CHAPTER – III
PROFILE OF THE SECTOR AND COMPANIES UNDER STUDY
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3.1 Growth of Banking Sector in India

The first bank in India, known as The General Bank of India was setup in the year 1786. The East India Company established The Bank of Bengal/Calcutta (1809), Bank of Bombay (1840) and Bank of Madras (1843). The next bank to be set up was Bank of Hindustan which was established in 1870. These three individual units (Bank of Calcutta, Bank of Bombay, and Bank of Madras) were known as Presidency Banks. Allahabad Bank which was established in 1865 was the only bank at that time which was completely run by Indians. Punjab National Bank Ltd. was set up in 1894 with its headquarters in Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. In 1921, all presidency banks were merged to form the Imperial Bank of India which was managed by European Shareholders. Thereafter the Reserve Bank of India was established in April 1935.

In the first phase the growth of banking sector was extremely slow. Between 1913 and 1948 there were approximately 1100 small banks operating in India. To streamline the functions, processes and activities of commercial banks, the Government of India enacted the Banking Companies Act, 1949 which was later altered to Banking Regulation Act 1949. Reserve Bank of India was bestowed with extensive powers for the supervision of banking in India as a Central Banking Authority. After independence, Government has taken a series of important steps as a part of Indian Banking Sector reforms. In 1955, the Imperial Bank of India was nationalized and was rechristened as "State Bank of India", to act as the principal agent of RBI and to manage banking transactions all over the country.

It was enacted under State Bank of India Act, 1955. Seven banks which were the subsidiaries of State Bank of India were also nationalized in 1960. On 19th July, 1969, major procedure of nationalization of banks was carried out. 14 major Indian commercial banks of the country were nationalized in that period. In 1980; another six banks were nationalized, which raised the number of nationalized banks to 20.

Till the year 1980 approximately 80% of the banking sector in India was
under government ownership and control. On the recommendations of Narsimhan Committee, the Banking Regulation Act was amended in 1993 and new private banks were allowed to set up offices in India.

In the early 1990s, the then Narsimha Rao government which had Mr. Manmohan Singh our current Prime Minister as the Finance Minister, embarked on a policy of liberalization and opening up of the Indian economy. This led to new licenses being granted to a small number of private banks. These came to be known as New Generation tech-savvy banks, which included Global Trust Bank (the first of such new generation banks to be set up), which later merged with Oriental Bank of Commerce, Axis Bank (earlier as UTI Bank), Industrial Credit and Investment Corporation of India (ICICI) Bank and Housing Development Finance Corporation (HDFC) Bank.

This bold move along with the rapid development and growth in the economy of India gave a big impetus to the banking sector in India which has so far seen rapid growth with strong contribution and involvement from all the three sectors of banks, namely, government banks, private banks and foreign banks.

The new growth wave brought in an aggressive outlook and upgradation of methods and processes in the traditional banks. All this has led to the growth of the retail banking in India. Banks had to compete with each other to get clients as the customers had a vast number of choices in terms of Banks. The bank employees consequently had to work harder to get customers and also retain them. This has also led to increased amount of stress prevalent amongst banking employees.

3.2 Growth of Insurance Sector in India

In India, insurance has a very deeply embedded history. The term “insurance” has been discussed and mentioned in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra). The writings talk about an effective pooling of resources which could be distributed amongst the people in cases of calamities and disasters such as fire, floods, epidemics and famine. This was probably the first instance of insurance. During ancient times in India, traders made marine trade loans and carriers’ contracts. Insurance in India has come a long way and has changed and evolved over a period of time. It has inculcated several insurance
practices being followed in other countries but has predominantly taken most of the practices from England.

The year 1818 saw the beginning of life insurance business in India with the formation of the Oriental Life Insurance Company in Calcutta. The company however failed in the business in 1834. In 1870 the British Insurance Act was passed which led to the establishment of the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) which were started in the Bombay Residency. This period however belonged to the foreign insurers such as Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance which did excellent business in the Indian market. It was extremely tough for the Indian companies to compete with the foreign insurers.

The Indian Life Assurance Companies Act, 1912 was the first legal method to manage and regulate life insurance business in India. In 1928, the Indian Insurance Companies Act was enacted to collate and collect statistical data and information about both life and non-life business conducted in India by Indian and foreign insurance entities. In 1938, with an objective to protect the interest of customers, the earlier legislation was changed and amended by the Insurance Act 1938 which had greater checks and controls for effective monitoring of the activities and business of insurance companies.

In 1950 the Insurance Amendment Act was enacted which abolished Principal agencies.

Inspite of the abolition there was still a lot of competition in the market as there were a large number of insurance companies. There were also claims of unfair trade practices. To take control and to tackle the above scenario the Government of India decided to nationalize insurance business.

An Ordinance was released on 19th January, 1956 which nationalized the Life Insurance sector. The Life Insurance Corporation (LIC) which would gain the people’s trust in times to come also came into existence in the same year. LIC then went on to become the market leader in the Insurance Business for many years. In the late nineties the government of India decided to open the Insurance sector which would result in the entry of private players and more choices for the Indian consumer.

The general insurance industry grew on account of the industrial revolution in the west and the growth of international trade via sea in the 17th century. General
insurance business came to India on account of British occupation. The General Insurance business in India was started with the establishment of Triton Insurance Company Ltd., in the year 1850 in Calcutta by the British. In 1907, the Indian Mercantile Insurance Ltd was set up. This was the first company to start all transactions in the General Insurance Industry.

In 1972 the General Insurance Business (Nationalisation) Act was passed and general insurance business was nationalized with effect from 1st January, 1973. 107 insurers were merged and grouped into four companies, which were National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd.

The Insurance business has completed a full cycle in a journey which started almost 200 years ago this millennium. The insurance sector was re-opened in the 1990s. In 1993, the Government formed a committee under the chairmanship of RN Malhotra, former Governor of RBI, to study and suggest recommendations for reforms and changes in the insurance sector.

The primary purpose was to add to the reforms started in the financial sector. The committee in its report of 1994 suggested that the private sector be permitted to enter the insurance industry. They also recommended that foreign firms be allowed to enter by floating Indian companies which can preferably be a joint venture with Indian companies. Thus we saw in the last decade the entry of many global players via the joint venture route into the Indian insurance market.

On recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was formed as an independent body to regulate, control and work towards the development of the insurance industry. The IRDA was incorporated as a legal body in April, 2000. The key objectives of the IRDA include encouraging healthy competition so that the customer has a wide array of choices and lower premiums to pay and also maintaining the financial security of the insurance market. The insurance market was opened in August 2000 by the IRDA inviting interested applicants to apply for registrations. Foreign organizations were allowed ownership of upto 26%.

The insurance sector employs a large number of people and is also growing at a steady rate of 15-20%. The attrition rate amongst private insurance companies is
higher than the public companies. This may be on account of higher targets and strong competition amongst the private companies for greater market share.

3.3 Banking and Insurance in Pune

Pune is an emerging IT hub in western India. It has grown in leaps and bounds with the growth of the IT industry. The major companies which have their offices in Pune are Infosys, IBM, Wipro, Accenture etc. In addition to the IT industry Pune is also the auto ancillary hub for a number of global automobile companies such as General Motors, Volvo, Mercedes, and Tata Motors etc.

The presence of such companies has resulted in a growth of business for Banks and Insurance companies. Many banks cater to this vast number of customers in these sectors as well as others. The banking and the insurance sector is thus growing at very fast rate.

After the 2008 Global credit crisis many Indian banking and insurance companies have reduced jobs and removed underperformers on account of loss of business and a general slowdown in the Indian economy. The loss of a job creates a lot of stress and anxiety on an individual and he/she may also suffer from other psychological problems like frustration, strain, etc. that triggers fear and may affect the performance of the banking and insurance employees which may ultimately affect growth of the banking and insurance sector. Cobb (1975) opines that, the responsibility and accountability creates severe stress amongst both workers and managers. If the individual manager is unable to cope and adjust with the increased responsibilities it may lead to several physical and psychological disorders amongst the employees.

Brook (1973) in a study has reported that qualitative changes in the job creates a lot of adjustment problem among employees. The interpersonal relationships amongst employees within the department and between the departments create qualitative difficulties within the organization to a great extent.

On account of high level of targets to be achieved, strict time lines, long working hours, frequent travel and fear of being axed has resulted in a high level of attrition and accumulation of stress and anxiety in the banking and insurance employees in the private sector. Hence the study aims to identify the role of emotional
intelligence in managing stress and anxiety amongst employees in the private banking and insurance sector.

3.4 Basis and Profile of the Banking Companies under Study

Table 3.1
Top Private Banks 2010

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDFC Bank</td>
<td>34.13</td>
</tr>
<tr>
<td>ICICI Bank</td>
<td>28.37</td>
</tr>
<tr>
<td>Axis Bank</td>
<td>10.91</td>
</tr>
</tbody>
</table>

We can see from the table 2.7 that the top Indian Private Banks in terms of market capitalization are HDFC Bank, ICICI Bank and Axis bank. Amongst the private banks their market capitalization is the highest. Thus the three banks HDFC,
ICICI and AXIS were included in the research study as they had high market share amongst the private banking players. These three banks have been consistently ranked as the top five private banks amongst the private banks. A brief history of the three private banks is as below:

- **HDFC Bank** was formed in 1994 by Housing Development Finance Corporation Limited (HDFC), India's largest housing finance company. HDFC was one of the first companies to get approval from the Reserve Bank of India to set up a private bank. The Bank commenced operations as a scheduled commercial bank in January 1995 under the RBI’s policy of liberalization. Times Bank Limited (owned by Bennett, Coleman & Co. / Times Group) was amalgamated with HDFC Bank Ltd., in 2000. This was the case of the first merger of two private banks in India. Later on in the year 2008 HDFC Bank acquired Centurion Bank of Punjab taking its total branches to more than 1,000. HDFC Bank deals with three key business segments. - Wholesale Banking Services, Retail Banking Services, Treasury.

- **ICICI** was established in 1955 at the behest of the World Bank, the Government of India and representatives of Indian industry. The principal motive was to create a development financial institution for catering to the financing needs of the Indian companies. In the 1990s, ICICI transformed and changed its business from a development financial institution offering only project finance to a diversified financial services conglomerate offering a wide variety of products and services, both directly and through a number of subsidiaries and partners like ICICI Bank. In 1999, ICICI became the first Indian bank to be listed on the New York Stock Exchange. ICICI Bank was first started and promoted in 1994 by ICICI Limited, an Indian financial institution, and was its fully-owned subsidiary. In 1990’s the Indian banking sector was growing which called for ICICI group to alter its strategy.

The requirement of the industry was to have universal banking solutions for all its needs. After much deliberation the managements of ICICI and ICICI bank decided that the merger of the two entities would be the best strategy for the group to cater to the needs of the industry.

In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the amalgamation two of its wholly-owned retail finance subsidiaries, ICICI Personal
Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002 and the Reserve Bank of India in April 2002. Post-merger, the ICICI group's financing and banking operations, both wholesale and retail, have been integrated into a single entity.

- **Axis Bank** was formed as UTI and it was incorporated in 1994 as a part of the policy of the government of India to allow private players to enter into the banking sector. The bank was sponsored together by the administrator of the specified undertaking of the Unit Trust of India, Life Insurance Corporation of India (LIC) and General Insurance Corporation Ltd. and its subsidiaries namely National insurance company ltd., the New India Assurance Company, the Oriental Insurance Corporation and United Insurance Company Ltd.

  The name of UTI was changed because of lack of consensus on terms and conditions of the bank authority over certain rules and regulations including royalty and fees charged over the name from UTI Asset Management Company. The bank also wanted to have a new and innovative name for its pan-Indian as well as to create a distinct image from the international business perspective. So from July 30, 2007 onwards the UTI bank was named as Axis Bank. Axis Bank works in the segments of corporate banking, retail banking, treasury, business banking, capital markets and international banking.

### 3.5 Basis and Profile of the Insurance Companies under Study

**Table 3.2**

**Top Private Insurance Companies 2010**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Prudential</td>
<td>29</td>
</tr>
<tr>
<td>Bajaj Allianz</td>
<td>20</td>
</tr>
<tr>
<td>Birla SunLife</td>
<td>9</td>
</tr>
</tbody>
</table>
We can see from figure 2.4 that the top private life insurance companies in India are ICICI Prudential, Bajaj Allianz and Birla Sunlife. They have also been consistently ranked in the top 5 private life insurers in India. So on the above basis ICICI Prudential, Bajaj Allianz and Birla Sun Life were chosen to be the part of the research study.

A brief history of the three private insurers is as below:

- **ICICI Prudential** Life Insurance Company is a joint venture between one of India’s leading banks ICICI and Prudential, one of the UK’s leading global financial group. India’s ICICI was one of the first private players to start insurance business in India in December 2000. This company was granted approval by the Insurance Regulatory Development Authority (IRDA). Since its inception it has been the market leader in the Life Insurance Business in India.
• **Bajaj Allianz Life Insurance Company** is collaboration between Allianz SE and Bajaj Finserv. Allianz group is one of the leading financial companies in the world with a history of 110 years and a global presence in over 70 countries. Bajaj Finserv, a part of Bajaj group is a leading financial services provider in India. It has presence in various insurance segments such as life insurance, general insurance and consumer finance. The name Bajaj is well entrenched in the minds of Indian consumers as it has a strong presence in the automotive sector since decades.

• **Birla Sun Life Insurance Co. Ltd. (BSLI)** is a joint venture between Aditya Birla Group, an Indian business conglomerate and Sun Life Financial Inc, a leading global insurance company. The joint venture was established in 2000. Since its inception BSLI has established itself in the top five private life insurers in the country.

It was also the first company to introduce, the 'Free Look Period' and 'Unit Linked Life Insurance Plans' in the Indian insurance market.