Chapter III

Research Methodology
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RESEARCH METHODOLOGY

3.1 NEED AND RELEVANCE OF THE STUDY

The need for the organizations to change is more conspicuous today than in the past. This is more so in the light of massive changes in the computing and communication technologies worldwide, liberation of economics leading to deregulation of industries, corporatisation and privatization of public assets, and an unprecedented level of global competition during the last decade. Together these change initiatives have transformed and are continuing to transform the businesses and organizational environments around the globe. Therefore, now it becomes imperative to concentrate more of our energies and resources on the study of organizational change.

Many organizational issues crop up to provide what the people (especially the managers) want. They want single solutions and explanations. In particular, they want to know the exact reasons why change interventions succeed or fail. The mutuality to successfully transfer an organization may be attributable to a multitude of factors and there are no hard and fast standards for assessing the result of a change programme.

For a manager or an administrator in any organization, grappling with and managing change is probably the single one issue. Various questions confront the manager of today’s organizations, like why and how do the organizations change? What are the different kinds of change? What processes characterize these change initiatives? Are there any limits to adaption etc.? Therefore, understanding organizational change gives a perspective and the answers to all these questions.

This study therefore will enable the banks to cope with such transition successfully; to deal with resistors, to develop clear visions and realistic plans. It
also includes an Organizational Change Model and a Customer Satisfaction Model developed by the researcher to help the management of the various banks implement change in their respective banks and to allow everyone to adopt the change process.

Studying organizational change facilitates the identification of essential elements and their relationships, and provides a crucial test of our working knowledge of individual and organizational behavior. The present study was undertaken with the object of examining the various organizational change initiatives that have occurred in the selected public sector banks and to understand the various change levers in the banks under study. The study basically attempts to find out the impact of these change initiatives on the employee’s job satisfaction and the customer’s satisfaction.

As is evident, in the current scenario, the organizational change is needed most in Public sector banks, more substantially and more urgently than in the past. To respond successfully, these public sector banks need to give internal leadership and management a high priority. Those that vigorously take up this challenge of change are the ones most likely to achieve continued relevance, independence and success.

It is felt that organizational change has a deep and abiding effect on employee’s job satisfaction and its customers. Therefore, in order to suggest measures to cope with these change initiatives and also to raise the effectiveness of these change initiatives, it is important to first examine the concept of organizational change, its change levers, impact on employee’s job satisfaction and the customer’s perception regarding the usefulness of these change initiatives in the banks.

Job Satisfaction is nevertheless of great value to any organization’s overall health and effectiveness. Thus, a careful investigation of study of job satisfaction is sought in the field of organizational behavior.
Change initiatives are constantly taking place in the environment of organizations. Managers often feel the need to institute the change initiatives at various levels within the organizational system to ensure that individuals and groups therein, as well as the structures and processes adapt, and change with the changing external and internal environments. Therefore, with the change in the environment, organizations have to toe the line and change too, or they would be left behind and ultimately perish.

Studying job satisfaction increases both our understanding of human behavior in an organizational context and our knowledge about the most effective ways of managing change. This can lead to handling the organizational change in a proper manner, thereby, curbing the frustrations of otherwise sound strategies, and checking the high cost of implementation, creating a competitive position that may be difficult for competitors to combat, increasing the motivation of employees within the organization and lastly minimizing the chances to resist change.

As far as studying customer’s satisfaction in an organization is concerned, it would be appropriate to state that in a competitive and ever changing banking environment the customers, whether internal or external, expect exceptional levels of customer service and it is this that will create lasting client relationships. Giving great customer service and thereby achieving customer satisfaction is about understanding the customer, managing information and people and mastering efficient and productive communication.

Studying customer satisfaction is needed to develop customer retention plans, strengthen areas of perceived weaknesses, reinforce company strengths, and help develop new marketing strategies. The increase in the customer satisfaction can dramatically increase the profitability of the bank.

The onslaught of private sector banks has ushered in a new era in banking and a sea-change in the mindset of public sector bankers too. In the last three-four years, there’s a scientific basis for customer services initiatives taken by banks. Today’s customer is aware and sensitized, and keenly watches whether we are
really walking the talk; thus necessitating the need to study customer satisfaction in banks.

This study provides a range of useful techniques that may generate great customer service and also great customer satisfaction.

Thus, with this rationale, the aim of the present investigation was to study organizational change in the banks and its impact on the employee job satisfaction and customer satisfaction.

3.2 SCOPE OF THE STUDY

The present study aims to find out the organizational change taking place in the selected public sector banks in and around Chandigarh i.e. Mohali and Panchkula (the two satellite cities). The study also aims at finding out the steps being taken by these banks to manage those changes especially in the light of globalization, liberalization and privatization. The study concentrates at the three levels of hierarchy i.e. the senior level, the middle level and the junior level in the management.

The banking industry was chosen because there have been many transformations and technological and organizational innovations in this industry. These banks have been purposely selected, as these are considered to be the largest, growing and dominant banks in the public sector in the region and as these Banks are the older ones, a number of remarkable change initiatives have been felt in the recent past in them and their implementation has also been difficult. The comparison of the public and the private sector banks was not sought because it was felt that the private sector banks just limit themselves to the so called elite section of people and also because when these banks came into existence, these new developments were already there.

The following two public sector banks were selected for studying the organizational change:

1. State Bank of India
2. Punjab National Bank
This study also analyses the impact of these change initiatives on employee’s job satisfaction and customer’s satisfaction in order to assess the strengths and weaknesses of these change initiatives. The findings of the study will serve as a reference for other similar Banks. In addition to these, the study will draw some recommendations.

3.3 OBJECTIVES OF THE STUDY

The present study was conducted with the basic objective of examining the various organizational change initiatives that occurred in the select public sector banks in the past one decade. It also proposed to understand the various change levers in the banks under study and its impact on employees and customers. Specifically, the research was done with the following objectives:

1. To study and understand the Organizational Change Levers* in the Banks under study.
2. To study the employee’s perception regarding the following in the Banks under study:
   - What were the forces / pressures that have led to these changes,
   - What methods have been used to implement & manage these changes in the banks,
   - What were the reasons for resistance to these changes (if any),
   - What steps were taken to remove resistance to change,
   - What has been the impact of these changes on the banks?
3. To study job satisfaction of employees working in the Banks under study before and after organizational change initiatives.
4. To study customer’s satisfaction in the Banks under study before and after organizational change initiatives.
5. To suggest measures to cope with and manage the changes brought about in the banks under study more effectively.

* As mentioned in chapter 1, Organizational Change Levers encompass technology, marketing, structure, strategy, cost, quality, managing people & leadership.
3.4 HYPOTHESIS

In order to test the validity and the applicability of the above mentioned objectives, the following hypotheses were formulated, which were tested by the application of appropriate statistical tools and to draw from them, suitable and momentous recommendations:

1. **H1**: Education & Training, Involvement & Participation of employees are used as a means to implement and manage organizational change effectively in the Banks.

2. **H2**: There is an increase in employee’s job satisfaction post organizational change initiatives in the Banks under study.

3. **H3**: There is an increase in customer’s Satisfaction post organizational change initiatives in the Banks under study.

4. **H4**: Technology is the most important organizational change lever in the banks under study.

3.5 SELECTION OF SAMPLE

This study concentrated on the two main public sector banks of India. These selected banks were:

1. State Bank of India
2. Punjab National Bank

For each selected bank, its Zonal office as well as all the branches in Chandigarh, Mohali & Panchkula were chosen for the study. In order to give proper representation to all categories of employees in both the banks, the employees were selected from all the levels i.e. Senior Level, Middle Level and the Junior Level employees. A list of all the respondents was obtained from the Human Resource Departments of the respective banks and the employees were divided into various strata i.e. senior level, middle level & junior level.

The organizational structure of both the banks under study made the employees divide into 7 scales ranging from scale I to Scale VII.
Scale VII encompasses the General Manager (GM) and above; Scale VI encompasses the Deputy General Manager (DGM); Scale V encompasses the Assistant General Manager (AGM); Scale IV encompasses the Chief Manager (CM); Scale III encompasses the Senior Manager (SM) [in PNB] / Manager [in SBI]; Scale II encompasses the Manager [in PNB] / Assistant Manager [in SBI]; Scale I encompasses the Deputy Manager/ officers [in PNB] / officers/ Clerks [in SBI]; The employees in scale IV to scale VII were categorized as senior level, the employees in scale III to scale II were categorized into middle level and scale I employees were categorized as the junior level employees. Stratified random sampling was used to choose respondents from these different levels. Questionnaires were given to: 32 senior level, 70 middle level and 102 junior level employees of SBI; and 12 senior level, 62 middle level, and 110 junior level employees of PNB. Despite various reminders, data could be gathered from 24 senior level, 37 middle level and 101 junior level employees of SBI; and 5 senior level, 29 middle level, and 110 junior level employees of PNB. As senior level employees of PNB was quite small 50% of these employees were chosen for the study. The sample Profile of the Employees is given in the table 3.1. (Refer to Appendix I, Part I for sample profile of employees on demographic variables)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Bank</th>
<th>Senior Level</th>
<th>Middle Level</th>
<th>Junior Level</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Sample</td>
<td>Response Total</td>
<td>Sample</td>
<td>Response</td>
</tr>
<tr>
<td>1</td>
<td>SBI</td>
<td>159</td>
<td>32</td>
<td>24</td>
<td>351</td>
</tr>
<tr>
<td>2</td>
<td>PNB</td>
<td>23</td>
<td>12</td>
<td>5</td>
<td>309</td>
</tr>
<tr>
<td>Overall</td>
<td>Total</td>
<td>182</td>
<td>44</td>
<td>29</td>
<td>660</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>Sample</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>102</td>
<td>101</td>
<td>1020</td>
</tr>
<tr>
<td>204</td>
<td>195</td>
<td>135</td>
</tr>
<tr>
<td>1879</td>
<td>399</td>
<td>297</td>
</tr>
</tbody>
</table>

Table 3.1: Sample profile of the Employees of the two banks under study
Along with the employees, the customer's perception was also studied. The sample comprises of a total of 240 customers in all for the two selected banks. (Refer to Appendix I, Part II for sample profile of customers on demographic variables)

Customers: For the customers, who have been using the services of the banks for at least five years, for that, Convenience Sampling was done.

3.6 SOURCES OF DATA

The study was based on primary as well as secondary data. The primary data was collected through structured (open ended as well as close – ended) Questionnaires. The questionnaires were separately designed for the employees and the customers. The questionnaires were administered and collected personally.

3.6.1 Primary Sources of Data

Primary data was collected through two questionnaires; one from the employees at various levels and the other from the customers in the two banks.

a) Questionnaire to the Employees: The factual information with regard to all aspects of organizational change was collected through a questionnaire which was administered and collected personally from the employees. The questionnaire basically aimed at finding out the “Employee perception” with regard to organizational change in their banks. (See Appendix II).

b) Questionnaire to the customers: Perception was sought through the questionnaire with regard to their satisfaction towards organizational change in the selected banks.

3.6.2 Secondary Sources of Data
a) Annual Reports and Published material: The bank’s annual reports and some published material have also been used to supplement the data collected through questionnaires. They were indeed rich sources of information and helped in general interpretation of data.

b) Apart from the above mentioned secondary sources, the Information was collected by visiting M.N.C.’s and Private sector banks which pose competition to the banks under study. Various Books, Journals, Research Papers, Reports and Case Studies, Internet and Newspapers were referred for the purpose of collecting secondary data.

3.7 DATA COLLECTION TOOLS

Different questionnaires were prepared for the employees and the customers of the banks under study in order to know their perception the various parameters of the organizational change in the banks. These were constructed on the basis of interviews with various employees from public and private sector banks whose aim was to determine what people thought about change in the banks. The group interviews were transcribed and thus a questionnaire was formed (see Appendix II)

The following questionnaires were used to collect the data:

1. **Questionnaire for the employees**: For the purpose of collecting information regarding the organizational change in the two banks, the questionnaire was administered to the employees. It started with information consisting of demographic profile of the respondents i.e. age, qualification, gender, marital status, income group, number of years in the respective banks, total work experience, level of management, etc. followed by two parts.

Part I comprised of the questionnaire developed for the purpose of collecting information regarding the type of organizational change noticed in the two banks under study and the perception of the employees was sought with regard to the forces behind these change initiatives, steps taken by management of the two
banks to implement these change initiatives. An attempt was made to study the organizational change levers in respect of:

- Forces behind the change initiatives in these eight chosen organizational levers,
- Reasons for resistance to change by the employees,
- Steps taken by management to overcome resistance to change,
- Impact of these change initiatives and finally,
- Suggestions were sought from the employees to further manage and cope up with these change initiatives in the banks under study.

The eight organizational change levers mentioned in the questionnaire were categorized as:

**Table 3.2: Organizational Change Levers**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Organizational Change Levers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Technology</td>
</tr>
<tr>
<td>2.</td>
<td>Marketing</td>
</tr>
<tr>
<td>3.</td>
<td>Quality</td>
</tr>
<tr>
<td>4.</td>
<td>Costs</td>
</tr>
<tr>
<td>5.</td>
<td>Strategy</td>
</tr>
<tr>
<td>6.</td>
<td>Structure</td>
</tr>
<tr>
<td>7.</td>
<td>Managing People</td>
</tr>
<tr>
<td>8.</td>
<td>Leadership</td>
</tr>
</tbody>
</table>

In general, a five point Likert Scale was used to know the perception of the employees. The 5-point scale ranged from:

- 5 = Strongly Agree (SA)
- 4 = Agree (A)
2. Along with the questionnaire prepared by the researcher, a standardized Job Diagnostic Survey (JDS) developed by Hackman & Oldham was used in order to measure the level of job satisfaction among the various employees of both the banks. It is a self-report inventory consisting of short descriptive phrases on the various job characteristics. Respondents rate how accurately each statement describes their job. Responses to each item are measured on a 7-point scale with scale point anchors labelled.

1 = extremely dissatisfied
2 = dissatisfied
3 = slightly dissatisfied
4 = neutral
5 = slightly satisfied
6 = satisfied
7 = extremely satisfied

These statements comprise of:

1. The amount of job security I have
2. The amount of pay and fringe benefits I receive
3. The amount of personal growth and development I get in doing my job
4. The people I talk to and work with on my job
5. The degree of respect and fair treatment I receive from my boss
6. The feeling of worthwhile accomplishment I get from doing my job.
7. The chance to get to know other people while on the job
8. The amount of support and guidance I receive from my supervisor
9. The degree to which I am fairly paid for what I contribute to this organization
10. The amount of independent thought and action I can exercise from my job
11. How secure things look for me in the future in this organization
12. The chance to help other people while at work.
13. The amount of challenge in my job
14. The overall quality of the supervision I receive in my work

Thus, the higher score indicated greater job satisfaction and vice versa.

The respondents were given two situations: Situation 1 implied their job satisfaction level of (Before the Change) and the situation 2 implied their job satisfaction levels of (After the Change). The objective was to know whether there was any change in the job satisfaction level of the employees as a result of the various change initiatives in the two banks.

3. **Questionnaire for the Customers:** Apart from the questionnaire for the employees, a customer satisfaction survey was also conducted in the two banks under study and the customers of the bank were questioned about their satisfaction of the services provided by these banks. The customers were asked to rank the bank services on the 1 to 5 point scale on a variety of product and service issues. The respondents were again given two situations. Situation 1 implied their satisfaction level (Before the Change) and the situation 2 implied their satisfaction level of (After the Change). The objective was to know whether there was any change in the satisfaction level of the customers as a result of the various change initiatives in the two banks.
Table 3.3: Factors of Customer Satisfaction

<table>
<thead>
<tr>
<th>Factors</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>TANGIBLES:</td>
<td></td>
</tr>
<tr>
<td>Q14</td>
<td>Convenience of location of the bank’s branches</td>
</tr>
<tr>
<td>Q15</td>
<td>Improvement in upkeep and outlook of branch</td>
</tr>
<tr>
<td>Q16</td>
<td>Infrastructure facilities (drinking water, adequate space, proper furniture, etc.)</td>
</tr>
<tr>
<td>Q17</td>
<td>Display of various products / schemes of bank on bank’s display boards</td>
</tr>
<tr>
<td>Q18</td>
<td>Lockers Facility</td>
</tr>
<tr>
<td>RELIABILITY:</td>
<td></td>
</tr>
<tr>
<td>Q9</td>
<td>Easy Account Enquiries</td>
</tr>
<tr>
<td>Q13</td>
<td>Maintenance of Secrecy of Accounts</td>
</tr>
<tr>
<td>Q19</td>
<td>Quick Remittance (transfer of funds)</td>
</tr>
<tr>
<td>RESPONSIVE:</td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>Prompt and accurate Transactions</td>
</tr>
<tr>
<td>Q4</td>
<td>Faster Local Cheque collection</td>
</tr>
<tr>
<td>Q5</td>
<td>Faster Outstation Cheque collection</td>
</tr>
<tr>
<td>COURTESY:</td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td>Politeness &amp; Courtesy of employees</td>
</tr>
<tr>
<td>COMPETITIVE:</td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>Business Hours of bank</td>
</tr>
<tr>
<td>Q6</td>
<td>Competitive Fees and service charges</td>
</tr>
<tr>
<td>Q7</td>
<td>Increase in number of Investment Services</td>
</tr>
<tr>
<td>Q8</td>
<td>Loan services</td>
</tr>
<tr>
<td>Q10</td>
<td>Updation of Passbook and Statement of Accounts</td>
</tr>
<tr>
<td>Q11</td>
<td>Competitive Loans Rates</td>
</tr>
<tr>
<td>Q12</td>
<td>Competitive Interest Rates</td>
</tr>
</tbody>
</table>
On field service was used to collect all interviews. In fact, several visits were made to each of these bank’s branches cites to complete the interviewing process. This procedure assured quality and consistency of interviewing.

Customers of each bank were stopped, after completing their business transaction(s), and asked to complete a survey. Generally, response was very good.

PROCEDURE

All the selected respondents were apprised of the nature and purpose of research work. The participation and willingness to cooperate was sought for before administering these questionnaires. A battery of questionnaires was administered to respondents. They were given the questionnaires in a booklet form and requested to respond to them truthfully. They were assured that the results and the information collected would be kept strictly confidential and used for research purpose only. The technique of answering was verbally explained to the respondents. They were requested to respond to each items on all the scales and there were no “correct” responses and that every response was individually significant. Scoring of all the questionnaires was done as per the instructions given in the scoring manuals of the questionnaires.

3.7.1 Reliability and Validity Analysis

Reliability can be defined to the extent to which a variable is consistent in what it is intended to measure. Several measures of reliability can ascertain the reliability of the measuring instrument. In the present research, the reliability of the organizational change, job satisfaction, customer satisfaction questionnaire scale was determined by using Cronbach’s Coefficient alpha as shown in table: 3.4.

The reliability coefficient indicated that the scale for measuring Organizational Change is quite reliable as the alpha value is .967. For the purpose of measuring Job satisfaction & Customer satisfaction, the reliability coefficients are .893 and .835. An alpha value of 0.60 and 0.70 or above is considered to be the criterion
for demonstrating internal reliability of new scales and established scales respectively.

Table 3.4 Reliability Coefficients

<table>
<thead>
<tr>
<th></th>
<th>ORGANIZATIONAL CHANGE</th>
<th>JOB SATISFACTION</th>
<th>CUSTOMER SATISFACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of items</td>
<td>187</td>
<td>28</td>
<td>54</td>
</tr>
<tr>
<td>Cronbach Alpha</td>
<td>.967</td>
<td>.893</td>
<td>.835</td>
</tr>
</tbody>
</table>

* Values of 0.70 and above testifies strong reliability of the scale.

Validity represents the extent to which a measure correctly represents the concept of study. The content validity of the organizational change questionnaire and customer satisfaction questionnaire was developed on the basis of an extensive interaction with the eminent experts and practitioners in the field. As standardized questionnaires were used for the purpose of collecting data relating to job satisfaction, validity testing has already been performed by the respective authors, Hackman & Oldham.

3.7.2 Pilot Survey

A pilot study was done on 50 employees in order to make the necessary corrections for proper comprehension of the instrument. After the responses were got from the employees, they were carefully examined and consequent changes were made in the questionnaire to make the study more exact.

3.8 ANALYSIS OF DATA

The data of all the employees from both the banks was pooled and tabulated which was further categorized into three levels of management i.e. senior, middle and junior levels. To arrive at pertinent result, the collected data was put to planned statistical analysis using SPSS package. The tools which were employed to test the drafted hypothesis for analysis included: Mean, Frequency, Standard Deviation, Kendall's co-efficient of concordance and Analysis of Variance (ANOVA).
Description of the Statistical Techniques used

To arrive at certain conclusions regarding the hypothesis advanced in the present investigation, the description of the statistical tools, which were applied for the analysis of the data is as follows:

a) **Descriptive Analysis**: Measures of central tendency such as Means, Standard Deviation etc were worked out to study the nature and distribution of scores on the various variables. Along with this, simple graphic analysis like Bar Graphs, Point Graphs were used.

b) **Inferential Analysis**: The inferential analysis included the Analysis of Variance (ANOVA) to determine whether significant differences existed between the organizational change, job satisfaction and customer satisfaction.

ANOVA was used in order to do the intra bank comparison with regard to various levels of hierarchy and the inter bank comparison in order to find the difference in the responses of the employees of both the banks under study. It was also used to find out if there was difference in responses of the customers as regards the various questions put to them regarding the organizational change in the banks.

Besides this, the data has been presented by making extensive use of tables and graphical presentations wherever possible to make results more comprehensible and visually appealing to the eyes.

### 3.9 PROFILE OF BANKS UNDERSTUDY

**INTRODUCTION**

The Indian financial system has come a long way since the days of nationalization of banks and the dependence on development financial institutions. A healthy banking system is crucial for the steady growth of an economy and yet remains stable in an increasingly global business environment.
With a network of over 66,000 branches (16000 population per branch and 50 sq. km per bank branch), India has one of the largest banking networks in the world. Since 1991, the Reserve Bank of India (RBI) took steps to reform the Indian banking system at a measured pace so that growth could be achieved without exposure to any macro-environment and systemic risks. Some of these initiatives were deregulation of interest rates, dilution of the government stake in public sector banks (PSBs), guidelines being issued for risk management, asset classification, and provisioning. In 2003-04, the banking sector saw a growth in advances and deposits mobilization.

**History of the Banking Sector in India**

In India, the Banking sector has had great achievements to its credit. It is no longer confined to only metropolitans or the other big cities in India, but it has reached even to the remote corners of the country.

The first bank in India, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases. They are as mentioned below:

- Early phase from 1786 to 1969 of Indian Banks
- Nationalization of Indian Banks and up to 1991 prior to Indian banking sector Reforms.
- New phase of Indian Banking System with the advent of Indian Financial & Banking Sector Reforms after 1991.

**Phase I**

The General Bank of India was set up in the year 1786. Next came Bank of Hindustan and Bengal Bank. The East India Company established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and called it Presidency Banks. These three banks were amalgamated in 1920 and Imperial Bank of India was established which started as private shareholders banks, mostly Europeans shareholders.
In 1865 Allahabad Bank was established and first time exclusively by Indians, Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935.

During the first phase the growth was very slow and banks also experienced periodic failures between 1913 and 1948. There were approximately 1100 banks, mostly small. To streamline the functioning and activities of commercial banks, the Government of India came up with The Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No. 23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in India as the Central Banking Authority.

During those days public had lesser confidence in the banks. As an aftermath, deposit mobilization was slow. Abreast of it the savings bank facility provided by the Postal department was comparatively safer. Moreover, funds were largely given to traders.

Phasell

Then, after independence, Imperial Bank of India was nationalized in 1955. The, State Bank of India was formulated to act as the principal agent of RBI and to handle banking transactions of the Union and State Governments all over the country.

Seven banks forming subsidiary of State Bank of India was nationalized in 1960 on 19th July,

- Central Bank of India
- Bank of Maharashtra
- Dena Bank
- Punjab National Bank
Then, in 1969, 14 major commercial banks in the country was nationalized. These banks were mostly owned privately.

Second phase of nationalization Indian Banking Sector Reform was carried out in 1980 with seven more banks. This step brought 80% of the banking segment in India under Government ownership.

Thus, the Nationalization of the banks in India was done in 4 phases:

- 1955: Nationalization of State Bank of India.
- 1959: Nationalization of SBI subsidiaries.
- 1980: Nationalization of seven banks with deposits over 200 cores.

After the nationalization of banks, the branches of the public sector bank in India rose to approximately 800% in deposits and advances took a huge jump by 11,000%.

The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

- 1949: Enactment of Banking Regulation Act.
Phase III: LIBERALIZATION

This phase introduced many more products and facilities in the banking sector in its reforms measure. In 1991, under the chairmanship of M Narasimham, a committee was set up by his name which worked for the liberalization of banking practices.

In the early 1990s the then Narasimha Rao government worked on a policy of liberalisation and gave licenses to a small number of private banks, which came to be known as New Generation tech-savvy banks, which included banks like ICICI Bank and HDFC Bank. This move along with the rapid growth in the economy of India, kick started the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks. However, there had been a few hiccups for these new banks with many either being taken over like Global Trust Bank while others like Centurion Bank have found the going tough.

Now, in India, there are a number of foreign banks in order to give a satisfactory service to customers. It is the customer-centered business now.

Currently, India has 88 scheduled commercial banks (SCBs) - 28 public sector banks (that is with the Government of India holding a stake), 29 private banks (these do not have government stake; they may be publicly listed and traded on stock exchange) and 31 foreign banks. They have a combined network of over 53,000 branches and 17,000 ATMs. According to a report by ICRA Limited, a
rating agency, the public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively.

Types of Banks in India

In India the types of Commercial Banking structure comprises of:

I. Scheduled Commercial Banks in India

"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 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, 1970 (5 of 1970), or 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".

Scheduled Banks in India constitute those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934. RBI in turn includes only those banks in this schedule which satisfy the criteria laid down vide section 42 (6) (a) of the Act.

As on 30th June, 1999, there were 300 scheduled banks in India having a total network of 64,918 branches. The scheduled commercial banks in India comprise of State bank of India and its associates (8), nationalized banks (19), foreign banks (45), private sector banks (32), co-operative banks and regional rural banks.

II. Unscheduled Banks in India

"Non-scheduled bank in India" means a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949), which is not a scheduled bank".
The following are the Scheduled Banks in India (Public Sector):

- State Bank of India
- State Bank of Bikaner and Jaipur
- State Bank of Hyderabad
- State Bank of Indore
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Saurashtra
- State Bank of Travancore
- Andhra Bank
- Allahabad Bank
- Bank of Baroda
- Bank of India
- Bank of Maharashtra
- Canara Bank
- Central Bank of India
- Corporation Bank
- Dena Bank
- Indian Overseas Bank
- Indian Bank
- Oriental Bank of Commerce
- Punjab National Bank
- Punjab and Sind Bank
- Syndicate Bank
- Union Bank of India
- United Bank of India
- UCO Bank
- Vijaya Bank
The following are the Scheduled Banks in India (Private Sector):

- Vysya Bank Ltd
- UTI Bank Ltd
- Indusind Bank Ltd
- ICICI Banking Corporation Bank Ltd
- Global Trust Bank Ltd
- HDFC Bank Ltd
- Centurion Bank Ltd
- Bank of Punjab Ltd*
- IDBI Bank Ltd

The following are the Scheduled Foreign Banks in India:

- American Express Bank Ltd.
- ANZ Gridlays Bank Plc.
- Bank of America NT & SA
- Bank of Tokyo Ltd.
- Banque Nationale de Paris
- Barclays Bank Plc
- Citi Bank N.C.
- Deutsche Bank A.G.
- Hongkong and Shanghai Banking Corporation
- Standard Chartered Bank.
- The Chase Manhattan Bank Ltd.
- Dresdner Bank AG.

* Centurion Bank Ltd. and Bank of Punjab Ltd. stand merged with a new name : Centurian Bank of Punjab Ltd.
SOME OF THE LATEST INNOVATIONS IN BANKING INDUSTRY

It is not a far history that a customer in the bank had to wait for hours at the bank counters for withdrawing his own money. Gone are days when the most efficient bank transferred money from one branch to other in two days. Now it is simple as picking up the phone, or logging in the computer that it is a matter of seconds that money can be easily got without waiting in the bank. Internet banking offers many opportunities for growth and development of the banks.
Plastic Money

1. **Credit cards**: Also known as Plastic Money, these are the financial instruments, issued by the banks which can be used more than once to borrow money or buy products and services on credit unlike the Cheques which can only be used once. Credit card is a way to "pay later". The shape and size of the credit cards issued by the various banks are as per the specifications of the ISO 7810 standard and is generally made of plastic.

The concept of credit card was used in 1950 with the launch of charge cards in USA by Diners Club and American Express. The credit card SBI Card of the SBI is called the "SBI Card". Apart from withdrawing the money i.e. Cash advances, or the purchase of goods on credit, various other facilities enjoyed by the credit card holder include: Travel fare discounts, Hotel discounts, Free global calling card, Accident insurance, Waiver of payment in case of accidental death, Insurance on goods purchased, Household insurance. With the credit card, we use the issuer's money on which we make the interest payment.

2. **Debit cards**: These are also known as the Cheque cards. It operates like cash or a personal check. It is a way to "pay now." When we use a debit card, our money is quickly deducted from the bank account. It is an alternative to carrying a checkbook or cash.

With debit card, we use our own money on which no interest is required to be made when we withdraw the cash or make the payment. While using the debit card there is no need of carrying cash or a cheque book.

II **Money Transfer**: Today, the Banks provide us the facility of carrying money from one corner of the world to another. This act of banks is known as transfer of money and is also known as remittance business. Banks generally issue Demand Drafts, Banker's Cheques, Money Orders or other such instruments for transferring the money. This is a type of
Telegraphic Transfer or Tele Cash Orders. The main transmitters of money presently is the “Western Union Money transfer”.

III Visa Money Transfer: It is the option given by the bank to its savings and current account holders of any bank with a visa debit card. This facility helps its customer to transfer funds from his bank account to any visa card, either debit or credit within India. This facility is like the third-party fund transfer option given by some banks to its account holders through e-Cheque, but this is restricted to only visa cardholders. The biggest drawback of this facility is that the transferred amount can neither be changed nor stopped once it is initiated.

IV Internet Services: Types of Internet Banking Services:

There are three types of services that can be availed of by the virtue of internet in the banks:

- **To gain information:** The various banks, in their websites provide information about their history, number and places of the various branches, annual reports, the organizational structure, and mainly their products and services.

- **Communication:** Under this type of Internet banking, the customer is allowed to interact with the bank. It may be through electronic mail, account inquiry, loan applications, cheque book request, share/mutual funds form request. Herein, the customer makes a request to which the bank subsequently responds.

- **Transaction:** Under this facility, the customers of the bank can execute the transactions. These include accessing accounts, bill payment, fund transfer, etc.
**ISSUES FACING THE BANKING SECTOR**

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>Competition</td>
<td>The Indian banking sector is highly competitive, with both private and public institutions competing across a range of financial products. Much of this competition stems from the growth of the individual consumer as a force in the marketplace. Private banks were the most aggressive at servicing this segment and forced the concept of customer service into the fore. Public banks, with their huge workforces and antiquated technologies, were slow to react to the challenge of the private banks. This is slowly changing as the public sector banks begin to make the investments necessary to compete on a more equal footing. Strong economic growth and liberalization have helped create more opportunities for wealth creation. India enjoys a favorable demographic position with a large young, employed population. These young people are not averse to taking loans, and their rising income levels make them more attractive targets for banks. The private banks excelled in penetrating and marketing to these customers, and this has helped drive retail lending. Although growth prospects are generally good, retail margins are increasingly under Pressure, especially in housing and auto finance. Banks are trying to diversify through other products such as credit cards and personal loans, but competition is fierce. The cost of deposits has also been going up in the face of competition from the mutual fund and insurance industries. On the corporate side, things look a little better, with higher margins and low nonperforming loans (NPLs). However, intense competition is forcing margins down, and there are concerns that a rise in NPLs could hurt profitability. Beyond the more traditional banking services, all Indian banks are required to keep a minimum of 25% of their net deposits in government securities. Many banks operate significantly above these levels, and although some. Private banks, for example. Are keen to reduce these positions, others are reluctant to do so. The profitability of these treasury operations has been relatively predictable, but the low margins and risk of rate rises are of concern. Foreign players are getting more aggressive in India and have expanded both organically and through acquisition. HSBC and ING have made investments in domestic firms, and many others are waiting for opportunities to do so. Foreign investment limits have been raised, but there are still restrictions on market entry. If the government ever elects to privatize the public banks, foreign players would likely be keen to take stakes. A growing foreign presence is of great concern to local players. Foreign players such as Standard Chartered have proven themselves to be formidable competitors, as evidenced by their success in credit cards.</td>
</tr>
<tr>
<td>Margin pressures</td>
<td></td>
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<tr>
<td>Government Securities</td>
<td></td>
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<tr>
<td>Foreign institutions</td>
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*Fig.3.2: Issues Facing the Banking Sector*

*Source: Financial Insights, 2005*
Importance of organizational change in banks:

- Greater effectiveness -- better achievement of clearer objectives
- Greater efficiency -- achieving the same result with fewer resources
- Lesser distraction -- stronger focus on core functions
- Better decisions -- faster and more reliable choices between options
- More time at the top -- improved delegation that creates more space for strategic thinking and management
- Stronger motivation -- staff who are more committed to more fulfilling roles
- Increased innovation -- progressive organizations attract and keep creative people

Importance of Organizational change for the Public Sector banks:

- For its own good: The unique freedom to plan and manage organization and management that the public sector banks have enjoyed in the past cannot be there in the future also. The globalization & liberalization in the banking sector wants the banks to work in accordance with the competitors and rivals
- For the good of others. The public sector banks are expected to benefit the societies they serve. Maximization of those benefits demands not just technical excellence, but effective leadership and management of organizational change.
3.9.1 State Bank of India

State Bank of India (SBI) is the largest bank in India. It is also, measured by the number of branch offices and employees, the largest bank in the world. It has an extensive administrative structure to oversee the large network of branches in India and abroad. The corporate centre is in Mumbai and 14 Local Head Offices and 57 Zonal Offices are located at important cities spread throughout the country.
Established in 1806 as Bank of Bengal, it remains the oldest commercial bank in the Indian Subcontinent and also the most successful one providing various domestic, international and NRI products and services, through its vast network in India and overseas. With an asset base of $126 billion and its reach, it is a regional banking behemoth. The bank was nationalized in 1955 with the Reserve Bank of India having a 60% stake. It has laid emphasis on reducing the huge manpower through Golden handshake schemes and computerizing its operations.

**Growth**

State Bank of India has often acted as guarantor to the Indian Government, most notably during Chandra Shekhar's tenure as Prime Minister of India. With more than 9400 branches and a further 4000+ associate bank's branches, the SBI has an extensive coverage. State Bank of India has electronically networked most of its branches. The bank has one of the largest ATM network in the region. State Bank of India has had steady growth over its history, though it was marred by the Harshad Mehta scam in 1992. In the recent years, the bank has sought to expand its overseas operations by buying foreign banks. It is the only Indian bank to feature in the top 100 world banks list in Fortune 500 Global rating and various other rankings. According to Forbes 2000 listing it tops all Indian companies.

**Group companies**

SBI Capital Markets Ltd
SBI Mutual Fund (A Trust)
SBI Factors and Commercial Services Ltd
SBI DFHI Ltd
SBI Cards and Payment Services Pvt Ltd
SBI Life Insurance Co. Ltd - Bancassurance (Life Insurance)
SBI Funds Management Pvt Ltd
SBI Canada (http://en.wikipedia.org)
The origin of the State Bank of India goes back to the first decade of the nineteenth century with the establishment of the Bank of Calcutta in Calcutta on 2 June 1806. Three years later the bank received its charter and was re-designed as the Bank of Bengal (2 January 1809). A unique institution, it was the first joint-stock bank of British India sponsored by the Government of Bengal. The Bank of Bombay (15 April 1840) and the Bank of Madras (1 July 1843) followed the Bank of Bengal. These three banks remained at the apex of modern banking in India till their amalgamation as the Imperial Bank of India on 27 January 1921.

In 1951, when the First Five Year Plan was launched, the development of rural India was given the highest priority.

State Bank of India was established on 1st July 1955 by the State Bank of India Act, 1955. Till 1955 almost all the commercial banks in India were generally urban based. Banks had only a few branches in the rural areas. So the country was not having balanced economic development. With a view to study the credit needs of the country as a whole a Rural Credit Survey was made. The said survey recommended the establishment of State Bank of India, to be partly owned by the government. This bank was expected to open branches even in rural areas. This bank was also authorized to provide facility of transfer of funds to other commercial and co-operative banks. On these recommendations, State Bank of India was established on 1st July 1955 by the State Bank of India Act, 1955 and Imperial Bank of India was taken over by this newly established bank. The State Bank of India was thus born with a new sense of social purpose aided by the 480 offices comprising branches, sub offices and three Local Head Offices inherited from the Imperial Bank. The concept of banking as mere repositories of the community’s savings and lenders to creditworthy parties was soon to give way to the concept of purposeful banking sub serving the growing and diversified financial needs of planned economic development in general and rural development in particulars. The State Bank of India was destined to act as
the pacesetter in this respect and lead the Indian banking system into the exciting field of national development. About 55 per cent of share capital of State bank of India is held by Reserve Bank of India. In 1959, State Bank of India (subsidiary bank) Act was passed and in pursuance to this act the following banks were taken over by the State Bank of India:

1. The Bank of Bikaner Limited
2. The Bank of Indore Limited
3. The Bank of Jaipur Limited
4. The Bank of Mysore Limited
5. The Bank of Patiala Limited
6. The Travancore Bank Limited
7. The State Bank of Hyderabad
8. The State Bank of Saurashtra

After reorganization of the taken over banks at present the State Bank of India group consists of the following banks:

1. State Bank of India
2. State Bank of Bikaner & Jaipur
3. State Bank of Hyderabad
4. State Bank of Patiala
5. State Bank of Travancore
6. State Bank of Saurashtra
7. State Bank of Mysore
8. State Bank of Indore

VALUES AND NORMS OF SBI

The Bank functions with the following core values / norms

- Excellence in customer service
- Profit orientation
- Fairness in all dealing and relations
- Risk taking and innovation
- Integrity
- Transparency and discipline in policies and systems
With the latest technology, some of the facilities that can be availed of by the customers online are as: Funds transfer, status enquiry, issuing a DD, finding transactions, paying bills, registering a cheque book request. Anything that you may want to do online without visiting the branch.

SERVICES OFFERED

- SBI VISHWA YATRA FOREIGN TRAVEL CARD
- BROKING SERVICES
- REVISED SERVICE CHARGES
- ATM SERVICES
- INTERNET BANKING
- E-PAY
- E-RAIL
- SAFE DEPOSIT LOCKER
- GIFT CHEQUES
- MICR CODES
- FOREIGN INWARD REMITTANCE

State Bank of India has over 5000 ATMs in India and is already the largest network in the country. The customers of the bank can transact free of cost at the ATMs of State Bank Group using the State Bank Cash Plus card.

AWARDS

SBI received two prestigious technology awards from The Banker magazine in 2005, viz, Core Banking Solution of the Year for scale, speed and complexity, of the programme, and Outsourcing Project of the Year for the Integrated Network Infrastructure project. Bank has been adjudged the Best bank of the Year by Business India.

UNITS/BRANCHES

The SBI group has a network of 13908 branches including 4731 branches of its seven Associate banks.
FOREIGN OFFICES

As on 31-03-2006, the bank had a network of 70 overseas offices spread over 30 countries.

ORGANIZATIONAL STRUCTURE

There is a well defined organizational structure and a clear system of accountability and control system, which also takes into account the RBI / CVC guidelines.

CUSTOMER SERVICE

The bank has taken various initiatives to improve the quality of banking services for the customers. It has adopted the Code of Fair bank practices. The bank from time to time conducts customer satisfaction surveys in select centres across the country. Regarding the core functions of the Bank i.e. accepting deposits and sanction of loans, the interest rates for deposits / advances and different deposit as well as loan products, are displayed in the Bank’s website and also made available at all the Branches of the bank.

COMMUNITY SERVICES BANKING

The bank has sought to reinvest a part of its profits in its various community welfare projects to improve the quality of life of the poor, weaker sections of the society.

FUNCTIONS AND DUTIES OF ITS OFFICERS AND EMPLOYEES

All the officers have certain financial powers and administrative powers depending upon their positions. The delegation of financial powers of various grades of officials is decided by the Central Board which is revised from time to time, depending upon the organization’s requirement and also Government / RBI guidelines. The concerned sanctioning authority takes a decision to sanction a loan or otherwise on merits of each proposal.
COMMITTEES

Bank has appointed various committees for different purposes. Following are some of the important Committees managing the key affairs of the Bank:

a) Risk Management Committee  
b) Credit Risk Management Committee  
c) Asset Liability Management Committee  
d) Operational Risk Management Committee  
e) Audit Committee  
f) Central Management Committee  
g) Central as well as Local Boards

ACHIEVEMENTS OF SBI: (TECHNOLOGY)

The bank has successfully maintained its dive on the technology front to enhance the customer service, increase productivity, and manage the risk. It has computerized all its branches. Over 3150 branches have so far adapted to CBS. Having a total of 5572 ATM’s and 3743 ATMs of associate banks as on 31-03-2006, SBI group has the largest network of ATMs in the country. Internet banking is now provided at 3482 branches covering 6,50,000 users.

3.9.2 Punjab National Bank

HISTORY AND ORIGIN OF PUNJAB NATIONAL BANK

Punjab National Bank (PNB), established in 1895 in Lahore, then a part of undivided India, is the second largest public sector commercial bank in India with about 4500 branches and offices throughout the country. The bank was nationalized in July 1969 along with 13 other banks.

History

- 1895: PNB established in Lahore.
- 1904: PNB established branches in Karachi and Peshawar.
• 1939: PNB acquired Bhagwandas Bank.
• 1947: Partition of India and Pakistan at Independence. PNB may had lost its premises in Lahore, but continued to operate in Pakistan.
• 1961: PNB acquired Universal Bank of India.
• 1963: the Government of Burma nationalized PNB's branch in Rangoon (Yangon).
• September 1965: After the Indo-Pak war the government of Pakistan seized all the offices in Pakistan of Indian banks, including PNB's head office, which may have moved to Karachi. PNB also had one or more branches in East Pakistan (Bangladesh).
• 1960s: PNB amalgamated Indo Commercial Bank (est. 1933).
• 1969: The Government of India (GOI) nationalized PNBs and 13 other top banks.
• 1976 or 1978: PNB opened a branch in London.
• 1986 The Reserve Bank of India required PNB to transfer its London branch to State Bank of India after the branch was involved in a fraud scandal. However, PNB acquired Hindustan Commercial Bank in a rescue.
• 1993: PNB acquired New Bank of India, which the GOI had nationalized in 1980.
• 1998: PNB set up a representative office in Almaty, Kazakhstan.
• 2003: PNB took over Nedungadi Bank, the oldest private sector bank in Kerala. Rao Bahadur T.M. Appu Nedungadi, author of Kundalatha, one of the earliest novels in Malayalam, had established the bank in 1899. It was incorporated in 1913, and in 1965 had acquired selected assets and deposits of the Coimbatore National Bank.

Mr. S.S. Kohli, the Chairman and Managing Director, Punjab National Bank in his address to the press in may 2001 stated, "Punjab National Bank has decided to strongly focus on technology to rapidly respond to new business challenges."
The complete functionality provided by Infosys' web based solutions is our choice of vehicle for staying ahead of competition". (http://www.infosys.com)

PROFILE

With its presence virtually in all the important centers of the country, Punjab National Bank offers a wide variety of banking services which include corporate and personal banking, industrial finance, agricultural finance, financing of trade and international banking. Among the clients of the Bank are Indian conglomerates, medium and small industrial units, exporters, non-resident Indians and multinational companies. The large presence and vast resource base have helped the Bank to build strong links with trade and industry.

PNB also offers Internet Banking services in the country for corporate as well as individuals. Internet Banking services are available through all Branches of the Bank networked under CBS. PNB has recently introduced Online Payment Facility for railway reservation through IRCTC Payment Gateway Project and Online Utility Bill Payment Services which allows Internet Banking account holders to pay their telephone, mobile, electricity, insurance and other bills anytime from anywhere from their desktop.

Another step taken by PNB in meeting the changing aspirations of its clientele is the launch of its Debit card, which is also an ATM card. It enables the card holder to buy goods and services at over 99270 merchant establishments across the country. Besides, the card can be used to withdraw cash at more than 11000 ATMs, where the 'Maestro' logo is displayed, apart from the PNB's over 600 ATMs and tie up arrangements with other Banks. (http://www.pnbindia.com)

VISION

The vision of the bank is “To evolve and position the bank as a world class progressive, with least cost and customer friendly institution providing comprehensive financial and related services; integrating frontiers of Technology and Serving various segments of society especially the weaker sections;
committed to excellence in serving the public and also excelling in corporate values”

MISSION

To provide excellent professional services and improve its position as a leader in the field of financial and related services; build and maintain a team of motivated and committed workforce with high work ethos; use latest technology aimed at customer satisfaction and act a catalyst for socio-economic development.

PNB Online

Punjab National Bank of India is a member of SWIFT and more than 150 PNB Branches are connected with terminals in Mumbai. It promotes “Any Time, Any Where Banking”.

PNB offers Internet Banking services for both to the Corporate and Individuals. It provides 24 hours, 365 days banking from the PC of the user. A user can operate anytime and from anywhere its accounts. The following are some of the services available online:

- Access to account
- Complete details of transactions and statement of account
- Online information of deposits, loans overdraft account etc.
- Online Payment Facility for railway reservation through IRCTC Payment Gateway Project
- Online Utility Bill Payment Services which allows Internet Banking account holders to pay their telephone, mobile, electricity, insurance and other bills anytime from anywhere from their desktop.
- Punjab National Bank Card user can buy goods and enable services from 45,000 merchant outlets in India and can withdraw cash from over 4500 ATMs with its own 450 ATMs.
PRODUCTS

PNB Mutual Fund

PNB Mutual Fund services are distributed under the scheme of Principal PNB Asset Management Company from its assigned branches. The varieties of Punjab National Bank Mutual Fund are as under:

- Principal Growth Scheme
- Principal balanced Fund
- Principal Income Fund
- Principal Income Fund - Short Term Debt
- Principal Cash management Fund
- Principal Index Fund
- Principal government Securities Fund

SERVICES OFFERED

The following wide variety of banking services are offered by the bank:

- Corporate banking
- Personal banking
- Industrial finance
- Agricultural finance
- Financing of trade
- International banking

UNITS/ BRANCHES

Punjab National Bank is serving over 3.5 crore customers through 4520 branches including 439 extension counters - largest amongst Nationalized Banks.
Punjab National Bank has its Branches in all the 7 metropolitan and cosmopolitan cities in India namely New Delhi, Mumbai, Calcutta, Chennai, Bangalore, Hyderabad and Ahmedabad. It even has its branches in small town in both urban as well as rural areas. (http://finance.indiamart.com)

COLLABORATIONS

Punjab National Bank India maintains relationship with more than 200 leading international banks world wide. PNB India has Rupee Drawing Arrangements with 15 exchange companies in UAE and 1 in Singapore. It has Rupee drawing arrangements with M/s UAE Exchange Centre, UAE, M/s Al Fardan Exchange Co. Doha, Qatar, M/s Bahrain Exchange Co, Kuwait, M/s Bahrain Finance Co, Bahrain, M/s Thomas Cook Al Rostamani Exchange Co. Dubai, UAE, and M/s Musandam Exchange, Ruwi, Sultanate of Oman. Strong correspondent banking relationships with more than 217 international banks of the world.

FOREIGN OFFICES

The bank has been focusing on expanding its operations outside India and has identified some of the emerging economies which offer large business potential. Bank has set up representative offices at Almaty: Kazakhstan, Shanghai: China and in London. Besides, Bank has opened a full fledged Branch in Kabul, (Afghanistan).

ORGANIZATIONAL STRUCTURE

Bank has its Corporate Office at New Delhi and 25 Zonal Offices which in turn supervise 48 Regional Offices under which the branches function. The delegation of powers is decentralized unto the branch level to facilitate quick decision making.

CUSTOMER SERVICE

Keeping in tune with changing times and to provide its customers more efficient and speedy service, the Bank has taken major initiative in the field of computerization. All the Branches of the Bank have been computerized. The Bank has also launched aggressively the concept of "Any Time, Any Where
Banking” through the introduction of Centralized Banking Solution (CBS) and over 2000 offices have already been brought under its ambit.

COMMUNITY SERVICE BANKING

The bank has been conscious of its social responsibilities by financing agriculture and allied activities and small scale industries (SSI). Considering the importance of small scale industries bank has established 31 specialized branches to finance exclusively for such industries.

ACHIEVEMENTS OF PNB: (INFORMATION TECHNOLOGY)

Considering that technology is the key driver of business development, the bank has continued to undertake various initiatives on technology front. Keeping with the vision of positioning the bank as a technology driven organization, efforts have been made by the bank to use technology to provide better customer service at minimum cost.

The bank has also installed closed-circuit cameras at its key branches. As it dwelled on customer service, it started using the CC-TV as an aid for bettering customer experience. The branch heads monitor the situation at counters and, in the event of overcrowding, get to act immediately to put additional staff at work at the counters to clear the rush. Its renovated branches now have cash counters that resemble reception desks.

In recognition of its efforts in the area of information technology, the bank has won the following awards during the year:-

- PC Quest Users’ Choice Award for Best IT Implementation
- Symantec Visionary Award (Information Security Impact)
- IBA’s Runner Up Award for outstanding Achiever of the year (Individual)
- CTO of the year (business Innovator) by M/s Jasubhai Digital Media
- Ranked as 323rd biggest bank in the world by Bankers Almanac (January 2006), London.

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<table>
<thead>
<tr>
<th>Award/Recognition</th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>SKOTCH Challenger Award</td>
<td>for Change Management for the year 2005-06</td>
<td></td>
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<tr>
<td>Best IT User in Banking &amp; Financial Services Industry – 2004</td>
<td>by NASSCOM in partnership with Economic Times</td>
<td></td>
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<tr>
<td>Golden Peacock Award</td>
<td>for Excellence in Corporate Governance - 2005 by Institute of Directors</td>
<td></td>
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<tr>
<td>FICCI's Rural Development Award</td>
<td>for Excellence in Rural Development - 2005</td>
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</tr>
<tr>
<td>Skotch Challenger Award for Exemplary use of Technology</td>
<td>for becoming a pioneer in Public Banks - 2005</td>
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<tr>
<td>Golden Peacock National Training - 2004 &amp; 2005</td>
<td>by Institute of Directors</td>
<td></td>
</tr>
<tr>
<td>National Award for Excellence in SSi Lending</td>
<td>Ranked 2nd for 4 consecutive years - 2002, 2003, 2004 &amp; 2005</td>
<td></td>
</tr>
<tr>
<td>Banking Technology Awards 2004</td>
<td>Runner up in 'Best IT Team of the Year Award 2005'</td>
<td>Jointly Adjudged by IBA, Finacle &amp; TFCI</td>
</tr>
<tr>
<td>Money Outlook Award - 2004</td>
<td>Runner up in 'Best Bank (public Sector) of the year Award' - 2005</td>
<td></td>
</tr>
<tr>
<td>Niryat Bandhu Gold Trophy</td>
<td>for excellence in export performance for 3 consecutive years 2001, 2002 &amp; 2003</td>
<td>by Federation of Indian Exporters Organization (FIEO)</td>
</tr>
<tr>
<td>21st Amongst Top 500 Companies</td>
<td>by the leading Financial Daily The Economic Times, June 2005</td>
<td></td>
</tr>
<tr>
<td>9th amongst India's Top 50 Most Trusted Service Brands</td>
<td>A.C Nielsen Survey, The Economic Times Dec 2004</td>
<td></td>
</tr>
<tr>
<td>3rd Rank amongst Banking Sector in India 323rd Rank in the World</td>
<td>The Bankers' Almanac, January 2006</td>
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</tr>
<tr>
<td>368 amongst Top 1000 Global Banks</td>
<td>The Banker, London July 2005</td>
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</tbody>
</table>

**Fig.3.4: Awards & Achievements of Punjab National Bank in Recent Times**

(www.pnbindia.com)

**Quality Policy**

1. To effectively meet customers' requirements and Endeavour to achieve total customer satisfaction.

2. To gain consistent faith and confidence of customers and potential customers regarding the quality of services rendered.
3. To pursue excellence through continuous improvement in all areas and to distinguish ourselves by the quality of our services.

4. To achieve operational efficiency by attaining better productivity and profitability.

5. To work and act in such a manner that all services rendered in due course of banking lead to excellence and improved credibility and image of the Bank. (http://www.pnbindia.com)

Subsidiaries

1. **PNB Gilts Ltd**

   A subsidiary of Punjab National Bank which was amongst the first ones to get the license for undertaking activities in the Government Security market, as a primary dealer in 1996. The company received ISO 9002 certification from British Standard Institution, making it as the first primary dealer in India to achieve this certification for its quality systems and procedures. This certificate has been granted to the company as a whole including its corporate and branch offices.

2. **PNB Housing Finance Ltd.**

   This is a wholly owned subsidiary of Punjab National Bank, is engaged in providing housing loans for purchase, construction and up gradation of a dwelling unit. The company offers Loans for construction or for purchase of house/flat from development authorities and also from private builders/ group housing societies as well as for renovation/ repairs. Company also provides finance for construction of residential projects. Loans to NRIs are also provided for purchase/ construction of house/ flat along with a resident/ non-resident co-borrower.
### Table 3.5: Comparison of Income / Expenses of SBI and PNB for the years ending 2002 to 2006

**Earning Per Share (Rs)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Mar '02</th>
<th>Apr '03</th>
<th>May '04</th>
<th>Jun '05</th>
<th>Jul '06</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI</td>
<td>46.2</td>
<td>26.5</td>
<td>31.3</td>
<td>41.28</td>
<td>43.98</td>
</tr>
<tr>
<td>PNB</td>
<td>57.91</td>
<td>26.5</td>
<td>31.3</td>
<td>41.28</td>
<td>43.98</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>Net Profit for the Year</strong></td>
<td><strong>Total Expenses</strong></td>
<td><strong>Net Profit for the Year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBI</td>
<td>2,431.62</td>
<td>562.39</td>
<td>842.2</td>
<td>1,108.69</td>
<td>1,410.12</td>
</tr>
<tr>
<td>PNB</td>
<td>3,105.00</td>
<td>562.39</td>
<td>574.2</td>
<td>1,108.69</td>
<td>1,410.12</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>Net Profit for the Year</strong></td>
<td><strong>Total Expenses</strong></td>
<td><strong>Net Profit for the Year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBI</td>
<td>34,061.76</td>
<td>31,630.14</td>
<td>34,436.38</td>
<td>34,450.55</td>
<td>34,450.55</td>
</tr>
<tr>
<td>PNB</td>
<td>37,541.38</td>
<td>34,061.76</td>
<td>37,541.38</td>
<td>38,131.55</td>
<td>38,131.55</td>
</tr>
</tbody>
</table>

*All figures are in crore (Rs)*

**Fig. 3.5: Comparison of Income / Expenses of SBI and PNB for the years ending 2002 to 2006**

Table 3.5: Comparison of Income / Expenses of SBI and PNB for the years ending 2002 to 2006

Stand merged with PNB