CHAPTER 1
# CHAPTER - 1
**AN OVERVIEW OF INDIAN BANKING SECTOR**

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</table>
AN OVERVIEW OF THE INDIAN BANKING SECTOR

1.1 INTRODUCTION

“Thank God, in joy & sorrow, to deposit & borrow, BANKS ARE THERE, Otherwise, The question would be funny, to keep & get money, HOW & WHERE ……..?” These words of Montek Singh Ahluvaliya, Deputy Chairman of the Planning Commission of Republic of India, indicate the importance of Banks. Banking system occupies an important role in the economy of a nation. In fact, banking system of any country is the lifeblood of an economy. A banking institution is indispensable in the modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market for the country. The banking sector performs three primary functions in an economy; first, the operation of the payment system, second, the mobilization of savings and finally, the allocation of savings to investment projects. The banking system which constitutes the core of the financial sector plays a critical role in transmitting monetary policy impulses to the entire economic system. An efficient banking structure can promote greater amount of investment which can further help to achieve a faster growth rate of economy. Worldwide experience confirms that countries with well developed and market oriented free banking system grow faster and more consistently.

The banking system is an integral part of any economy. It is one of the many institutions that impinges on the economy and affect its performance. Economists have expressed a variety of opinions on the effectiveness of the banking systems in promoting or facilitating economic development. As an economic institution, the bank is expected to be more directly and more positively related to the performance of the economy than most non-economic institutions. Banks are considered to be the mart of the world, the nerve centre of economies and finance of a nation and the barometer of its economic perspective. They are not merely dealers in money but are in fact dealers in development. The role of banks in accelerating the economic development of a country like India has been increasingly recognized following the
nationalization of fourteen major commercial banks in July 1969 and six more banks in April 1980. With nationalization, the concept of banking has undergone significant changes. Banks are no longer viewed as mere lending institutions. They are to serve the society in a much bigger way with a socio-economic development oriented outlook. They are specially called up onto use their resources to attain social upliftment and speedier economic development. Indian banking sector has emerged as one of the strongest drivers for India’s economic growth. The Indian banking system is among the healthier performers in the world, when compared with top three banks in total assets and in terms of return on assets. A diverse range of studies have been conducted by the researchers for measuring the performance of the banks, which present different perspective with regards to the performance of the banks in different countries. Traditional systems of performance evaluation of banks mostly use the factors like ROA and ROI for measuring the financial performance of the banks. However, nowadays intellectuals and managers of organization find that traditional systems of performance evaluation have been typically based on financial views which are incomplete in evaluating overall performance of the organization and presenting an effective feedback. Excessive financial measurements may increase organization's short term profit, but bring about losing competitive situation and threatens long-term profit. Non-financial criteria like customer's satisfaction, employee’s satisfaction and corporate social responsibility can be necessary for strategic success of any bank. Customer satisfaction is the key to the profitability of retail banking, which is having a long term financial impact on the business of the banks. Performance of the banks depends upon the efficiency and level of satisfaction of its human resources. High level of human capital efficiency and employee satisfaction leads to the high performance of the banks. It has also been found by the researchers that the banks which adhere to be socially responsible in their routine activities, outperform in their financial performance. There is a positive relationship between the corporate social responsibility and the financial performance of the banks both in short and long run. Thus there are two main aspects from which one can measure the overall performance of the banks namely, financial aspects and human aspects. The dimensions of performance of a bank under human aspect are namely, customer satisfaction, employee satisfaction and Corporate Social Responsibility (CSR).
A bank is a financial institution that provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. There are also nonbanking institutions that provide certain banking services without meeting the legal definition of a bank. Banks are a subset of the financial services industry. A banking system also referred as a system provided by the bank which offers cash management services for customers, reporting the transactions of their accounts and portfolios, throughout the day. The banking system in India should not only be hassle free but it should be able to meet the new challenges posed by the technology and any other external and internal factors. For the past three decades, India’s banking system has several outstanding achievements to its credit. The Banks are the main participants of the financial system in India. The Banking sector offers several facilities and opportunities to their customers. All the banks safeguards the money and valuables and provide loans, credit, and payment services, such as checking accounts, money orders, and cashier’s cheques. The banks also offer investment and insurance products. As a variety of models for cooperation and integration among finance industries have emerged, some of the traditional distinctions between banks, insurance companies, and securities firms have diminished. In spite of these changes,
banks continue to maintain and perform their primary role—accepting deposits and lending funds from these deposits.

1.2 NEED OF THE BANKS

Before the establishment of banks, the financial activities were handled by money lenders and individuals. At that time the interest rates were very high. Again there were no security of public savings and no uniformity regarding loans. So as to overcome such problems the organized banking sector was established, which was fully regulated by the government. The organized banking sector works within the financial system to provide loans, accept deposits and provide other services to their customers. The following functions of the bank explain the need of the bank and its importance:

• To provide the security to the savings of customers.
• To control the supply of money and credit
• To encourage public confidence in the working of the financial system, increase savings speedily and efficiently.
• To avoid focus of financial powers in the hands of a few individuals and institutions.
• To set equal norms and conditions (i.e. rate of interest, period of lending etc) to all types of customers.

1.3 DEVELOPMENT OF BANKING IN INDIA

1.3.1 ANCIENT AGE IN INDIA:

The origin of Indian banking has the base in Vedic period. There are many references in the Vedic literature to money lending. Later, during the Epic age which followed the Vedic period, banking became a full-time business and got diversified with most of the functions of the present day banks. The Vaishyas community, conducted banking business during this period, accepted deposits from the public, granted simple open loans, acted as bailee for their clients, subscribed to public loans by granting loans to Kings, acted as treasurers and bankers to the state and managed the currency of the country.
During the Buddhist period, banking business was decentralized and became a matter of volition. Brahmins and Kshatriyas, who were earlier not permitted to take to banking as their profession, took it as their business. In this period, banking became more systematic and bills of exchange came in wide use.

1.3.2 DURING BRITISH PERIOD:

In the 17th century British traders came to India. The English traders established their agency houses at the port towns of Bombay, Calcutta and Madras. These agency houses, along with trade and commerce, also carried on the banking business. The indigenous bankers being in conversant with the language and trade practices of the English bankers could not expand business against English merchants. Further, the unification of the currency in 1835, gave setback to the local bankers as it deprived them of the profitable business of money changing.

The first Joint Stock Bank established in the country was the Bank of Hindustan founded in 1770 by the famous English agency house of M/s. Alexander and Company. This bank failed in 1832 with the coming to grief of the firm of Alexander and Co. The Bengal Bank and the Central Bank of India were established in 1785. The Bank of Bengal, the first of the three Presidency Banks, was established in Calcutta in 1806 under the name of Bank of Calcutta. It was renamed in 1809 on the grant of the charter as the Bank of Bengal. The two other presidency banks, namely the Bank of Bombay and the Bank of Madras, were established in 1840 and 1843 respectively. All the Presidency Banks were also empowered to issue notes. After the Paper Currency Act of 1862, the right of the note issue was taken away from them. The Bank of Bombay carried on the speculative activities in cotton following the American Civil war and it suffered heavy losses resulting in its winding up in 1868. To replace this bank, a new bank with the same name was constituted under the Indian Companies Act of 1866.

The Presidency Banks had branches in important cities of the country. There was, however, considerable duplication and overlapping in their activities, and therefore, public opinion favoured a single presidency bank for the whole country. In 1898, some witnesses who tendered their evidence before the Fowler Currency Committee favoured the establishment of a Central bank in the country, but the
Government was against the suggestion. The Presidency Banks, were anxious to maintain their individuality, and therefore not in favour of a single bank by amalgamating the three Presidency Banks. The Chamberlain Commission in 1913, suggested the appointment of a committee to examine the whole issue. The banking crisis of 1913 to 1917, brought out the major deficiencies in the existing banking system in the country showing the need for effective co-ordination through the establishment of Central Bank. After repeated efforts, the three Presidency Banks were fused into a single bank under the name of the Imperial Bank of India in 1921. Besides, the three Presidency Banks, some other joint stock banks established in the later half of the 19th Century including the Allahabad Bank (1865), the Punjab National Bank (1894), and the Peoples' Bank of India (1901).

In the beginning of 20th Century, a great spirit was witnessed in the commercial banking in India. Among the banks established during this period were now famous Banks of India, Central Bank of India, Bank of Baroda, Bank of Mysore, etc.

Soon after this 'banking boom', followed a period of crisis, which gave a terrible shock to banking development in the country. During the short period of eleven years from 1913 to 1924, as many as 161 banks came to grief involving a loss of about Rs. 7 crores in the form of paid up capital. Of these banks, 15 had paid up capital each of over Rs. 5 lakh and above; 20 had paid up capital each of over Rs. 1 lakh but less than Rs. 5 lakh while the rest 126 had paid up capital each of less than Rs. 1 lakh. Thus, whatever little banking facilities survived was concentrated in a few selected urban areas. There was great disparity between the resources of the few big banks and large number of small banks. Very few commercial banks had all India character with most banks restricting their activities to particular areas of influence.

1.3.2.1 CENTRAL BANKING ENQUIRY COMMITTEE:

There were repeated demands for banking reforms in the country. The Royal Commission of Indian Finance and Currency in 1914 had suggested the appointment of committee to study certain issue relating to banking in India. Looking into the issues, the Government appointed the Provincial Banking Enquiry
Committees in eight provinces in 1929, besides appointing a separate Banking Enquiry Committee for the centrally administered areas. Subsequently, to complete the chain of enquiry, the Government appointed on July 22, 1929 the Indian Central Banking Enquiry Committee under the chairmanship of Sri. B. N. Mitra. The committee recommended, among other things, enactment of a comprehensive banking legislation covering the organization, management, audit and liquidation of banks in India. Some of the Committee's recommendations were implemented in 1936 when the Indian Companies Act, 1913 was amended.

These and other provisions together with the provisions of the Reserve Bank of India Act, 1934 relating to scheduled banks meant considerable regulation of the hitherto unregulative commercial banking system in the country. Besides, the establishment of the Reserve Bank of India in 1935 as the central banking institution in India was designed to bring about the much needed supervision and control of, and co-ordination among the joint stock banks in the country. The presence of the Reserve Bank of India created confidence in the joint stock banks in as much as there was now an institution the banks could go to for help when faced with difficulties. But, it was soon realized that the provisions of the existing legislations were inadequate and difficult to administer. Not much could, however, be done during the War on the legislation front and the activity remained confined to introducing only the abortive bills in the legislative assembly and the promulgation on the Banking Companies (Control) Ordinance, 1948. The only exceptions were the Indian Companies (Second Amendment) Act, 1942 which provided for the compulsory use of the word 'bank', 'banker' or 'banking' by every banker and the Banking Companies (Restriction on Braches) Act, 1946 requiring banks to obtain Reserve Bank's permission before opening new offices or changing the location of the existing ones.

1.3.2.2 DURING WAR AND POST WAR DEVELOPMENTS:

The war period witnessed a considerable increase in the number of scheduled banks in the country. During 1942 and 1943 alone, a number of important banks were floated which included the Bharat Bank Ltd., the Hindustan Commercial Bank Ltd., the United Commercial Bank Ltd., and the Travancore Bank Ltd. The
establishment of the first three banks owned to the initiatives of three well-known industrial houses of Dalmias, Singhanias and Birlas. The Bharat Bank Ltd., was merged with the Punjab National Bank Ltd., in 1951, while the other two still continue with the United Commercial Bank being counted among the 'Big Five'. The total number of the offices of scheduled banks in India during 1938-50 is shown in Table 1.1

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Offices</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Imperial Bank of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other Scheduled</td>
<td></td>
</tr>
<tr>
<td>1938</td>
<td>358</td>
<td>677</td>
</tr>
<tr>
<td>1939</td>
<td>381</td>
<td>798</td>
</tr>
<tr>
<td>1940</td>
<td>390</td>
<td>860</td>
</tr>
<tr>
<td>1941</td>
<td>401</td>
<td>954</td>
</tr>
<tr>
<td>1942</td>
<td>392</td>
<td>974</td>
</tr>
<tr>
<td>1943</td>
<td>398</td>
<td>1400</td>
</tr>
<tr>
<td>1944</td>
<td>419</td>
<td>1977</td>
</tr>
<tr>
<td>1945</td>
<td>426</td>
<td>2454</td>
</tr>
<tr>
<td>1946</td>
<td>358</td>
<td>2441</td>
</tr>
<tr>
<td>1947</td>
<td>362</td>
<td>2565</td>
</tr>
<tr>
<td>1948</td>
<td>367</td>
<td>2534</td>
</tr>
<tr>
<td>1949</td>
<td>377</td>
<td>2411</td>
</tr>
<tr>
<td>1950</td>
<td>382</td>
<td>2355</td>
</tr>
</tbody>
</table>

**Table – 1.1**

**NUMBER OF OFFICES OF SCHEDULED BANKS IN INDIA (1938-50)**

Source:- Various issues of Reserve Bank of India Bulletins and Statistical Tables relating to Banking in India. Figure in the table from 1938 to 1941 relate to India and Burma; those from 1942 to 1945 to undivided Indian and thereafter to the Indian union.

Table 1.1 reveals a decline in the number of banking offices of the Imperial Bank in 1942 and 1946 and of all the banks in 1946 onwards except during 1947.

The Indian Banking system as at the end of World War II was characterized by a large number of small and financially weak non-scheduled banks and a rapid expansion of bank offices during the War. However, the decline in the
number of banking offices during 1947-49 reflected a restrictive licensing policy pursued by the Reserve Bank of India under the powers conferred to it in 1946.

1.3.3 PHASE I: (1948-1968): PRE NATIONALIZATION ERA:

It is useful to trace briefly the Banking situation in India at the time of independence of the country in 1947. The banking system was patterned on the British Banking System. There were many joint stock companies doing banking business, and they were concentrating mostly in major cities. Even the financing activities of these banks were confined to the exports of Jute, Tea etc. and to traditional industries like textiles and sugar. A uniform law was absent to govern the banking system. It worked as per the whims and fancies of the system. There was a growth of banking companies; bank failures were very common in those days. Banking did not receive much attention of the policy makers and disjointed efforts were made towards the regulation of the banking industry.

1.3.3.1 POST INDEPENDENCE ERA

The first step was to create the legislative framework appropriate for banking in a newly independent nation. The Banking regulation Act passed in 1948 provided the legal framework for the regulation of the banking system by the Reserve Bank of India. The Act, which came into force in March 1949, imposed certain discipline on the joint stock companies doing banking business in India.

As a result, the banking industry became organized for the first time on certain uniform parameters. There was prohibition of the rules and regulations as per the act. This stipulation, which came into force from March 1952, led to a process of weeding out financially weak banks. A number of banks went into liquidation.

The Reserve Bank of India (RBI), which was vested with greater powers of control over the banks, started collecting data from 1949 on various aspects of banking. There were 620 banking companies, big and small, scheduled and non-scheduled, operating mostly in state capitals and in urban centers. The total number of branches was 4,263. Total deposits and advances were Rs. 997 crore and Rs. 518 crore respectively. Investments were Rs. 376 crore. Imperial Bank of India was the biggest bank in those days with 433 branches. The present day subsidiaries of the
state Bank of India were independent banking companies mostly in the former princely states. Besides the Indian Banks, there were 15 Exchange bank (Foreign Banks) with branches in big cities only, and they were dealing mostly with international banking i.e. financing the export and import of commodities.

The Banking System at the time of independence was deficient in many respects. The banks were largely urban-oriented and remained beyond the reach of the rural population. Thus, the agricultural sector, the crucial segment of the Indian economy was not supported by the banking system in any form. Moreover, security oriented lending was the order of the day. Only 4% of the total advances were made without any security. Another serious deficiency was that the focus of banks was entirely on short-term credit. There were no sources of long-term finance worth the name. There was no well developed capital market, nor was there any term-lending institution except for the industrial finance corporation of India, set up in 1948.

1.3.3.2 ECONOMIC PLANNING ERA:

With the introduction of economic planning in 1951, the need was felt for aligning monetary and banking activity with the requirements of planning. The first five-year plan observed that RBI as the Central Bank should create the machinery needed for financing development and ensure that the finance available flows in the directions intended. The objective was to widen and deepen the flow of agricultural and industrial credit. The thrust was on the rejuvenation of the rural economy and the banking system had to be geared to this. The branch expansion by banks and increase in rural credit including credit to the small-scale sector became imperative.

The All India Rural Credit Survey Committee appointed by the RBI reviewed the rural credit scheme in 1954 and brought out the maladies of the rural economy arising out of capital starvation. The committee made a few major recommendations for improving the flow of rural credit. On the basis of its recommendations, the Imperial Bank of India was nationalized and renamed as State Bank of India (SBI) from July 1955. The new bank was charged with the responsibility of expanding its rural branch network within a time frame. Thus the first step was taken to induct the commercial banks into rural credit, which was till then reserved for co-operative
credit agencies who were waging a battle against money lenders. As a part of the process of geographical expansion of banking facilities to meet the credit needs of co-operatives, certain banking companies functioning in former princely states were converted in 1959 into subsidiaries of SBI, later came to be known as associate banks of SBI.

The second scheme was the compulsory mergers and amalgamations of banks of weak financial structure, with bigger and viable banks. Simultaneously, in terms of the banking companies (Amendment) Act-1963, RBI acquired powers to restrain control over the affairs of banks of particular groups of persons; regulate loans, advances and guarantees given by banks and to appoint or remove banks as well as executive personnel. In 1966, the co-operative banking system was brought within the statutory supervision and control of RBI. During these years, Indian Banks established overseas branches to increase their participation in external trade, e.g. foreign exchange transactions.

There were some qualitative changes in the banking activity during these years. There was a shift in the financing of Industries. There was a decline in the financing of textiles and Sugar industries and with the emphasis of the second five-year plan on heavy industry development, the financing of cement, chemicals, iron and steel and engineering industries became prominent. Export financing also attracted attention, leading to the setting up of export credit guarantee corporation in 1964 to compensate exporters for the losses they might sustain. There was also some shift in the method of lending from security based to capacity-to-produce-and-sell criteria. A review of the ownership of bank deposits during this period revealed the nexus between business houses and banking companies, indicating the nature of control of banks by business houses.
1.3.3.3 ON THE EVE OF NATIONALIZATION:

Even though Indian Banking System made considerable progress both functionally and in terms of geographical coverage during this period, there were still many rural and semi urban areas which were not served by banks. Moreover, large industries and big and established business houses tended to enjoy a major portion of the credit facilities. Vital Sectors like agriculture, small-scale industries and exports did not receive the attention they deserved. Therefore, in 1968, the government imposed social control over banks by amending banking laws. The objective was to achieve efficient distribution of banking resources in conformity with the requirements of the economy and to meet the needs of the priority sectors.

The outcome of implementation of Social Control over banks is of interest. One is that the system of credit planning became an integral part of formulation of credit policy, second, the introduction of the Lead Bank Scheme was to make the banking system function as an instrument of development. Under social control the banking system including smaller banks started gaining strength as evidenced by the absence of voluntary or compulsory mergers of banks. Thus, Social Control was a milestone in the evolution of banking policy.

1.3.4 PHASE-II: (1969-1991) NATIONALIZATION AND AFTER:

The commission did not have much time to complete its task as it was overtaken by Swift Politico-economic developments, which culminated in the nationalization, on July 19, 1969 of the 14 major Indian Scheduled Commercial banks in the private sector. On 15\textsuperscript{th} April, 1980, six more private sector banks were nationalized, thus extending further the area of public control over the Indian Banking System. Nationalization was seen as a major step to ensure adequate credit flow into genuine productive areas in conformity with plan priorities.
1.3.4.1 AFTER NATIONALIZATION:

The main objectives of nationalization were growth, reduction in region imbalance of economic activity, to make the banking system reach out to the small man in rural and semi-urban areas, extending banking facilities to areas hitherto not served by banks so that they not only mop up potential savings but also meet the credit gaps in agriculture, small scale industries and other neglected sectors of the economy. The aim was to bring large areas of economic activity within the organized banking system.

The two significant aspects of nationalization were therefore; rapid branch expansion and channeling credit according to priorities. In the wake of nationalization the growth and development of the Indian Banking System was phenomena. By the end of the second decade of nationalization, Indian Banking was relatively sophisticated, with a wide range of branches, huge deposit resources and extensive credit operation. The outburst of banking activity during this period was such that it may be described as banking explosion.

1.3.4.1.1 BRANCH EXPANSION:

In terms of the branch licensing policy laid down by the RBI, the accent was on the opening of branches in rural and semi-urban areas, backward regions and under-banked states so that inter regional disparities could be reduced. The details of the progress of branch network during the period were summarized in the table below.
TABLE - 1.2
NUMBER OF BRANCHES OF PUBLIC SECTOR BANK

<table>
<thead>
<tr>
<th>Year</th>
<th>Total No. of Branches</th>
<th>Rural Branches</th>
<th>Semi-urban Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>8262</td>
<td>1833</td>
<td>3342</td>
</tr>
<tr>
<td>1980</td>
<td>32419</td>
<td>15105</td>
<td>8122</td>
</tr>
<tr>
<td>1991</td>
<td>60220</td>
<td>35206</td>
<td>11344</td>
</tr>
</tbody>
</table>

Source: Various issues of Reserve Bank of India Bulletins and statistical Tables relating to Banking in India.

The total no. of branches increased near about eight fold between 1969 and 1991, and the bulk of the increase was on account of rural branches, which increased from less than two thousand in 1969 to over 35000 in 1991. The percentage share in the total number of branches of rural and semi urban branches rose from 22% and 4% respectively in 1969 to 45% and 25% in 1980 and to 58% and 18% in 1991. A substantial part of the increase in branch expansion took place in the first decade after nationalization. The share of rural and semi urban branches together in the total number of branches rose from 26% in 1969 to 76% in 1991. The impact of this phenomenal growth was to bring down the population per branch from 60000 in 1969 to about 14000.

Thus one of the objectives of nationalization i.e. to make banking reach out to the small man in rural and semi urban areas, may be said to have been served to a great extent. Even on the eve of banking reforms, the bank branch network was widespread.
1.3.4.1.2 RESOURCE MOBILIZATION:

One of the objectives of branch expansion was to mop up national savings both actual and potential and to channel them into investments according to plan priorities. The magnitude of resources mobilized by the banks during 1969 to 1991 is indicated below.

**TABLE-1.3**

RESOURCE MOBILISATION  
(In Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Deposits</th>
<th>Term Deposits</th>
<th>Savings Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>5173</td>
<td>3280</td>
<td>1524</td>
</tr>
<tr>
<td>1980</td>
<td>37988</td>
<td>19253</td>
<td>10937</td>
</tr>
<tr>
<td>1991</td>
<td>230758</td>
<td>128768</td>
<td>56902</td>
</tr>
</tbody>
</table>

**Source:** Various issues of Reserve Bank of India Bulletins and Statistical Tables relating to Banking in India.

Between 1969 and 1980, total deposits increased more than seven fold and between 1980 and 1991, the increase was far more than fivefold. The substantial increase in total deposits and savings deposits, which represents the savings of the community.

These two categories of deposits recorded a handsome increase in each of the periods 1969-1980 and 1981-1991. The share of time deposits was on an average 56% of the total deposits for the period 1969-1991, while the average share of savings deposits was 27%. It is net-worthy that deposits per bank office which was Rs. 0.6 crore in 1969 rose to Rs. 1.2 crore in 1980 and to Rs. 3.8 crore in 1991. This is the result of both widening and deepening of the branch network by banks.
1.3.4.1.3 CREDIT OPERATIONS:

Given the objective of ensuring adequate credit flow to genuine productive sectors and in accordance with plan priorities, banks resorted to extensive credit operations after nationalization.

This was made possible by the enlarged resource base of banks during the period. The RBI's credit policy over the years laid increasing emphasis on channeling of bank credit to preferred sectors and borrowers of small means. Annual targets were laid down for lending to priority sectors as a whole with sub targets for weaker sections of the society. It was also stipulated that a major portion of the deposits mobilized in rural and semi urban areas should be deployed in respective areas i.e. credit deposit ratio. The credit operations of banks during the period are summarized below.

TABLE-1.4
CREDIT OPERATIONS
(Rs. in Crore)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Credit</td>
<td>3729</td>
<td>25371</td>
<td>125592</td>
</tr>
<tr>
<td>Priority Sector</td>
<td>659</td>
<td>8501</td>
<td>45425</td>
</tr>
<tr>
<td></td>
<td>(18%)</td>
<td>(33%)</td>
<td>(36%)</td>
</tr>
<tr>
<td>OF WHICH</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>258</td>
<td>3584</td>
<td>18157</td>
</tr>
<tr>
<td></td>
<td>(39%)</td>
<td>(42%)</td>
<td>(42%)</td>
</tr>
<tr>
<td>Small Scale Industry Sector</td>
<td>347</td>
<td>3229</td>
<td>18150</td>
</tr>
</tbody>
</table>

Source:- Various issues of Reserve Bank of India Bulletins and Statistical Tables relating to Banking in India.

Bank credit increased near about seven fold between 1969 and 1980 and about five fold between 1980 and 1991. The share of Priority Sector in total bank credit increased from 18% in 1969 to 36% in 1991. Within the priority group the share of agriculture was 39% in 1969, 42% in 1980 and even 42% in 1991. The share of small-scale industry sector which was 52% in 1969 showed a
relative decline to 37% in 1980 and was uplifted to 42% in 1991. Bank advances per bank branch was Rs. 0.4 crore in 1969 and it rose to Rs. 0.8 crore in 1980 and further Rs. 2.1 crore in 1991.

Going by the rural spread of bank branches, deposits mobilized and credit extended, one could Justifiable conclude that there was complete transformation from class banking to mass banking during the period.

1.3.4.1.4 SOCIETAL BANKING:

An important banking development after nationalization was the emergence of social banking i.e. the use of banking as an instrument for promoting socio-economic objectives. In the seventies, banking policy was reoriented for securing a progressive reduction in income inequalities, concentration of economic power and class disparities. For attaining the objectives of social banking, special institutions and schemes were sponsored by the government of India and the RBI.

A number of innovations were made in the field of social banking and large volumes of credit were lent under programmes like 20-point Economic Programme, Integrated Rural Development Programme (IRDP), and programmes for self-employment of educated unemployed youth. Many of the poverty alleviation programmes in the nature of mass-lending schemes were adopted by the banking system for financing.

Though banks penetrated into rural areas, planners were not satisfied with the amount of credit extended to weaker sections of the rural society. To ensure that the benefits of development percolated sufficiently to the needy, the Government of India came out with special program like Small Farmers Development Agency, the Marginal Farmers Development Agency and Agricultural Labourers Development Agency. It was felt that to cater to the needs of these target groups, a separate credit agency was necessary. The Narsimham Committee, which went into these problems in 1974, recommended the establishment of Regional Rural Banks (RRBs). Under the RRBs Act, 1975, banks in collaboration with central and State Governments set up RRBS in selected regions where the co-operative system was weak and where commercial banks were not very active.

An important aspect of credit policy during the period was the use of
administered interest rates to direct the flow of funds to preferred sectors, small borrowers and weaker sections of the society. The aim was to make credit available at low cost to the identified target groups.

1.3.4.1.5 PROBLEMS AND CONSOLIDATION:

The phenomenal growth of the Indian Banking System over the two decades prior to the reforms, gave rise to several problems, which became more visible from the mid eighties. The rapid and substantial growth rendered the banking system un widely. Besides the constraints, both internal and external (to the banking system) under which banks were functioning, exposed their several weaknesses. These were; low operational efficiency, inadequate capital base, high level of non-performing assets, low profitability, unhealthy balance sheets and unsatisfactory customer service. In short, the very viability of the banking system came in for scrutiny.

The period 1985-1991 may be regarded as a period of consolidation for the banking system. The process of consolidation called for action on several fronts. Individual banks were asked to prepare action plans covering organization and structure, house keeping, training, customer service, credit management, recovery of loans, productivity and profitability.

The banks were asked to introduce, in a phased manner, modern technology in banking operations, following the recommendations of the Rangrajan Committee on Computerization in Banks. Emphasis was laid on the financial viability of banks through improvement in profitability, strengthening the capital base of banks and allowing them flexibility in several areas of their operations.

Although the progress made by the banking system in terms of geographical and functional coverage, resources mobilized and credit deployed was laudable, it displayed all the characteristics of a repressed financial system.
1.3.5 PHASE III: (1992-2002) A CULINARY OF REFORMS:

The period 1992-2002 may be regarded as the present or the current phase in the evolution of Indian Banking. Like the second phase (1969-1991) which began with a bang i.e. nationalization of banks, the current phase also began with a radical departure from regulated banking towards market-oriented banking, as a result of the introduction of financial reforms, especially banking reforms, India's economic reforms programme began as a response to the macroeconomic crisis that developed in early 1991.

The crisis manifested itself in rising inflation, high lever fiscal deficit, low growth and unsustainable current account deficit, and the gulf war of 1990 precipitated the balance of payments crisis. Faced with the most serious balance of payments problems, government of India initiated measures for stabilization and structural adjustment with far-reaching consequences.

1.3.5.1 THE REFORMS PROCESS:

The main plan of economic reforms comprised:

- Stabilization of the economy so as to keep under control inflationary and balance of payment pressures.
- Deregulation of the real and financial sectors and removal of the license and permits system from all spheres of production and domestic trade, to promote competition.
- Liberalization of international trade in various sectors to promote competition and efficiency by removing the high degree of protection enjoyed by the domestic industry and.....
- Integration with the world economy to attract capital and modern technology.

However, economic reforms in the real sectors of the economy would not succeed without parallel reforms in the financial sector. It hardly needs emphasis that a liberalized economy would be 11-served if the banking system remains highly sheltered or regulated. Just as the banking system cannot become viable or
sustainable in the long run unless it adequately responds to the needs of the market-oriented economy. Thus, financial sector reforms were a necessary concomitant of liberalization of industrial and trade policies.

1.3.5.2 BANKING REFORMS:

The broad directions of the financial reforms were improvement in the overall monetary policy framework, strengthening financial institutions and gradual integration of the domestic financial system into the global economy. Within these broad goals of policy, banking reforms have the specific task of achieving:

- A suitable modification in the policy framework within which banks operate
- Improvement in the financial health and competitive capabilities of banks.
- Building financial infrastructure relating to supervision, audit and technology and
- Upgradation of the level of managerial competence and the quality of human resources.

The banking reforms based on these specific tasks have two aspects; Macro level policy changes and micro-level policy reforms. The former aims at removing external constraints on the banking system as a whole and thus creating a climate in which banks could function in tune with liberalization. Micro-level reforms, on the other hand, are concerned with specifics of individual banks and banks as a whole to enable them to overcome internal constraints on their functioning.

1.3.5.3 MAJOR COMPONENTS OF REFORMS:

The basis for banking reforms was provided by the committee on financial system (Narsimham Committee) which made recommendations in November 1991 and these recommendations are a landmark in the evolution of banking policy in the country, as these transformed the Indian Banking System from a highly regulated to a more market-oriented system. The major components of banking reforms are outlined in the following paragraphs:
Modifying the policy framework was the starting point. The pre-emption of banks’ resources by way of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) was acting as an external constraint on their profitability. This constraint was relaxed in two ways. These two ratios together pre-empted as much as 63.5% of banks resources in 1991. The average CRR was reduced to 7.5% by may 2001. The SLR was also rationalized into a uniform ratio of 25% of net demand and time liabilities (NDTL) of banks. The interest paid on eligible cash balances under CRR was raised to 6%. Alongside, the bank rate was activated in April 1997 as an effective signal and as a reference rate.

There was also the deregulation of the administered structure of interest rates. Interest rates were made market-oriented for most of the transactions, the exceptions being the lending rates for small borrowers and interest rate on savings bank deposit.

A continuous and careful step-by-step approach has been the main feature of deregulation of interest rates. These were supplemented by measures to discontinue automatic monetization of fiscal deficit by phasing out the issue of adhoc treasury bills.

The modifications in the policy framework carried out as part of the reforms have paved the way for greater reliance on indirect instruments of monetary control.

Improving the financial soundness of banks is the second major component.

In an attempt to maintain profitability, banks developed a tendency to over extend their lending by accepting debtors of low creditworthiness, which has come to be known as ‘adverse selection’. In 1992, prudential norms and regulations were introduced, to ensure safety and soundness of banks and impart greater transparency and accountability in operations. Prudential norms introduced relate to income recognition, provisioning for bad and doubtful debts and capital adequacy. Prudential norms have helped to serve two purposes. One they have brought out the true position of the banking system's loan portfolio, and two, the norms have helped to arrest its deterioration. The norms have been progressively tightened since their introduction. Related to the improving of financial
soundness of banks are the other measures such as recapitalization of public sector banks on a selective basis by the government, improved governance in banks and a certain amount of functional autonomy to the management of public sector banks.

- **Strengthening the institutional framework** is another key element of banking reforms. A more competitive environment has also been created for banks so as to raise their efficiency and performance. Efficiency is not just operational or allocation efficiency but functional efficiency as well. Banks already face competition from non-banking finance companies (NBFCs), mutual funds and from within the industry itself. While existing banks have been allowed greater flexibility, new banks are now being set up in the private sector to provide increased competition.

  In January 1993, RBI announced guidelines for the entry of new private sector banks. Approvals have been given for the establishment of new foreign banks to set up their operations in India and existing foreign banks have been allowed to expand their branch network.

- **Strengthening of supervisory mechanism** is essential for a sound banking system. There has to be an alert mechanism for monitoring compliance with prudential norms and directives of RBI and other regulatory agencies. The system of external supervision has been revamped by the establishment of the Board for Financial Supervision, with the operational support of the Department of Banking supervision of RBI. In tune with international practices of supervision, a three-tier supervisory model comprising on-site inspection, off-site monitoring and a periodical external auditing based on CAMELS (Capital Adequacy, Asset Quality, Management Earning, Liquidity and Systems Controls) has been put in place.

  Development finance institutions and non-banking finance institutions were also brought into the regulatory ambit of RBI. In terms of the Khanna Committee (1995) recommendations and the amendment in 1997 of the RBI Act, a three-tier supervisory framework was introduced in respect of Non-Banking Finance Companies (NBFCs). The CAMELS approach has been made applicable to NBFCs also. A department of non-banking supervision has been created to exclusively supervise NBFCs only.
1.3.5.4 THE NARSIMHAM COMMITTEE 1998:

The Government Appointed a second high level "Committee on Banking Sector Reforms" headed by Shri M. Narsimham, to review the implementation of the reforms recommended by the earlier committee and to look ahead and chart the reforms necessary in the years ahead to make Indian banking strong and better equipped to compete effectively in a fast-changing environment.

The committee in its report submitted in April 1998, made wide-ranging recommendations covering various aspects of banking policy, institutional, supervisory and legislative dimensions.

The committee came out with recommendations with regard to capital adequacy, asset quality, non performing assets (NPAs), directed credit, prudential norms, disclosure requirements, asset-liability management, earnings and profitability, systems and methods in banks, restructuring including mergers and amalgamations, reduction of government and RBI shareholding to 33% in the public sector banks, devising effective regulatory norms and the review of banking sector laws. These recommendations are being progressively implemented. In follow-up of Narsimham Committee's (1998) reference to weak banks in the context of restructuring of banks, Verma Committee was appointed in 1999 with the specific task of identifying weak public sector banks, examining their problems and suggesting strategies for restructuring them. The recommendations of the committee were approved in principle.

1.3.5.5 NATURE OF REFORMS:

The progress of banking reforms in the last ten years has been impressive. The RBI made substantial progress in modifying the policy framework for reforms. The proportion of banks' resources pre-empted has been brought down. For instance, the SLR, which was 37.4% in March 1992, came down to 25% in 2001. Similarly the CRR, which was 15% in January 1992, was brought down to 5.5% in December 2001. The Bank Rate was reduced from 12% in October 1991 to 6.5% in October 2001. The interest rate regime has been rationalized and in the context of deregulation, banks have been given considerable operational flexibility and
autonomy in April 2001, in determining rates with the approval of their boards. New initiatives were taken to strengthen the supervisory system for banks by moving towards consolidated supervision and also towards risk based supervision.

The response of the banks to the reforms has been impressive. The banks have been adjusting very well to the new environment, though gradually. As at the end of March 2001, 23 out of 27 Public sector banks had capital adequacy in excess of 10%, the prescribed ratio being 9%, 15 nationalized banks fell into this category i.e. exceeding 10%.

There has been considerable reduction in non-performing assets (NPAs). The ratio of gross NPAs to gross advances, which was 23% in 1992-93 declined to 12.4% by March 2001. Net NPAs to net advances was 6.7% in 2001. Net profit of public sector banks amounted to Rs. 2,095 crore in 2001 as against a net lose of Rs. 4705 crore in 1993-94. Deposits mobilized increased four fold between 1992 and 2000, the share of time deposits being 80% in 2000. Credit deployed in 2000 showed a fourfold increase over 1991. The share of credit to priority sector in total bank credit was a little over 30%. In 1992-93, the first post-reform year, 12 out of 27 public sector banks reported net losses; by March 2001 only 2 banks recorded net losses. The striking feature of the banking system during 1991-2001 is its continuing branch expansion. By March 2001 there were 65,901 branches and the share of rural and semi-urban branches together was 70% indicating the wide reach of the banking system. There is little doubt that the benefits of the banking reforms have been considerable.

1.3.6 PHASE IV- THE PHASE BEYOND 2002
This is the phase of modern era banking where banking is considered a priority sector.

1.3.6.1 FUTURE CHALLENGES & DEVELOPMENTS:

The first phase of financial reforms laid the basis for a sound banking system. Considerable progress has been made in implementing the reforms and the banking system is now moving towards the second phase. Nevertheless, the Indian Banking System faces several difficult challenges; therefore, the banks have re-orient their
strategies in the light of their own strengths and the kind of market in which they are likely to operate. Some of the challenges are home grown e.g. high cost of doing business; level of non-performing assets; and low levels of customer satisfaction. Some of the challenges are external e.g. phenomenal growth in the volume of capital inflows; integration of financial markets across the globe. In view of these domestic and international developments, it is necessary to chart out a path for the development of efficient banking in the new century.

There are several areas of concern, which need to be addressed.

- Improving risk management system
- To improve rural coverage
- Technological problems
- Competition
- Branch banking
- Customer services
- Know your customer guidelines

1.3.6.2 NEW DIMENSION:

Indian Banks will have to operate in a deregulated competitive financial sector. Competitive pressure is building up for Indian Banks both from within and from outside. Competition is likely to intensify in the coming years within the industry, from NBFCs and from foreign entities. Competition is not just in terms of number of competitors but in terms of proliferation of innovations, specialized markets cross border trade in financial services and capital flows. Our reforms have made progress but we have not become competitive internationally. We cannot lag behind other countries and we have to transform the Indian Banking System from being a largely domestic one to a truly international one; and this should enable India to emerge as an international banking centre.

The worldwide revolution in information and communication technology (ICT) has become the biggest force of change in banking. It is a source of productivity growth and facilitates effective competition. ICT reduces costs, increase volumes and facilitates customized products. It plays an important role in the payments and settlement system.

Technology has opened up new avenues in banking for discharging the
same functions in a cost effective manner: 24 hour banking, tele-banking internet banking; E-banking. The process of technological changes has given a new face to the Indian banking sector. The use of internet banking, phone banking, banking apps, debit cards, credit cards, various facilities by ATMs etc have just changed the concept of banking. The banking for a common man now does not mean the traditional banking which accepted deposits and lends money. Banking is altogether a new experience in last few years due to the development of technology. The banking apps like ICICI Pockets and LIME introduced by Axis bank are the latest developments in banking sector.

RBI and the banks have been taking steps in the last few years, computerization which had been mostly directed towards accounting and related activities, now the emphasis is on critical areas relevant to management and customer service and customized products. The Indian Banking System has made successful efforts to build the technological infrastructure not only to provide cost-effective and competitive customer service but also to achieve international recognition and status.

The level of non-performing assets (NPAs), though declining in recent years, continues to be high by international standards. NPAs have become a first charge on banks funds for provisioning and these affect banks performance by eating into their profitability. The most important condition for improvement in the profitability of banks is a reduction in the level of NPAs.

In fact, it is a pre-condition for the stability of the banking system. The response to the efforts at debt recovery and restructuring of assets and other methods has been slow. The strategies for containing the problem of NPAs should emphasise the strict enforcement of prudential norms and requirements, transparency and disclosure and the need for legislation, which will make the recovery process smoother. There are legal changes which are required for the purpose of enforcing the contracts. Reforms have to be supported by legal changes for enforceability of contracts. In any effort to build a banking system of international stature, reduction in NPAs should be the priority target.

Asset-liability mismatches expose the banks to various types of risks i.e. risks of illiquidity and insolvency; risks arising from globalization and deregulation. Risk management is a continuous process of controlling assets and
liabilities in terms of size, maturities and yields. As operations in the financial market become varied and complex, banks have to equip themselves with a variety of skills and appropriate technology. The guidelines have been issued by the RBI in April 1999, for asset-liability management, which would help the bank management to meet the challenges. Banks are encouraged to prescribe risk parameters and establish effective control system.

Now the action lies entirely with banks. The complaint in general in the banking system of today is related to the efficiency and effectiveness. The effort should be not only to preserve the existing circle of clients, both corporate and individual, but also to enlarge the client base. It is concerned essentially with maintaining relations with customers on a continuing basis. Customer Relationship Management needs to be formulated efficiently in the banking sector. This would harness the efficiency and growth of the banking sector.

Two important aspects of CRM are: one that it does not view customers in totality or in the aggregate and two the devising of banking products. As banking products are intangible, CRM involves personal Selling. As for the second, once the need for segment approach is recognized, product differentiation becomes important. The present methods of evolving banking products and then looking around for customers for those products would not yield the desired results. In short, banking products should be customer based. Besides, the method of pricing products should also change from cost plus to product quality. To raise the level of customer satisfaction, banks will have to set up CRM groups or CRM departments.

1.3.6.3 CORPORATE GOVERNANCE:

Corporate governance is assuming greater importance in the banking sector today as a result of certain unhealthy developments in recent years. The main focus in corporate governance is how to enhance shareholder value; and this needs to be achieved in a legal and ethical manner leading to contribution to business prosperity. The major ingredients of good corporate governance would be accountability at all levels, transparency and enhancing the image of the organization in the eyes of the public. Corporate governance underlines the belief that the public good should be placed above the private good and that corporate resources cannot be used for personal benefit. Ethics is part of good governance. Public sector banks
have to pay considerable attention to corporate governance in the context of deregulation, prudential norms, risk-based supervision and globalization. It is only then that autonomy for banks would be meaningful.

The response groups in the banking system are banks. RBI, the government and the customers; and the onus is on them to raise Indian Banking to international standards.

1.4 CLASSIFICATION OF BANKING INDUSTRY IN INDIA

Indian banking industry has been divided into two parts, organized and unorganized sectors. The organized sector consists of Reserve Bank of India, Commercial Banks and Co-operative Banks, and Specialized Financial Institutions (IDBI, ICICI, IFC etc). The 28 unorganized sector, which is not homogeneous, is largely made up of money lenders and indigenous bankers.

An outline of the Indian Banking structure may be presented as follows:-
1. Reserve banks of India.
2. Indian Scheduled Commercial Banks.
   a) State Bank of India and its associate banks.
   b) Nationalized banks.
   c) Regional rural banks.
   d) Co-operative banks.
   e) Foreign Banks

1.4.1 RESERVE BANK OF INDIA

The reserve bank of India is a central bank and was established in April 1, 1935 in accordance with the provisions of reserve bank of India act 1934. The central office of RBI is located at Mumbai since inception. Though originally the reserve bank of India was privately owned, since nationalization in 1949, RBI is fully owned by the Government of India. It was inaugurated with share capital of Rs. 5 Crores divided into shares of Rs. 100 each fully paid up. RBI is governed by a central board (headed by a governor) appointed by the central government of India. RBI has 22 regional offices across India. The reserve bank of India was nationalized in the year
1949. The general superintendence and direction of the bank is entrusted to central board of directors of 20 members, the Governor and four deputy Governors, one Governmental official from the ministry of Finance, ten nominated directors by the government to give representation to important elements in the economic life of the country, and the four nominated director by the Central Government to represent the four local boards with the headquarters at Mumbai, Kolkata, Chennai and 29 New Delhi. Local Board consists of five members each central government appointed for a term of four years to represent territorial and economic interests and the interests of cooperative and indigenous banks.

The RBI Act 1934 was commenced on April 1, 1935. The Act, 1934 provides the statutory basis of the functioning of the bank. The bank was constituted for the need of following:

- To regulate the issues of banknotes.
- To maintain reserves with a view to securing monetary stability
- To operate the credit and currency system of the country to its advantage.

Functions of RBI as a central bank of India are explained briefly as follows:

- **Bank of Issue**: The RBI formulates, implements, and monitors the monetary policy. Its main objective is maintaining price stability and ensuring adequate flow of credit to productive sector. The RBI is the only authority in India of issuing currency notes except one rupee note and smaller denomination coins. RBI has the authority to issue and withdraw notes and also to exchange the notes for other denomination.

- **Regulator-Supervisor of the financial system**: RBI prescribes broad parameters of banking operations within which the country’s banking and financial system functions. Their main objective is to maintain public confidence in the system, protect depositor’s interest and provide cost effective banking services to the public.

- **Manager of exchange control**: The manager of exchange control department manages the foreign exchange, according to the foreign exchange management act, 1999. The manager’s main objective is to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.
Developmental role: RBI has been performing as a promoter of the financial system since its commencement. Some of its major development functions are:

- Development of the financial system
- Development of Agriculture
- Provision of Industrial Finance
- Provisions of training
- Collection of information and data
- Reports and publications
- Promotion of banking habits

Related functions: There are also some of the related functions to the above mentioned main functions. They are such as, banker to the government, banker to banks etc.…

- Banker to government performs merchant banking function for the central and the state governments; also acts as their banker. RBI has been working as an agent of Central Government and State Governments. RBI performs various functions such as to accept deposits and taxes and make payments on behalf of the governments. It also represents government at the international level.
- Banker to banks maintains banking accounts to all scheduled banks. It controls the volume of banks reserves and allow other banks to create credit in that proportion. Every commercial bank has to maintain part of their reserves with RBI. RBI is also known as the lender’s last resort for commercial banks.

Controller of Credit: RBI performs the following tasks:

- It holds the cash reserves of all the scheduled banks.
- It controls the credit operations of banks through quantitative and qualitative controls.
- It controls the banking system through the system of licensing, inspection and calling for information.
- It acts as the lender of the last resort by providing rediscount facilities to scheduled banks.

Supervisory Functions: In addition to its traditional central banking functions, the Reserve Bank performs certain non-monetary functions of the nature of supervision of banks and promotion of sound banking in India. The Reserve Bank Act 1934 and the banking regulation act 1949 have given the RBI wide powers of
supervision and control over commercial and co-operative banks, relating to licensing and establishments, branch expansion, liquidity of their assets, management and methods of working, amalgamation, reconstruction and liquidation. The RBI is authorized to carry out periodical inspections of the banks and to call for returns and necessary information from them. The nationalization of 14 major Indian scheduled banks in July 1969 has imposed new responsibilities on the RBI for directing the growth of banking and credit policies towards more rapid development of the economy and realization of certain desired social objectives. The supervisory functions of the RBI have helped a great deal in improving the standard of banking in India to develop on sound lines and to improve the methods of their operation.

- **Promotional Functions:** With economic growth assuming a new urgency since independence, the range of the Reserve Bank’s functions has steadily widened. The bank now performs a variety of developmental and promotional functions, which, at one time, were regarded as outside the normal scope of central banking. The Reserve bank was asked to promote banking habit, extend banking facilities to rural and semi-urban areas, and establish and promote new specialized financing agencies.

1.4.2 **INDIAN SCHEDULED AND NON SCHEDULED COMMERCIAL BANKS**

The commercial banking structure in India consists of scheduled commercial banks, and unscheduled banks.

1.4.2.1 **SCHEDULED BANKS:**

Scheduled Banks in India constitute those banks which have been included in the second schedule of RBI act 1934. RBI in turn includes only those banks in this schedule which satisfy the criteria laid down vide section 42(6a) of the Act. “Scheduled banks in India” means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955), a subsidiary bank as defined in the s State Bank of India (subsidiary banks) Act, 1959 (38 of 1959), a corresponding new bank
constituted under section 3 of the Banking companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), or any other bank being a bank included in the Second Schedule to the Reserve bank of India Act, 1934 (2 of 1934), but does not include a co-operative bank”. For the purpose of assessment of performance of banks, the Reserve Bank of India categories those banks as public sector banks, old private sector banks, new private sector banks and foreign banks, i.e. private sector, public sector, and foreign banks come under the umbrella of scheduled commercial banks.

**1.4.2.2 NON-SCHEDULED COMMERCIAL BANKS:**

These are those banks which are not included in the second schedule of the Reserve Bank of India. Usually those banks, the paid-up capital of which are less than 5 lacs or the banks which do not conform to the norms of the Reserve Bank of India within the meaning of the Act or according to specific functions etc. or according to judgment of the Reserve Bank, are not capable of serving and protecting the interest of depositors.

Certainly these banks do not enjoy the facilities enjoyed by scheduled banks; they are under obligation to maintain a minimum deposit of five percent with the RBI or with themselves under information to the RBI. The Reserve Bank may help these banks in case of need, if these banks are keeping their deposits with the RBI.

Non-scheduled banks may be listed in the Approved List maintained by the Reserve Bank. If a bank is included in the list it starts enjoying the facilities of postal concession for their remittances etc. For inclusion in such an approved list the non-scheduled banks must:-

a) be registered under Indian Companies Act ;

b) engage itself in banking business ;

c) Have a minimum paid-up capital of Rs. 50,000.

Such banks are fast declining. In 1960-61 they were 256. In June 1969 they were only 16 and in December 1978 their number came down to meager 9.
1.4.3  PUBLIC SECTOR BANKS

Here is a list of public sector bank in India.

A) Nationalized Banks. No. of Bank 19
B) State Bank of India and its Associates. No. of Bank 6
C) Other Public Sector Banks No. of Bank 1

Total Public Sector Banks As on 31/03/2014 26

➢ Nationalised banks:-
  1) Allahabad Bank
  2) Andhra Bank
  3) Bank of Baroda
  4) Bank of India
  5) Bank of Maharashtra
  6) Canara Bank
  7) Central Bank of India
  8) Corporation Bank
  9) Dena Bank
 10) Indian Bank
 11) Indian Overseas Bank
 12) Oriental Bank of Commerce
 13) Punjab and Sind Bank
 14) Punjab National Bank
 15) Syndicate Bank
 16) UCO Bank
 17) Union Bank of India
 18) United Bank of India
 19) Vijaya Bank

➢ State bank of india and its associates:-
  1) State Bank of India
  2) State Bank of Bikaner & Jaipur
  3) State Bank of Hyderabad
  4) State Bank of Mysore
5) State Bank of Patiala
6) State Bank of Travancore

➢ **Other public sector banks:**

1) Bhartiya Mahila Bank

### 1.4.4 PRIVATE SECTOR BANKS:-

There are private sector banks in India As on 31/03/2014, out of private sector banks 18 banks are old private sector banks and 11 banks are new private sector banks.

The guidelines for licensing of new banks in the private sector were issued by the RBI on January 22, 1993, after a review of the functioning of the new banks in private sector in consultation with the government.

#### 1.4.4.1 GUIDE LINES FOR NEW PRIVATE SECTOR BANKS:-

- Minimum paid up capital for a new bank shall be Rs. 200 crores. The initial capital will be raised to Rs. 300 crores within three years of commencement of business.
- The promoter’s contribution shall be a minimum of 40 percent of the paid up capital of the bank at any point of time. The initial capital, other than the promoter’s contribution, could be raised through public issue or private placement. In case the promoter’s contribution to the initial capital is in excess of the minimum proportion of 40 percent, they shall dilute their excess stake after one year of the bank operations. Promoter’s contribution of 40 percent of the initial capital shall be locked in for a period of 5 years from the date of licensing of the bank.
- While augmenting capital to Rs. 300 crores within three years of commencement of business, the promoters will have to bring in additional capital. This would be at least 40 percent of the fresh capital raised.
- NRI participation in the primary equity of a new bank shall be the maximum extent of 40 percent.
• The new bank should not be promoted by a large industrial house. However, individual companies, directly or indirectly connected with large industrial houses may be permitted to participate in the equity of a new private sector bank up to a maximum of 10 percent but will not have controlling interest in the bank.

• The proposed banks shall maintain an arms length relationship with business entities in the promoter group and the individual companies investing up to 10 percent of the equity as stipulated above.

• According to the guidelines, the private sector bank proposed to be floated, should be public Ltd. companies with stocks quoted in the stock exchange and should have a minimum capital base of Rs. 100 crores and a capital adequacy ratio of 8 percent.

• Private sector banks will have to observe norms related to priority sector advance. The Reserve Bank of India may change the concept of priority sector advances for such new banks.

• Such a new bank shall not be allowed to set up a subsidiary or mutual fund for at least three years after its establishment.

The Private Sector Banks Have Two Groups:

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<th>Old Private Sector Banks No. of Banks</th>
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<td>(A)</td>
<td>New Private Sector No. of Banks</td>
<td>11</td>
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<td>Total</td>
<td>29</td>
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➢ The Old Private Sector Banks are as under:

1) City Union Bank
2) Dhanlaxmi Bank
3) Federal Bank
4) ING Vysya Bank (Merged with Kotak Mahindra in April 2015)
5) Jammu and Kashmir Bank
6) Karnataka Bank
7) Karur Vysya Bank
8) Lakshmi Vilas Bank
9) Nainital Bank
10) Ratnakar Bank
11) South Indian Bank
12) Tamilnadu Mercantile Bank
13) Catholic Syrian Bank
14) Centurion Bank of Punjab
15) ABC and evergreen Bank
16) SBI Commercial and International Bank
17) RBL Bank
18) IDBI Bank

➢ The New Private Sector Banks are as under:

1) Axis Bank
2) Development Credit Bank
3) HDFC Bank
4) ICICI Bank
5) IndusInd Bank
6) Yes Bank
7) Bandhan Bank(15th June 2015)
8) IDFC Bank
9) Kotak Mahindra Bank
10) Balaji Corporation Bank

1.4.5 FOREIGN BANKS:-

Foreign Banks are such banks which are incorporated out side India. Foreign Bank’s branches are mostly confined to big cities and port towns. These banks concentrate on the finance of foreign trade. Recently foreign banks like City Bank and HSBC have introduced attractive deposit schemes to increase their deposits. Foreign Banks are providing their efficient services in the area of credit cards, personal loans, home loans, and car finance to their clients and becoming popular day by day with their spot and highly mechanized services.
The list of foreign banks having branches in India

1) Australia and New Zealand Banking Group
2) Commonwealth Bank of Australia
3) National Australia Bank
4) Westpac Banking Corporation
5) Bank of Bahrein and Kuwait
6) AB Bank
7) Sonali Bank
8) Antwerp Diamont Bank
9) Bank of Nova Scotia
10) Industrial & Commercial Bank of China
11) BNP Paribus
12) Credit Agricole
13) Society General
14) Deutsche Bank
15) HSBC Bank
16) Mizuho Corporate Bank
17) Sumitomo Mitsui Bank
18) Bank of Tokyo-Mitsubishi
19) State Bank of Mauritius
20) Rabo bank
21) Doha Bank
22) Sber bank
23) VTB Bank
24) HSBC Bank Oman
25) Royal Bank of Scotland
26) DBS Bank
27) United Overseas Bank
28) First Rand Bank
29) Shinhan Bank
30) Woori Bank
31) Bank of Ceylon
32) Credit Suisse
33) UBS AG
34) Chnatrust Commercial Bank
35) Krung Thai Bank
36) Abu Dhabi Commercial Bank
37) Mashreq Bank
38) HSBC Bank (UK)
39) Barclays Bank
40) Standard Chartered Bank
41) American Express
42) Bank of America
43) Citibank
44) J.P. Morgan Chase Bank

➢ List of foreign banks with representative offices in India
  1) Raiffeisen Bank
  2) KBC Bank
  3) Royal Bank of Canada
  4) Toronto Dominion Bank
  5) Credit Industriel et Commercial
  6) Natixis
  7) Commerz Bank
  8) DZ Bank
  9) KfW Bank
  10) Landes bank Baden Wurttemberg
  11) Banca Monte dei Pasche di Seina
  12) Banca Popolare di Milano
  13) Banca Popolare di Vicenza
  14) Intesa Sanpaolo
  15) UBI anca
  16) CIMB
  17) Everest Bank
  18) DNB ASA
  19) Caixa Geral de Depositos
  20) Gazprom bank
1.4.6 REGIONAL RURAL BANK:

The government of India set up Regional Rural Banks (RRBs) on October 2, 1975 [10]. The banks provide credit to the weaker sections of the rural areas, particularly the small and marginal farmers, agricultural labourers, and small entrepreneurs. Initially, five RRBs were set up on October 2, 1975 which was sponsored by Syndicate Bank, State Bank of India, Punjab National Bank, United Commercial Bank and United Bank of India. The total authorized capital was fixed at Rs. 1 Crore which has since been raised to Rs. 5 Crores. There are several concessions enjoyed by the RRBs by Reserve Bank of India such as lower interest rates and refinancing facilities from NABARD like lower cash ratio, lower statutory liquidity ratio, lower rate of interest on loans taken from sponsoring banks, managerial and staff assistance from the sponsoring bank and reimbursement of the expenses on staff training. The RRBs are under the control of NABARD. NABARD has the responsibility of laying down the policies for the RRBs, to oversee their
operations, provide refinance facilities, to monitor their performance and to attend their problems.

1.4.6.1 NABARD

NABARD is an apex development bank with an authorization for facilitating credit flow for promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas. In discharging its role as a facilitator for rural prosperity, NABARD is entrusted with:
1. Providing refinance to lending institutions in rural areas
2. Bringing about or promoting institutions development and
3. Evaluating, monitoring and inspecting the client banks

Besides this fundamental role, NABARD also:
- Act as a coordinator in the operations of rural credit institutions
- To help sectors of the economy that they have special credit needs for eg. Housing, small business and agricultural loans etc.

➢ LIST OF REGIONAL RURAL BANKS

1) Andhra Pradesh Grameena Vikas Bank
2) Andhra Pragathi Grameena Bank
3) Chaitanya Godavari Grameena Bank
4) Deccan Grameena Bank
5) Saptagiri Grameenna Bank
6) Assam Gramin Vikash Bank
7) Langpi Dehangi Rural Bank
8) Arunachal Pradesh Rural Bank
9) Uttar Bihar Gramin Bank
10) Chhattisgarh Rajya Gramin Bank
11) Dena Gujarat Gramin Bank
12) Baroda Gujarat Gramin Bank
13) Saurashtra Gramin Bank
14) Himachal Pradesh Gramin Bank
15) Jharkhand Gramin Bank
<table>
<thead>
<tr>
<th></th>
<th>Bank Name</th>
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<tbody>
<tr>
<td>16</td>
<td>Vananchal Gramin Bank</td>
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<tr>
<td>17</td>
<td>Jammu and Kashmir Gramin Bank</td>
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<tr>
<td>18</td>
<td>Kaveri Grameena Bank</td>
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<td>19</td>
<td>Karnataka Vilas Grameena Bank</td>
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<td>20</td>
<td>Pragathi Krishna Gramin Bank</td>
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<td>22</td>
<td>Narma Jhabua Gramin Bank</td>
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<td>23</td>
<td>Central Madhya Pradesh Gramin Bank</td>
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<tr>
<td>24</td>
<td>Madhyanchal Gramin Bank</td>
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<tr>
<td>25</td>
<td>Maharashra Gramin Bank</td>
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<tr>
<td>26</td>
<td>Vidarbha Kokan Gramin Bank</td>
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<tr>
<td>27</td>
<td>Manipur Rural Bank</td>
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<tr>
<td>28</td>
<td>Meghalaya Rural bank</td>
</tr>
<tr>
<td>29</td>
<td>Mizoram Rural Bank</td>
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<tr>
<td>30</td>
<td>Nagaland Rural bank</td>
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<td>31</td>
<td>Odisha Gramya bank</td>
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<tr>
<td>32</td>
<td>Utkal Gramin Bank</td>
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<td>33</td>
<td>Punjab Gramin Bank</td>
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<td>Sutlej Gramin Bank</td>
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<td>36</td>
<td>Puduvai Bharathiar Grama Bank</td>
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<td>37</td>
<td>Baroda Rajasthan Kshetriya Gramin Bank</td>
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<td>38</td>
<td>Marudhara Rajasthan Gramin Bank</td>
</tr>
<tr>
<td>39</td>
<td>Pandyab Grama bank</td>
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<tr>
<td>40</td>
<td>Pallavan Grama bank</td>
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<td>41</td>
<td>Tripura Gramin bank</td>
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<td>42</td>
<td>Allahbad UP Gramin bank</td>
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<td>43</td>
<td>Baroda UP Gramin bank</td>
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<tr>
<td>44</td>
<td>Gramin bank of Aryavrat</td>
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<td>45</td>
<td>Kashi Gomti Samyukt Gramin bank</td>
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<td>46</td>
<td>Uttarakhand Gramin Bank</td>
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<td>47</td>
<td>Bangiya Gramin Vikash Bank</td>
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<td>48</td>
<td>Pashchim Banga Gramin Bank</td>
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<tr>
<td>49</td>
<td>Uttarbanga Gramin bank</td>
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1.4.7 CO-OPERATIVE BANKS

Co-operative banks are explained in detail in Section – II of this chapter. For the co-operative banks in India, co-operatives are organized groups of people and jointly managed and democratically controlled enterprises. They exist to serve their members and depositors and produce better benefits and services for them. Professionalism in co-operative banks reflects the co-existence of high level of skills and standards in performing, duties entrusted to an individual. Co-operative bank needs current and future development in information technology. It is indeed necessary for cooperative banks to devote adequate attention for maximizing their returns on every unit of resources through effective services. Co-operative banks have completed 100 years of existence in India. They play a very important role in the financial system. The co-operative banks in India form an integral part of our money market today. Therefore, a brief resume of their development should be taken into account.

The history of cooperative banks goes back to the year 1904. In 1904, the co-operative credit society act was enacted to encourage co-operative movement in India. But the development of cooperative banks from 1904 to 1951 was the most disappointing one. The first phase of co-operative bank development was the formation and regulation of cooperative society. The constitutional reforms which led to the passing of the Government of India Act in 1919 transferred the subject of “Cooperation” from Government of India to the Provincial Governments. The Government of Bombay passed the first State Cooperative Societies Act in 1925 “which not only gave the movement, its size and shape but was a pace setter of co-operative activities and stressed the basic concept of thrift, self help and mutual aid.” This marked the beginning of the second phase in the history of Co-operative Credit Institutions.

- List of state co-operative banks
  1) Andaman and Nicobar State Co-operative Bank
  2) Andhra Pradesh State co-operative bank
  3) Arunachal Pradesh state co-operative bank
  4) Assam co-operative Apex bank
  5) Bihar state co-operative bank
  6) Chandigarh state co-operative bank
  7) Chhattisgarh Rajya Sahakari bank Maryadit
8) Delhi state co-operative bank
9) Goa state co-operative bank
10) Gujarat state co-operative bank
11) Haryana state co-operative bank
12) Himachal Pradesh state co-operative bank
13) Jammu & Kashmir state co-operative bank
14) Jharkhand state co-operative bank
15) Karnataka state co-operative Apex bank
16) Kerala state co-operative bank
17) Madhya Pradesh rajya sahakari bank maryadir
18) Maharashtra state co-operative bank
19) Manipur state co-operative bank
20) Meghalaya co-operative Apex bank
21) Mizoram co-operative Apex bank
22) Nagaland state co-operative bank
23) Orissa state co-operative bank
24) Pondichery state co-operative bank
25) Punjab state co-operative bank
26) Rajasthan state co-operative bank
27) Sikkim state co-operative bank
28) Tamil Nadu State Apex co-operative bank
29) Telangana state co-operative Apex bank limited
30) Tripura state co-operative bank
31) Uttar Pradesh co-operative bank
32) West Bangal state co-operative bank
33) West Bengal state co-operative bank
34) Tumkur grain merchants co-operative bank
List of scheduled urban co-operative banks in India

1) The Varachha co-operative bank
2) Ahmedabad Mercantile co-operative bank
3) Kalupur commercial co-operative bank
4) Mehsana Urban co-operative bank
5) Rajkot Nagrik Sahakari bank
6) Nutan Nagrik Sahakari bank
7) Sardar Bhiladwala Pardi people co-operative bank
8) Surat peoples co-operative bank
9) Rajdhani Nagar Sahakari bank
10) Andhra Pradesh Mahesh co-operative bank
11) Indian Mercantile co-operative bank
12) Abhyudaya co-operative bank
13) Bassein Catholic co-operative bank
14) Bharat co-operative (bank mumbai)
15) Bharati sahakari bank
16) Bombay Mercantile co-operative bank
17) Citizen Credit co-operative bank
18) Cosmos co-operative urban bank
19) Goa Urban co-operative bank
20) Dombivali Nagari sahakari bank
21) Gopinath Patil Parsik janata sahakari bank
22) Greater Bombay co-operative bank
23) Jalgaon janta sahakari bank
24) Jankalyan sahakari bank
25) Janalaxmi co-operative bank
26) Janata sahakari bank
27) Kallappanna Awade Ichalkaranji Janata sahakari bank
28) Kalyan janta sahakari bank
29) Karad urban co-operative bank
30) Mahanagar co-operative bank
31) Mapusa urban co-operative bank of Goa
32) Nagar urban co-operative bank
33) Nasik erchants co-operative bank
34) New India co-operative bank  
35) NKGSB co-operative bank  
36) Pravara sahakari bank  
37) Punjab & Maharashtra co-operative bank  
38) Rupee co-operative bank  
39) Sangli urban co-operative bank  
40) Saraswat co-operative bank  
41) Shamrao Vithal co-operative bank  
42) Solapur janta sahakari bank  
43) Thane Bharat sahakari bank  
44) The Kapole co-operative bank  
45) TJSB sahakari bank  
46) Zoroastrian co-operative bank  
47) Nagpur Nagrik sahakari bank  
48) Shikshak sahakari bank  
49) Akola Janata commercial co-operative bank  
50) Akola urban co-operative bank  
51) Khamgaon urban co-operative bank  
52) MACO BANK

1.4.8 Other banking institutions:-

- Development banks
  1) Industrial Development Banks.
  2) IDBI (Industrial Development Bank of India)
  3) IFCI (Industrial Finance Corporation of India)
  4) ICICI (Industrial Credit and Investment Corporation of India)

- Other state development banks
  1) Land Development Bank
  2) National Housing Bank

- OTHER FINANCIAL INSTITUTIONS:
  1) Life Insurance Corporation of India (LIC of India)
  2) General Insurance Corporation
  3) Unit Trust of India
➢ CREDIT GUARANTEE CORPORATION:-
  1) Deposit Insurance and Credit Guarantee Corporation (DICGC)
  2) Export Credit Guarantee Corporation of India

➢ HOUSING CORPORATIONS:-
  1) HUDCO (Housing and Urban Development Corporation)
  2) HDFC (Housing Development and Finance Corporation)
  3) HPFC (Housing Promotion and Finance Corporation)

➢ OTHER INSTITUTIONS:-
  1) DFHI (Discount and Finance House of India Ltd)
  2) SEBI (Securities and Exchange Board of India)
  3) BIFR (Board of Industrial and Finance Reconstruction)
  4) CRISIL (Credit Rating Information Services of India Ltd.)
  5) ICRA (Indian Credit Rating Agency)
1.5 SERVICES PROVIDED BY BANKING ORGANIZATIONS

Banking Regulation Act in India, 1949 defines banking as “Accepting” for the purpose of lending or investment of deposits of money from the public, repayable on demand and withdraw able by cheques, drafts, orders etc. as per the above definition a bank essentially performs the following functions:-

- Accepting Deposits is the most important function of banks on which all the other bank functions are dependent. It accepts deposits by way of fixed deposits, savings account and current account.

- Lending money is the next important function of the banks. It is the most important function as lending is the major source of income for the banks. Lending is made by way of term loans, cash credit, bank overdraft, bills purchase and discounting facilities.

- Banks provide the facility of transferring of money from one place to another place. For performing this operation, bank issues demand drafts, banker’s cheques, money orders etc. for transferring the money. Bank also provides the facility of Telegraphic transfer or tele-cash orders for quick transfer of money.

- A bank also provides the safe custody facility to the money and valuables of the general public.

- For keeping valuables bank provides locker facility. The lockers are small compartments with dual locking system built into strong cupboards. These are stored in the bank’s strong room and are fully secured.

- Banks act on behalf of the Govt. to accept its tax and non-tax receipt. Most of the government disbursements like pension payments and tax refunds also take place through banks.

- Debit card and credit card facility through which customers can shop without making hard cash payment

- Banks also act as an agent of customers and makes payments of insurance premiums, telephone bill payments, electricity bill payments etc on the standing instructions of clients.

- Banka also provide advisory services to its clients regarding investment and financing decisions.
1.6 DETAILS OF SELECTED PUBLIC & PRIVATE SECTOR BANKS

1.6.1 STATE BANK OF INDIA:

State bank is one of the big four banks in India the other three being Bank of Baroda, Punjab National Bank and ICICI Bank. The three presidency banks i.e. Bank of Bengal, Bank of Bombay and Bank of Madras amalgamated on 27th January and re-organized banking entity in the name Imperial Bank Of India. Pursuant to the provisions of State Bank of India Act of 1955 the Reserve Bank of India acquired controlling interest in the Imperial Bank of India. On 1st July 1955 Imperial Bank of India became State Bank of India. In 1959 government passed State bank of India Act. This made SBI subsidiaries of eight that had belonged to princely states before nationalization. In 1963 SBI merged State Bank of Jaipur and State Bank of Bikaner. There has been a proposal to merge all associate banks into SBI to create a mega bank, the first step towards which occurred on 13th August 2008 when State Bank of Saurashtra was merged into State Bank of India. State Bank of India has now 5 associates which are:

1) State Bank of Bikaner & Jaipur
2) State Bank of Hyderabad
3) State Bank of Mysore
4) State Bank of Patiala
5) State Bank of Travancore

The recent awards and recognitions to SBI are as below:

1) Ranked 73rd largest bank in the world according to 2014 SNL financial data
2) Best Bank in the ASIAMONEY FX POLL OF POLLS 2014 for best overall performance as domestic provider of Forex services
3) It was ranked as the top bank in India based on tier 1 capital by The Banker magazine in 2014 ranking
4) Ranked 298th in the Fortune Global 500 rankings of the worlds biggest corporations for the year 2012
5) Best public sector bank award in the D&B India’s Top Banks 2013
6) National award for its performance in the implementation of Prime Minister’s Employment Generation Programme scheme 2012

7) Best online banking award, Best customer initiative award & Best risk management award (runner up) by IBA Banking Technology Awards 2010

8) SKOCH Award 2010 for Virtual category for its e-payment solution

9) Bank of the year India 2009 by the Banker Magazine

10) The most trusted Brand 2009 by Economic Times

11) It was named the 29th most reputed company in the world according to Forbes 2009 rankings


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<tr>
<td><strong>Deposits</strong></td>
<td>1394408.51</td>
<td>1202739.57</td>
<td>1043647.36</td>
<td>933932.81</td>
<td>804116.2</td>
<td>742073.13</td>
<td>537403.94</td>
<td>435521.09</td>
<td>380046.06</td>
<td>367047.52</td>
</tr>
<tr>
<td><strong>Advances</strong></td>
<td>1209828.72</td>
<td>1045616.55</td>
<td>867578.89</td>
<td>756719.45</td>
<td>631914.15</td>
<td>542503.20</td>
<td>416768.20</td>
<td>337336.49</td>
<td>261800.94</td>
<td>202374.45</td>
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<td><strong>Interest Income</strong></td>
<td>136350.80</td>
<td>119657.10</td>
<td>106521.45</td>
<td>81394.36</td>
<td>70993.92</td>
<td>63788.43</td>
<td>48950.31</td>
<td>37242.33</td>
<td>35979.57</td>
<td>32428.00</td>
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<td><strong>Interest Expended</strong></td>
<td>87068.63</td>
<td>75325.80</td>
<td>63230.37</td>
<td>48867.96</td>
<td>47322.48</td>
<td>42915.29</td>
<td>31929.08</td>
<td>22184.13</td>
<td>20390.45</td>
<td>18483.37</td>
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<td><strong>Net profit</strong></td>
<td>10891.17</td>
<td>14104.98</td>
<td>11707.29</td>
<td>8264.52</td>
<td>9166.05</td>
<td>9121.23</td>
<td>6729.12</td>
<td>4541.31</td>
<td>4406.67</td>
<td>4304.52</td>
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<tr>
<td><strong>EPS</strong></td>
<td>145.88</td>
<td>200.71</td>
<td>170.05</td>
<td>126.27</td>
<td>140.65</td>
<td>139.76</td>
<td>103.94</td>
<td>83.91</td>
<td>81.77</td>
<td>80.01</td>
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<tr>
<td><strong>Business per Employee</strong></td>
<td>10.64</td>
<td>9.44</td>
<td>7.98</td>
<td>7.05</td>
<td>6.36</td>
<td>5.56</td>
<td>4.56</td>
<td>3.57</td>
<td>2.99</td>
<td>2.43</td>
</tr>
<tr>
<td><strong>Grpss NPAs</strong></td>
<td>61605.00</td>
<td>51189.39</td>
<td>39676.46</td>
<td>25326.29</td>
<td>19534.89</td>
<td>15714.00</td>
<td>12837.34</td>
<td>9998.22</td>
<td>9628.14</td>
<td>12455.73</td>
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Source: Various issues of RBI Bulletin and [www.capitaline.com](http://www.capitaline.com)
FIGURE 1.2
ADVANCES AND DEPOSITS OF STATE BANK OF INDIA DURING THE STUDY PERIOD
FIGURE-1.3
INTEREST EARNED AND EXPENDED OF STATE BANK OF INDIA DURING THE STUDY PERIOD
1.6.2 BANK OF BARODA

Bank of Baroda is an Indian state owned banking and financial services company headquartered in Vadodara in Gujarat. It is the 2nd largest bank of in India after State Bank of India and offers a range of banking products and financial services to corporate and retail customers through its branches and its specialized subsidiaries and affiliates. In 1908 Maharaja Sayajirao Gaekwad III set up the Bank of Baroda with the other greats of the industry Sampatrao Gaekwad, Ralph Whiteneck, Vithaldas Thakersey, Tulsidas Khilachand and NM Choksi. Two years later it established its 1st branch in Ahmedabad. In 1969 the Indian government nationalized 14 banks including Bank of Baroda. Currently Bank of Baroda has 5193 domestic branches and almost 49956 employees as on 31st march 2014. Bank of Baroda has also made its presence felt at international level. The bank has 104 branches/offices in 24 countries. It has overseas branches in world’s major financial centres like New York, London, Dubai, Hong Kong, Brussels and Singapore. Bank of Baroda received following awards and recognitions recently:

1) It receives award for performance under SME under implementation of PMEGP during 2010-11 in central zone
2) It receives award for best initiatives in inclusive banking in FIBAC awards 2011 which recognizes bank’s contribution to reach multiple segments of the industry
3) It wins Dun & Bradstreet award in 2011 which is global provider of business information, knowledge and insight
4) Bank of Baroda receives SKOCH award in 2011 for an endeavour to tap potential asset of unskilled unemployed youth of India to impart them training to set up Baroda Swarojgar Vikas Sangathan
5) It was awarded the Bank of the year award in 2010 by the Banker’s Magazine UK
6) Bank of Baroda bags three awards in 2010 from ABCI
7) Bank of Baroda has been conferred upon the best bank award 2010 by the prestigious magazine Business India
8) Bank of Baroda bags four awards of ABCI in the year 2009
9) Bank of Baroda receives Millennium National Rajbhasha Shield
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<td><strong>Deposits</strong></td>
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<td>473883.34</td>
<td>384871.10</td>
<td>305439.48</td>
<td>241261.92</td>
<td>192396.95</td>
<td>152034.13</td>
<td>124915.98</td>
<td>93661.99</td>
<td>81333.46</td>
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<tr>
<td><strong>Advances</strong></td>
<td>397005.81</td>
<td>328185.76</td>
<td>287377.29</td>
<td>228676.36</td>
<td>175035.29</td>
<td>143251.41</td>
<td>106701.32</td>
<td>83620.87</td>
<td>59911.78</td>
<td>43400.38</td>
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<td><strong>Interest Earned</strong></td>
<td>38939.71</td>
<td>35196.65</td>
<td>29673.72</td>
<td>21885.91</td>
<td>16698.34</td>
<td>15091.58</td>
<td>11813.48</td>
<td>9004.09</td>
<td>7049.95</td>
<td>6431.42</td>
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<td><strong>Interest Expended</strong></td>
<td>26974.36</td>
<td>23881.39</td>
<td>19356.71</td>
<td>13083.66</td>
<td>10758.86</td>
<td>9968.17</td>
<td>7901.67</td>
<td>5426.56</td>
<td>3875.09</td>
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<td><strong>Net Profit</strong></td>
<td>4541.08</td>
<td>4480.72</td>
<td>5006.96</td>
<td>4241.68</td>
<td>3058.33</td>
<td>2227.20</td>
<td>1435.52</td>
<td>1026.46</td>
<td>826.96</td>
<td>676.84</td>
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<td><strong>EPS</strong></td>
<td>101.8</td>
<td>102.47</td>
<td>118072</td>
<td>105.3</td>
<td>81.18</td>
<td>59.44</td>
<td>37.92</td>
<td>27.15</td>
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<td>22.29</td>
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<td><strong>Business per Employee</strong></td>
<td>18.65</td>
<td>16.89</td>
<td>14.66</td>
<td>12.29</td>
<td>9.81</td>
<td>9.14</td>
<td>7.1</td>
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<td>3.96</td>
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Source: Various issues of RBI Bulletin and www.capitaline.com
FIGURE 1.4
DEPOSITS AND ADVANCES OF BANK OF BARODA DURING THE STUDY PERIOD
FIGURE 1.5

INTEREST EARNED AND EXPENDED OF BANK OF BARODA DURING THE STUDY PERIOD
**1.6.3 PUNJAB NATIONAL BANK**

Punjab National Bank is one of big four banks of India along with State Bank of India, Bank of Baroda and ICICI. It is the third largest in India in the terms of asset size. The bank has been ranked 248th biggest bank in the world by the bankers Almanac. Punjab National Bank was registered on 19th May 1894 under the Indian Companies Act, with its office in Lahore. The objective was providing country with a truly national bank which would further the economic interest of the country. PNB’s founders included several swadeshi movement leaders such as Dyal Singh Majithia, Lala Harkishan Lal, Lala Lalchand, Shri Kali Prasanna Roy, Shri E.C. Jessawala, Shri Prabhu Dayal, Bakshi Jaishi Ram and Lala dholan Das. Lala Lajpatrai was actively engaged in management of the bank in earlier years. The bank started business on 12 April 1895 in Lahore. PNB is the first bank to have started solely with Indian capital that has survived till present. The bank was nationalised in July 1969, along with 13 other banks. And from its modest beginning today the bank has grown in size and structure giving it the recognition of a front line banking institution in India. It can boast of being a professionally managed bank with a successful track record of over 109 years.

As on 31st March 2013, the bank had 63292 employees of which 11594 were women. The bank incurred INR 3.24 crores on activities like medical camps, farmers training, blood donation camps, tree plantations etc. during the year 2012-13. Currently the bank are having over 6300 branches and 7900 ATMs across 764 cities and serves over 80 million customers.

The following are some of the awards and recognitions received by Punjab National Bank in recent years:

1) FIPS award for Access to Banking and Financial Services through KIOSK banking solution technology by ELETS in 2014-15

2) BFSI awards for bank with leading Financial Inclusion Initiatives in 2014-15 by ABP News

3) IBA Banking technology awards 2014-15 Training and Human Resources e-learning initiatives 2nd runners up by Indian Banks Association
4) Skoch Renaissance award for people management; Skill development & Employment generation 2014-15

5) Golden Peacock business excellence award 2014 by The Institute of Directors

6) IBA Banking technology awards-Best Risk Management & Security initiatives 2013 by Indian Banks Association

7) IBA Banking technology awards-Best customer management initiatives 1sr runners up in 2013 by Indian Banks Association

8) Skoch Digital inclusion awards – Financial Inclusion Project 2013

9) 3rd Asia’s best CSR Practices award 2013

10) Banking Technology excellence awards-customer management and business excellence awards 2013 IDBRT Hyderabad

11) Golden Peacock Business Excellence Awards for the year 2011-12 by Institute of Directors

12) Social and Corporate Governance award-Best corporate social responsibility by World CSR and Bombay Stock Exchange 2011-12

13) Bank with best use of business intelligence by Indian Banks Association 2011-12
# TABLE-1.7
## KEY FINANCIAL INDICATORS OF PUNJAB NATIONAL BANK

(Rs. In Crores)

<table>
<thead>
<tr>
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<td>249329.80</td>
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<td>Advances</td>
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<td>96596.52</td>
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<td>21422.09</td>
<td>19326.16</td>
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<td>8730.86</td>
<td>6022.91</td>
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<td>4884.20</td>
<td>4433.50</td>
<td>3905.36</td>
<td>3090.88</td>
<td>2048.76</td>
<td>1540.08</td>
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<td>120.17</td>
<td>94.63</td>
<td>62.77</td>
<td>47.26</td>
<td>44.81</td>
<td>43.98</td>
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<tr>
<td>Business per Employee</td>
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<td>6.55</td>
<td>5.05</td>
<td>4.07</td>
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<td>Gross NPAs</td>
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<td>3214.14</td>
<td>2506.90</td>
<td>3319.30</td>
<td>3390.72</td>
<td>3138.29</td>
<td>3741.34</td>
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</table>

Source: Various issues of RBI Bulletin and www.capitaline.com
FIGURE 1.6

DEPOSITS AND ADVANCES OF PUNJAB NATIONAL BANK DURING THE STUDY PERIOD
FIGURE-1.7
INTEREST EARNED AND EXPENDED OF PUNJAB NATIONAL BANK DURING THE STUDY PERIOD
1.6.4 AXIS BANK

Axis Bank Limited which was formerly UTI Bank is the third largest private sector bank in India. It offers financial services to customer segments covering Large and Mid-Sized Corporates, MSME, agriculture and retail business. UTI Bank opened its registered office in Ahmedabad and corporate office in Mumbai in December 1993. The first branch was inaugurated on 2nd April 1994 in Ahmedabad by Dr. Manmohan Singh, then finance minister of India. UTI started its operations in 1994 after the Government of India allowed new private sector banks to be established. Bank was jointly promoted in 1993 by the administrator of Unit Trust of India Life India Corporation of India, General Insurance Corporation, The New India Assurance Company, the Oriental Insurance Corporation and United India Insurance Company. The bank changed its name from UTI to AXIS bank in 2007 and started working independently separate from its parent company. Presently Axis bank operates in four segments: Treasury operations, Retail banking, Corporate banking and other banking business. The Axis bank is also involved in Investment banking, Agriculture banking and lending to small and medium enterprises. As at 31st March, 2014 the bank had a network of 2402 branches and extension counters and 12922 ATMs axis bank has the highest ATM network among the private banks in India. The bank even has 8 international offices with branches at Singapore, Hong Kong, Dubai, Shanghai, Colombo and Abu Dhabi. As on 31st March 2013 Axis Bank had 37901 employees out of which 7117 were women employees. Axis bank contributes up to 1% of the net profit annually to various social activities undertaken by the foundation set up 2006. During 2011-12 the foundation had partnered with 36 NGOs to educate over 1 lac underprivileged and special kids in 13 kids. Its recycling initiative under the Green Banking banner has helped the bank productively use around 21572 kgs of dry waste during the year.

Axis Bank has received following awards and recognitions recently:

1) Bank of the year Money Today FPCIL awards 2012-13
2) Consistent Performer in India’s best banks-2012 survey by Business Today and KPMG
3) Mobile Banking Initiative of the year – India, Asian Banking Finance retail banking awards 2015
4) Advertising campaign of the year – India, Asian Banking and Finance retail banking awards 2015
5) Axis bank has been awarded the title of superbrand 2014-15, by Superbrands
6) Number 1 Promising Banking Brand Award of 2015, ET best brands 2015
7) Best Corporate Payment Project – The Asian Banker Technology Implementation award 2015
8) Axis bank wins Best Performing Bank Private at the UTI MF and CNBC TV 18 financial Advisor awards 2014
9) Best bank for emerging market options, trading strategies and ideas – Euromoney FX survey 2014
10) Best bank of Asian currencies – Euromoney FX Survey 2014
11) Axis bank voted for most trusted private sector bank in the country in the most trusted brands survey 2013 by Brand Equity
12) Axis bank ranked number 1 bank in India in both primary and secondary market of corporate brands – The Asset Benchmark Research
13) Best Debt House in India – Euromoney Awards for Excellence 2013
14) Axis bank ranked number 1 company to work for in BFSI sector – the best companies to work for survey by Business Today
15) Best Bank – CNBC-TV 18 India’s best bank and financial institution awards 2012
16) Fastest growing Large bank – Dun & Bradstreet – Polaris Financial Technology Awards 2012
# TABLE-1.8

## KEY FINANCIAL INDICATORS OF AXIS BANK

(Rs. In Crores)

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<td><strong>Deposits</strong></td>
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<td>87626.22</td>
<td>58785.60</td>
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<td><strong>Advances</strong></td>
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<td>196965.96</td>
<td>169759.54</td>
<td>142407.83</td>
<td>104340.95</td>
<td>81556.76</td>
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<td>36876.48</td>
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<td>10835.49</td>
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<td>2888.79</td>
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<td><strong>Interest Expended</strong></td>
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<td>13976.90</td>
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<td>6633.53</td>
<td>7149.28</td>
<td>4419.96</td>
<td>2993.32</td>
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<td><strong>Net Profit</strong></td>
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<td>4242.21</td>
<td>3388.49</td>
<td>2514.53</td>
<td>1815.36</td>
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<td>659.03</td>
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<td>22.62</td>
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<td><strong>Business per Employee</strong></td>
<td>12.3</td>
<td>12.15</td>
<td>12.76</td>
<td>13.66</td>
<td>11.11</td>
<td>10.6</td>
<td>11.17</td>
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<td><strong>Gross NPAs</strong></td>
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<td>1318.00</td>
<td>897.77</td>
<td>494.61</td>
<td>418.67</td>
<td>377.95</td>
<td>311.10</td>
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Source: Various issues of RBI Bulletin and [www.capitaline.com](http://www.capitaline.com)
FIGURE 1.8

CHART SHOWING DEPOSITS AND ADVANCES OF AXIS BANK DURING THE STUDY PERIOD
FIGURE-1.9

CHART SHOWING INTEREST EARNED AND EXPENDED OF AXIS BANK DURING THE STUDY PERIOD
1.6.5 HDFC BANK

HDFC Bank Limited is an Indian banking and financial services company having its headquarters in Mumbai. It was incorporated in 1994 and it is the fifth largest bank in India as measured by its assets and the 2nd largest private sector bank. The bank was promoted by Housing Development Finance Corporation. The bank was incorporated in August 1994 and named as HDFC Bank Ltd. It had its registered office in Mumbai. The HDFC Bank commenced it operations as a scheduled commercial bank in January 1995. HDFC is India’s premier housing finance company and enjoys an impeccable record both in India as well as in the international markets. Since beginning the corporation has maintained a consistent and healthy growth in financial operations that has helped it to remain a clear market leader in mortgages in India. Its outstanding loan portfolio covers over a million dwelling units. At present HDFC has developed significant expertise in retail mortgage loans to different segments of the market and also employs a large corporate client base for housing related business credit activities. Thus, with its vast experience in the financial markets, a strong market reputation, large share holder base and a unique consumer franchise-HDFC was ideally positioned to promote a leading bank in the Indian environment. Currently HDFC bank is involved in activities of NRI banking, SME banking, wholesale banking, Retails banking and Treasury activities. As on 30th September 2013 bank has 3251 branches and 11177 ATMs in 2022 cities in India. The bank even has overseas branch operations in Bahrain and Hong Kong. As on 31st March 2013 the company has 69065 employees out of which 12295 are women employees.

The bank has received following awards and recognitions recently:

1) IBA Innovation Awards 2013 for most innovative use of technology
2) Dun & Bradstreet Polaris Financial Technology Award 2013 for best private sector bank technology adoption and overall best private sector bank
3) Sunday Standard Best Banker awards 2013 for best private sector bank and large safest bank
4) Asia Money 2013 for best Domestic bank in India
5) MACCIA Awards 2013 for best financial services in bank sector
6) UTI mutual fund CNBC TV 18 Financial Advisory awards 2012 for best performing private sector bank
7) NDTV Profit Business leadership awards 2012 winner in banking category
8) The National quality excellence awards 2012 for best customer service result
9) FE best bank awards 2012 for best bank in new private sector-best in strength & soundness
10) Skoch Financial Inclusion awards 2013 for the organization of the year
11) Business world awards for banking excellence 2012 for most Tech-friendly bank deal of the year
12) HT-Mars customer satisfaction survey-winner for bank and credit card customer satisfaction survey
13) IDRBT banking technology awards 2011-12-Best bank in IT for operational effectiveness category
14) ICAI Awards 2011 for excellence in financial reporting
### TABLE-1.9
#### KEY FINANCIAL INDICATORS OF HDFC BANK

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<td><strong>Deposits</strong></td>
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<td>296246.98</td>
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<td>167404.44</td>
<td>142811.58</td>
<td>100768.59</td>
<td>68297.94</td>
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<td>36354.25</td>
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<tr>
<td><strong>Advances</strong></td>
<td>303000.27</td>
<td>239720.64</td>
<td>195420.03</td>
<td>159982.67</td>
<td>125830.59</td>
<td>98883.05</td>
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<td>46944.78</td>
<td>35.61.26</td>
<td>25566.30</td>
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<td><strong>Interest Earned</strong></td>
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<td><strong>Interest Expended</strong></td>
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<td><strong>Net Profit</strong></td>
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<td>2948.70</td>
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<td><strong>Business per Employee</strong></td>
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<td><strong>Gross NPAs</strong></td>
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<td>657.76</td>
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<td>439.17</td>
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Source: Various issues of RBI Bulletin and www.capitaline.com
FIGURE-1.10

ADVANCES AND DEPOSITS OF HDFC BANK DURING STUDY PERIOD
FIGURE-1.11

INTEREST EARNED AND EXPENDED OF HDFC BANK DURING THE STUDY PERIOD
ICICI BANK

ICICI Bank is an Indian multinational banking and financial service company headquartered in Mumbai, India. As of 2014, it is the second largest bank in India in terms of assets as well as market capitalization. ICICI Bank is one of the big four banks of India along with State Bank of India, Punjab National Bank and Bank of Baroda. The bank has subsidiaries in the United Kingdom and Canada; branches in United States, Bahrain Singapore, Sri Lanka, Hong Kong Qatar, Dubai and China. It has representative offices in UAE, South Africa, Bangladesh, Malaysia and Indonesia. It offers a wide range of banking products and financial services for corporate and retail customers through a variety of delivery channels and specialized subsidiaries in the areas of investment banking, life and non life Insurance, venture capital and asset management. ICICI bank was established by Industrial Credit and Investment Corporation in India, an Indian financial institution as a wholly owned subsidiary in 1994. The parent company was formed in 1955 as a joint venture of the World Bank. The parent company was later merged with the bank. ICIC bank launched internet banking in the year 1998. ICICI’s shareholding in the bank was reduced to 46%, through public offering of shares in 1998, followed by an equity offering in the form of American Depository Receipts on the NYSE in the year 2000. In 1990s ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a variety of products and services both directly and through a number of subsidiaries and affiliates like ICICI bank. In the year 2000 ICICI bank became the first Indian bank to list on the New York Stock Exchange. The bank has contributed to the set up of a number of Indian institutions to establish financial infrastructure in the country over the years. The bank has provided variety of products like ICICI Bank Unifare Bangalore Metro Card, Touch n Remit facility for NRIs in Kingdom of Bahrain, Video Banking for NRI, Pockets by ICICI Bank, ICICI Bank Pay on Twitter, Contactless Debit and Credit cards I Wish – the flexible recurring deposit etc. Currently the bank has a network of 4050 branches and 12919 ATMs in India and has a presence in 17 countries including India. The number of employees working
in ICICI Bank are around 67857 on 31st March 2015.

The bank has won following awards and recognitions recently:

1) ICICI bank won award in BFSI Leadership Summit & Awards in the Best Phone banking for End users category

2) ICICI bank won in six categories and was the runner up in one category among private sector banks at IBA Banking Technology awards 2015

3) ICICI Bank has been declared as the first runner up at Outlook Money Awards 2015 in the category of Best Bank

4) Bank has been adjudged the Best Retail Bank in India by the Asian Banker 2015

5) As per Brand Trust report 2014 ICICI bank was ranked 28th among India’s most trusted brands, a research conducted by Trust research Advisory

6) ICICI bank was ranked 2nd at the National Energy Conservation award 2014

7) ICICI bank was 5th in the world and 2nd in India on the Top Companies for Leaders in a study conducted by Aon Hewitt

8) ICICI bank won the Best Private Sector Bank award- Global business development by Polaris financial Technology Banking awards 2014

9) IDRBT awarded ICICI for Best Bank award for Business Intelligence Initiatives among large banks and Best Bank award for social Media and Mobile Banking among large banks

10) ICICI bank was awarded certificate of recognition as one of the top 5 companies in Corporate Governance in the 14th Institute of Company Secretaries of India National Awards for Corporate Governance in 2014

11) ICICI bank has been honored as The Best Service Provider- Risk Management, India at the Asset Triple A Transaction banking, Treasury, Trade and Risk Management Awards 2014

12) ICICI bank has been adjudged winner at the Express IT Innovation Award under the Large Enterprise category in 2013

13) ICICI bank won the Next Generation Banking Solution award by Celent

14) ICICI bank won the best domestic Trade Finance Bank and Best Financial Supply Chain Project Award in India by the Asian Banker 2013

15) ICICI bank received the Golden Peacock Innovative Product/service award 2012
### TABLE-1.10

**KEY FINANCIAL INDICATORS OF ICICI BANK**

(Rs. In Crores)

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<td>202016.60</td>
<td>218347.83</td>
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<td><strong>Advances</strong></td>
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<td>290249.44</td>
<td>253727.66</td>
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<td>181205.60</td>
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<td>225616.08</td>
<td>195865.60</td>
<td>146163.11</td>
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<td><strong>Interest earned</strong></td>
<td>44178.15</td>
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<td>33542.65</td>
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<td>25706.93</td>
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<td><strong>Interest Expended</strong></td>
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<td>22808.50</td>
<td>16957.15</td>
<td>17592.57</td>
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<td><strong>Net Profit</strong></td>
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<td>69.63</td>
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<td>42.97</td>
<td>34.63</td>
<td>32.4</td>
<td>36.03</td>
<td>32.88</td>
<td>27.35</td>
<td>25.99</td>
</tr>
<tr>
<td><strong>Business per Employee</strong></td>
<td>7.47</td>
<td>7.35</td>
<td>7.08</td>
<td>7.35</td>
<td>7.65</td>
<td>11.54</td>
<td>10.08</td>
<td>10.27</td>
<td>9.05</td>
<td>8.8</td>
</tr>
<tr>
<td><strong>Gross NPAs</strong></td>
<td>10505.84</td>
<td>9607.75</td>
<td>9475.33</td>
<td>10034.26</td>
<td>9480.65</td>
<td>9649.31</td>
<td>7579.54</td>
<td>4126.06</td>
<td>2222.59</td>
<td>2770.43</td>
</tr>
</tbody>
</table>

Source: Various issues of RBI Bulletin and [www.capitaline.com](http://www.capitaline.com)
FIGURE-1.12

CHART SHOWING ADVANCES AND DEPOSITS OF ICICI BANK DURING STUDY PERIOD
FIGURE-1.13

CHART SHOWING INTEREST EARNED AND EXPENDED OF ICICI BANK DURING STUDY PERIOD