CHAPTER-I
OVERVIEW OF COMMERCIAL BANKING CUSTOMERS NETWORK WITH SPECIAL REFERENCE TO STATE BANK OF INDIA

The process of fast economic growth in connecting Income, saving and Investment of individuals with the process of industrialization through the institutional network, has to play a very sensitive role not only to attract investment of the individuals out of their savings or by providing adequate funds to the industrial enterprises but to act as purveyors of meeting out the monetary demand of all including individuals, organisations, institutions, government and the society at large. The institutional network which is endowed to serve in different ways includes the professionally oriented institutions called as banks. These institutions have emerged in diverse forms to meet out the different kinds of monetary role they are providing as per the nature and requirement of the customers in demand of money or who intend to invest for meeting out specified conditions of investments with the passage of time. However, the role, structure and pattern of services of these institutions have changed and now, banks are equipped with a variety of packages and services for their customers.

Banking in its most simple form, is as old as the history of civilised society. As early as 2000 B. C., Babylonians have developed a system of banks\(^1\). In ancient Greece and Rome, the practice of granting credit was widely prevalent. Traces of credit by compensation and by transfer orders are found in Assyria, Phoenicia and Egypt before the system attained full development in Greece and Rome\(^2\). During the early periods, although the banking business was mostly done by private individuals, many countries established public banks either for the purpose of facilitating commerce or to serve the government. The Bank of Venis established in 1157\(^3\), is supposed to be the most ancient bank though originally, it was not a bank in the modern sense, being simply an office for the transfer of the public debt.
Crowther opines that for serving customers, the modern banking has three ancestors in the history of banking in the world. These are: i) The Merchant Bankers, ii) The gold smiths and iii) The Money Lenders. The merchant bankers first evolved the system of banking as the trading activities which required remittance of money from one place to another and of course, it is one of the important functions of a bank even now. This system gave rise to the institution of "Hundi" which means a letter of transfer whereby, a merchant directs another merchant to pay the bearer of Hundi, the specified amount of money in the Hundi and debit this amount against its drawer. The second stage in the growth of banking was the role of goldsmiths. The business of goldsmiths was such that they had to secure gold safe to protect it against theft and take special precautions. In a period when paper was not in circulation and the money consisted of gold and silver, people started leaving their precious bullion and coins in the custody of goldsmiths. The third stage in the growth of banking system is the changing of the character of goldsmiths into that of the money lenders.

With the passage of time and on the basis of experience, the goldsmiths found that the withdrawals of coins were much less than the deposits with them. After keeping the contingency reserve, the goldsmiths started advancing the coins on loan by charging interest. In this way, they became bankers who started performing two important functions of the modern banking system viz. accepting deposits and advancing loans. The only difference is that the paper money is used while in the past, it was gold and silver coins.

1.1 ORIGIN OF THE WORD BANK:

The name 'Bank' derives from the Italian word 'banco' i.e. "desk/bench" used during the renaissance by Florentines bankers, who used to make their transactions above a desk covered by a green tablecloth.
However, there are traces of banking activity even in ancient times. In fact
the word ‘bank’ traces its origin back to the ancient Roman Empire, where
money lenders setup their stalls in the middle of enclosed courtyards called
macella on a long bench called banco from which the word bank is derived.
As a money changer, the merchant at the banco did not as much invest
money as merely to convert the foreign currency into the only legal tender in
Rome that of the Imperial mint.

1.2 MEANING AND DEFINITION OF A BANK:

A modern bank performs a variety of functions. Ordinarily, a ‘Bank’ is an
institution which deals with the money and credit in such a manner that it accepts
deposit and lends money to needy people.

According to the Banking Companies Regulation Act 1949,"Banking
means the accepting for the purpose of Indian companies lending or Investment
of deposits of money from the public repayable on demand or otherwise and
withdraw able by cheque, draft or otherwise.

John Paget states, Nobody can be a banker who does not (i) take deposit
account (ii) take current account (iii) issue and pay cheques and (iv) collects
cheques for its customers", Paget has further emphasized that a person or an
establishment to be called a banker, should not only perform these functions but
also be acknowledged as the one who earns livelihood through the banking
business.

The definition of bank varies from country to country ,Under English
Common Law, a banker is defined as a person who carries on business of
banking which is specified as conducting current accounts for his customers
paying cheques drawn on him and collecting cheques for his customers. In most
English law jurisdictions, there is a Bill of Exchange Act that codifies the law in
relation to negotiable instruments, including cheques, and this Act contains a
statutory definition of the term banker which includes a body of persons whether incorporated or not, who carry on the business of banking (Section 2, interpretation). Although, this definition seems circular. It is actually functional because it ensures that the legal basis for bank transaction such as cheques do not depend on how the bank is organized or regulated.

It can be stated that a bank is a financial institution that serves as a financial intermediary. The term "bank" may refer to one of several related types of entities:

A central bank circulates money on behalf of a government and acts as its monetary authority by implementing monetary policy, which regulates the money supply.

- A commercial bank accepts deposits and pools those funds to provide credit, either directly by lending, or indirectly by investing through the capital markets. Within the global financial markets, these institutions connect market participants with capital deficits (borrowers) to market participants with capital surpluses (investors and lenders) by transferring funds from those parties who have surplus funds to invest (financial assets) to those parties who borrow funds to invest in real assets.

- A savings bank (known as a "building society" in the United Kingdom) is similar to a savings and loan association (S&L). They can either be stockholder, owned or mutually owned, in which case they are permitted to only borrow from members of the financial cooperatives. The asset structure of savings banks and savings and loan associations is similar, with residential mortgage loans providing the principal assets of the institution's portfolio.

Bank is an organization usually a corporation charted by a state or federal government. Banks perform most or all of the following:
A banker or bank is a payment agent for customers to borrow and lend money. Because of the important role depository institutions play in the financial system, the banking industry is generally regulated with government restrictions on financial activities which differ over time and in different locations. Current global bank capital requirements are referred to as Basel II. In some countries, such as Germany, banks have historically owned major stake in industrial companies, while in other countries, such as the United States, banks have traditionally been prohibited from owning non-financial companies. In Japan, these institutions are usually the nexus of a cross-share holding entity known as the "keiretsu". In Iceland, they followed International Standards of Regulation prior to the recent global financial crisis that began in 2007.

A Bank's main source of income is interest. It pays out at a lower interest rate on deposits and receives a higher interest rate on loans. The difference between these rates represents the bank's net income.

1.3 STRUCTURE AND EVOLUTION OF INDIAN BANKING SECTOR:

Banking in India originated in the last decades of the 18th century. The banks established in the beginning were The General Bank of India, started in 1786, and Bank of Hindustan, started in 1790; both are now defunct. The oldest bank in existence in India is the State Bank of India. It originated the Bank of
Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras. All the three banks were established under charters of the British East India Company. For many years, the Presidency banks acted as quasi-central banks, as did their successors. The three banks merged in 1921 to form the Imperial Bank of India, which, after India's independence, became the State Bank of India.

The first entirely Indian joint stock bank was the Oudh Commercial Bank, established in 1881 in Faizabad. It failed in 1958. The next was the Punjab National Bank, established in Lahore in 1895, which has survived to the present and is now one of the largest banks in India. Around the turn of the 20th Century, the Indian economy was passing through a relative period of stability and the social, industrial and other infrastructure have improved.

The presidency banks have drastically dominated banking in India but there are also exchange banks and a number of Indian joint stock banks who have succeeded to prove their importance and existence. All these banks are operating in different segments of the economy. The exchange banks, mostly owned by Europeans have concentrated on financing foreign trade while Indian joint stock banks are generally undercapitalized and lacking the experience and maturity to compete with the presidency and exchange banks. This segmentation let Lord Curzon to observe, "In respect of banking it seems we are behind the times. We are like some old fashioned sailing ship, divided by solid wooden bulkheads into separate and cumbersome compartments. " The period between 1906 and 1911, saw the establishment of banks inspired by the Swadeshi movement. The Swadeshi movement inspired local businessmen and political leader consider banks of and for the Indian community. A number of banks established at that time then have survived to the present such as Bank of
India, Corporation Bank, Indian Bank, Bank of Baroda, Canara Bank and Central Bank of India.

1.4 DEVELOPMENT OF BANKING IN INDIA: DISTINCT PHASES:

There are six major phases in the history of banking in India. These are:

1.4.1 Early historical and Formative Period: 1770–1905.
1.4.2 Pre-independence Period: 1906–46.
1.4.3 Post-independence Regulated Period: 1947–84.
1.4.4 Consolidated Phase (1985-91).
1.4.5 Post-independence Deregulated Period from 1992.

1.4.1 Early Historical and Pre-independence Period

In early periods, the lending money was simple and easy as it was ‘sahukar’ who financed clients whom he closely knew. Moneylenders used to be known as people who fulfilled their urgent needs but later, they were known for malpractices. As they charged extra rates of interest and otherwise betrayed. With the arrival of the British rule, indigenous banking received a setback.

1.4.2 Pre-independence Period (1906–46)

In the pre-independent period, the Bank of Hindustan was established in 1770 and due to the financial crisis, it was closed in 1832. The most significant achievement of this period was emergence of three Presidency Banks; Bank of Bengal (1809), Bank of Bombay (1840) with a capital of Rs. 52 lakh, and Bank of Madras (1843) with a capital of Rs. 30 lakh. These were Quasi Government Institutions under charter from Local Government, which contributed to the share capital. Establishment of joint stock banks like, Allahabad Bank of India in 1865, Alliance Bank of Simala in 1894, and other banks started gaining grounds by
1900. There were total 20 banks, comprising of three Presidency Banks, nine Indian banks, and eight foreign banks. Emergence of new banks like, Bank of India; 1906, Bank of Baroda; 1909, Union Bank of India; 1911 and Central Bank of India; 1911 came into existence. Amalgamation of three Presidency banks into Imperial Banks also known as State Bank of India was formed in 1921. In 1931, the Central Banking Committee made a detailed study on Working and Problems of Banking in India. Establishment of Reserve Bank of India took place in 1935 under the Reserve Bank of India Act, in 1934. The Reserve Bank of India (RBI) was established with a view to manage the currency and credit of the country by acting as a banker to Commercial Banks and Government.

Failure of banks was a regular feature during the pre-independence period and to a lesser extent, during post-independence period. Serious shortcomings in the functioning were witnessed during the period of war; 1939-44, which led to the realization that close inspection by the Central Banking Authority was necessary to ensure the soundness of the banking organizations. During this period from 1913 to 1918, at least 94 Banks in India failed. Reserve Bank of India was constituted as an apex Bank without major government ownership. This period saw turbulent time due to the outbreak of the Second World War and later during national freedom movement, which disrupted the economic development.

1.4.3 Post-Independence Regulated Period (1947-84)

A new banking policy with a view to geographical diversification of banking facilities under the name of Lead Bank Scheme which was announced in 1969. According to this scheme, entire Country was divided into districts and each Nationalized bank was allotted a district where it was supposed to play a leading role in extending branches. Banks were also required to conduct surveys of districts allotted to them to identify the non bank areas for branch opening.
Under Lead Bank Scheme, banks were asked to recruit and train staff for offering advice to small borrowers and framers. The easy availability of credit spirited entrepreneurship among the masses leading towards the phenomenal growth of retail trade, small businesses, self employment, transport operators, and small scale industries throughout the Country. This step taken by banking sector created huge employment opportunities for the unemployed people and increased the national Income of the Country as well.

The overall objective of the expansion phase was to expand the banking facilities in deficit areas and to reduce the inter-state and inter-district disparities in order to support development activities. It was this phase in which Indian banks worked in over protective environment with little competition amongst the Nationalized Banks themselves along with a few Private and Foreign Banks. During this period, nationalized banks worked more or less like the Government departments having a bureaucratic attitude towards customers as customers had very few options available with them.

The expansion phase was marked by geographical and numerical increase of Bank branches. This phase developed some weaknesses in the areas like poor customer services, low profitability, overstaffing and growing non-performing assets. During this period, viewing these shortfalls, Reserve Bank of India took decisions to slow down the pace of expansion, to place emphasis on strengthening of the existing structure and consolidation.

1.4.4 Consolidation Phase (1985-91)

In 1985, a series of policy measures were introduced by Reserve Bank of India to strengthen Public Sector Banks. Emphasis was made to pay special attention to internal control, customer services, credit management, staff productivity, and profitability of the banks. Unfortunately, banks were not prepared enough to implement the challenging changes, as suggested by
Reserve Bank of India. To counter inefficiencies in 1985, there was a steady increase in the interest rates on Government bonds to better reflect supply and demand. From early 1990s, Public Sector Banks stopped rural expansion and concentrated on urban and metropolitan Banking. In 1990s, structural problems were created by India’s economic policies in previous decades, such as its inward-looking nature and its distrust on Foreign Direct Investment. This resulted into India’s inability to receive capital from the international market to cover its deficit accounts. The balance of payment crisis also showed that the economic policies were out of line with the changing environment. In fact, the crisis of 1990s facilitated major changes.

In 1990s, the Government embarked on a policy of liberalization and licensing of Private Sector Banks. The Private Sector Banks were also known as New Generation Tech-savvy Banks. The new generation banks included- Global Trust Bank (the first of such new generation banks that later amalgamated with Oriental Bank of Commerce), Axis Bank (earlier as Unit Trust of India), Industrial Credit and Investment Corporation of India Bank (commonly called as ICICI Bank) and Housing Development Finance Corporation Limited Bank (HDFC). The next stage for Indian Banking Sector proposed relaxation in the norms related to the Foreign Direct Investment, in which foreign investors in banks were given voting rights with some restrictions. Particularly, this phase witnessed the liberal entry of Private and Foreign banks, operational freedom, deregulation of the interest rates, reduction in the Statutory Reserve Requirements of Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR). These changes brought competitiveness in the Indian Banking Industry and even helped in improving the profitability. Apart from development of positive implications of liberalization, deregulation, and globalization increased risk. Banks, being well aware of the risk factors for their business, started proactively devising internal mechanisms for identification and management of the risks. Another significant instance of
this phase was the entry of mass computerization to handle, the increased volumes of business effectively and to improve customer services. Computerisation in the banks resulted into surplus manpower in the banking Industry, which led to the introduction of voluntary retirement in the Nationalized Banks with a view to contemplate the manpower.

Thus, the rapid growth in the economy of India was revitalized with the help of banking sector, with strong contribution of three sectors of banks, namely; Government Banks, Private Banks, and Foreign Banks. A modern outlook emerged during this period along with the technological methods of working. Customers demanded more from their banks resulting into the requirements of restructuring of Indian Banking Industry.

1.4.5 Post-independence deregulated period from 1992 onwards

Banks were recapitalised in 1992, but as the losses continued to scale up, restructuring was emphasized. The Banking Sector Reforms were undertaken in India from 1992 onwards. These reforms primarily aimed at the safety and soundness of financial system and to make the banking Industry strong, efficient, and competitive. Reforms made the banking system workable and flexible from an international perspective. This called for improvement in allocation and operational efficiency of the banks. Thus, Indian Banking Industry was categorized into Non-Scheduled Banks and Scheduled Banks. Scheduled Banks constituted of Commercial Banks and Co-operative Banks. Since 1998, banks were free to offer differential rates of interest based on their size of deposits. The emphasis shifted from process based administration to risk-based management. During this period, banks started developing new delivery channels like Automated Teller Machine (ATM), phone banking, internet banking, any branch banking, and auto sweep schemes. Automated Teller Machines were established initially to offer cash withdrawal functions but later included offering
facilities like account management and bill facilities. Banks used Automated Teller Machines for promotion. Internet banking became popular and banks offered facilities like account enquiry, money transfer, requests, mail alerts, railway ticketing and bill payment. Internet banking made banking anywhere anytime on 24*365 basis i.e. round the clock in the whole year.

With the progress of alternate delivery channels, the need for centralized database was felt. Apprehending the need for centralized data centre architecture, banks started consolidating their database into a single large database through networking. Core banking Solutions (CBS) created an environment where the entire bank’s operations could be controlled from a centralized hub. Core Banking Solutions created a centralized customer database that could be accessed from anywhere. Initially Private Sector Banks took a lead in Core Banking Solutions and viewing the success of Private Sector banks, Public Sector Banks started switching to it. Core Banking Solutions helped banks to provide faster and efficient customer services at reduced operational costs as it helped to save manpower costs. Apart from delivery channels development, during this phase, emphasis was made to have international accounting standards. To be introduced in phased manner with a view to make the Indian banks internationally competitive with sound capital base, banks experienced the pressure of competition in the form of changing customer requirements and customer retention. To manage these pressures, banks became more customers friendly.

Other aspects, which emerged due to the global economic downturn were; pressure to reduce cost to maintain global competition, adaption to the global culture, and potential of outsourcing. Banks adopted outsourcing as it mainly helped to reduce cost, improvement in quality of services, higher efficiency, productivity, better utilization of Human Resource Management, and transfer of risk to the outsourcer.
1.4.4 Current Phase of the Banking Vision: After 2002

The Payment System Vision Document- 2008 is adopted by the Reserve Bank of India to encourage a safe and secure payment system. This is done due to the reasons that the forces of globalization and technological change have resulted in the increasing integration of economies across the world. Today, banks are not only competing locally but also globally. The latest banking, which is reaping the benefits of these developments, is knowledge-oriented and technology-driven banking. Under this regime, there is less direct interaction in banking while, business volume is very large, and customer-banker contact is reduced due to electronic banking. Customer service and product innovation are considered as the guiding principles and strengths of these banks. Banks are concentrating on multi-channel delivery. They have become a delivery channel for a host of financial products and services, such as insurance, hire purchase, leasing, consultancy, and shares. Risk-management activities are more prominent in the current banking system. Today, banks have tried to become more customer-centric institutions. Financial liberalization has enhanced the efficiency and productivity of banks by creating a competitive and flexible environment. As a result, banks are themselves setting interest rates for their assets and liabilities. The institutions seem to have finally grown up in terms of supply, product range, and reach. Nevertheless, they still remain a challenge for private sector and foreign banks to penetrate rural India. Today, customers have a wide array of choices. Money can be transferred from one branch to another by using innovative technologies. Customers have more options in choosing their bank. With stiff competition and technological advances, banks have been compelled to offer services that are easier and more convenient. After decades of excessive government regulations and restrictions, financial liberalization has resulted in substantial changes in the banking sector. The sector has now become relatively less state-directed, more competitive, and
more open to foreign banks and non-bank financial institutions. Today, the share of the leading public sector banks is being listed on stock exchanges. They have now reoriented themselves to adopt new-style banking norms. As a result of these consistent efforts, the banking system in India has visibly improved.

Now, banks act as payment agents by conducting current accounts for customers, paying cheques drawn by customers on the bank, and collecting cheques deposited to customers’ current accounts. They also enable customer payments via other payment methods such as telegraphic transfer, Electronic Fund Transfer, and Automated Teller Machine (ATM). Banks borrow money by accepting funds deposited on current accounts, by accepting term deposits, and by issuing debt securities such as banknotes and bonds. They lend money by making advances to customers on current accounts, by making instalment loans, and by investing in marketable debt securities and other forms of money lending. They provide almost all payment services, and a bank account is considered indispensable by most businesses; individuals and governments. Non-banks that provide payment services such as remittance companies are not normally considered the adequate substitutes for having a bank account. Now -A day, money market funds, cash management trusts and other non-bank financial institutions in many cases are providing an adequate substitute of banks for lending savings.

1.5 CHANNELS OF BANKING:

Banks offer different channels to access their banking and other services. All such channels and services are to facilitate the customers as satisfaction of their customers is the prime motive of success of banking. Some of the channels to access banking are:

- ATM is a machine that dispenses cash and sometimes takes deposits without the need for a human bank teller. Some ATMs provide additional services.
- A branch is a retail location
- Call centre
- Mail: most banks accept check deposits via mail and use mail to communicate to their customers, e.g. by sending out statements
- Mobile banking is a method of using one's mobile phone to conduct banking transactions
- Online banking is a term used for performing transactions, payments etc. over the Internet
- Relationship Managers, serve mostly for private banking or business banking, often visiting customers at their homes or businesses
- Telephone banking is a service which allows its customers to perform transactions over the telephone without speaking to a human being.
- Video banking is a term used for performing banking transactions or professional banking consultations via a remote video and audio connection. Video banking can be performed via purpose built banking transaction machines (similar to an Automated teller machine), or via a videoconference enabled bank branch.

Retail: Business services are provided by the banks in the form of Cheque, Credit, Home, advisor, fund, loan, Savings

Wholesale: These include Capital raising (Equity / Debt / Hybrids), finance, Project, Revolving, Risk (Interest Rates, commodities, derivatives), Term loan

Risk: Banks face a number of risks in order to conduct their business, and how well these risks are managed and understood, and how much capital a bank is required to hold, are indicated through the efficiency of bank management. Some of the main risks faced by banks include:
(a) Credit risk: risk of loss arising from a borrower who does not make payments as promised.

(b) Liquidity risk: risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit).

(c) Market risk: risk that the value of a portfolio, either an investment portfolio or a trading portfolio, decreases due to the change in value of the market risk factors.

(d) Operational risk: risk arising from execution of a company's business functions.

1.6 CHARACTERISTICS/FEATURES OF A BANK:

For facilitating customers, following characteristics or features are contained by a bank:

1.6.1 Dealing in Money

Bank is a financial institution which deals with money of depositors.

1.6.2 Individual / Firm / Company

A bank may be a person, firm or a company. A banking company means a company which is in the business of banking.

1.6.3 Acceptance of Deposit

A bank accepts money from the people in the form of deposits which are usually repayable on demand or after the expiry of a fixed period. It gives safety to the deposits of its customers. It also acts as a custodian of funds of its customers.

1.6.4 Giving Advances

A bank lends out money in the form of loans to those who require it for different purposes.
1.6.5 Payment and Withdrawal

A bank provides easy payment and withdrawal facility to its customers in the form of cheques and drafts; it also brings bank money in circulation. This money is in the form of cheques, drafts, etc.

1.6.6 Agency and Utility Services

A bank provides various banking facilities to its customers. They include general utility and agency services.

1.6.7 Profit and Service Orientation

A bank is a profit seeking institution having service oriented approach.

1.6.8 Ever increasing Functions

Banking is an evolutionary concept. There is continuous expansion and diversification as regards the functions, services and activities of a bank.

1.6.9 Connecting Link

A bank acts as a connecting link between borrowers and lenders of money. Banks collect money from those who have surplus money and give the same to those who are in need of money.

1.6.10 Banking Business

A bank's main activity is to do business of banking which is not subsidiary to any other business.

1.6.11 Name Identity

A bank adds the word "bank" to its name to enable people to know that it is a bank and that it is dealing in money.
1.7 TYPES OF BANKS:

Banks' activities can be divided into retail banking, dealing directly with individuals and small businesses; business banking, providing services to mid-market business; corporate banking directed at large business entities; private banking, providing wealth management services to high net worth individuals and families; and investment banking, relating to activities on the financial markets. Most banks are profit-making private enterprises. However, some are owned by government, or are non-profit organizations.

1.7.1 Saving Banks

Saving banks are established to create saving habit among people. These banks are helpful for salaried people and low income groups. The deposits collected from customers are invested in bonds, securities, etc. At present, most of the commercial banks carry the functions of savings banks. Postal department also performs the functions of saving bank.

1.7.2 Commercial Banks

Commercial banks are established with an objective to help businessmen. These banks collect money from general public and give short-term loans to businessmen by way of cash credits, overdrafts, etc. Commercial banks provide various services like collecting cheques, bill of exchange and remittance money from one place to another place. In India, Commercial banks are established under Companies Act, 1956. In 1969, 14 commercial banks were nationalised by Government of India. The policies regarding deposits, loans, rate of interest, etc. of these banks are controlled by the Central Bank. In India, the politics of banks are controlled by Reserve Bank of India.

1.7.3 Industrial Banks / Development Banks

Industrial/Development banks collect cash by issuing shares & debentures and are providing long-term loans to industries. The main objective
of these banks is to provide long-term loans for expansion and modernisation of industries. In India, such banks are established on a large scale after independence. They are Industrial Finance Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI) and Industrial Development Bank of India (IDBI) etc.

1.7.4 Land Mortgage / Land Development Banks

Land Mortgage or Land Development banks are also known as Agricultural Banks because these are formed to finance agricultural sector. They also help in land development. In India, Government has come forward to assist these banks. The Government has guaranteed the debentures issued by such banks. There is a great risk involved in financing of agriculture and generally commercial banks do not take much interest in financing agricultural sector.

1.7.5 Indigenous Banks

Indigenous banks mean Money Lenders and Sahukars. They collect deposits from general public and grant loans to the needy persons out of their own funds as well as from their deposits. These indigenous banks are popular in villages and small towns. They perform combined functions of trading and banking activities. Certain well-known Indian communities like Marwaries and Multani even today run specialised indigenous banks.

1.7.6 Central / Federal / National Bank

Every country of the world has a central bank. In India, Reserve Bank of India, in U. S. A, Federal Reserve and in U. K, Bank of England are the central or federal banks of the countries. These central banks are the bankers of the other banks. They provide specialised functions viz issue of paper currency, working as bankers of government and supervising and controlling foreign exchange. A central bank is a non-profit making institution. It does not deal with the public but it deals with other banks. The principal responsibility of Central Bank is control on currency of the concerned country.
1.7.7 Co-operative Banks

In India, Co-operative banks are registered under the Co-operative Societies Act, 1912. These are the institutions basically meant for the upliftment of a particular group, class or community. They generally give credit facilities to small farmers, salaried employees, small-scale industries, etc. These banks are available in rural as well as in urban areas. The functions of these banks are just similar to commercial banks.

1.7.8 Exchange Banks

Hong Kong Bank, Bank of Tokyo, Bank of America etc are the examples of Foreign Banks working in India. These banks are mainly concerned with financing foreign trade. Following are the various functions of Exchange Banks:
- Remitting money from one country to another country,
- Discounting of foreign bills,
- Buying and selling gold and silver, and
- Helping import and export trade.

1.7.9 Consumers Banks

The concept of consumers’ banks is a new addition to the existing type of banks. Such banks are usually found only in advanced countries like United State of America and Germany. The main objective of this category of a bank is to give loans to consumers for purchasing of the durables like Motor car, television set, washing machine and furniture, etc. The consumers have to repay the loans in easy instalments.

1.7.10 Investment and Merchant Banks

Investment banks "underwrite" (guarantee the sale of) stock and bond issues, trade for their own accounts, make markets, and advise corporations on capital market activities such as mergers and acquisitions. Merchant banks on the other hand were traditionally, banks which engaged in trade and finance. The
modern definition, however, refers to banks which provide capital to firms in the form of shares rather than loans. Unlike venture capital firms, they tend not to invest in new companies.

Banking in India:

RESERVE BANK OF INDIA
Central bank and supreme monetary authority

Scheduled Banks

Commercial Banks

Foreign Banks (40)

Regional Rural Banks (196)

Urban Cooperatives (52)

State Cooperatives (16)

Co-Operatives

Public Sector Banks (30)

Private Sector Banks

Old (22)

New (8)

SBI and Associate Banks (8)

Other Nationalised Banks (19)

Source: Internet

1.7.11 Commercial Banks

Commercial banks are the organisations which normally perform certain financial transactions. These institutions perform the twin task of accepting
deposits from members of public and make advances to needy and worthy people from the society. When a commercial bank accepts deposits, its liabilities increase and it becomes a debtor, but when it makes advances, its assets increase and it becomes a creditor. Banking transactions are socially and legally approved. It is responsible in maintaining the deposits of its account holders.

1.8 FUNCTIONS OF COMMERCIAL BANKS:

Commercial banks being the financial institutions perform diverse types of functions. They satisfy the financial needs of different sectors such as agriculture, industry, trade, communication, etc. That means they play very significant role in a process of meeting out economic and social needs. The functions performed by banks are changing according to change in time and recently they are becoming customer centric and widening their functions. Generally, the functions of commercial banks are divided into two categories viz. primary functions and the secondary functions. The following chart simplifies the functions of banks.

Functions of Commercial Banks

Primary Functions

1. Accepting Deposit
2. Making Advances
3. Credit Creation

Secondary Function

1. Clearance of cheques
2. Sale/Purchase of Shares/Bonds
3. Transfer of Money
4. To work as trusty
5. To work as representative
6. To give/accept Money
7. To provide letter of credit
1.9 STATE BANK GROUP IN INDIA:

With the promulgation of State Bank of India Subsidiary Bank Act, 1959 by the Government of India, the then existing State Bank of India took over eight former state associated banks as its subsidiaries resulting to the formation of State Bank Group in India. These are the banking institutions in the country who have dominated all other commercial banking institutions through their services and an extensive customer's base. Amongst them, State Bank of India is the frontier banking institution. Now the bank has its five associates; State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State bank of Mysore, State Bank of Patiala and State Bank of Travancore.

1.10 EVOLUTION OF STATE BANK OF INDIA:

The State Bank of India has achieved its goal of offering its full range of services to all its branches and customers, spreading economic growth to rural areas and providing financial inclusion for all of India's citizens. It is the second-largest bank in the world in number of branches. The roots of the State Bank of India rest in the first decade of 19th century, when the Bank of Calcutta, which was later renamed the Bank of Bengal, was established on 2 June 1806. The Bank of Bengal was one of three Presidency banks, the other two being the Bank of Bombay incorporated on 15 April 1840 and the Bank of Madras incorporated on 1 July 1843. All three Presidency banks were incorporated as joint stock companies and were the result of the royal charters. These three banks received the exclusive right to issue paper currency in 1861 with the Paper Currency Act, a right they retained until the formation of the Reserve Bank of India. The Presidency banks amalgamated on 27 January 1921, and the reorganized banking entity took as its name: Imperial Bank of India. The Imperial Bank of India remained as a joint stock company. Pursuant to the provisions of the State Bank of India Act (1955), the Reserve Bank of India, which is India's
central bank, acquired a controlling interest in the Imperial Bank of India. On 30 April 1955, the Imperial Bank of India became the State Bank of India. To safeguard the interest and advert any kind of conflict, Government of India recently acquired the Reserve Bank of India’s stake through the country’s Banking Regulatory Authority.

In 1959, the Government passed the State Bank of India Subsidiary Banks Act, enabling the State Bank of India to take over eight former state-associated banks as its subsidiaries. On 13 September 2008, the State Bank of Saurashtra, one of its associate banks, merged with the State Bank of India. State Bank of India has acquired local banks in rescue. For instance, in 1985, it 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. In the year 2010, State bank of Indore merged with State Bank of India. The bank has been acting as a guarantor to Government of India. The bank has an extensive coverage with more than 16000 branches and more than 10000 associate branches. Under the system of Core Banking, it has electronically networked all of the branches. It has the largest network of ATM in the country and also made its expansion in the overseas through buying foreign exchanges.

Unlike private-sector banks, SBI has a dual role of earning a profit and expanding banking services to the population throughout India. Therefore, the bank built an extensive branch network in India that included branches in the rural areas. The concept of “banking inclusion” has been called by the then Finance Minister P. Chidambaram to comment, "The State Bank of India is owned by the people of India. "Just like other banks of the country. The State Bank of India offers the ATM services, which means that using the bank card, the customer can transact. ATMs are placed not only near or inside the premises
of banks, but also in locations such as shopping centres/malls, airports, grocery stores, petrol/gas stations, restaurants, or many other places where large number of people may gather. This is to be competitive as all other banks have also followed the same facility to captivate customers. SBI has tried to render its services through its group companies

1.11 GROUP COMPANIES OF STATE BANK OF INDIA:

The group companies of SBI are

1. SBI Capital Markets Ltd.
2. SBI Mutual fund.
3. SBI Factors and Commercial Services Ltd.
4. SBI Discount and Finance House of India(DFHI )LTD.
5. SBI Cards and Payment Services Pvt Ltd.
6. SBI Life Insurance Co. Ltd.
7. SBI Funds Management Pvt Ltd.
8. SBI Canada.

State Bank of India (SBI) is the largest banking and financial services company in India by revenue, assets and market capitalisation. It is a state-owned corporation with its headquarter in Mumbai, Maharashtra. As in March 2011, it had assets of US$370 billion with over 13,577 outlets including 157 overseas branches and agents globally. The bank traces its ancestry to British India, through the Imperial Bank of India, to the founding in 1806 of the Bank of Calcutta, making it the oldest commercial bank in the Indian Subcontinent. Bank of Madras merged into the other two presidencies banks—Bank of Calcutta and Bank of Bombay—to form the Imperial Bank of India, which in turn became the State Bank of India. The Government of India nationalised the Imperial Bank of India in 1955, with the Reserve Bank of India taking a 60% stake, and renamed it
the State Bank of India. In 2008, the Government took over the stake held by the Reserve Bank of India. SBI is ranked No. 292 globally in Fortune Global 500 list in 2011.  

SBI provides a range of banking products through its vast network of branches in India and overseas, including products aimed at providing services to non-resident Indians (NRIs). The State Bank Group, with over 18,324 branches, has the largest banking branch network in India. SBI has 14 local head offices situated at Chandigarh, Delhi, Lucknow, Patna, Kolkata, Guwahati (North East Circle), Bhuwaneshwar, Hyderabad, Chennai, Trivandram, Bangalore, Mumbai, Bhopal & Ahmedabad and 57 Zonal Offices that are located at important cities throughout the Country. It also has 157 branches overseas. SBI is a regional banking behemoth and is one of the largest financial institutions in the world. It has a market share among Indian commercial banks of about 20% in deposits and loans. The bank is the 29th most reputed company in the world. Also, SBI is the only bank featured in the coveted "top 10 brands of India" list in an annual survey conducted by Brand Finance and The Economic Times in 2010. It is the largest of the Big Four banks of India, along with ICICI Bank, Punjab National Bank and HDFC Bank—its main competitors.

1.12 INTERNATIONAL PRESENCE OF STATE BANK OF INDIA:

As on 31 December 2009, the bank had 157 overseas offices spread over 32 countries. It has branches in Colombo, Dhaka, Frankfurt, Hong Kong, Tehran, Johannesburg, London, Los Angeles, Male in the Maldives, Muscat, New York, Osaka, Sydney, and Tokyo. It has offshore banking units in the Bahamas, Bahrain, and Singapore, and representative offices in Bhutan and Cape Town. In 1990, it established an offshore bank: State Bank of India (Mauritius).

In 1982, the bank established a subsidiary, State Bank of India (California), which now has ten branches – nine branches in the State of
California and one in Washington, D. C. The 10th branch was opened in Fremont, California on 28 March 2011. The other eight branches in California are located in Los Angeles, Artesia, San Jose, Canoga Park, Fresno, San Diego, Tustin and Bakersfield. The Canadian subsidiary, State Bank of India (Canada) also dates back to 1982. It has seven branches, four in the Toronto area and three in British Columbia. In Nigeria, SBI operates as INMB Bank. This bank began in 1981 as the Indo-Nigerian Merchant Bank and received permission in 2002 to commence retail banking. It now has five branches in Nigeria. In Nepal, SBI owns 55% stake of commercial banks of India in Nepal. In Moscow, SBI owns 60% stake of Commercial Bank of India, with Canara Bank owning the rest. In Indonesia, it owns 76% stake of PT Bank Indo Monex. The State Bank of India already has a branch in Shanghai and plans to open one in Tianjin. In Kenya, State Bank of India owns 76% stake of Giro Commercial Bank, which it acquired for US$8 million in October 2005.

1.13 ASSOCIATE BANKS OF STATE BANK OF INDIA:

SBI has five associate banks; all use the same logo of a blue circle and all the associates use the "State Bank of" name, followed by the name of their regional headquarters, these are:

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

Earlier, SBI had only seven associate banks that constituted the State Bank Group. Originally, the then seven banks that became the associate banks, belonged to princely states until the Government nationalized them between
October 1959 and May 1960. In tune with the first Five Year Plan, emphasizing the development of rural India, the Government integrated these banks into the State Bank of India system to expand its rural outreach. There has been a proposal to merge all the associate banks into SBI to create a "mega bank" and streamline its operations.  

The first step towards unification occurred on 13 August 2008 when State Bank of Saurashtra merged with SBI, thereby reducing the number of state banks from seven to six. Then on 19 June 2009 the SBI board approved the merger of its subsidiary, State Bank of Indore, with itself and it holds 98.3% share of the State Bank of Indore. (Individuals who held the shares prior to its takeover hold the balance of 1.77%.) The acquisition of State Bank of Indore added 470 branches to SBI's existing network of 12,448 and over 21,000 ATMs. Total assets of SBI and the State Bank of Indore stood at Rs 998,119 crore as on March 2009. The process of merging of State Bank of Indore was completed by April 2010, and the SBI Indore branches started functioning as SBI branches on 26 August 2010.

1.14 CUSTOMER SERVICE AND COMMUNITY OF STATE BANK OF INDIA:

On July 01 2008, the bank unveiled its new Vision statement which contains the distilled essence of the staff over 1,40,000 who participated in a unique exercise conceptualized and conducted by Human Resource Management Department to redefine the Bank's Mission, Vision and Values. The staff personnel, who displayed understanding of the challenges of achieving excellent customer service which alone will enable the Bank to continue to maintain its leadership position in future, were overwhelmingly of the opinion that the Bank's vision should focus primarily on customer service. The Vision statement quotes.
A comprehensive analysis of customer grievances is done every quarter to identify common systemic issues that need rectification. The Customer Service Committee of the Board reviewed the Bank’s Grievances Redressal Policy in March 2009 and approved revised policy incorporating the Bank’s new organizational structure and instructions on grievances redressal. The total number of employees of SBI in the year 2010 was 200,299. Servicing in the branches spread over all regions of the country under the guidelines as per the vision statement authority the branches of the bank are lacking access and reach of satisfaction of their customers mainly due to poor interaction and rigid behaviour because of high level of social ego of the staff.

1.15 CUSTOMER BANK RELATIONSHIPS:

Commercial banks are regulated by government entities and they require a special bank licence to operate. Usually, the definition of the business of banking for the purposes of regulation is extended to include acceptance of deposits, even if they are not repayable to the customer's order—although money lending, by itself, is generally not included in the definition. Unlike most other regulated industries, the regulator is typically also a participant in the market, being either a publicly or privately governed central bank. Central banks also typically have a monopoly on the business of issuing banknotes. However, in some countries, this is not the case. In the United Kingdom, the Financial Services Authority provides licences to banks, and some commercial banks (such as the Bank of Scotland) issue their own banknotes in addition to those issued by the Bank of England which is the UK Government's Central Bank.
Banking law is based on a contractual analysis of the relationship between the bank (defined above) and the customer—defined as any entity for which the bank agrees to conduct an account. The law implies rights and obligations into this relationship as follows:

- The bank account balance is the financial position between the bank and the customer: when the account is in credit, the bank owes the balance to the customer; when the account is overdrawn, the customer owes the balance to the bank.

- The bank agrees to pay the customer's cheques up to the amount standing to the credit of the customer's account, plus any agreed overdraft limit.

- The bank may not pay from the customer's account without a mandate from the customer, e.g. a cheque drawn by the customer.

- The bank agrees to promptly collect the cheques deposited to the customer's account as the customer's agent, and to credit the proceeds to the customer's account.

- The bank has a right to combine the customer's accounts, since each account is just an aspect of the same credit relationship.

- The bank has a lien on cheques deposited to the customer's account, to the extent that the customer is indebted to the bank.

- The bank must not disclose details of transactions through the customer's account—unless the customer consents, there is a public duty to disclose, the bank's interests require it, or the law demands it.

- The bank must not close a customer's account without reasonable notice, since cheques are outstanding in the ordinary course of business for several days.
It has been specified as per the regulation that these implied contractual terms may be modified by express agreement between the customer and the bank. The statutes and regulations in force within a particular jurisdiction may also modify the above terms and/or create new rights, obligations or limitations relevant to the bank-customer relationship.

Some types of financial institutions, such as building societies and credit unions, may be partly or wholly exempt from bank licence requirements, and therefore regulated under separate rules.

The requirements for the issue of a bank licence vary between jurisdictions but typically include:

- Minimum capital
- Minimum capital ratio
- 'Fit and Proper' requirements for the bank's controllers, owners, directors, or senior officers
- Approval of the bank's business plan as being sufficiently prudent and plausible.

1.16 BRIEF EXPLANATION OF THE RESEARCH AREA:

The Research has been made according to SBI regions wise formulated as Shimla-2, Shimla-3, Mandi and Dharamshala. Region-2 comprises three sampled branches Shimla Main branch, Rohru and Rampur. Whereas, Nahan, Paonta Sahib and Sarahan branches have taken from Shimla-3 regions. Mandi region comprise Mandi, Jogindernagar and Karsog branch. Fourth region i.e. Kangra, Dharamshala and Palampur branches have been taken from Kangra region. A brief explanation of the areas is as under:
1.16.1 Shimla

Shimla occupies a unique place in the history of the Indian sub-continent. This beautiful hill city takes its name from Goddess Shyamala. It was discovered by the British around 1819 who wanted to escape from the scorching summer heat. Shimla was accorded the status of the summer capital during British rule. Emerging as a nostalgic reminder to their country for the British officers posted in the region, the town went on to occupy the centre stage during the heyday of Raj. It was the seat of power during the British Raj at its peak and is now the capital of a fledgling peaceful and beautiful state. It is the heart of the hill station and is its beauty spot. The area stretching from telegraph office to cambermere ridge makes a pleasant stroll for locals & tourists in the morning & evening. The Shimla mall makes an attractive business centre with shops and plazas hotels and restaurants, tourist offices, railway city booking centre and entertainment centres. The illuminations add to its beauty at night. Distant peaks can be viewed from the mall. The gaiety theatre, a centre of cultural activities is also situated. Shimla is famous for its scenic beauty, climate, craft and apple. During the summer season it is used to be the head quarter of the Commander-in –Chief of India, the head of the Indian army and many departments of the Governments. Shimla lies in the North –western ranges of the Himalayas. It is located at 31°37'N 77°06'E31. 37N 77. 06E with an average altitude of 2397. 59 meters (7866. 10 ft) above mean sea level. The city is spread on a ridge and its seven spurs. As per the provisional data of 2011 census, Shimla urban had population of 171817, out of which, males were 94797 and females were 7702027. The literacy rate is 94. 14 percent. Shimla is surrounded by famous tourist places like Kufri, Naldera, Tataa Paani, Chail etc.

**Banks available in Shimla:** Banks in Shimla consist of all topmost banks like PNB, UCO bank, HDFC Bank, ICICI Bank, Central bank of India, Bank of
Baroda, HP State Cooperative bank, SBI etc. UCO Bank is leading bank in the state. State Bank of India is having its oldest branch nearby Kalibari Mandir, Shimla.

1.16.2 Rampur

On the Hindustan Tibet road, once the capital of Prince Bushahar is the Rampur town is situated on the bank of Satluj rivers. Rampur Bushahar is a town and municipal council in Shimla District in the Indian State of Himachal Pradesh. It is 130 kilometres from Shimla connected with national highway. It is a small township situated at 1005 meters on the left of bank of Satluj. Being well connected with major routes, it buzzed with mercantile activity, especially in November during the Lavi fair. Rampur has very popular places like Jhakri, Sarhan and Green valley Gaura, Shrai Koti. It has also Asia's Largest Hydro Project (Nathpa Jhakri Power Corp.) at Jhakri and also has world's deepest Surge shaft at Shah 22 K. M. away from Rampur. The region is popular for handicrafts and production of apple.

**Banks in Rampur:** Along with State bank of India other banking institute like PNB, UCO Bank, private banks like ICICI bank and HDFC Bank LTD, HP State cooperative bank are also providing services in Rampur.

1.16.3 Rohru

Rohru is a town situated on the bank of Pabbar river in District Shimla. It is about 115 kilometres away from Shimla and is famous for trout fishing. Initially, Rohru was a part of Bushahar State and after that it has been declared as an individual Tehsil by Himachal Government. Rohru is having the higher snow belts like Chanshil Top (Rohru), Surachali Top (Rohru-Jubbal), Khara-Pathar (Jubbal) etc. and the beautiful valley like Hatkoti as well. Khara pathar, Chanshil Top and Surachali Top are popular for record snow in winters. Throughout the
year, the climate and the weather conditions are perfect for apple production. These areas are highly rich in apple production. As of 2010 India census, Rohru had a population of 13452. Males constitute 59% of the population and females 41%. It has an average literacy rate of 94%, much higher than the national average of 59.5%: male literacy is 96%, and female literacy is 92%. Rohru is very popular for its high quality apple production. The production of apples on the whole is maximum here as compared to any other apple production area. Rohru, Jubbal and Kothkhai are the highest apple production valleys which cover more than the half of apple production in remaining areas of Himachal. It is popularly known as "APPLE VALLEY" or "GOLDEN BELT" in Himachal and India. Rohru is also popular for high per capital income and high standard of living of the people. Rohru also has a number of offices of Himachal Government and has a weekly session of Shimla High Court once in a week. It has also Hydro Project (Andra hydro project).

Banks in Rohru: Along with State Bank of India, Punjab National bank, UCO Bank and HP State Cooperative are providing their services to the customers. Among private banks, HDFC Bank has also recently opened its branch in the town in the month of April 2012

1.16.4 Nahan

Nahan is 135 Kilometres away from Shimla and is Headquarter of Sirmour District. Nahan is situated on a hill top in Shivalik Hills, overlooking green hills. At an altitude of 932 m, Nahan is a good base for visit to the surrounding areas such as Renuka Lake, Trilokpur temple (23 km from Nahan) and Suketi Fossil Park (21 km from Nahan). Nahan has got the crown to organize the second Municipal Corporation in India, after Kolkata. Underground sewerage system in this town is unbeatable and hence, it bears the title to be a neat and clean town.
Well planned streets make all the long distances calm and traffic free. The narrow fields are used by the pedestrians to move fast on foot to avoid traffic. Nahan is approachable from many directions by road: via Baila from Rajban, via Dehra Dun through Paonta Sahib; via Panchkula-Naraingarh-Kala Amb from Chandigarh, via Yamunanagar -Hathanikund from Haryana and via Solan-Kumarhatti from Shimla. There are regular bus services linking it to the other towns like Shimla, Chandigarh, Dehradun, Delhi and Haridwar. Nahan has a population of 34,632. Males constitute 54% of the population and females 46%. Nahan has an average literacy rate of 80%, higher than the national average of 59.5%: male literacy is 83%, and female literacy is 77%.

**Banks Available in Nahan:** Being a headquarter of the district, along with State bank of India, other banks like Punjab National Bank, UCO bank, State Bank of Patiala, HDFC Bank LTD, ICICI Bank LTD, HP state Cooperative bank are providing services in Nahan.

### 1.16.5 Paonta Sahib

Surrounded by the Sal forest and on the bank of river Yamuna the historic town of Paonta Sahib (398m) was founded by the tenth Sikh Guru Govind Singh Ji. Paonta Sahib is a small beautiful town in the south of Sirmour district in the state of Himachal Pradesh. It is an important religious spot for Sikhs. The city has a large Gurudwara, named Gurudwara Paonta Sahib on the bank of the river Yamuna, the river being the boundary between the states of Himachal Pradesh and Uttarakhand. It is situated near the towns of Nahan in Himachal Pradesh, Yamunanagar in Haryana, Saharanpur in Western Uttar Pradesh and Dehradun in Uttarakhand. It is on the western extreme of the Doon valley at a distance of about 44 k. m from Dehradun. Kalesar National Park is 12 K.M. from Paonta Sahib. As of 2001 India census, Paonta Sahib had a population of 19,087. Males constitute 54% of the population and females 46%. Paonta Sahib has an
average literacy rate of 76%, higher than the national average of 59.5%: male literacy is 79%, and female literacy is 72%. It is a bustling industrial town. Due to Incentives provided by State and Central government for development of industries, as per Industrial Policy, new factories are coming up in this region. Major industries are cement (Cement Corporation Of India (CCI), Rajban), pharmaceuticals (Ranbaxy Pvt Ltd, mankind pharma ltd), textiles (Malwa Cotton and Spinning Mills of Oswal group), chemicals & food(Mushroom Factory). Paonta Sahib is connected by road. From Renukaji, it is 81 km via Nahan and 60 km via Rajban. From Dehradun, it is 44 km. Taxis/buses are available for Paonta Sahib at all places.

**Banks available in Paonta Sahib:** State Bank of India, State Bank Of Patiala, ICICI Bank LTD, Corporation Bank, HDFC Bank LTD, Central Bank of India, Punjab National Bank, HP State Cooperative bank etc have spread their business across the area.

### 1.16.6 Rajgarh

**Rajgarh** is a nagar panchayat in Sirmour district in Himachal Pradesh, popularly known as the Peach valley. It is a green valley in Sirmour district. Rajgarh is a place of great natural beauty and is about 40 kms from Solan and 21 kms far from its district main city Nahan. Rajgarh has two sub-divisions namely; Rajgarh and Sarahan, which is also a beautiful valley of Sirmour. Rajgarh, rest house of PWD and Forest Department are available for staying, besides private hotels and guest houses. The people of this valley are dynamic and hardworking. They are religious and worshippers of Lord Shiva and Goddess Durga. The local Shaya temple of Lord Shirgul has a mammoth following. The famous Baru Sahib Gurdwara also lies in this valley and is worth a visit. It is 29 kms from Rajgarh and is situated beyond Kheri, a picturesque spot on the banks of a tributary of the Giri river. As of 2001 India census,[30] Rajgarh
had a population of 2527. Males constitute 56% of the population and females are 44%. Rajgarh has an average literacy rate of 79%, which is higher than the national average of 59.5%: male literacy is 83%, and female literacy is 73%.

**Banks Available in Rajgarh:** Banks available in Rajgarh are Bank of Baroda, UCO Bank, Punjab National Bank, HP State Co-operative Bank, State Bank of India.

### 1.16.7 Mandi

Mandi is a small, beautiful, green, hilly district of Himachal Pradesh. Main Mandi Town is little covered area and is covered by Vyas River which itself provides a beautiful scenery for this beautiful town. Mandi also called as Dev Bhumi or Chhoti Kashi, is land of Gods where fairs & festivals are an important part of hill culture. It is situated 143 kilometres north of Shimla. Mandi is connected to the Pathankot through National Highway 20 which is almost 220 km (140 mi) long and to Manali and Chandigarh through National Highway 21 which is 323 km (201 mi) long. Mandi is approximately 184.6 km (114.7 mi) from Chandigarh the nearest major city. According to the 2001 Indian census, Mandi city has a population of 60,387. It is one of the largest cities of Himachal Pradesh with a total area of 23 km. The city is currently the 2nd largest economy in the State next to Kangra. Mandi is the second-largest by population in the State, next to Shimla. Mandi, in the state is having second highest sex ratio of 1013 females per thousand males. It is built on the banks of the Beas River, at the confluence of the Suketi Khad stream. Sikandar Dhar, Ghugar Dhar and Dhar Kot are some of the prominent hills and mountains near the city. Mandi is the most fastest developing city of Himachal Pradesh with the 2nd largest economy in the state and the most important major city of central part of Himachal, located on cross junction of National Highway-20, 21 and 70. It acts as a gateway to
Kullu, Lahaul and Leh Ladakh, area of Jammu & Kashmir. Being District headquarters and Zonal headquarters, the entire District and state depends upon the city for trade & commerce, services and civil administration. The economy of the region is predominantly agrarian as around 79% of the total population is dependent on agriculture and activities allied to it, for earning their livelihood. Mandi has more than 300 old and new temples. Because of the large number of temples and their location along River Beas, Mandi is also known as 'Chhoti (Small) Kashi'. Most of the temples are dedicated to Lord Shiva and the Goddess Kali. It has a historical Gurudwara in honour of Guru Gobind Singh, the 10th Sikh Guru, who spent some time in Mandi.

**Banks Available in Mandi:** State Bank of India, Punjab National Bank, HDFC Bank HP State Cooperative Bank, ICICI banks etc. are providing services in Mandi.

**1.16.8 Joginder Nagar**

Jogindernagar is a town in Mandi district. By road distance from Mandi, it is 56 Kilometres. It is the only town in Asia where there are three Hydro-electric power stations and it is popularly known as The electric city. The surrounding mountains are covered with thick forests of Pine. Rhododendron (Burans or locally known as Brah ka fool) and Deodar trees can be found at high altitude peaks like Winch Camp. There has been reasonable progress in the higher education in the area but most of higher education aspirants prefer to move to bigger cities and other states for graduation and post-graduation.

**Banks Available in Jogindernagar:** Central Bank of India, Punjab National Bank, UCO Bank, State Bank of India, Co-operative Bank are available in the area.
1.16.9 Karsog

Karsog is a town in Mandi District in Himachal Pradesh. Karsog is at 100 km distance from its District Main City Mandi and 44 km distant from its State Main City Shimla. Karsog is a subdivision of Mandi distt and lies in the pir panjal range of Himalayas bordering Shimla District. Karsog is easily accessible via road from any part of Himachal Pradesh. The other places of interest here are Chailchowk, Janjehli, Lambathach, Pandar, Chandi valley and Shikari Devi. Agriculture and horticulture are the main occupations of local people. These regions are the apple ballet of Mandi Distt. It is Famous for its temples. It is a small town at a height of 1,404 metres. It is famous for Mamleshwar Mahadev, Kamaksha Devi and Mahunag temples. It is full of scenic beauty and abundance of apple orchards. It offers beautiful surroundings, green forests and pollution free environment.


1.16.10 Dharamshala

It is the winter capital of government of the State of Himachal Pradesh and the district headquarter of the Kangra district. Dharamshala is a city in the upper reaches of the Kangra Valley and is surrounded by dense coniferous forest consisting mainly of stately Deodars. Dharamshala is the centre of the Tibetan exile in India. Tibetan population has made Dharamshala a popular destination for Indian and foreign tourists, including Tibet students studying here. One of the main attractions of Dharamshala is Triund hill. Jewel of Dharamshala, Triund is one day trek at the upper reaches of McLeodGanj, located at a distance of about 9 kilometres from McLeodGanj. As of the 2001 India census, Dharamshala had a population of 19,124. Males constitute 55% of the population and females 45%. Dharamshala has an average literacy rate of 77%,
higher than the national average of 59.5%: male literacy is 80% and, female literacy is 73%. Dharamshala has a newly constructed cricket stadium of international reputation, which serves as the home ground to the Himachal Pradesh state cricket team. It is one of the most attractive cricket stadiums in India. The snow-capped mountains can be easily viewed throughout the year. Some other attractive places surrounding Dharamshala are Bhagsu waterfall, Art Gallery, Kangra Museum, Dal Lake etc.

**Banks Available in Dharamshala:** Allabhad Bank, Bank of Baroda, Canara Bank, Bank of India, State Bank of India, Punjab National Bank, Uco Bank, Central Bank of India, HDFC Bank, ICICI bank and Kangra Central Coop bank are available in the locality of Dharamshala.

### 1.16.11 Palampur

Palampur is a green hill station in Kangra valley of Himachal Pradesh surrounded by tea gardens and pine forests. Palampur is the tea capital of northwest India but tea is just one aspect that makes Palampur a special interest place. Abundance of water and proximity to the mountains has endowed it with mild climate. Palampur is well connected by road to all major cities and towns in and around the State. Distances to the major cities from here are Delhi 530 km, Chandigarh 240 km, Shimla 259 km, Manali 205KM, Dharamshala 35 km and Sandhole 60 km etc. In term of overall development and expansion, Palampur has seen somewhat exponential growth since the liberalization in India. It has grown from a decrepit and quite British hill station to a buzzing town. The revenue generated in the town has encouraged nineteen topmost banks including Industrial Development Bank of India, Bank of India, Punjab National Bank, State Bank of India, Life Insurance Corporation etc. There has been a wide-spread growth in and around Palampur. It has threatened the fragile
ecology of the town. Palampur is the only hill station in India where deodar trees are grown between the heights of 3000 feet to 4000 feet from Mean Sea Level.

1.16.12 Kangra

Kangra is located at 32°06'N 76°16'E. It has an average elevation of 733 metres (2404 ft). The district of Kangra extends from the Jalandhar Doab far into the southern ranges of the Himalaya. It is a town at the confluence of the Bener River and Majhi River, and Beas is an important river here. Tea cultivation was introduced into Kangra valley about 1850 A.D. The Palampur fair, established by government with a view to foster commerce with central Asia, attracts a small concourse of Yarkandi merchants. The Lahulis carry on an enterprising trade with Ladakh and countries beyond the frontier, by means of pack sheep and goats. Rice, tea, potatoes, opium, spices, wool and honey are the chief exports. Ancient temples like the Jwalaji Temple, Vajreshwari Devi temple, Chamunda Devi temple, Chintapurni temple Baba Baroh, Masroor Temple built by pandvaas and Baijnath temple are found here. Gopalpur Nature Park in Gopalpur village, tea gardens and Kangra Fort are point of attraction. Maharaja Sansar Chandra Museum adjoins the Kangra Fort. Available at the Museum are audio guides for the Kangra Fort and the Museum.

**Banks in Kangra:** All topmost banks like UCO Bank, HDFC bank, Punjab National Bank, State Bank of India and banks named Kangra Centereal Co-operative bank are available in Kangra.

**SUMMARY:**

It has been summarised that, banking in its most simple from, is as old as the history of civilised society. A modern bank performs a variety of functions. Banking in India originated in the last decades of the 18th century. The banks established in the beginning were The General Bank of India, started in 1786,
and Bank of Hindustan, started in 1790; both are now defunct. The oldest bank in existence in India is the State Bank of India which was initially named as imperial Bank of India in 1921 as a consequence of amalgamation of the then existing three presidency banks. Ordinarily, a ‘Bank’ is an institution which deals with the money and credit in such a manner that it accepts deposit and lends money to needy people. These institutions have emerged in diverse forms to meet out the different kinds of monetary role they are providing as per the nature and requirement of the customers in demand of money or who intend to invest for meeting out specified conditions of investments with the passage of time. However, the role, structure and pattern of services of these institutions have changed and now, banks are equipped with a variety of packages and services for their customers. Banks act as payment agents by conducting current accounts for customers, paying cheques drawn by customers on the bank, and collecting cheques deposited to customers’ current accounts. They also enable customer payments via other payment methods such as telegraphic transfer, Electronic Fund Transfer, and Automated Teller Machine (ATM). Banks borrow money by accepting funds deposited on current accounts, by accepting term deposits, and by issuing debt securities such as banknotes and bonds. They lend money by making advances to customers on current accounts, by making instalment loans, and by investing in marketable debt securities and other forms of money lending. They provide almost all payment services, and a bank account is considered indispensable by most businesses; individuals and governments. Because of the important role depository institutions play in the financial system, the banking industry is generally regulated with government restrictions on financial activities which differ over time and in different locations. Commercial banks being the financial institutions perform diverse types of functions. They satisfy the financial needs of different sectors such as agriculture, industry, trade,
communication; etc. On the other hand State Bank of India (SBI) is the largest banking and financial services company in India by revenue, assets and market capitalisation. It is a state-owned corporation with its headquarter in Mumbai, Maharashtra. SBI had only seven associate banks that constituted the State Bank Group. Originally, the then seven banks that became the associate banks belonged to princely states until the Government nationalized them between October 1959 and May 1960. On July 01 2008, the Bank unveiled its new Vision Statement which contains the distilled essence of the views of over 1,40,000 staff who participated in an exercise conceptualized and conducted by Human Resource Management Department to redefine the Bank’s Mission, Vision and Values. These all attempts made by the bank and the banking sector as a whole, is only due to the emerging expectations of the customers. Banks are well aware that the success of banking depends upon the satisfaction of their customers and in a competitive environment; satisfaction of customers is the pivot of efficient banking.
References:


30. ibid