CHAPTER: 2

INDUSTRY PROFILE
2.1.1 INTRODUCTION TO BANKING SECTOR

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 non-banking institutions that provide certain banking services without meeting the legal requirements. Banks are a subset of the financial services industry. A banking system also refers to 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.

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 Banking sector offers several facilities and opportunities to their customers. All the banks safeguard 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.
2.1.2 HISTORY OF INDIAN BANKING SECTOR

The first bank in India, called The General Bank of India was established in the year 1786. The East India Company established The Bank of Bengal/Calcutta (1809), Bank of Bombay (1840) and Bank of Madras (1843). The next bank was Bank of Hindustan which was established in 1870. These three individual units (Bank of Calcutta, Bank of Bombay, and Bank of Madras) were called as Presidency Banks. Allahabad Bank which was established in 1865, was for the first time completely run by Indians. Punjab National Bank Ltd. was set up in 1894 with head quarters 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. In 1921, all presidency banks were amalgamated to form the Imperial Bank of India which was run by European Shareholders. After that the Reserve Bank of India was established in April 1935. At the time of first phase the growth of banking sector was very slow. Between 1913 and 1948 there were approximately 1100 small banks in India. 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 a Central Banking Authority. After independence, Government has taken most important steps in regard of Indian Banking Sector reforms. In 1955, the Imperial Bank of India was nationalized and was given the name "State Bank of India", to act as the principal agent of RBI and to handle banking transactions all over the country. It was established under State Bank of India Act, 1955. Seven banks forming subsidiary of State Bank of India was nationalized in 1960. On 19th July, 1969, major process of nationalization was carried out. At the same time 14 major Indian commercial banks of the country were nationalized. In 1980, another six banks were nationalized, and thus raising the number of nationalized banks to 20. Seven more banks were nationalized with deposits over 200 Crores. Till the year 1980 approximately 80% of the banking segment in India was under government’s ownership. On the suggestions of Narsimhan Committee, the Banking Regulation Act was amended in 1993 and thus the
gates for the new private sector banks were opened. The following are the major steps taken by the Government of India to Regulate Banking institutions in the country:

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

Nationalisation

By the 1960s, the Indian banking industry has become an important tool to facilitate the development of the Indian economy. At the same time, it has emerged as a large employer, and a debate has ensured about the possibility to nationalise the banking industry. Indira Gandhi, the then Prime Minister of India expressed the intention of the Government of India (GOI) in the annual conference of the All India Congress Meeting the GOI issued an ordinance and nationalised the 14 largest commercial banks with effect from the midnight of July 19, 1969. Jayaprakash Narayan, a national leader of India, described the step as a "Masterstroke of political sagacity" Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received the presidential approval on 9 August, 1969. A second step of nationalisation of 6 more commercial banks followed in 1980. The stated reason for the nationalisation was to give the government more control of credit delivery. With the second step of nationalisation, the GOI controlled around 91% of the banking business in India. Later on, in the year 1993, the government merged New
Bank of India with Punjab National Bank. It was the only merger between nationalised banks and resulted in the reduction of the number of nationalised banks from 20 to 19. After this, until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy. The nationalised banks were credited by some; including Home minister P. Chidambaram, to have helped the Indian economy withstand the global financial crisis of 2007-2009.

**Liberalisation**

There are two areas of competitions which banking industry is facing internationally and nationally. In the early 1990s, the then Narsimha Rao government embarked on a policy of liberalisation, licensing a small number of private banks. In the pre-liberalization era, Indian banks could grow in a closed economy but the banking sector opened up for private competition. It is possible that private banks could become dominant players even within India. These came to be known as New Generation tech-savvy banks, and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of Commerce, Axis Bank (earlier as UTI Bank), ICICI Bank and HDFC Bank. This move along with the rapid growth in the economy of India revolutionized the banking sector in India which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks. The new policy shook the banking sector in India completely. Use of ATM cards, Internet Banking, Phone Banking, Mobile Banking are the new innovative channels of banking which are being widely used as they result in saving both time and money which are two essential things that everyone is short of and is running to catch hold of them. Moreover private sector banks are aligning its infrastructures, marketing quality and technology to build deep commitment in building consumer and retail banking. The main focus of these banks is on innovative range of services or products.
The Reserve Bank of India is an autonomous body, with minimal pressure from the government. The stated policy of the Bank on the Indian Rupee is to manage volatility but without any fixed exchange rate—and this has mostly been true. With the growth in the Indian economy expected to be strong for quite some time—especially in its services sector—the demand for banking services, especially retail banking, mortgages and investment services are expected to be strong.

2.1.3 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 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 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 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:
Functions of RBI as a central bank of India are explained briefly as follows:

- 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.
**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.

**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.

**Issuer of currency:** A person who works as an issuer, issues and exchanges or destroys the currency and coins that are not fit for circulation. His main objective is to give the public adequate quantity of supplies of currency notes and coins and in good quality.

**Developmental role:** The RBI performs the wide range of promotional functions to support national objectives such as contests, coupons maintaining good public relations and many more.

**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.

- Banker to banks maintains banking accounts to all scheduled 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

2. Indian Scheduled Commercial Banks

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

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 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.

2.1 Commercial Banks: Commercial banks may be defined as, any banking organisation that deals with the deposits and loans of business organisations. Commercial banks issue bank checks and drafts, as well as accept money on term deposits. Commercial banks
also act as moneylenders, by way of installment loans and overdrafts. Commercial banks also allow for a variety of deposit accounts, such as checking, savings, and time deposit. These institutions are run to make a profit and owned by a group of individuals.

2.1.1 Public Sector Banks: The Public sector banks are those where govt holdings are more than 50% while nationalized banks are those banks which were nationalized in 1969 and 1980. Thus all nationalized banks are public sector banks. Thus in total 27 PSB's are there

Examples of public sector banks are: SBI, Bank of India, Canara Bank, etc.

2.1.2 Private Sector Banks: These are banks majority of share capital of the bank is held by private individuals. These banks are registered as companies with limited liability.

“Private banks" can also refer to non-government owned banks in general, in contrast to government-owned (or nationalized) banks, which were prevalent in communist, socialist and some social democratic states in the 20th century. Private banks as a form of organisation should also not be confused with "Private Banks" that offer financial services to high net worth individuals and others.

Private banks are banks that are not incorporated. A private bank is owned by either an individual or a general partner(s) with limited partner(s). In any such case, the creditors can look to both the "entirety of the bank's assets" as well as the entirety of the sole-proprietor's/general-partners' assets. These are the major players in the banking sector as well as in expansion of the business activities India. Reserve Bank of India (RBI) came in picture in 1935 and became the centre of every other bank taking away all the responsibilities and functions of Imperial bank. The share of the private bank branches stayed nearly same between 1980 and 2000. Then from early 1990’s, RBI's liberalization policy came in picture and with this the government gave licenses to a few private banks, which came to be known as new private sector banks.

Examples of private sector banks are: ICICI Bank, Axis bank, HDFC, etc.
2.1.3 **Foreign Banks:** These banks are registered and have their headquarters in a foreign country but operate their branches in our country. Now, foreign banks in India are permitted to set up local subsidiaries. The policy conveys that foreign banks in India may not acquire Indian ones (except for weak banks identified by the RBI, on its terms) and their Indian subsidiaries will not be able to open branches freely. Foreign banks have brought latest technology and latest banking practices in India. Government has come up with a road map for expansion of foreign banks in India. Examples of foreign banks in India are: HSBC, Citibank, Standard Chartered Bank, JP MorganChase Bank etc.

2.1.4 **Regional Rural Bank:** The government of India set up Regional Rural Banks (RRBs) on October 2, 1975. The banks provide credit to the weaker sections of the rural areas, particularly the small and marginal farmers, agricultural laborers, 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.

3. **Co-operative Banks:** Co-operative banks are small-sized units organized in the co-operative sector which operate both in urban and non-urban centers. These banks are traditionally centered around communities, localities and work place groups and they essentially lend to small borrowers and businesses. A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the
customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts, etc). They provide limited banking products and are specialists in agriculture-related products.

Cooperative banks are the primary financiers of agricultural activities, some small-scale industries and self-employed workers. Co-operative banks function on the basis of "no-profit no-loss".

Anyonya Co-operative Bank Limited (ACBL) is the first co-operative bank in India located in the city of Vadodara in Gujarat.

**Primary credit societies:** These are formed in small locality like a small town or a village. The members using this bank usually know each other and the chances of committing fraud is minimal.

**Central cooperative banks:** These banks have their members who belong to the same district. They function as other commercial banks and provide loans to their members. They act as a link between the state cooperative banks and the primary credit societies.

**State cooperative banks:** these banks have a presence in all the states of the country and have their presence throughout the state

### 2.1.4 SERVICES PROVIDED BY BANKING ORGANISATIONS

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 withdrawable by cheques, drafts, orders etc. as per the above definition a bank essentially performs the following functions:-
• Accepting Deposits or savings functions from customers or public by providing bank account, current account, fixed deposit account, recurring accounts etc.

• The payment transactions like lending money to the public. Bank provides an effective credit delivery system for loanable transactions.

• 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 performs a trustworthy business for various purposes.

• A bank also provides the safe custody facility to the money and valuables of the general public. Bank offers various types of deposit schemes for security of money. 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.

There are several types of banks, which differ in the number of services they provide and the clientele (Customers) they serve. Although some of the differences between these types of banks have lessened as they have begun to expand the range of products and services they offer, there are still key distinguishing traits.

These banks are as follows:

Commercial banks, which dominate this industry, offer a full range of services for individuals, businesses, and governments. These banks come in a wide range of sizes, from large global banks to regional and community banks.

Global banks are involved in international lending and foreign currency trading, in addition to the more typical banking services.
Regional banks have numerous branches and automated teller machine (ATM) locations throughout a multi-state area that provide banking services to individuals. Banks have become more oriented toward marketing and sales. As a result, employees need to know about all types of products and services offered by banks.

Community banks are based locally and offer more personal attention, which many individuals and small businesses prefer. In recent years, online banks—which provide all services entirely over the Internet—have entered the market, with some success. However, many traditional banks have also expanded to offer online banking, and some formerly Internet-only banks are opting to open branches.

Savings banks and savings and loan associations, sometimes called thrift institutions, are the second largest group of depository institutions. They were first established as community-based institutions to finance mortgages for people to buy homes and still cater mostly to the savings and lending needs of individuals.

Credit unions are another kind of depository institution. Most credit unions are formed by people with a common bond, such as those who work for the same company or belong to the same labour union or church. Members pool their savings and, when they need money, they may borrow from the credit union, often at a lower interest rate than that demanded by other financial institutions.

Federal Reserve banks are Government agencies that perform many financial services for the Government. Their chief responsibilities are to regulate the banking industry and to help implement our Nation’s monetary policy so our economy can run more efficiently by controlling the Nation’s money supply—the total quantity of money in the country, including cash and bank deposits. For example, during slower periods of economic activity, the Federal Reserve may purchase government securities from commercial banks, giving them more money to lend, thus expanding the economy. Federal Reserve banks also perform a variety of services for other banks. For example, they may make emergency loans to banks that are short of cash, and clear checks that are drawn and paid out by different banks.
The money banks lend, comes primarily from deposits in checking and savings accounts, certificates of deposit, money market accounts, and other deposit accounts that consumers and businesses set up with the bank. These deposits often earn interest for their owners, and accounts that offer checking, provide owners with an easy method for making payments safely without using cash. Deposits in many banks are insured by the Federal Deposit Insurance Corporation, which guarantees that depositors will get their money back, up to a stated limit, if a bank should fail.

2.1.5 FUNCTIONS OF BANKS

A. Primary Functions of Banks

The primary functions of a bank are also known as banking functions. They are the main functions of a bank. These primary functions of banks are explained below.

1. Accepting Deposits

The bank collects deposits from the public. These deposits can be of different types, such as:

   a. Saving Deposits
   b. Fixed Deposits
   c. Current Deposits
   d. Recurring Deposits
Saving Deposits

This type of deposits encourages saving habit among the public. The rate of interest is low. Withdrawals of deposits are allowed subject to certain restrictions. This account is suitable to salary and wage earners. This account can be opened in single name or in joint names.

Fixed Deposits

Lump sum amount is deposited at one time for a specific period. Higher rate of interest is paid, which varies with the period of deposit. Withdrawals are not allowed before the expiry of the period. Those who have surplus funds go for fixed deposit.

Current Deposits

This type of account is operated by businessmen. Withdrawals are freely allowed. No interest is paid. In fact, there are service charges. The account holders can get the benefit of overdraft facility.

Recurring Deposits

This type of account is operated by salaried persons and petty traders. A certain sum of money is periodically deposited into the bank. Withdrawals are permitted only after the expiry of certain period. A higher rate of interest is paid.

2. Granting of Loans and Advances

The bank advances loans to the business community and other members of the public. The rate charged is higher than what it pays
on deposits. The difference in the interest rates (lending rate and the deposit rate) is its profit.

The types of bank loans and advances are :-

a. Overdraft
b. Cash Credits
c. Loans
d. Discounting of Bill of Exchange

a. Overdraft

This type of advances are given to current account holders. No separate account is maintained. All entries are made in the current account. A certain amount is sanctioned as overdraft which can be withdrawn within a certain period of time say three months or so. Interest is charged on actual amount withdrawn. An overdraft facility is granted against a collateral security. It is sanctioned to businessman and firms.

b. Cash Credits

The client is allowed cash credit upto a specific limit fixed in advance. It can be given to current account holders as well as to others who do not have an account with bank. Separate cash credit account is maintained. Interest is charged on the amount withdrawn in excess of limit. The cash credit is given against the security of tangible assets and / or guarantees. The advance is given for a longer period and a larger amount of loan is sanctioned than that of overdraft.

c. Loans

It is normally for short term say a period of one year or medium term say a period of five years. Now-a-days, banks do lend money for long term. Repayment of money can be in the form of installments spread over a period of time or in a lumpsum amount. Interest is charged on the actual amount sanctioned, whether withdrawn or not. The rate of interest
may be slightly lower than what is charged on overdrafts and cash credits. Loans are normally secured against tangible assets of the company.

d. Discounting of Bill of Exchange

The bank can advance money by discounting or by purchasing bills of exchange both domestic and foreign bills. The bank pays the bill amount to the drawer or the beneficiary of the bill by deducting usual discount charges. On maturity, the bill is presented to the drawee or acceptor of the bill and the amount is collected.

B. Secondary Functions of Banks

The bank performs a number of secondary functions, also called as non-banking functions. These important secondary functions of banks are explained below.

1. Agency Functions

The bank acts as an agent of its customers. The bank performs a number of agency functions which includes:

- a. Transfer of Funds
- b. Collection of Cheques
- c. Periodic Payments
- d. Portfolio Management
- e. Periodic Collections
- f. Other Agency Functions
a. Transfer of Funds

The bank transfer funds from one branch to another or from one place to another.

b. Collection of Cheques

The bank collects the money of the cheques through clearing section of its customers. The bank also collects money of the bills of exchange.

c. Periodic Payments

On standing instructions of the client, the bank makes periodic payments in respect of electricity bills, rent, etc.

d. Portfolio Management

The banks also undertakes to purchase and sell the shares and debentures on behalf of the clients and accordingly debits or credits the account. This facility is called portfolio management.

e. Periodic Collections

The bank collects salary, pension, dividend and such other periodic collections on behalf of the client.

f. Other Agency Functions

They act as trustees, executors, advisers and administrators on behalf of its clients. They act as representatives of clients to deal with other banks and institutions.

2. General Utility Functions
The bank also performs general utility functions, such as:

- **a. Issue of Drafts, Letter of Credits, etc.**
- **b. Locker Facility**
- **c. Underwriting of Shares**
- **d. Dealing in Foreign Exchange**
- **e. Project Reports**
- **f. Social Welfare Programmes**
- **g. Other Utility Functions**

**a. Issue of Drafts and Letter of Credits**

Banks issue drafts for transferring money from one place to another. It also issues letter of credit, especially in case of import trade. It also issues travellers' cheques.

**b. Locker Facility**

The bank provides a locker facility for the safe custody of valuable documents, gold ornaments and other valuables.

**c. Underwriting of Shares**

The bank underwrites shares and debentures through its merchant banking division.

**d. Dealing in Foreign Exchange**

The commercial banks are allowed by RBI to deal in foreign exchange.

**e. Project Reports**

The bank may also undertake to prepare project reports on behalf of its clients.

**f. Social Welfare Programmes**
It undertakes social welfare programmes, such as adult literacy programmes, public welfare campaigns, etc.

g. Other Utility Functions

It acts as a referee to financial standing of customers. It collects creditworthiness information about clients of its customers. It provides market information to its customers, etc. It provides travellers' cheque facility.

2.1.6 WORK STRESS IN BANKING SECTOR

Occupational stress is becoming increasingly globalized and affects all countries, all professions and all categories of workers, as well as families and society in general (Ahmad and Ahmad, 1992). Every employee is prone to stress either knowingly or unknowingly. Banking professionals are no exemption from this. During the past decade, the banking sector had undergone rapid and striking changes like policy changes, increased competition due to the entrance of more private sector banks, introduction of new technologies, etc. Due to these changes, the employees in the banking sector are experiencing a high level of stress. Bank employees admit that stress is affecting their jobs, family life and health. Unpredictable economy, pressure to maintain profitability and increased responsibilities are main causes of stress.

According to a study conducted by Associated Chambers of Commerce and Industry of India (ASSOCHAM), it has been found that banks are the top 10 high stress workplace in recent times. Due to globalization and liberalization, the banking sector had undergone substantial policy changes, in response to the changes that have been taking place in the social, political, economic and technological environments. In addition to
meeting the increasing demands from the traditional markets, new markets have been brought into the banking sector, entailing in the process the adoption of new marketing practices, calling for an entirely new approach and a significant change in the market attitude.

Entry of new private and foreign banks, non-banking financial institutions, technological changes, downsizing, appointment of contract labor and VRS are some of the important challenges that the bank employees are facing increasingly. Due to these rapid and striking changes, the employees in the banking sector are experiencing a high level of stress. Increased competition, growing customer demands, prompt customer service, time pressure, targets and role conflicts are the main factors of stress to bank employees.

Bankers are under a great deal of stress and due to many antecedents of stress such as Overload, Role ambiguity, Role conflict, Responsibility for people, Participation, Lack of feedback, Keeping up with rapid technological change, Being in an innovative role, Career development, Organisational structure and climate, and Recent episodic events.
COMPANY PROFILE
2.2.1 INTRODUCTION TO HDFC BANK

Housing Development Finance Corporation Limited

**HDFC Bank Limited** is an Indian financial services company based in Mumbai, Maharashtra that was incorporated in August 1994. HDFC Bank is the fifth or sixth largest bank in India by assets and the first largest bank by market capitalization as of November 1, 2012. The bank was promoted by the Housing Development Finance Corporation, a premier housing finance company (set up in 1977) of India.

**HISTORY**

HDFC Bank was incorporated in 1994 by Housing Development Finance Corporation Limited (HDFC), India's largest housing finance company. It was among the first companies to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. The Bank started operations as a scheduled commercial bank in January 1995 under the RBI's liberalisation policies.

Times Bank Limited (owned by Bennett, Coleman & Co./The Times Group) was merged with HDFC Bank Ltd., in 2000. This was the first merger of two private banks in India. Shareholders of Times Bank received 1 share of HDFC Bank for every 5.75 shares of Times Bank.

In 2008 HDFC Bank acquired Centurion Bank of Punjab taking its total branches to more than 1,000. The amalgamated bank emerged with a base of about Rs. 1,22,000 crore and net advances of about Rs.89,000 crore. The balance sheet size of the combined entity is more than Rs.1,63,000 crore.
MANAGEMENT

Mr. C.M. Vasudev has been appointed as the Chairman of the Bank with effect from 6th July 2010. Mr. Vasudev has been a Director of the Bank since October 2006. A retired IAS officer, Mr. Vasudev has had an illustrious career in the civil services and has held several key positions in India and overseas, including Finance Secretary, Government of India, Executive Director, World Bank and Government nominee on the Boards of many companies in the financial sector.

The Managing Director, Mr. Aditya Puri, has been a professional banker for over 25 years, and before joining HDFC Bank in 1994 was heading Citibank's operations in Malaysia. The Bank's Board of Directors is composed of eminent individuals with a wealth of experience in public policy, administration, industry and commercial banking. Senior executives representing HDFC are also on the Board.

Senior banking professionals with substantial experience in India and abroad head various businesses and functions and report to the Managing Director. Given the professional expertise of the management team and the overall focus on recruiting and retaining the best talent in the industry, the bank believes that its people are a significant competitive strength.

VISION
To be customer driven best managed enterprise that enjoys market leadership in providing housing related finance.

MISSION
To provide a package of attractive financial services for housing purposes through a competent and motivated team of employees using the state of the art technology to
maintain financial stability and growth of the organisation whilst contributing to the national goal of providing decent housing to all.

**BUSINESS FOCUS**

HDFC Bank deals with three key business segments. Wholesale Banking Services, Retail Banking Services, Treasury. It has entered the banking consortia of over 50 corporates for providing working capital finance, trade services, corporate finance, and merchant banking. It is also providing sophisticated product structures in areas of foreign exchange and derivatives, money markets and debt trading And Equity research.

**Wholesale banking services**

The Bank provides a wide range of commercial and transactional banking services, including working capital finance, trade services, transactional services, cash management, etc. The bank is also a leading provider of the above services to its corporate customers, mutual funds, stock exchange members and banks.

**Retail banking services**

HDFC Bank was the first bank in India to launch an International Debit Card in association with VISA (Visa Electron) and issues the Master Card Maestro debit card as well. The Bank launched its credit card business in late 2001. the bank had a total card base (debit and credit cards) of over 13 million.

The Bank is positioned in various net based B2C opportunities including a wide range of Internet banking services for Fixed Deposits, Loans, Bill Payments, etc. With Finest of Technology and Best of Man power in Banking Industry HDFC Bank's retail services have become by and large the best in India and total number of current and savings account of more than 50%, HDFC BANK has full potential to become India's No.1 Private Sector Bank.
Treasury

Within this business, the bank has three main product areas - Foreign Exchange and Derivatives, Local Currency Money Market & Debt Securities, and Equities. These services are provided through the bank's Treasury team. To comply with statutory reserve requirements, the bank is required to hold 25% of its deposits in government securities. The Treasury business is responsible for managing the returns and market risk on this investment portfolio.

Infrastructure and business growth

As on December 2012, HDFC Bank has 2,776 branches and 10,490 ATMs, in 1,399 cities in India, and all branches of the bank are linked on an online real-time basis. 66,076 employees are working in HDFC. As of December 2012 the bank had balance sheet size of Rs. 3837 billion. For the fiscal year 2011-12, the bank has reported net profit of ₹5167.07 crore (US$950 million), up 31.6% from the previous fiscal.

Products: Credit cards, consumer banking, corporate banking, finance and insurance, investment banking, mortgage loans, private banking, private equity, wealth management.

SWOT ANALYSIS

Strengths

- HDFC bank is the second largest private banking sector in India having 2,201 branches and 7,110 ATM’s
- HDFC bank is located in 1,174 cities in India and has more than 800 locations to serve customers through Telephone banking
• The bank’s ATM card is compatible with all domestic and international Visa/Master card, Visa Electron/ Maestro and American Express. This is one reason for HDFC cards to be the most preferred card for shopping and online transactions
• HDFC bank has the high degree of customer satisfaction when compared to other private banks
• The attrition rate in HDFC is low and it is one of the best places to work in private banking sector
• HDFC has lots of awards and recognition, it has received ‘Best Bank’ award from various financial rating institutions like Dun and Bradstreet, Financial express, Euromoney awards for excellence, Finance Asia country awards etc
• HDFC has good financial advisors in terms of guiding customers towards right investments

Weakness

• HDFC bank doesn’t have strong presence in Rural areas, where as ICICI bank its direct competitor is expanding in rural market
• HDFC cannot enjoy first mover advantage in rural areas. Rural people are hard core loyals in terms of banking services.
• HDFC lacks in aggressive marketing strategies like ICICI
• The bank focuses mostly on high end clients
• Some of the bank’s product categories lack in performance and doesn’t have reach in the market
• The share prices of HDFC are often fluctuating causing uncertainty for the investors

Opportunities

• HDFC bank has better asset quality parameters over government banks, hence the profit growth is likely to increase
The companies in large and SME are growing at very fast pace. HDFC has good reputation in terms of maintaining corporate salary accounts
HDFC bank has improved it’s bad debts portfolio and the recovery of bad debts are high when compared to government banks
HDFC has very good opportunities in abroad
Greater scope for acquisitions and strategic alliances due to strong financial position

Threats

HDFC’s nonperforming assets (NPA) increased from 0.18 % to 0.20%. Though it is a slight variation it’s not a good sign for the financial health of the bank
The non banking financial companies and new age banks are increasing in India
The HDFC is not able to expand its market share as ICICI imposes major threat
The government banks are trying to modernize to compete with private banks
RBI has opened up to 74% for foreign banks to invest in Indian market

AWARDS

NASSCOM CNBC-TV18 IT Innovation Award 2013 for Best IT Driven Innovation in Banking (commercial)
The National Quality Excellence Awards 2013 for Best IT Driven Innovation in Banking (commercial)
Skoch Financial Inclusion Awards 2013 for Organisation of the Year.
CSO Forum Information Technology Award 2012 for Best Organisation for Information Security Practice.
CNBC TV18's India Best Banks and Financial Institutions Awards 2012 for Best Private sector Bank.
2.2.2 INTRODUCTION TO STATE BANK OF INDIA

State Bank of India (SBI) is a multinational banking and financial services company based in India. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra.

HISTORY

The roots of the state bank of india lie in the first decade of 19th century, when the bank of culcutta, later renamed the bank of Bengal, was established on 2nd June 1806. The bank of Bengal was one of the three presidency banks, the other two being the bank of Bombay (incorporated on 15th April 1840) and the bank of madras (incorporated on 1st July 1843). The presidency banks were amalgamated on 27th January 1921 and the reorganized as imperial bank of India.

In 1959, the government passed the State Bank of India (Subsidiary Banks) Act, which made eight state banks associates of SBI. A process of consolidation began on 13 September 2008, when the State Bank of Saurashtra merged with SBI.

SBI has acquired local banks in rescues. The first was the Bank of Behar, which SBI acquired in 1969, together with its 28 branches. The next year SBI acquired National Bank of Lahore (est. 1942), which had 24 branches. Five years later, in 1975, SBI acquired Krishnaram Baldeo Bank, which had been established in 1916 in Gwalior State, under the patronage of Maharaja Madho Rao Scindia. The new banks first manager was Jall N. Broacha, a Parsi. In 1985, SBI acquired the Bank of Cochin in Kerala, which had 120 branches. SBI was the acquirer as its affiliate, the State Bank of Travancore, already had an extensive network in Kerala.
The government of India took over the stake held by the reserve bank of the world’s biggest corporations for the year 2012.

**Associate banks**

SBI has five associate banks; all use the State Bank of India logo, which is a blue circle, and all use the "State Bank of" name, followed by the regional headquarters' name:

- State Bank of Bikaner & Jaipur
- State Bank of Hyderabad
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Travancore

**Non-banking subsidiaries**

Apart from its five associate banks, SBI also has the following non-banking subsidiaries:

- SBI Capital Markets Ltd
- SBI Funds Management Pvt Ltd
- SBI Factors & Commercial Services Pvt Ltd
- SBI Cards & Payments Services Pvt. Ltd. (SBICPSL)
- SBI DFHI Ltd
- SBI Life Insurance Company Limited
- SBI General Insurance

**Major competitors**

Some of the major competitors for SBI in the banking sector are ICICI Bank, HDFC Bank, Axis Bank, Punjab National Bank and Bank of Baroda. However in terms of average market share, SBI is by far the largest player in the market.
MANAGEMENT

As on 14 January 2013, there are fifteen members in the SBI board of directors:-

- **Chairman**: Pratip Chaudhuri
- **Managing Director**: Hemant G. Contractor, Diwakar Gupta, A. Krishna Kumar, S. Visvanathan
- **Director**: S. Venkatachalam, D. Sundaram, Parthasarathy Iyengar, Parthasarathy Iyengar, Thomas Mathew, Rajiv Kumar, Deepak Amin, D. K. Mittal, Harichandra Bahadur Singh
- **Officer Employee Director**: S.K. Mukherjee
- **Workmen Employee Director**: Jyoti Bhushan Mohapatra

Infrastructure and Business Growth

As of December 2012, it had assets of US$501 billion and 15,003 branches, including 157 foreign offices, making it the largest banking and financial services company in India by assets. SBI provides a range of banking products through its network of branches in India and overseas, including products aimed at non-resident Indians (NRIs). SBI has 14 regional hubs and 57 Zonal Offices that are located at important cities throughout the country. SBI has 27,000+ ATMs and SBI group (including associate banks) has about 45,000 ATMs. SBI had reported a marginal 4.08 per cent increase in net profit at Rs 3,396 crore for the third quarter ended December 31, 2012

**Products**: Credit cards, consumer banking, corporate banking, finance and insurance, investment banking, mortgage loans, private banking, wealth management.

SWOT ANALYSIS

**Strengths**

- SBI is the largest bank in India in terms of market share, revenue and assets.
- As per recent data the bank has more than 13,000 outlets and 25,000 ATM centers
• The bank has its presence in 32 countries engaging currency trade all over the world
• The bank has a merged with State Bank of Saurashtra, State bank of Indore and the bank is planning to go further acquisition.
• SBI has the first mover advantage in commercial banking service

Weakness

• Lack of proper technology driven services when compared to private banks
• Employees show reluctance to solve issues quickly due to higher job security and customers’ waiting period is long when compared to private banks
• The banks spends a huge amount on its rented buildings
• SBI has the largest number of employees in banking sector, hence the bank spends a considerable amount of its income in employee’s salary compensation
• In spite of modernization, the bank still carries the perception of traditional bank to new age customers
• SBI fails to attract salary accounts of corporate and many government sector employees salary accounts are also shifted to private bank for ease of operations unlike before

Opportunities

• SBI’s merger with five more banks namely State Bank of Hyderebad, State bank of Patiala, State bank of Bikaner and Jaipur, State of bank of Travancore and State bank of Mysore are in approval stage
• Mergers will result in expansion of market share to defend its number one position
• SBI is planning to expand and invest in international operations due to good inflow of money from Asian Market
• Since the bank is yet to modernize few of its banking operations, there is a better scope of using advanced technologies and software to improve customer relations
• Young and talented pool of graduates and B schools are in rise to open new horizon to so called “old government bank”

**Threats**

• Reduce in market share to its close competitor ICICI Other private banks like HDFC, AXIS bank etc
• FDIs allowed in banking sector is increased to 49% , this is a major threat to SBI as people tend to switch to foreign banks for better facilities and technologies in banking service
• Other government banks like PNB, Andhra, Allahabad bank and Indian bank are showing Customer prefer to switch to private banks and financial service providers for loans and mortgages, as SBI involves stringent verification procedures and take long time for processing

**AWARDS AND RECOGNITIONS**

• Best Online Banking Award, Best Customer Initiative Award & Best Risk Management Award (Runner Up) by IBA Banking Technology Awards 2010
• The Bank of the year 2009, India (won the second year in a row) by The Banker Magazine
• Best Bank – Large and Most Socially Responsible Bank by the Business Bank Awards 2009
• Best Bank 2009 by Business India
• The Most Trusted Brand 2009 by The Economic Times
• Most Preferred Bank & Most preferred Home loan provider by CNBC
• Visionaries of Financial Inclusion By FINO
• Technology Bank of the Year by IBA Banking Technology Awards
• SKOCH Award 2010 for Virtual corporation Category for its e-payment solution
• The Brand Trust Report: 11th most trusted brand in Hindustan.