Chapter II
Profile of Banks: An Overview
CHAPTER-II
PROFILE OF BANKS: AN OVERVIEW

2.1. INTRODUCTION

Banking industry has seen a huge reduction in the barriers of global competition. Rise in telecommunications and other financial technologies, such as Bloomberg have allowed banks to extend their global reach. Banks need not be located near customers to manage their business. The growth in cross-border commercial transactions has also increased the demand for banks that can provide various services across borders. However, despite these reductions in barriers and growth in cross-border activities, the banking industry is nowhere near as globalized as some other industries.

In the vast majority of nations around globe the market share for foreign owned banks is currently less than a tenth of all market shares for banks in a particular nation. One reason why the banking industry has not been fully globalized is that it is more convenient to have local banks provide loans to small businesses and individuals. On the other hand for large corporations, it is not as important in what nation the bank is in, since the corporation's financial information is available around the globe. One of the major considerations that led to the nationalization of the fourteen major commercial banks of India in 1969 was the fact that banks, in general, had been negligent of the vital priority sectors of the economy, viz., agriculture and small-scale industries. The commercial banks had remained largely indifferent to the credit needs of the farmers for agricultural operations and land improvement. A handful of people were able to exploit the bank finance to serve their own individual interests and convenience. Very often, they used bank funds for the hoarding of essential articles. Nationalization brought about a major policy shift in the working of these banks. The economic development of our country depends more on real factors like the industrial development, modernization of agriculture, organization of internal trade and expansion of foreign trade, especially exports, and less on the monetary factors contributed by banking. Economic planning like lying down of specific targets and allocating particular sums of money that constitute the economic policy of the government also plays a significant role. Still one cannot under-estimate the importance of banking and the monetary mechanism. One of the most important
problems of a developing economy is that of capital formation. There is a good deal of difference between hoarding and saving and the people in the villages have to be educated to realize the difference. This can be easily done by banks themselves. They can undertake to educate the rural populace and thus mobilize their savings. A number of leading economists have confirmed the fact that the amount of capital available in India for investment is surprisingly and inexplicably large. Only one needs to exploit this idle capital. Who else can exploit it, if not banks? Both in rural and urban areas, huge amounts of money is wasted on celebrations like marriages and births. If banks can offer handsome interest on savings, people can be induced to redirect their savings from wasteful activities to banks. Banks need to promote attractive deposit schemes to mobilize a large amount of saving for capital formation.

The Government of India has now undertaken a large number of projects for the economic reconstruction of the country. Only banks can generate an adequate volume of credit and conduct it along useful productive channels. They can distinguish between the essential and non-essential factors of the economy, productive and non-productive investment, check between speculative and non-speculative borrowings and thus help in the growth of economy. Our low and middle income groups are faced with shortage of the housing and gnawing unemployment. If banks help these groups, these income groups will also make a significant contribution to our economy. It will also help in removing the economic imbalance of the various sections of our society. Before nationalization, our banks could not play this constructive role expected of them. But after nationalization, the entire banking machinery has now been geared to not only participate in economic development but also promote it in the entire country. They have started looking after the needs of small farmers and new entrepreneurs. It is earnestly hoped that the government will take some more positive steps to ensure that the real benefits of an organized banking system percolate down to the poor illiterate population of India.

2.2 BANK AND BANKING

The word bank was borrowed in Middle English from Middle French 'banque', from Old Italian 'banca', from Old High German 'banc', bank "bench, counter". Benches were used as desks or exchange counters during the Renaissance by Florentine bankers, who used to make their transactions atop desks covered by green tablecloths. One of the oldest items found showing money-changing activity is
a silver Greek drachm coin from ancient Hellenic colony Trapezus on the Black Sea, modern Trabzon, C. 350–325 BC, presented in the British Museum in London. Another possible origin of the word is from the Sanskrit words (व्यय) ‘byaya’ (expense) and ‘onka’ (calculation) = byaya-onka. This word still survives in Bangla, which is one of the Sanskrit's child languages. The oldest bank still in existence is Monte dei Paschi di Siena, headquartered in Siena, Italy, which has been operating continuously since 1472. It is followed by Berenberg Bank of Hamburg (1590) and Sveriges Riksbank of Sweden (1668). Banking in its modern sense evolved in rich cities i.e Florence, Venice and Genoa. A number of banking dynasties—among them notably Medici, Fugger, Welser, Berenberg, and Rothschild have played a central role over in many centuries.

Banks act as a financial mediator between the public and an organization. It is basically a financial institution that holds banking license granted by the financial supervision authority to provide banking and other financial services. Indian banking companies act 1949, defines a banking company as a company which transacts the business of banking state of India and the world ' banking has been defined, "the acceptance for the purpose of leading or investment, deposit of the money from the public repayable on demand or otherwise and withdraw able by cheque, draft or otherwise." In simplest form a bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank is the connection between customers that have capital deficits and customers with capital surpluses. Due to their influence within a financial system and an economy, banks are generally highly regulated in most countries. Banking is a financial process carried out by an institution that accept to these traditional functions, besides the banks have increasingly moved to provide a wide range of services such as investment etc. Most banks operate under a system known as fractional reserve banking where they hold only a small reserve of the funds deposited and lend out the rest for profit. They are generally subject to minimum capital requirements which are based on an international set of capital standards, known as the Accords. Various segments of economy are directly or indirectly dependent on banking system. Even the survival of these segments themselves is solely dependent on banking sector and vice- versa. The strength of the banking sector tells on as the health of the economy. Banks are the
backbone for an individual, society, agriculture, trade, industries, economy or national development. It is impossible to visualize stable national development without strong banking system. It is a business process which is dependent on three main entities namely customer, bankers and the government. These three entities are interdependent to each other and one cannot expect a good banking system until there is a balance coordination among these.

2.3 EVOLUTION AND GROWTH OF BANKING SYSTEM IN INDIA

The last two decades have witnessed a cataclysmic change all over the world in commercial banking. Indian banking system has also followed the similar trends in the post independence period. Indian banking system has evolved through four phases. These are:-

Evolution phase (prior to 1950):- Enactment of the RBI act 1935 gave birth to schedule banks in India and some of the banks had already been established around 1881. The prominent among the schedule banks in the Allahabad bank was set up in 1865 with European management. The first bank with Indian ownership and management was Oudh commercial bank followed by PNB. During 1901-1914, 12 more banks were started, prominent among which were Bank of Baroda (1906), the Canara Bank (1906), the Indian Bank (1907), the Bank of India (1908) and Central Bank of India were operated as a regulating authority of banks.

Foundation phase (1948-1968):- The foundation phase is the period up to first 'nationalization of banks' i.e. 1969. In this period focus was on laying of a foundation for second banking system. This called for setting up of required legal framework for consolidating the banking system. As a part of this exercise the imperial bank of Indian was converted into the State Banks of India in 1955. Thereafter, the princely state banks were converted into associate bank of the state bank of India. The role of banking sector in the Indian economy was redefined. Earlier, it would cater to the needs of the government to meet the needs of entire economy; now, small industrialists and agriculturist were brought within its field.

Expansion phase (1968-1984):- This phase started in mid 1960s. However, it gained momentum only after the nationalization of 14 banks in July 1969. This is a phase of main banking. A determined effort was to make banking services available to all masses. The network of branches expanded at a rapid speed. The banks were
forced to open branches in rural and semi rural areas. Further, during this period the credit was directed into priority sector like agriculture, small scale industrial units, export etc. Banks were directed to meet the requirements of this sector at concessional rates. Between 1968-1984, the expansion took place at a very fast pace. Banks emerged as important instrument of socioeconomic changes.

**Consolidation phase (1985-1990):** The weakness that emerged during the expansion phase pushed the banking into next phase i.e. consolidation phase. The consolidation phase started in 1985. The Reserve Bank of India started some initiatives. Some relaxation in control was initiated. The branch expansion was slowed down. Banks were asked to tone-up internal management. Housekeeping, customer services, credit management, productivity and profitability became the focus of attention. Some rationalization of interest rates both on deposits and loans was undertaken. Some steps to remove the bottlenecks of money market were also taken. The aim was to overcome weaknesses which emerged from rapid expansion and too much control of RBI.

**Reformatory phase (1991 and onwards):** There has been an unprecedented growth and diversification of banking sector. In this phase banks shed their traditional function, innovated and improved, and came out with new types of services to cater to the needs of their customers. Massive branch expansion in rural and underdeveloped areas, mobilization of saving and expansion of credit facilities particularly in priority sectors resulted in widening and deepening of financial infrastructure and this changed the basic character of class banking into mass banking. Banking industry plays a dynamic role in the economic development of a country. The growth story of an economy depends on the robustness of its banking industry. Banks act as the powerhouses of a country's wealth. They accept deposits from individuals and corporate perform the function of and lending to the businesses. They use the deposits collected for productive purposes which help in the capital formation of a country. Today, the Indian Banking System is known the world-over for its robustness. The Reserve Bank of India is the central/apex bank which regulates the functioning of all banks operating within the country.
2.4 STRUCTURE OF INDIAN BANKING SYSTEM

Whenever one thinks of banks what comes to one’s mind? One’s salary account, one’s savings account or if you are a businessman your current account. Maybe you are also thinking remit until here about loans you took from a bank – your home loan, your car loan or your personal loan. One has to pause to think how this industry actually works. What is the structure of the Indian Banking Industry? What is its business model? How does a bank make money? What is its future outlook? The Indian financial system constitutes of the commercial banks, financial institutions, term-lending institutions, investment institutions, specialized financial institutions, state level development banks, Non Bank Financial Companies (NBFCs) and other market intermediaries. The figure 2.1 illustrates below shows the general structure of Indian financial system.
A. Reserve bank of India

The Reserve Bank of India (RBI) is India's central banking institution, which regulates Indian the monetary policy. As an apex institution, it has been guiding, monitoring, regulating, controlling and promoting the density of Indian financial system since its inception. It was established on 1 April 1935 during the British Raj in accordance with the provisions of the Reserve Bank of India Act, 1934. It was nationalized in the year 1949. The RBI plays an important part in the development strategy of the Government of India. It is a member bank of the Asian Clearing Union. The general superintendence and direction of the RBI is entrusted with the 21-member-strong Central Board of Directors—the Governor (currently Duvuri Subbarao), four Deputy Governors, two Finance Ministry representative, ten government-nominated directors to represent important aspects of India's economy, and four directors who represent local boards headquartered at Mumbai, Kolkata, Chennai and New Delhi. Each of these local boards consists of five members who represent regional interests, as well as the interests of co-operative and indigenous banks.

The bank is also active in promoting financial inclusion policy and is a leading member of the Alliance for Financial Inclusion (AFI). Under Section 22 of the Reserve Bank of India Act, the Bank has the sole right to issue bank notes of all denominations. The distribution of one rupee notes and coins and small coins all over the country is undertaken by the Reserve Bank as agent of the Government. The Reserve Bank is agent of Central Government and of all State Governments in India excepting that of Jammu and Kashmir. It is under obligation to transact government business and to keep the cash balances as deposits free of interest, to receive and to make payments on behalf of the Government and to carry out their exchange remittances and other banking operations. The Reserve Bank of India helps the government - both the Union and the States to float new loans and to manage public debt. According to the provisions of the Banking Companies Act of 1949, every scheduled bank is required to maintain with the Reserve Bank a cash balance equivalent to 5% of its demand liabilities and 2 per cent of its time liabilities in India. By an amendment of 1962, the distinction between demand and time liabilities was abolished and banks have been asked to keep cash reserves equal to 3 per cent of their aggregate deposit liabilities. Commercial banks can always expect the Reserve Bank
of India to come to their help in times of banking crisis. The Reserve Bank becomes not only the banker's bank but also the lender of the last resort. The Reserve Bank also has the power to inspect the accounts of any commercial bank. As supreme banking authority in the country, the Reserve Bank of India, therefore, has the following powers; (a) it holds the cash reserves of all the scheduled banks. (b) It controls the credit operations of banks through quantitative and qualitative controls. (c) It controls the banking system through the system of licensing, inspection and calling for information. (d) It acts as the lender of the last resort by providing rediscount facilities to scheduled banks.

B. Functions of Reserve Bank of India

Following are the main functions performed by RBI.

(i) To maintain monetary stability so that the business and economic life can deliver welfare gains of a property functioning mixed economy.

(ii) To maintain financial stability and ensure sound health of financial institutions so that monetary stability can be safely pursued and economic units can conduct their business with confidence.

(iii) To maintain stable payments system so that financial transactions can be safely and efficiently executed.

(iv) To promote the development of financial infrastructure of markets and systems, and to enable it to operate efficiently. i.e., to play a leading role in developing a sound financial systems so that it can discharge its regulatory function efficiently.

(v) To ensure that credit allocation by the financial system broadly reflects the national economic priorities and societal concerns.

(vi) To regulate the overall volume of money and credit in the economy with a view to ensuring a reasonable degree of price stability.

C. Commercial banks

Commercial banks are the oldest, biggest and fastest growing banks in India. These are commercial concerns that collect money from those who have it to spare or who are saving it out of their income, and lend to those who require it. In other words commercial bank in an organization accepts deposits for the purpose of lending. They
provide various types of financial services to customers in considerations of some payments in the form of interest, discount, fees, commission etc. Commercial banks perform multifarious functions because of the services rendered by the banks they can be described as departmental stores of financial services. Accepting deposits and lending or advancing loans are treated as the acid test functions of the bank, because, unless an establishment satisfied of the test of these two functions it simply cannot be a bank or a bankers. These functions are primary or basic functions of a commercial bank.

D. Types of commercial banks

Commercial banks can be divided into two main categories i.e. schedule banks and non-scheduled banks. A scheduled bank is one which is registered in the second schedule of the Reserve bank of India act 1934. Whereas banks, which are not included in second scheduled of Reserve Bank of India, are known as non-schedule banks. Schedule banks can be further categorized into:-

1. Indian banks
2. Foreign banks
3. Indian banks

Indian scheduled banks are those banks which have their registered offices in India and are registered in the second scheduled of RBI. As against this foreign scheduled banks comprises those commercial banks which are registered in the said schedule but have their registered offices outside India. These banks are dominant segment of total commercial banks and have their presence in every nook and corner of the country. India banks can be categorized into:-

a) Public sector banks
b) Private sector banks
a) Public sector banks

Public sector banks dominate commercial banking in India. The govt. of India entered commercial banking when it took over the imperial bank of India in 1955 and converted it into the State Bank of India on 1st July 1955. Now the State Bank of India has seven subsidiary banks. In view of the recommendation in second report
some mergers or closures may take place in future. Public sector banks are further classified into three categories.

Public sector banks

- State bank of India
- Regional rural banks
- Nationalized banks

**State bank of India:** The public sector commercial banking in India started with setting up of state bank of India in 1955, by taking over the imperial bank of India. In the next 5 years, the princely states banks were made associate banks of the state bank of India. These banks together are known as the state bank of India group or SBI group. Thus, the group consists of state bank of India, state bank of Hyderabad, state bank of Patiala, state bank of Travancore, state bank of Bikaner and Jaipur, state bank of Mysore, state bank of Saurashtra, and state bank of Indore.

**Nationalized banks:** Another important step towards public sector banking was taken in July 1969, when 14 banks with a deposit base of Rs. 50 crore or more were nationalized. It was expected that the nationalized banks would endeavour to ensure that the needs productive efforts of diverse kinds, irrespective of size and social status of the borrowers and, in particular those of former, small scale industries and self-employed professional groups are met in an increasing measure and to create fresh opportunities for backward areas in different parts of the country. Again in 1980, six more private sector banks were nationalized bringing up the total number of banks nationalized to twenty. These banks were bank of Baroda, Punjab national bank, Canara bank, central bank of India, Indian bank, Indian overseas bank, syndicate bank, UCO bank, Allahabad bank, United bank of India, oriental bank of commerce, cooperation bank, Vijaya bank, Dena bank, Bank of Maharashtra, Andhra bank, Punjab and Sind bank, New bank of India. Out of these banks in 1993-1994, new bank of India was merged with PNB.

**Regional rural banks:** Regional Rural banks were set up on the recommendation of a working group headed by M. Narasimhan in 1975. The objective was to provide credit and other facilities to small and marginal farmers, agricultural laborers and artisans. The need was felt as commercial banks and...
cooperative banks were not able to serve these segments adequately. These banks are the third component of the multi-agency credit system for agriculture sector. There are regional banks with rural orientation. There are scheduled banks which are governed by regional rural banks 1976. At present RRBs are working in all states except in Sikkim and Goa. The opening of new RRBs was stopped after April 1987 on the basis of recommendations of Kelker Committee. At the end of 1997-1998 the number of RRBs was 196. To enable regional rural banks to play a more effective role in rural credit, the Govt. has been providing capital through budgetary allocations. During 1998-99, the Govt. of India provided 265 crore for rehabilitation and capitalization of the RRBs.

**Private sector banks:** - Private sector banks are those banks which are owned and controlled by the private sector i.e. private individuals and co operations'. In 1951, there were in all 566 private sector banks of which 93 banks were scheduled banks and the remaining 474 were non-scheduled banks. At that time there was not even a single bank in public sector. With the nationalization of banks in 1969 and 1980, their role in commercial banking declined considerably. Since then the number of private sector banks is decreasing and the number of public sector banks is increasing. Private sector banks include foreign banks, scheduled commercial banks and non-scheduled commercial banks. The Govt. of India set-up 8 member committee under the chairmanship of Narasimhan to examine the structure and functioning of the existing financial system of India and suggests financial sector reforms. The main private sector banks in India are: UTI Bank Ltd, HDFC Bank LTD, IDBI Bank Ltd, Indus Ind. bank LTD and ICICI banking cooperation Ltd.

**Foreign Banks:** - Foreign banks are those banks which are registered or incorporated outside India. They have an office or branch in India. These banks had their presence from British period. With the changes in the banking policy in post 1993 period, the number of foreign banks has been on the increase. The globalization of Indian economy has encouraged the presence of more foreign banks. The number of banks has shown an increase in number over the years. The number of foreign banks which stood at 15(71) in 1961 rose to 30 (156) in 1996. At the end of June 2000, 186 branch offices of 44 foreign banks have been operating in India. The main source of financing for foreign trade is a foreign bank. As the audit of their business was not required and they had no statutory obligation to publish their balance sheet,
the Reserve Bank of India had absolutely no control over them. The main foreign banks are ANZ Gridley's Bank, the Standard and Chartered Bank, Hong Kong bank, American Express Bank, CITI bank 6. Bank of America.

2.5 BANKING SYSTEM IN HIMACHAL PRADESH

Himachal Pradesh is a small beautiful state located in northern part of India. It is famous for its apple and handicraft items. The word Himachal literally means "Land of Snowy Mountains". The state of Himachal Pradesh popularly called 'Abode of Gods'. It is also famous for its beautiful tourist spots, horticulture and an emerging power state at the national level. It is nestled in the western Himalayas between 30o22' to 33o 12' North Latitude and 75o 47' to 79o 04' East longitude. To the East it makes India's border with Tibet; to North lies in the state of Jammu and Kashmir; Punjab to the west; Uttarakhand to the South-East and Haryana to the South West. The state is long divisible into two regions the southern region which is warm and northern region which is cold even in summer reasons. It is surrounded by Dhauladhaar and Pir Panjal ranges in the northwest, Great Himalaya in the northeast and shivalik ranges in the southeast. The geographical area of Himachal Pradesh is 55673 sq.kms accounts for 1.7% of the total population as, per the census 2011 its total population is 68, 56,809 which constitute 0.57% of the total population of India. The people of Himachal Pradesh are very hardworking and simple. In spite of huge healthy literacy rate (83.78%) most of the people are engaged themselves in agriculture/ horticulture activities. Apples and potatoes are the important cash crops of the state. Himachal Pradesh also has small industrial units in solan, Una, Shimla, Bilaspur, and Kangra district. Special economic zones are being set up in Kangra, Una and Chamba districts. But in addition to the above, the banking system has also been playing very vital role in the development of the state because it has been providing assistance to the people as well as government to arrange, invest, and mobilize funds.

2.6 HISTORY OF BANKS IN HIMACHAL PRADESH

The banking in Himachal Pradesh has a long history during nationalization of commercial banks in 1969, there were just 42 bank branches in Himachal Pradesh as compared to the national figure of about 8262 (Eco. Sur (2012-13). It was only one half percent of the country's overall branch strength. But after nationalization, this figure has improved slightly. The scheduled commercial banks which include State
Bank group, nationalized banks, the regional rural banks and other scheduled commercial banks have been functioning in Himachal Pradesh through a wide network of branches. Majority of these branches are located in rural areas. The total number of bank branches in the state including the branches of regional rural/cooperative banks was 1414 as on June 2010. There are 20 commercial banks in Himachal Pradesh through a network of 866 branches of which 644 branches are located in rural areas and 222 branches in urban/semi urban areas. SBI, PNB, UCO, SBOP are the major banks with 646 branches. In addition to eight private commercial banks viz. ICICI bank, HDFC bank Ltd, IDBI, AXIS, BOP Ltd, lindus ind, JKB, YES bank with 46 branches is also operating in urban/semi urban area of the state. There are two regional rural banks in the state viz Himachal Garmin Bank (HGB) and Parvatiya Garmin Bank.

Himachal Garmin bank has 123 branches and Parvatiya Garmin Bank has 30 branches thus bringing the total number of commercial bank branches 1018 in the state. There are three main categories of cooperatives banks in the state to the Himachal Pradesh State Cooperative Bank, the Himachal Pradesh State Cooperative Bank, the Kanga Central Cooperative Bank and Jogindra Central Cooperative bank. The Himachal Pradesh State Cooperative is an apex bank under short term credit structure. It has 175 branches in six district of Himachal Pradesh viz Shimla, Kinnaur, Bilaspur, Mandi, Sirmour and Chamba. The kanga central cooperative bank ltd has been working in five districts viz kanga, Hamirpur, kullu, Una and Lahaul Spiti. It has with 163 branches in the state. The Jogindra central cooperative has network 20 branches functioning only in solan districts of the state. Thus banking in Himachal Pradesh also comprises of commercial banks and cooperative banks. The commercial banks include both scheduled commercial banks and non-scheduled commercial banks. Similarly the cooperative banks in Himachal consists of the State Cooperative Bank (Himachal Pradesh State Cooperative Bank) and the District Central Cooperative Banks (Kanga Central Cooperative Bank and Jogindra central cooperative bank) respectively. As per Census 2011, as many as 11 percent of households in the state outside the banking system, the government has impressed upon bankers to launch an intensive drive to achieve full coverage and bring each household under financial inclusion. In the 12th State Level Bankers Committee meeting held in Shimla revealed that among 14.77 lakh registered households only
13.16 lakh households were availing banking services. State Chief Secretary Sudripta Roy asked banks to prepare a roadmap for extending banking to every village. “Unless each household is not brought into the banking system, the objective of bringing the entire state under financial inclusion will never be achieved,” (Eco.Sur.2012-13). Direct transfer schemes, both in the state and centre, would deprive beneficiaries of their entitlements unless full financial inclusion is achieved, he added. The Union Government had identified Hamirpur, Una, Bilaspur, and Mandi districts for direct transfer in implementing kerosene subsidy scheme, where banks have to ensure a bank account in the name of family head for eligible beneficiaries. A pre-testing draft of the scheme was ready for testing in Una district, he added. The banks report card 2013, showed that Rs 2213 crore of credit was released by banks in the first quarter to about 1.31 lakh customers. Bank businesses grew by 19.83 percent during the period. By adding 70 new branches, the banking network has 1570 branches in the state now, besides the 686 ATM machines dispensing retail cash. For distribution of social security pension scheme in Bilaspur district, banks have started implementing Information and Communications Technology based business correspondents’ model on the pilot basis for 151 Panchayats. The efforts Aadhaar enabled payment system in 28 Gram Panchayats under ‘One District-Many Banks-One leader bank model’ guidelines issued by RBI. The seeding of Aadhaar numbers in the bank accounts has started in Bilaspur, Una and Hamirpur districts where UIDAI has enrolled more than 80 percent population.

2.7 ROLE OF BANKS IN STATE ECONOMY

Agriculture is the main occupation of the people of Himachal Pradesh. It has an important place in the economy of the state. The state of Himachal Pradesh is the only state in the country where 89.96 (census.2011) of population lives in rural areas. Therefore depending on agriculture / horticulture is eminent as it provides direct employment to the workers of the state. State economy of Himachal Pradesh dependent upon agriculture and in the absence of strong industrial base, any fluctuations in the agriculture or horticulture production causes some changes in economic growth also. During 2011-12 about 13.69 percent of state income has been contributed by agriculture sector alone. The economy of the state also appears to be in resilient mode in terms of growth. The growth rate of Gross State domestic Product during 2012-13 Was 6.2 percent against 5.0 percent at the national level. The gross
state domestic product or state income is the most important indicator for measuring
the economic growth of state. According to quick estimates, the total state domestic
product for the year 2011 is 41939 core against rupees 36,036 crore in 2010-2011,
thereby registering growth of 7.4 % at constant price 2004-2005. The total gross state
domestic product of the Himachal Pradesh at current prices was estimated rupees
63812 crore in 2011-12 as against rupees 36355 crore in 2010-11, thereby registering
an increase of 13.2 percent. This growth is attributed to agriculture and allied
activities sector besides other sectors of two economies. The food grains production
increased to 15.54 lakh metric tonns in 2011-2012 from 14.94 lakh metric tonns in
2010-11. The per capita income of Himachal Pradesh at current prices in 2011-12
stood at 74694. The growth of economy shows an increase of 10.7 percent over 2010-
11. The per capita income during 2012-13 was estimated at 48923 against 46821 in
2010-11 witnessing an increase of 4.5 percent.

The state government mobilizes financial resources through direct and indirect
taxes revenue, share of central taxes and grant-in-aid from central government to meet
the expenditure on administrative and developmental activities. According to budget
estimates for the year 2012-13 the total revenue receipts were estimated at 16343
core as against 14425 crore in 2011-12. The revenue receipts increased by 3.30
percent in 2012-13 over 2011-12. The state's own taxes were estimated at 5,007 crore
in 2012-13 as against 4,280 crore in 2011-12. The state’s non tax revenue was 12.26
percent of total revenue receipts in 2012-2013. The share of central taxes was
estimated at 2,373 crore in 2012-2013. The break-up of the states own taxes reveals
that sale tax of 3,162 crore constituted a major portion i.e. 42.56 percent of total tax
revenue in 2012-2013. The revenue receipts from state excise duties were estimated at
800 crore in 2012-2013. The percentage of revenue deficit to total gross state
domestic product for the year 2011 was -0.95 percent and in 2011-2012 the percent
surplus to the total . The percentage contribution of agriculture, forestry, fishing, and
mining and quarrying to total Gross State Domestic Product of state is 19.15 percent,
electricity, gas and water is 40.20 percent, followed by community and personal
services 18.41 percent, transport communications and trade 14.91 percent and finance
and real states 7.6 percent. The structural composition of states economy witnessed
significant changes during the decade. The share of agriculture including horticulture
and animal husbandry in Gross State Domestic Product had declined from 26.5
percent in 1990-19191 to 13.669 percent in 2011-2012, yet the agriculture sector continues to occupy a significant place in the state economy and any fluctuation in the production of food grains/fruits affect the economy. The share of primary sectors which include agriculture, forestry, fishing, and mining and quarrying has declined from 35.1 percent in 1990-1991 to 19.15 percent during 2011-2012. The secondary sector includes share of electricity, gas and water, has also increased from 4.7 percent during 1990-1991 to 8.5 percent during 2011-2012. The secondary sector reflects healthy signs of industrialization and modernization in the state. Tertiary sector which comprises of sectors like trade, transport, communications, banking, real-estate and business services, community and personal services has also witnessed change in its share. Its share in Gross State Domestic Product for the year 2011-2012 was 40.65 percent. A brief analysis of economic growth in Himachal Pradesh, however, reveals that the state has always tried to keep pace with the all India growth rate.

2.8 PROFILE OF BANKS (SBI, PNB, HDFC, AND ICICI) UNDER STUDY

There are 1570 branches of different banks working in the state. But for the present study four banks have been selected. The present study is a comparative study among four selected banks. Two public (State Bank of India, Punjab National Bank) and two private, (Housing Development and Financial Cooperation, Industrial Credit and Investment Corporation of India) banks have been taken. The detail of these banks and their existence has been discussed under the profile of banks.

(A) State bank of India

State bank of India is a multinational banking and financial services company based in India. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra. 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. This bank came into existence during British rule in India, through the Imperial Bank of India, to the founding in 1806 of the Calcutta. 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 ranked 285th in the Fortune Global 500 rankings of the world's biggest corporations for the year 2012. SBI has 14 regional hubs and 57 Zonal Offices that are located at important cities throughout the country. SBI is a regional banking behemoth and has 20% market share in deposits and loans among Indian commercial banks. The State Bank of India was named the 29th most reputed company in the world (Forbes 2009). The only bank featured in the "top 10 brands of India" list in an annual survey conducted by Brand Finance and The Economic Times in 2010. The first branch of SBI was opened in Himachal Pradesh on 1st July 1955. There are 218 branches in the state.

(B) Punjab National Bank

Punjab National Bank (PNB) is an Indian financial services company based in New Delhi, India. PNB is the third largest bank in India by assets. It was founded in 1894 by Lala Lajpat Rai. PNB is currently the second largest state-owned commercial bank in India ahead of Bank of Baroda with about 5000 branches across 764 cities. It serves over 37 million customers. The bank has been ranked 248th biggest bank in the world by the Bankers' Almanac. The bank's total assets for financial year 2007 were about US$60 billion. PNB has a banking subsidiary in the UK, as well as branches in Hong Kong, Dubai and Kabul, and representative offices.
in Almaty, Dubai, Oslo, and Shanghai. With over 72 million customers and 5937 domestic branches, PNB has continued to retain its leadership position amongst the nationalized banks. The Bank enjoys strong fundamentals, large franchise value and good brand image. Over the years PNB has remained fully committed to its guiding principles of sound and prudent banking irrespective of conditions. PNB has been earning many laurels and accolades in recognition to its service towards doing well to society, technology usage and on its overall performance. The major awards won by the Bank are the "Best Bank Award, Most Socially Responsive Bank by Business World-PwC, Most Productive Public Sector Bank, Golden Peacock Awards" by Institute of Directors, etc. Besides, the Bank is 26th amongst the top 500 India's Largest Corporations by Fortune 500 India. The Banker ranked PNB on 186th position in 2011, improving from 257th position a year before. PNB ranked 668th amongst 2000 Global Giants as per the Forbes and 170th in 2012 improving from 195th in 2011 in top 500 Most Valuable Banking Brands by Brand Finance Banking 500. PNB, adjudged Most Powerful amongst the Nationalized Banks in India, with overall rank at 50 by Economic Times in 2012. Bank has also been ranked 26th amongst India Top Companies as per ET 500 and 25th amongst the Top 50 most valuable corporate brand by Brand Finance-ET.

Since its humble beginning in 1895 with the distinction of being the first Swadeshi Bank to have been started with Indian capital, Punjab National Bank has continuously strived for growth in business which at the end of June 2012 amounted to Rs. 6,79,823 crore. "PNB is the largest nationalized Bank in the country in terms of Branch Network, Total Business, Advances, Operating Profit and Low Cost CASA Deposits". Bank achieved a Net Profit of ` 1246 crore during in 2012. It has been a frontrunner in the industry so far as the initiatives for Financial Inclusion is concerned. With its policy of inclusive growth and the mission "Banking for Unbanked", it is a matter of pride for the Bank that it has been able to cover all its 4588 villages allotted under the Swabhiman Campaign of Government of India through Business Correspondents. Further, the Bank has also adopted 118 villages across country. Under FI plan, the Bank has engaged Technical Service Providers (TSPs) and the corporate Business Correspondents (BCs) for providing banking services in villages using ICT based BC model. The village level BC agents are using Hand Held Terminals/ POS machines & smartcards. It has extensively used
technology to reach out to those which have remained away from formal banking set up. The Bank has always been pioneer in implementation of technology in facilitating good services and suitable products to its customers. Bank has also opened specialized branches equipped with all the facilities to cater to the needs of all the segments of the society. The Bank is offering all the technology enabled services to its customers ranging from Mobile Banking, Call Centre, Internet Banking, online booking of rail tickets, payment of utilities bills, booking of airline tickets to SMS alerts and Mobile Banking services to keep them updated about their financial transactions at all times. PNB Bank with more than 6050 ATMs has the largest ATM network amongst Nationalized Banks. ATM Network of the Bank provides other value added services such as Funds Transfer, Bill Payments and mobile registration for generation of SMS alerts; Direct Tax Payment, request for stop payment of cheques, etc. are also provided to the cardholders. Apart from offering banking products, the Bank has also taken up Wealth Management Services viz. credit card/debit card; bullion business; life/non-life insurance; Gold coins & Asset Management, etc. Bank has acquired 30% stake in an existing profit making life insurer i.e. MetLife India Insurance Co, Ltd. With the acquisition of 30% stake, the company has been renamed as PNB MetLife India Insurance Co. Ltd. Bank has also institutionalized Corporate Social Responsibility system for transforming the lives of those who are less privileged. Towards this, PNB Prerna, an Association of the wives of the Senior Executives of the Bank, has been set up. It aims at serving the society and destitute on behalf of the Bank by extending assistance to the poors/ disabled by way of distribution of articles of utility, computers, stationary, books, etc. Backed by strong domestic performance, the Bank has its global aspirations as well. Bank has expanded its footprint into 10 countries. Bank also has 4 overseas branches in Hong Kong, Dubai & Afghanistan and an Offshore Banking Unit (OBU) Branch in SEEPZ, Mumbai. Bank has one wholly owned overseas Banking subsidiary, PNB International Ltd. (UK) along with other two overseas subsidiaries are Druk PNB Bank Ltd, Bhutan and PNB Kazakhstan besides Representative Office in Sydney, Australia, Dubai, Almaty, China & Norway. Bank is planning to set- up its second wholly owned subsidiary in Canada. It is also looking to upgrade its Representative Offices at Norway, China and Australia to full-fledged branches. Bank is also exploring possibilities for presence in Maldives, South Africa, Bangladesh, Myanmar, Pakistan, Singapore and Brazil. Moving forward and achieving Business
Excellence, PNB Pragati, an Organization Transformation Programme has been initiated in a systematic and well planned manner. Under the programme, PNB Pragati Branches at various places have been rolled out commencing 1st August at Bhikaiji Cama Place branch at New Delhi. These branches will have all the convenient and modern banking facilities for the customers. In Himachal Pradesh the first branch was opened in 1924.

Private Banks

(c) ICICI Bank

ICICI Bank Limited (the Bank) is a banking company. The Bank, together with its subsidiaries, joint ventures and associates, is a diversified financial services group providing a range of banking and financial services, including commercial banking, retail banking, project and corporate finance, investment banking, broking and treasury products and services. It operates under four segments: retail banking, wholesale banking, treasury and other banking. Retail Banking includes exposures, which satisfy the four criteria of orientation, product, granularity and low value of individual exposures for retail exposures. Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under Retail Banking.

Treasury includes the entire investment portfolio of the Bank. Other Banking includes hire purchase and leasing operations and other items. In November 2012, it opened its second branch and first high street branch in Hong Kong. ICICI Bank is India's second-largest bank with total assets of Rs. 4,062.34 billion (US$ 91 billion) at March 31, 2011 and profit after tax Rs. 51.51 billion (US$ 1,155 million) for the year ended March 31, 2011. The Bank has a network of 2,774 branches and about 10,021 ATMs in India, and has a presence in 19 countries, including India. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized
subsidiaries in the areas of investment banking, life and non-life insurance, venture capital and asset management. The Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. UK subsidiary has established branches in Belgium and Germany. ICICI Bank’s equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange (NYSE).

(D). HDFC Bank

Housing Development Finance Corporation Limited, more popularly known as HDFC Bank Ltd, was established in the year 1994, as a part of the liberalization of the Indian Banking Industry by Reserve Bank of India (RBI). It was one of the first banks to receive an 'in principle' approval from RBI, for setting up a bank in the private sector. The bank was incorporated with the name 'HDFC Bank Limited', with its registered office in Mumbai. The following year, it started its operations as a Scheduled Commercial Bank. August 2013, HDFC Bank had 3,119 branches and 11,088 ATMs, in 1,891 cities in India, and all branches of the bank are linked on an online real-time basis.

HDFC Bank in Himachal Pradesh along with the location of it’s around 45 branches in the state. 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$820 million), up 31.6% from the previous fiscal. Until December 31, 2012, the Bank had a network of 2776 branches in 1568 cities across India. All branches are linked on an online real-time basis. Customers in over 1397 locations are also serviced through Telephone Banking. The Bank’s expansion plans take into account the need to have a presence in all major industrial and commercial centres, where its corporate customers are located, as well as the need to build a strong retail customer base for both deposits and loan products. Being a clearing / settlement bank to various leading stock exchanges, the Bank has branches in centres where the NSE / BSE have a strong and active member base. The Bank also has a network of 10490
ATMs across India. HDFC Bank’s ATM network can be accessed by all domestic and international Visa / MasterCard, Visa Electron / Maestro, Plus / Cirrus and American Express Credit / Charge cardholders. HDFC Bank operates in a highly automated environment in terms of information technology and communication systems. All the bank’s branches have online connectivity, which enables the bank to offer speedy funds transfer facilities to its customers. Multi-branch access is also provided to retail customers through the branch network and Automated Teller Machines (ATMs). The Bank has made substantial efforts and investments in acquiring the best technology available internationally, to build the infrastructure for a world class bank. In terms of core banking software, the Corporate Banking business is supported by Flex cube, while the Retail Banking business by Fin ware, both from i-flex Solutions Ltd. The systems are open, scalable and web-enabled. The Bank has prioritised its engagement in technology and the internet as one of its key goals and has already made significant progress in web-enabling its core businesses. In each of its businesses, the Bank has succeeded in leveraging its market position, expertise and technology to create a competitive advantage and build market share. HDFC Bank caters to a wide range of banking services covering commercial and investment banking on the wholesale side and transactional / branch banking on the retail side.

2.9 ROLE AND STATUS OF BANKS IN HIMACHAL PRADESH

Banks in Himachal Pradesh have been playing a predominate role in accelerating the economic growth in the state economy and sharing the responsibility of the enhancement of flow of institutional credit in all sectors in accordance with the national priorities. The year 2012 was dominated with number of financial initiative efforts initiated at the instance of Ministry of Financial Services to large section of population and electronic benefits transfer under financial inclusion in which benefits were directly credited into the account of beneficiaries who can then withdraw it from the bank branches or ATMs and draw to road map in respect of 32 schemes under which subsidies are provided by central government through electronic benefit transfer in a phased manner. The total number of bank branches in the state was 1,614 as on September, 2012. Per branch serving population of the state based on census 2011 dated maintained at 4,248 which is relatively termed as best indicator in comparison with other states across the country. There are 31 scheduled commercial banks operating in Himachal Pradesh through a network of 1,614 branches. JCCB
with 22 branches covers Solan district only. State bank of of India has 1,292 are located in rural areas and 86 in urban and 236 branches are located in semi-urban areas. In addition, banks has so far installed 692 ATMS at various locations in the state. UCO Banks has been entrusted the responsibilities of convener bank in the state by RBI having 145 networks of branches spread in all the districts of the state. Other major banks are PNB with 266 branches, SBI with 203 branches and state bank of Patiala with 98 branches and central bank of India with 47 branches in Himachal Pradesh. In addition the state has a strong network of four cooperative banks with 440 branches and two regional rural banks having 180 branches. The Himachal Pradesh state Cooperative Bank limited is an apex bank under short term credit structure. It has a network of 184 branches in six district of H.P. viz Shimla, Chamba, Kinnur, Bilaspur, Mandi, Sirmour, and Chamba including one branch at Delhi. There are two Central Cooperative Banks in state namely Kangra Central Cooperative bank ltd (KCCB) and Jogindra Central Cooperative Bank ltd. (JCCB). While KCCB with 187 branches operates in five district viz, Kangra, Hamirpur, kullu, Una and Lahaul-Spiti. A part from these few urban co-operative banks are also operating in the state. Mode of their contribution has been discussed as under:

a) **Deposits and advances**: At the end of Sept, 2012 deposits of all the banks operating in Himachal Pradesh were 5,3400 crore registering a year to year growth in deposits on sept, 2012 stood at 18.55 percent. The advances as at the end of Sept, 2012 stood at 21,274 crore. In addition banks have deployed 7,805 crore worth of loans in various projects in Himachal Pradesh duly sanctioned by branches situated outside the Himachal Pradesh. The comprehensive credit deposit ratio at 69.29 percent calculated on the basis of Throat Committee recommendation is more than 60% stipulated National goal of RBI.

b) **Primary sector credit**: Total primary sector advances of the banks in the Himachal Pradesh increased to 15,263 crore as on September, 2012 from 12,693 crore in Sept. 2011 registering a growth of 21.00 percent over Sept. 2011. It is appreciable that PS advances constitutes more than 72 percent share in total advances as compared to national parameters stipulated at 40% by RBI. Banks disbursed a fresh credit of 4,472 crore during current fiscal year up to Sept, 2012 and under annual credit plan 2012 -2013. This is 47.84%
of the annual target of 9,348 crore. During the periods under review 2,34,423 number of fresh units were disbursed out of which 1,20,164 number of loans provided to farmers in the states.

2.10 PERFORMANCE OF BANKS UNDER GOVT SPONSORED PROGRAMMES

(1) Prime Minister Employment Generated Programmes: - The scheme is being implemented by three nodal agencies with KVIC, KVIB and DIC. Out of 630 projects proposed, 389 were sanctioned. 1,701 numbers of employments were created and a amount of 539.53 lakh rupees was disbursed up to sept, 2012.

(2). Swarn Jayanti Gram Swarojgar Yojna:- This scheme is being implemented by rural development department. Total numbers of swarojgaries assisted were 2552 upto Sept, 2012. The loans disbursed to individual beneficiaries was 265.37 lakh and to self- help groups was 786.95 lakh and subsidy distributed to individuals was 42.67 lakh and self help groups 157.43 lakh.

(3) Swarn Jayanti Shari Rojgar Yojna (2012-2013). Under this scheme urban self employment has been linked with finance. The banks have disbursed 26 loans cases and 22.13 lakh up to September, (2012).

(4.) Interest Subsidy scheme for Housing the Urban Poor (ISHUP):- At the request raised by, HP .Govt and the Ministry of Housing and Urban poverty evaluation, granted extention of ISHUP scheme for financial year 2012-2013 on the guidelines issued to implementing agency easier.

2.11 BANKING SERVICES IN THE VILLAGES

Reserve Bank of India provides the guideline for banking services in all the villages having population 2000. The convener UCO bank has finalized the roadmap of 20,016 unbanked villages covering three years period from March, 2013 to march 2015 for providing banking services ensuring to cover all villages for door step services through ICI based BC model.

Establishment of Rural Self Employment Training Institute RSETI and financial literacy:- Rural self employment training institute RSETI and financial literacy guidelines received from government of India banks have
operationalized all 10 RSETI at district headquarters in the state. All the
districts have own FLCCS (Financial Literacy cum Counseling Centres)
established and operationalised by banks in the state. This is a unique
achievement of its kind across the country.

**Implementation of Doodh Ganga venture capital scheme of NABARD in H.P:-** The state has fully utilized the subsidy allocated under Doodh Ganga venture capital scheme by Govt. of India for the financial year 2012-2013. Accepting the claim of 9 crore by June, 2012 within cut-off date, the scheme at present is held under abeyance awaiting the clearance for the centre from the central govt.

### 2.12 NABARD

The National Bank for Agriculture and Rural Development has strengthened its association with the developmental process substantially for integrated rural development in the recent years by initiatives encompassing a wide range of activities viz, development of rural infrastructure, micro credit, rural non farm sector, minor irrigation and other agriculture sectors. Besides strengthening the rural credit delivery system in the state, the active support from NABARD is generating tremendous social and economical benefits in the rural areas of the state. In addition to its own schemes, NABARD is also implementing centrally sponsored credit linked subsidy schemes like Dairy entrepreneurship development schemes (DEDS) poultry venture capital fund strengthening of agriculture marketing infrastructure grading and standardization integral development of small ruminants and rabbits. Construction of rural godowns, agriclinices and agribusiness centres etc.

**Development of infrastructure:** - Government of India had created rural infrastructure development fund (RIDF) in 1995-1996. Under this scheme, loans are given by NABARD to State Govt. and state- owned co- operations for the completion of ongoing projects as also to start new projects in certain select sectors. This scheme has also been extended to Panchayats raj institutions, self-help groups and non-government organizations for development of various location specific infrastructure having a direct bearing on society and the rural economy. Financial assistance of 3,959.81 crore has been sanctioned to the H.P. government since inception of rural infrastructure development fund for taking up 4,866 projects (as on 31st December
the diversified sectors like poly- houses, micro/ minor irrigation, roads and bridges, drinking water, supply, flood protection, water shed development and construction of rooms for primary schools in the current financial, an amount of 360 crore was sanctioned under rural infrastructure development fund up to 31st December, 2012. An amount of 300.54 crore was disbursed up to 31st Dec, 2012 to the govt during 2012-2013 raising the commutative disbursement to 2,288.27 crore. After the implementation/completion of the sanctioned projects, drinking water will be made available to 26,99,126 persons. 7265.25 km road will become motor able, construction of 19131.80 mt. Span bridges will be done, 147 hectares of area will be brought under poly- houses. 86, 249.73 hectares of land will be benefited through minor irrigation projects, 2039.02 hectares of land will be covered under flood protection measures and 6,219 hectares land will be covered under water shed projects. 2,921 rooms will be constructed in primary schools, 64 science laboratories and veterinary hospitals/artificial insemination centres will be constructed.

**Refinance support**: NABARD extended financial support amounting to 7.49 crore during 2011-2012 and 43-92 crore during 2012-2013 (Upto 31 Dec.2012) to the banks operating in the state by extending refinance disbursement for diverse activities viz. Diary development, plantation and horticulture, farm mechanization, minor irrigation, land development SGH and non form sector. NABARD also supplemented the efforts of Coop. Banks and RRBs, for crop loan Disbursement in the state by sanctioning ST (SAO) credit limit of 403 crore against which the banks have drawn refinance assistance of 355.77 crore as on 31st Dec, 2012.

**Initiatives for self help group (SHG) movement**: The self help group (SHG) movement has spread across the state and is now on a firm base. The movement has been up scaled with support in the human resources and financial products. In Himachal Pradesh nearly 62,286 self help group covering approximately 6.23 lakh rural households had saving banks accounts with banks in the state as on 31 march 2012. Out of these 62,286 saving- linked self -help groups , 56754 self help groups had available loans from various banks as on 31st march, 2012 and the loans outstanding to them were to the tune of 142.33 crore. As on 31st march 2012, nearly 825 joint liability groups were provided credit amounting to 1406.19 lakh by banks in the state. During 2011-2012 approximately 666 JLGs were provided credit amounting...
to 1269.89 lakh. For propagating this scheme NABARD is partnering with about 80 NGOs in the state. Further NABARD is also partnering with Department of Women and Child Development, Govt of Himachal Pradesh.

**Farm sector Initiatives:** At a total of 2503 farmers club have been promoted in the state until 31st December, 2012 covering 33000 farmers from 5700 villages. NABARD is also supporting a scheme under Reuter market light programme to provided SMS based services to the farmers on daily weather forecast, crop advertising, spot market prices etc. A federation of farmers clubs has been formed in Sirmour district. NABARD has been supporting implementation of water-shed development programmes have been sanctioned and are under various phases of implementation. Further, the scheme for capacity building for adoption of technology through training and expose visits to facilitate farmers to adopt new/ innovative methods of farming viz, vermiculture, bio-manure, organic farming, poly-house technology, medicinal and aromatic plant cultivation, mushroom cultivation, off season’s vegetables etc. is also being implemented. These visits are arranged in collaboration with selected research institute and agriculture/horticulture universities. 27 such programmes were conducted during 2011-2012 (up to 31 Dec, 2012) and cumulatively 75 CATs have been conducted covering 1500 farmers. 60 villages in 11 districts have been covered by VDP (village development programme. About 2000 families are expected to be covered under this programme. NABARD also supports a system of crop intensification programme in different districts of Himachal Pradesh like Una, Kangra, Chamba, Mandi, for increasing the productivity of Rice and Wheat. In addition to the above, projects have also been sanctioned for technology transfer pertaining to temperature fruits, exotic vegetables, vegetable nursery, bee keeping, productivity enhancement in maize and wheat, improved fodder grasses in different districts of H.P.

**Initiatives for Rural non-farm sector:** NABARD has identified rural non-farm sector as one of the thrust areas of developments. It is providing re-finance. Support to commercial banks/ RRBS and co-operative banks for development of rural non-farm sector in the state. NABARD also has schemes for developments of "tourism clusters" taking into account the infrastructure requirements, the capacity building needs of the services providers and the credit requirement thereof. All activities forming part of the Rural Tourism and Agri-Tourism will be eligible for
refinance assistance from NABARD under non form sector. NABARD is also supporting Swarojgar Credit Card (SSC) scheme by way of re-finance for the benefit of rural artisans and other small entrepreneurs, by keeping provision of timely and adequate credit for working capital or block capital or both of them in addition of rural non-farm products, NABARD is providing financial assistance for promotion of skill/entrepreneurship development amongst the rural youth, training by master craftsman, rural development and self employment training institutes RUD SETI type of institutes engaged in training rural youth in various activities having potential for employment and income generation skill development, initiatives envisage to develop, upgrade or diversity the existing skills of the people in rural areas looking for large employment or livelihood opportunities both in group mode or individually. The commutative number of SDPS sanctioned in the state till Dec.2012 was 204 involving grant-assistance of 95.1 lakh benefiting about 4,000 persons. Keeping in view the fact that marketing has a crucial role in development of rural non-farm sector and rural hats beings an integral part of the rural market system, NABARD provides grants, soft loan assistance for setting-up of such heat so for 5 rural heats, covering Mandi, Una and Sirmour districts were sanctioned grant assistance of 23.74 lakh. The scheme of rural marts aims to facilitate marketing linkages for the artisans, handicrafts and agro based products through setting up of a retail outlets for covering the initial risk involved there in NABARD has sanctioned 35 rural marts to different self help groups involving grant assistance of 32-32 lakh. An amount of 28.52 lakh has been released and the main products being marketed through theses marts are milk and milk products, soft toys, pickles, jam, jolly sauce, chutney, sevian, radii, plant fibre handicraft items from hand bags, mobile covers, tea coasters, table mats, handmade pare, etc. manufactured by various self help groups. The credit flow at the ground level during 2010-2011 for priority sector aggregated 6,552.97 crore representing an increase of 24.3 percent over 2011. The target for 2012-2013 has been fixed at 7,867.64 crore for various banks based on potential linked credit plans prepared by NABARD. Till 30 Sept, 2012 the achievements against this was 3,551.18 crore. NABARD has been preparing the districts level potential linked credit plans on an annual basis for all districts by the state which reflect in realistic way the ground level potentials, as also the credit and non-credit linkages needed for achieving the targets envisaged. The PLPS are prepared with various stakeholders’ viz. state govt district administration, banks NGOs, farmers and related agencies. Board sectors wise PLP
projections for 2013-2014 has been assessed at 9,842.43 crore for Himachal Pradesh as per RBI guidelines banks prepared annual credit plans for 2013-2014 keeping PLPS as the basis.

**Openings of saving account:** Himachal Pradesh was the first state in the country to achieve 100% financial inclusion in terms of opening of savings accounts a distinction which it achieved on 1, June, 2007. The state now aims at 100% -credit inclusion as on 30th September 2012. The state had achieved 87.22% credit inclusion by providing credit to 9,16,707 households out of a total of 10,50,998 targeted households. Impressive but these achievements still fall short of the ideal state of financial inclusion. Providing a full range of financial services to the financially excluded sections of our populations is a herculean task and hence it requires a well -planned and systematic approach to complete it keeping this in view central and state governments as well as banks approved financial inclusion plans which aimed at covering villages based on population criteria with coverage of villages with higher population getting precedence. Under the financial inclusion plan 2012, 48 unbanked villages having a population of 2000 and above were identified for coverage by various banks in the state by 31 March 2012. The achievement was 100% out of the 48 identified villages 44 were covered through BC model and 4 were covered by opening branches (since then 33 out of the 44 BC location have been converted into ultra small branches by banks.). There after 532 unbanked villages having a population of more than 1000 and upto 2000 was allocated to banks for coverage by 31st march 2013. As per the road map 20, 016 unbanked villages will be covered by 31st march 2015. It is clear that the preparatory phase has been completed by banks and the financial inclusion movement is now poised to take off. NABARD continues to support various interventions for promotion of self help group movement during 2011-2012. An expenditure of rupees 12.51 lakh was incurred on training programmes and setting up a resource centre for SHGS at Mandi and 3 Marketing interventions which covered nearly 4027 persons. An amount of 24.17 lakh was released as grant to various self help initiatives. Assistance to Regional Rural Banks and cooperative banks for adopting ICI based solutions which would not only enable them to provide quality services to their customers but also increase their outreach by enrolling new clients. Such centres would not only spread financial literacy among the rural masses but also help in developing a bond between the rural population and the
banks resulting in enhanced client base. Assistance to RRBs and cooperative banks for KCC (Rupay cards) would enable banks to provide KCCs with the latest technological features to its customers. The cards should be Aadhaar enabled and should be operable in both ATMS and pos. machines. Assistance available per card is maximum Rs 25.00 and is available for all existing and future KCCS. The scheme is open for a period of 3 years assistance available for sensitization of staff of banks for FI. NABARD has prepared a state wide campaign - in consultation with banks operating in the state for spreading financial literacy. To start with it has been decided to organise "awareness comp" in villages having a population of more than 1000 during the current year. Quiz competition are also proposed to be organized in all senior secondary schools of the state. Financial assistance for these interventions will be made available by NABARD. NABARD has taken a number of initiatives in spreading financial literacy which are (1) four "trainers" training programmes on financial literacy were organized in association with Indian school of micro finance for women, Ahmadabad in which 120 participants were covered and which involved a cost of 4.40 lakh. The idea was to create a pool of trainers to spread financial literacy in the state. A grant assistance of 7047 lakh was sanctioned to Mandi for organising; financial literacy programmes 'through Lake Jathas' in 150 Panchayats in 5 interior blocks of Mandi district. Since feedback received was positive another grant assistance of rupees 16.66 lakh was sanctioned to the agency for conducting similar camps in 200 more Panchayats of Mandi districts. A grant assistance of 1.31 lakh was sanctioned to Ankur Welfare Association, Una for organizing 'awareness and orientation camps' in 17 identified unbanked villages having a population of more than 2000.

**Initiatives for new business establishment:** NABARD infrastructure development assistance fund has been set-up to provided credit support for funding of rural infrastructure projects. NIDA will fund state own institutions cooperation with sustained income streams which can repay the loan directly to NBARD, without depending upon budgetary resources of the state government for credit rural infrastructures outside the ambit of rural infrastructure development fund borrowing.

**Financial assistance to producer’s organizations.** In order to support and finance "producers organizations development fund", the fund has been setup to support any registered producers organizations viz, producers company (a defined
under sec 581A in part ix A of company act 1956), producers cooperatives, registered farmer federations mutually aided cooperative, individual cooperatives societies, other registered federations etc. set up by produces to meet the needs of the producers (farmers, artisan, handloom weavers etc.) by providing timely credit (mix of loan and limited grant) capacity building of producers, strengthening of producers 's organizations.

Financial assistance to cooperative banks: -NABARD has been traditionally providing re-finance support to District Cooperative Banks (CCB) through state cooperative banks. The implementation of the revival package for cooperative banks as per Vaidyanathan Committee. Recommendations have enabled Centralized Core Banking solution to raise financial resources from sources other than State cooperative banks. Accordingly, NABARD has designed a short-term multipurpose credit product for financial the Centralized Core Banking solution directly for short term multi-purpose credit for meeting working capital and farm assets maintenance needs of the individual borrowers and affiliated primary agriculture cooperative societies. Assistance to cooperative banks for implementing core banking solutions: core banking solution (CBS) is the meeting point of the largest services segments, cutting edge information technology and the ever advancing communication technology. NABARD has engaged Tata Consultancy Services and Wipro for implementing of core banking solutions for cooperative banks. In addition NABARD also extends project management and advertising support to the DCCB during roll-out of the product.

Investment credit: - the scheme for development/strengthening of agriculture marketing infrastructure grading and standardization (AMIGS) has been formulated by Government of India to develop marketing infrastructure in the country to cater to the post-harvest requirement of production and marketable surplus of various farm products during 2011-2012 (Economic survey, 2012-2013), twenty units have been established with total subsidy released 43.52 lakh in 2012-2013. A network of rural godowns will enable small farmers to enhance their holding capacity in order to sell their produce at remunerative prices and avoid distress sales. Accordingly, Grameen Bhandaran yojna, a capital investment subsidy scheme for construction/renovation of rural godowns was introduced by Govt of India in 2001-2002. During 2012-2013, 1 unit was established and 1.32 lakh released towards subsidy amount, with a review to
provide sustainable employment opportunity to members of self help groups and rural folks, increase their income level and also to increase production in the state by better cattle and milk management, DGOSD scheme of Govt of India was launched by Hon'ble Chief Minister of Himachal Pradesh on 25 sept 2009. Under this scheme earlier interest free loans were provided and new capital subsidy was routed through NABARD under the Govt of India scheme for purpose of cattle, milk processing, cold chain system, transport of milk and milk products and reforming facilities. Interest free loans has been provided to 1901 units involving amount of 1809 lakh from Sept -2009 to August 2010 and under capital subsidy scheme 4063 units have been sanctioned and been provided subsidy amounting to 1736.33 lakh since Sept 2010 upto 31 Dec 2012. Hence a total of about 6000 beneficiaries have got benefits under the scheme so far, Department of Animal Husbandry during the year 2005-2006. In 2005-2006 a pilot scheme was launched, titled “venture capital scheme for dairy and poultry". Regarding poultry, the main objective of the scheme was to boot the unorganized poultry sector in states where development is in primitive state. To give inclusion and create infrastructure facilities for expert poultry products by organized sector from advanced states. During 2011-2012, 4 units have been established with hotel subsidy released 7.61 lakh so far. The contribution of the sector to rural economy was estimated at 2,400 crore. It forms 10% of total value of live stock products. During 2011-2012, 3014 units were financed with 8.62 lakh total subsidy released in 2012-2013, 95 units were financed and 31.45 lakh released towards subsidy amount.

NABARD consultancy services a wholly owned subsidy promoted by national bank for agriculture and rural development and is engaged in providing consultancy in all the spheres of agriculture rural development and allied areas. The core competence of the NABARD in the areas of agricultural and rural development especially multidisciplinary projects, banking, institutional development, infrastructure, training, etc. The broad areas of in which the consultancy assignments are taken up by NABARD consultancy services are feasibility studies, projects formulation, appraisal, financing arrangement, project management and monitoring, concurrent and impact evaluation, restructuring of agri-business units, vision documentation, development administration and reforms, institution development and turnaround of rural finance institutions, performance routing of rural agencies, bank
supervision, policy and action research studies, seminars on rural development
themes, micro finance related training , exposure visits and capacity building ,training
of trainers and building up training institutions , nonfarm enterprises promotion.
NABARD has completed study assignments on" macro management in agriculture"
and study on poly houses" for Govt in 2011-2012 also it has conducted awareness
programmes for FMC and National Institute for Agricultural Marketing (NIAM) in
Shimla, Mandi, Sirmour district in 2012-2013. It has also taken up consultancy
assignments for different projects under border area development programme in
Kinnur district.

2.13 CORE BANKING SOLUTION IN COOPERATIVES OF HIMACHAL
PRADESH

The Himachal Pradesh State Cooperative Bank with its 175 branches and the
Kangra Central Cooperative bank with its 167 branches is already on Core Banking
Solution platform. The Himachal Pradesh State Co-operative Bank and the Kangra
CCB both are already Real Time Gross Settlement and NEFI enabled. Both the
Himachal Pradesh State Co-operative Bank and Kangra Central cooperative bank
have implemented the Core Banking Solution on their own. The Jogindra Central
cooperative Bank, Solan, has joined the NABARD initiatives for the implementation
of core banking solution. The Jogindra Central cooperative Bank and NABARD have
signed MoU on 30 May 2012. For the core banking solution implementation in
Jogindra central cooperative bank, WIPRO was selected as the vender. In NABARD,
Core Banking Services initiative application service provider model has been adopted.
It is an outsourcing model for Core Banking Solution; no licenses to be purchased by
the bank for the CBS software also the data centre, disaster recovery, connectivity are
to be taken care by the application services providers. Only the purchase of hardware
and its maintenance within the responsibility of bank. The service level agreement
was signed between Jogindra Cooperative Central bank and Wipro on 29 Aug, 2012.
At present Core Banking Solution implementation work is going in the Jogindra
cooperative central bank. As per the plan the remaining three banks were supported to
be Core Banking Solution compliant by March in 2013.

In nut shell, the Indian banking system is very old and it has travelled a long
path and contributed in economic development of the country. The modern complex
economic system cannot function without the help of a bank. The banking system has
facilitated the personal transactions such as deposit and remittance of money, and lending and borrowing of money. It has made it easier to develop agriculture, industry and trade. At the same time, it has helped to accelerate the pace of economic development. The banks have helped in mobilization and allocation of scarce resources, which are essential for economic development. After nationalization, tremendous changes have been taken place because privitization and globalization has changed in economic conditions and increased domestic and international competition and fast changing technologies have exerted growing pressure on organizations in both public and private banks in terms of improving the customer’s services. The banking system in Himachal Pradesh comprises of commercial and cooperatives banks. They have been playing a vital role in economic upliftment of the poor people of the state. Old-age pension, disability relief allowance, Indira Gandhi National Widow Pension, Ekal Nari Pension and many other were carried out with the help of the banking system. These banks have travelled a remarkable distance in the development of the state, but the substantiation of real contribution made possible by the people working these banks. The present study attempts to investigate the attitude of people working in such a huge valuable organization like banking sector.
REFERENCES

6. History of the Evolution of SBI Volumes 1, 2 and 3 and Banking beyond Boundaries (Penguin, 2011).


**Web sites**

- [http://www.pnbindia.com](http://www.pnbindia.com).
- [https://www.pnbindia.in/en/ui/Profile.aspx](https://www.pnbindia.in/en/ui/Profile.aspx)
- [http://www.hdfcbank.com/aboutus/News_Room/hdfc_profile.htm](http://www.hdfcbank.com/aboutus/News_Room/hdfc_profile.htm)
- [http://www.icicibank.com/aboutus/history.html](http://www.icicibank.com/aboutus/history.html)