agencies, support to Science and Technology Entrepreneurs' Parks, Energy Conservation, Common Quality Testing Centres for small industries.

(ii) **Technical consultancy organisations:** With a view to making available at a reasonable cost, consultancy and advisory services to entrepreneurs, particularly to new and small entrepreneurs, IDBI, in collaboration with other All-India Financial Institutions, has set up a network of Technical Consultancy Organisations (TCOs) covering the entire country. TCOs offer diversified services to small and medium enterprises in the selection, formulation and appraisal of projects, their implementation and review.

(iii) **Entrepreneurship development institute:** Realising that entrepreneurship development is the key to industrial development, IDBI played a prime role in setting up of the Entrepreneurship Development Institute of India for fostering entrepreneurship in the country. It has also established similar institutes in Bihar, Orissa, Madhya Pradesh and Uttar Pradesh. IDBI also extends financial support to various organisations in conducting studies or surveys of relevance to industrial development.
### Table 4.6.7; Profit And Loss Accounts (Rs. In crores)

<table>
<thead>
<tr>
<th></th>
<th>Mar '10</th>
<th>Mar '09</th>
<th>Mar '08</th>
<th>Mar '07</th>
<th>Mar '06</th>
</tr>
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<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Operating income</td>
<td>15,272.63</td>
<td>12,668.35</td>
<td>9,159.74</td>
<td>6,994.23</td>
<td>6,398.80</td>
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<tr>
<td><strong>Expenses</strong></td>
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<td></td>
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</tr>
<tr>
<td>Material consumed</td>
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<td>-</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>Manufacturing expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>Personnel expenses</td>
<td>756.99</td>
<td>569.24</td>
<td>384.61</td>
<td>282.90</td>
<td>318.51</td>
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<td>Selling expenses</td>
<td>-</td>
<td>48.38</td>
<td>25.25</td>
<td>11.01</td>
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<td>Administrative expenses</td>
<td>983.45</td>
<td>811.35</td>
<td>599.00</td>
<td>597.99</td>
<td>554.26</td>
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<tr>
<td>Expenses capitalised</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>1,740.44</td>
<td>1,428.97</td>
<td>1,008.86</td>
<td>891.90</td>
<td>889.72</td>
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<tr>
<td>Operating profit</td>
<td>526.97</td>
<td>933.66</td>
<td>786.47</td>
<td>414.84</td>
<td>508.26</td>
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<td>Other recurring income</td>
<td>2,290.96</td>
<td>113.73</td>
<td>138.48</td>
<td>211.15</td>
<td>217.29</td>
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<td>Adjusted PBDIT</td>
<td>2,817.93</td>
<td>1,047.39</td>
<td>924.94</td>
<td>625.99</td>
<td>725.55</td>
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<td><strong>Financial expenses</strong></td>
<td>13,005.22</td>
<td>10,305.72</td>
<td>7,364.41</td>
<td>5,687.49</td>
<td>5,000.82</td>
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<td><strong>Depreciation</strong></td>
<td>90.98</td>
<td>52.70</td>
<td>83.50</td>
<td>122.00</td>
<td>143.55</td>
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<tr>
<td>Other write offs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted PBT</td>
<td>2,726.95</td>
<td>994.69</td>
<td>841.44</td>
<td>504.00</td>
<td>582.00</td>
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<tr>
<td><strong>Tax charges</strong></td>
<td>-</td>
<td>127.10</td>
<td>93.25</td>
<td>52.31</td>
<td>27.46</td>
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<tr>
<td>Adjusted PAT</td>
<td>-</td>
<td>845.26</td>
<td>728.64</td>
<td>451.69</td>
<td>554.54</td>
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<tr>
<td><strong>Non recurring items</strong></td>
<td>-</td>
<td>13.28</td>
<td>0.81</td>
<td>178.62</td>
<td>6.35</td>
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<tr>
<td>Other non cash adjustments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-0.11</td>
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<tr>
<td>Reporting net profit</td>
<td>1,031.13</td>
<td>858.54</td>
<td>729.46</td>
<td>630.31</td>
<td>560.78</td>
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<tr>
<td>Earnings before appropriation</td>
<td>1,102.33</td>
<td>879.58</td>
<td>2,044.36</td>
<td>1,661.02</td>
<td>1,348.23</td>
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<tr>
<td>Equity dividend</td>
<td>217.46</td>
<td>181.20</td>
<td>144.95</td>
<td>108.65</td>
<td>108.57</td>
</tr>
<tr>
<td>Preference dividend</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend tax</td>
<td>31.47</td>
<td>30.79</td>
<td>22.27</td>
<td>18.47</td>
<td>15.23</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>853.40</td>
<td>667.59</td>
<td>1,877.14</td>
<td>1,533.90</td>
<td>1,224.43</td>
</tr>
</tbody>
</table>
8. The Export-Import Bank of India

Export-Import Bank of India is the premier export finance institution of the country, set up in 1982 under the Export-Import Bank of India Act 1981. Government of India launched the institution with a mandate, not just to enhance exports from India, but to integrate the country’s foreign trade and investment with the overall economic growth. Since its inception, Exim Bank of India has been both a catalyst and a key player in the promotion of cross border trade and investment. Commencing operations as a purveyor of export credit, like other Export Credit Agencies in the world, Exim Bank of India has, over the period, evolved into an institution that plays a major role in partnering Indian industries, particularly the Small and Medium Enterprises, in their globalisation efforts, through a wide range of products and services offered.

(a) History

1958: The signing of a $150000;000 loan agreement for India by the Export-Import Bank revealed a approach. It also a milestone in the gradual Shift of the bank to an instrument of pure foreign aid of the Plan type.

1982: Export-Import Bank of India was established on January 1st, 1982. The Bank fills an institutional gap in the area of financing India's international trade. With its setting up, a long felt need for an apex bank that can function as the principal financial institution for interfacing with institutions engaged in financing export and import trade was fulfilled.

1983: The Bank introduced a new facility under the name "Exim Syndicate Facility" to attract greater participation in export credit from commercial banks in India, who were authorised dealers in foreign exchange.

1984 - The Bank also introduced two new lending programmes, one relating to financing of deemed exports and the other to financing of 100% export units and units in free trade zones. Bank entered into an arrangement with Templeton Worldwide Inc. U.S.A. to help medium sized Indian Companies access capital.

1987: The Bank introduced EME scheme where in the Bank undertook up to 50% of the total cost incurred on export marketing activities. Rs 22 crores capital subscribed for by Government.
1992: A new programme viz., Export Vendor Development Finance was introduced, which seeks to provide integrated financing packages to manufactures - exporters and export trading houses to implement strategic vendor developing plans. Rs 3942, 53,214 capitals subscribed for by Government.

1993: The Bank promotes Indian exports through a variety and a range of lending programmes. The Bank offers export bills rediscouning facility, refinance of supplier's credit, refinance of term loans to export oriented units and bulk import finance to commercial banks in India.

1994: Another new programme for providing underwriting facilities was launched in January. Under this programme, the bank would offer underwriting as well as bridge loan facility to eligible Indian exporting companies to raise funds from public by way of equity or debentures.

1995: During the year Exim Bank offered strategic market entry support to 16 companies for Rs 8.6 mn. to encourage exporters to make responsive bids under international competitive bidding procedure. During the year, the Bank signed a framework co-operation agreement with the European Bank for Reconstruction and Development (EBRD) headquartered in London.

1996: Bank entered into three interest rate swap agreements as part of liability management. During April-December 1995, the total value of issues launched was Rs 141.5 billion. - The concept of a back-to-back inland letter of credit has been introduced to enable an advance licence holder to source his inputs from domestic suppliers.

1997: The Bank introduced maturity linked interest rates for supplier's credits in rupees and foreign currency as well as lines of Credit/Buyer's Credits extended to overseas institutions/government for financing exports from India.

1998: Mumbai, 27th April: Export-Import Bank of India (Exim Bank) has reported a 33 per cent rise in net profit to 2.06bn rupees in 1997-98 as it recovered over 10bn rupees of non-performing assets (NPAs) during the year.

1999: Bank introduced a number of financing programmes with a view to expanding coverage of Bank's finance for exporters, importers and for investment overseas. During the year, Bank introduced the long term working capital finance programme for export-oriented units for augmenting their long term working capital.
2000: Export-Import Bank of India and Exim Bank of Thailand signed an agreement in Bangkok for a line of credit of $10 million from Exim India to Exim Thailand. International Finance Corporation, West LB Bank and Export Import Bank of India will be forming a joint venture company for structured finance activities.

2001: Export Import Bank of India and Banco de Comercio Exterior de Colombia S.A. (Bancoldex), Colombia, signed an agreement in New Delhi for establishing reciprocal lines of credit for US $10 million. The export-Import Bank of India is all set to form a joint venture with the Washington-based International Finance Corporation and German Bank West LB.

2002: Export-Import Bank of India (Exim Bank) signs pact with Banco Bradesco for a line of credit of $10 million with Banco Bradesco SA, Brazil to promote India's exports to Brazil.

2004: The Export-Import (Exim) Bank of India has signed an agreement with Uniao De Bancos Brasileiros (Unibanco) to provide a line of credit of $10 million to finance India's export of equipment, goods and services to Brazil.

2005: Exim Bank signs MoU with CFTRI to promote units in Africa. Exim Bank signs agreement with DHAN Foundation. GPCL enters into full-fledged services area in Iran. Exim Bank signed a memorandum of cooperation with United Bank of India. The Export-Import Bank of India has signed MoU with the Instituto de Credito Oficial of Spain to promote trade.

2007: Exim Bank of India has inked a pact with International Finance Corporation (IFC), Washington, a member of the World Bank group, under the Global Trade Finance Programme (GTFP) of IFC.

2008: Soldiers from China and India conduct a flush-out operation during their joint anti-terror training in India's Belgaum, December 7, 2008. Eximbank grants loans to support Chery's expansion 2008-1The China Export and Import Bank.

2009: This follows the superannuation of Mr TC Venkat Subramanian, Chairman and Managing Director of the Export-Import Bank of India, on October 31, 2009, the bank said in a release. “Until a successor to Mr TC Venkat Subramanian is appointed by the ...
2010: The credit line agreement for the Nyabarongo Hydro Power project was signed in Delhi, in January 2010, by Rwanda and the Export-Import Bank of India (Exim Bank of India). "We received the first batch of the money totalling to $20 m which was ...

(b) Organization Structure

Exim Bank is managed by a Board of Directors, which has representatives from the Government, Reserve Bank of India, Export Credit Guarantee Corporation (ECGC) of India, a financial institution, public sector banks, and the business community.

(i) The Bank's functions are segmented into several operating groups including: Corporate Banking Group which handles a variety of financing programmes for Export Oriented Units (EOUs), Importers, and overseas investment by Indian companies. Project Finance / Trade Finance Group handles the entire range of export credit services such as supplier's credit, pre-shipment Agri Business Group, to spearhead the initiative to promote and support Agri-exports. The Group handles projects and export transactions in the agricultural sector for financing.

(ii) Small and medium enterprise: The group handles credit proposals from SMEs under various lending programmes of the Bank. Export Services Group offers variety of advisory and value-added information services aimed at investment promotion. Export Marketing Services Bank offers assistance to Indian companies, to enable them establish their products in overseas markets. Besides these, the Support Services groups, which include: Research & Planning, Corporate Finance, Loan Recovery, Internal Audit, Management Information Services, Information Technology, Legal, Human Resources Management and Corporate Affairs.
(c) Export Import Bank of India: Financial Statement

Table 4.6.8: Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th>Mar '09</th>
<th>Mar '08</th>
<th>Mar '07</th>
<th>Mar '06</th>
<th>Mar '05</th>
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</thead>
<tbody>
<tr>
<td><strong>Sources of funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner's fund</td>
<td></td>
<td></td>
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<tr>
<td>Equity share capital</td>
<td>1,399.99</td>
<td>1,099.99</td>
<td>999.99</td>
<td>949.99</td>
<td>849.99</td>
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<tr>
<td>Share application money</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Preference share capital</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reserves &amp; surplus</td>
<td>2,583.79</td>
<td>2,207.15</td>
<td>1,969.72</td>
<td>1,857.06</td>
<td>1,727.94</td>
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<tr>
<td><strong>Loan funds</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Secured loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>2,819.09</td>
<td>283.90</td>
<td>70.25</td>
<td>45.40</td>
<td>8.21</td>
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<tr>
<td>Total</td>
<td>6,802.87</td>
<td>3,591.05</td>
<td>3,039.96</td>
<td>2,852.46</td>
<td>2,586.14</td>
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<tr>
<td><strong>Uses of funds</strong></td>
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<tr>
<td>Fixed assets</td>
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<td></td>
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<td></td>
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<tr>
<td>Gross block</td>
<td>88.45</td>
<td>75.34</td>
<td>81.22</td>
<td>57.57</td>
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<td>Less : revaluation reserve</td>
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<td>-</td>
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<tr>
<td>Less : accumulated depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net block</td>
<td>88.45</td>
<td>75.34</td>
<td>81.22</td>
<td>57.57</td>
<td>58.79</td>
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<tr>
<td>Capital work-in-progress</td>
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<td>Investments</td>
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<td>1,858.60</td>
<td>1,289.61</td>
<td>922.37</td>
<td>970.98</td>
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<td><strong>Net current assets</strong></td>
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<tr>
<td>Current assets, loans &amp; advances</td>
<td>36,736.60</td>
<td>30,530.12</td>
<td>23,255.28</td>
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<td>13,529.78</td>
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<tr>
<td>Less : current liabilities &amp; provisions</td>
<td>3,015.64</td>
<td>2,306.50</td>
<td>1,612.60</td>
<td>1,324.01</td>
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<td>Total net current assets</td>
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<td>28,223.62</td>
<td>21,642.68</td>
<td>16,383.30</td>
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<td>Miscellaneous expenses not written</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Total</td>
<td>35,970.38</td>
<td>30,157.56</td>
<td>23,013.50</td>
<td>17,363.24</td>
<td>13,457.07</td>
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<td><strong>Notes:</strong></td>
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<tr>
<td>Book value of unquoted investments</td>
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<tr>
<td>Market value of quoted investments</td>
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<tr>
<td>Contingent liabilities</td>
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<td>6,026.40</td>
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<td>Number of equity shares outstanding (Lacs)</td>
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<td>-</td>
<td>-</td>
<td>9499.92</td>
<td>8499.92</td>
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9. HSBC

(a) History - HSBC
HSBC North America Holdings (a subsidiary of the British HSBC Holdings plc) was established in 2004. It composed of all of HSBC’s U.S. and Canadian operations not to mention HSBC Finance Corporation and HSBC Bank USA, N.A. as it still does today. HBSC North America Holdings Inc. is one of the largest financial service groups in the USA to date, with total assets of $557 billion, serving nearly 68 million customers. The HSBC Bank Group is one of the world’s largest banking and financial services businesses and is based in London.

1980 - The Hong Kong and Shanghai Corporation (established 1865) acquired 51% of shares of the Marine Midland Bank of New York. By 1987, the Hong Kong and Shanghai Corporation fully owned the Marine Midland Bank of New York.

1998 - Marine Midland was rebranded as HSBC.

1999 – HBSC Bank acquired the Republic National Bank, New York, resulting in the HSBC Head Office being relocated to 452 Fifth Avenue from the HSBC centre in Buffalo.

2003 – HSBC Bank acquired Household International, due to a merger was renamed HSBC Finance Corporation.

(b) HSBC Corporate Structure
Reporting into HSBC North America Holdings Inc. is the wholly owned subsidiary HSBC USA Inc. which is currently one of USA’s largest bank holding businesses (ranked within the top 10 by assets). The main subsidiaries of HSBC USA Inc. are HSBC Bank USA, N.A. and HSBC National Bank USA. Collectively these banks operate throughout the United States with just under 500 branches to date and growing.

10. Citi Bank

(a) History – Citi Bank
Citibank, founded in 1812, used to be known as the City Bank of New York, which was later changed to the First National City Bank of New York. These days, Citibank is a very large,
international bank. Citibank is part of the financial giants Citigroup, which is one of the biggest companies in the world. Citibank is better known as the consumer banking arm of this economic giant. Citibank was the largest bank in the United States in terms of holding in 2007. In 2009, they are still close to being the top bank in the United States. The first person to own and manage the City Bank of New York in 1812 was a man by the name of Samuel Osgood. Samuel Osgood was previously the Postmaster General of the United States.

More than fifty years later, in 1863, this bank joined the United States’ newest national banking system and was then known as National City Bank of New York. In 1897, this bank was the first ever to establish a foreign department and a year prior to this it was also the first contributor to the Federal Reserve Bank of New York. In 1914, a branch of National City was opened in Buenos Aires, Argentina. A few years later in the year 1919, this bank was also the first bank to have one billion dollars in assets, which at the time was very impressive. It was not until the 1970s that Citibank took on the name that it still has today. First National City Bank and the First National City Corporation were renamed Citibank and Citicorp.

In November of 2008, Citibank had to be rescued by the United States government. There was an initial aid of twenty-five billion given to this corporation. There was another twenty-five billion invested in them afterwards. The Citigroup Corporation now has about three hundred and six billion dollars in risky assets. As of now, Citibank is working on stabilizing itself once more in this economy. You can find branches of Citibank in over one hundred countries around the world. The larger part of Citibank’s offices that are in the United States can be found mostly in New York City, Chicago, Los Angeles and a few other major cities. This financial institution offers not only all the standard banking transactions, but they also offer investment products, insurance and credit cards.

(b) Organizational Structure

“It is the formal arrangement of jobs within an organization” Developing an organization structure manager go through the process called organizational design, that involves decision about six key elements i.e work specialization, departmentalization and formalization etc. Now we analyze the Citibank’s organizational structure according to these factors. As work specialization is used to describe the degree to which activities is organization are divided into separate jobs. This means that an entire task is not done by one individual but instead is broken
down into jobs by different persons. In Citibank task are divided into different jobs according to 
the requirements and work specialization can be seen e.g. in the dealing of debit cards a single 
person is not involved in the process. There is a CRM (customer relation manager) and a CRO 
(customer relation officer) while CRM deals with validation of debit cards and CRO deals with 
the transaction relating debit cards.

The basis by which jobs are grouped together is called departmentalization. In case of Citibank 
you can see two major forms of departmentalization i.e. functional and geographical 
departmentalization. First of all they have divided into departments according to the functions 
i.e. dealing with cash, banking operation, sales and receive that they provide for each of the 
above categories there is a separate department as can be seen in organizational charts .then for 
the completion of these functions.

11. Standard and Chartered Bank

(a) History – Standard Chartered Bank

Standard Chartered was formed in 1969 through a merger of two banks: The Standard Bank of 
British South Africa, founded in 1863, and the Chartered Bank of India, Australia and China, 
founded in 1853.Both companies were keen to capitalize on the huge expansion of trade and to 
earn the handsome profits to be made from financing the movement of goods between Europe, 
Asia and Africa. The Chartered Bank founded by James Wilson following the grant of a Royal 
Charter by Queen Victoria in 1853. Chartered opened its first branches in Mumbai (Bombay), 
Kolkata and Shanghai in 1858, followed by Hong Kong and Singapore in 1859. Traditional trade 
was in cotton from Mumbai (Bombay), indigo and tea from Kolkata, rice from Burma, sugar 
from Java, tobacco from Sumatra, hemp from Manila and silk from Yokohama. It played a major 
role in the development of trade with the East which followed the opening of the Suez Canal in 
1869 and the extension of the telegraph to China in 1871.

It commenced business in Port Elizabeth, in January 1863. Was prominent in financing the 
development of the diamond fields of Kimberley from 1867 and later extended its network 
further north to the new town of Johannesburg when gold was discovered there in 1885. 
Expanded in Southern, Central and Eastern Africa and, by 1953, had 600 offices. In 1965, it
merged with the Bank of West Africa, expanding its operations into Cameroon, Gambia, Ghana, Nigeria and Sierra Leone. From the early 1990s, Standard Chartered has focused on developing its strong franchises in Asia, Africa and the Middle East. It has concentrated on consumer, corporate and institutional banking and on the provision of treasury services - areas in which the Group had particular strength and expertise. Since 2000 the Bank has achieved several milestones with a number of strategic alliances and acquisitions, which have extended the customer and geographic reach and broadened the product range of the bank.

12. Rajkot Nagarik Sahakari Bank

(a) History

Rajkot Nagarik Sahakari Bank is a leading Co-Operative Bank in Gujarat State, India. Bank was established on 5th October 1953 With a small Capital Of Rs. 4890 and Membership of 59 under the leadership of Late Keshavlal Amrutlal Parekh as a Chairman, and Late Janmashankar Antani as a M.D. Bank has made tremendous & real progress, Bank became pride of saurashtra region & achieved new heights in banking as well as Co-operative sector under the leadership of former Chairman Late Shri Arvindbhai Maniar. During past years bank has played vital & leading role for the development of industries, business & Economy of Rajkot City, Bank was the first co-operative institute to start functioning in the erstwhile state of Saurashtra. Bank was inaugurated by "Sahakar Maharshi "late Shri Vainkunthbhai Metha.

Bank has developed in manifolds with the time. Membership (Share Holder) of bank is unting towards 2, 50,000 which is a record by itself & provides an example of how a mass movement can be turned into the instrument for social up liftment. Today Bank has more than 7, 20,000+ deposit accounts with a deposit base of 1141.60+ Crores, And 40000+ Establishments/Individuals enjoy the facility of Rs 760.42 crores of Advances. Since inception bank was guided by the people with foresight & vision, which Includes the names Like Shri Keshubhai Patel, Shri Vajubhai Vala, Shri Shashikant Mehta etc. Being in the service sector, with a vision of current & future trends, Bank started automation & modernization way back in 1987 and by 1995 all the Branches were computerized. Bank is enjoying the schedule bank status since 1989. In year 2001 bank was registered under multi-state co-operative society Act. This bank has opened a branch in Mumbai, economic capital of India and become multi-state schedule co-operative bank.
(b) Rajkot Nagarik Sahakari Bank Ltd: Financial Statement

Table 4.6.9: Profit and Loss Accounts  (Rs. in Thousands)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Year Ending</th>
<th>Membership</th>
<th>Share Capital</th>
<th>Reserve</th>
<th>Deposits</th>
<th>Advances</th>
<th>Profit</th>
<th>Dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1-5 yrs.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>1953</td>
<td>49</td>
<td>5</td>
<td>43</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>1954</td>
<td>504</td>
<td>12</td>
<td>63</td>
<td>64</td>
<td>(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>1955</td>
<td>1441</td>
<td>32</td>
<td>1</td>
<td>141</td>
<td>173</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>1956</td>
<td>2227</td>
<td>54</td>
<td>2</td>
<td>240</td>
<td>274</td>
<td>8</td>
<td>4%</td>
</tr>
<tr>
<td>5.</td>
<td>1957</td>
<td>2897</td>
<td>87</td>
<td>9</td>
<td>646</td>
<td>517</td>
<td>8</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Middle Years</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>1962</td>
<td>7338</td>
<td>781</td>
<td>305</td>
<td>5953</td>
<td>3647</td>
<td>75</td>
<td>5%</td>
</tr>
<tr>
<td>7.</td>
<td>1967</td>
<td>11151</td>
<td>1410</td>
<td>1058</td>
<td>12465</td>
<td>5891</td>
<td>123</td>
<td>5%</td>
</tr>
<tr>
<td>8.</td>
<td>1972</td>
<td>14790</td>
<td>1460</td>
<td>2395</td>
<td>31670</td>
<td>24393</td>
<td>377</td>
<td>8.5%</td>
</tr>
<tr>
<td>9.</td>
<td>1977</td>
<td>23803</td>
<td>2504</td>
<td>7340</td>
<td>96402</td>
<td>59656</td>
<td>939</td>
<td>9%</td>
</tr>
<tr>
<td>10.</td>
<td>1982</td>
<td>38622</td>
<td>8799</td>
<td>31934</td>
<td>317808</td>
<td>264176</td>
<td>2704</td>
<td>12%</td>
</tr>
<tr>
<td>11.</td>
<td>1987</td>
<td>76232</td>
<td>13437</td>
<td>114571</td>
<td>977493</td>
<td>667704</td>
<td>6606</td>
<td>12%</td>
</tr>
<tr>
<td>12.</td>
<td>1992</td>
<td>1,09,349</td>
<td>3,14,50</td>
<td>35,43,42</td>
<td>166,55,65</td>
<td>142,84,40</td>
<td>1,05,28</td>
<td>12%</td>
</tr>
<tr>
<td>13.</td>
<td>1997</td>
<td>1,67,282</td>
<td>5,19,96</td>
<td>85,62,10</td>
<td>323,68,43</td>
<td>244,45,57</td>
<td>2,40,03</td>
<td>15%</td>
</tr>
<tr>
<td>14.</td>
<td>1998</td>
<td>1,81,359</td>
<td>5,98,14</td>
<td>98,44,65</td>
<td>379,02,22</td>
<td>268,29,43</td>
<td>3,27,74</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Last Years</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>1999</td>
<td>1,87,657</td>
<td>6,27,61</td>
<td>113,99,75</td>
<td>461,65,10</td>
<td>291,46,26</td>
<td>4,35,03</td>
<td>15%</td>
</tr>
<tr>
<td>16.</td>
<td>2000</td>
<td>1,92,923</td>
<td>7,27,29</td>
<td>132,95,35</td>
<td>570,14,00</td>
<td>402,66,02</td>
<td>6,06,22</td>
<td>15%</td>
</tr>
<tr>
<td>17.</td>
<td>2001</td>
<td>2,07,579</td>
<td>7,63,75</td>
<td>163,81,34</td>
<td>705,35,44</td>
<td>487,42,65</td>
<td>7,33,54</td>
<td>15%</td>
</tr>
<tr>
<td>18.</td>
<td>2002</td>
<td>2,10,724</td>
<td>7,66,06</td>
<td>209,11,30</td>
<td>684,22,02</td>
<td>792,60,75</td>
<td>9,12,11</td>
<td>15%</td>
</tr>
<tr>
<td>19.</td>
<td>2003</td>
<td>2,14,540</td>
<td>7,68,23</td>
<td>225,20,51</td>
<td>711,72,33</td>
<td>785,33,29</td>
<td>13,09,31</td>
<td>25%</td>
</tr>
<tr>
<td>20.</td>
<td>2004</td>
<td>2,15,556</td>
<td>8,71,54</td>
<td>245,44,73</td>
<td>798,12,60</td>
<td>421,54,61</td>
<td>14,00,78</td>
<td>15%</td>
</tr>
<tr>
<td>21.</td>
<td>2005</td>
<td>2,15,888</td>
<td>9,22,27</td>
<td>256,70,01</td>
<td>837,19,89</td>
<td>428,98,91</td>
<td>81,272</td>
<td>15%</td>
</tr>
<tr>
<td>22.</td>
<td>2006</td>
<td>2,16,274</td>
<td>9,81,46</td>
<td>263,05,63</td>
<td>855,45,41</td>
<td>430,90,82</td>
<td>83,115</td>
<td>15%</td>
</tr>
<tr>
<td>23.</td>
<td>2007</td>
<td>2,18,006</td>
<td>19,54,87</td>
<td>251,26,34</td>
<td>864,09,20</td>
<td>804,84,18</td>
<td>8,35,55</td>
<td>15%</td>
</tr>
<tr>
<td>24.</td>
<td>2008</td>
<td>2,23,063</td>
<td>18,48,02</td>
<td>261,79,67</td>
<td>983,95,67</td>
<td>629,37,88</td>
<td>12,17,00</td>
<td>15%</td>
</tr>
</tbody>
</table>