2.1 INTRODUCTION

Today banks have become a part and parcel of man’s life. There was a time when the city dwellers alone could enjoy their services. Now banks offer access even to a common man and their activities extend to areas hitherto untouched. The word ‘bank’ is derived from the German word ‘back’ which means a joint stock fund. Of course, a bank essentially deals with funds. In due-course, it was Italianised into ‘banco’ franchised into ‘bank’ and finally Anglicised into bank. This view is the most prevalent even today.

In India, the business of banking was practised even in early times and it fulfilled all the requirements of the people of those days. The bankers were known as shroffs, sahukars, shahus or mahajans. Banks were formed in the important centres of trade and commerce. The nation-wide banking institution also became prominent in 1898 at the time of the Fowler Committee. Sri. S. Montague in his evidence before the committee stated that by ‘State Bank’ he did not mean a Government bank but an Indian National Bank doing the local business of the country, which offered remittance facilities. It was entrusted with the function of issuing currency notes.

During the early part of the 19th century, the volume of foreign trade was relatively small and the indigenous bankers catered to the financial needs of internal trade. Later on as the trade expanded, the needs for banks of the European type was felt and the Government of the East India Company took interest in having its own bank. The Government of Bengal took the initiative and the first Presidency Bank by
name the Bank of Calcutta was established in 1806. The Bank of Calcutta was later called the Bank of Bengal in 1809.³

‘In 1840 the Bank of Bombay and in 1843, the Bank of Madras were formed. These three banks were state partnered banks in those days.⁴ In 1876 these banks were treated as the Quasi – Government of joint stock banks brought within the purview of uniform Presidency Banks Act. The banks acted as Government bankers and had the custody of public balances upto certain limits. The Presidency Banks Act of 1876 was supplemented by a services agreement between the banks and the Government. The Act was amended several times between 1876 and 1914. These banks remained as the apex of modern banking in India till 27th January 1921.⁵ These three banks were called Presidency Bank. Such of the Presidency Banks were amalgamated and the Imperial Bank of India was formed. The Government had considered it a move for the establishment of a State Bank of India. However, this bank was also expected to perform some central banking functions along with the commercial banking activities. So the SBI has a great history now.

This chapter deals with the evolution of the SBI, its organisational structure, subsidiaries and joint ventures, profile of SBI in Madurai region and the services of the bank available in the study area and so on.

2.2 HISTORICAL DEVELOPMENT OF THE PRESIDENCY BANKS

The SBI has about 200 year experience in banking business. The Bank of Calcutta began its operation in 1806, the Bank of Bombay in 1840 and the Bank of
Madras in 1843. All these banks were formed at the initiative of the British in the three Presidency towns, Calcutta, Bombay and Madras. The names of the Presidency towns were changed into Kolkata, Mumbai and Chennai respectively in recent times.

The modern type of banking, however was developed by the agency houses of Calcutta and Bombay after the establishment of rule by the East India Company in 18th and 19th centuries. One-fifth of its total initial capital of Rs.50 lakhs, was subscribed by the State Government, which also appointed three out of the total nine directors. In 1840, the Bank of Bombay and in 1843 the State Bank of Madras also set up their capital of Rs.52 lakhs and Rs.30 lakhs respectively. Moreover, the Government of East India Company contributed Rs.3 lakhs in respect of each bank.

These banks came into existence either as the result of the compulsions of imperial finance or by the felt needs of local European Commerce. Their evolution was, however, shaped by ideas on the analogy of similar developments in Europe and England. This was influenced by changes occurring in the structure of both the local trading environment and those development in the Indian economy and the economy of Europe.

The position of the Presidency Banks was thus “similar to the ladies of the Jenana of the Indian Prince. They had high status, they were protected, but they were not allowed out of the boundaries of their Jenana walls.” Although these three banks performed banking functions, they have been termed as ‘apex’ banking in India. But India did not have a proper central banking till 1935. Before the formation of the Imperial Bank of India in 1921, there was a need for amalgamating the three
presidency banks. Moreover, the outbreak of the first world war, subjected the Indian economy to severe shocks. That immediately led to a cessation and in some cases dislocation of overseas trade on account of the shortage of shipping. Trade was disrupted and it caused a virtual collapse of credit. However, the condition obtained during world war period (1914–1918) emphasized the need for a unified banking institution, as a result of which the Imperial Bank of India was set up in 1921.

2.3 FORMATION OF THE IMPERIAL BANK OF INDIA (IBI)

“The Indian legislative council passed a bill to constitute the Imperial Bank” and the relevant Act was passed in 1920. This Act came into force on 27th January, 1921. The new bank formally opened its business after taking over the undertakings and business of the three Presidency Banks. Thus, a sound and unified Quasi-central banking institution came into existence. The bank could expect a good response and confidence of the public in the banking system, provide stability and extend banking service to the interior areas of the country. This bank being the biggest commercial bank with enormous resources was expected to extend its branches throughout the country.

Its remittance service was highly appreciated by the public. A Provincial Banking Enquiry Committee report stated that “these facilities of remittance afforded by this bank had rendered a distinct service to the economic life of the people.” The rate of remittances charged by the treasury and the IBI were still much higher than those paid on such in other countries. The result was that banks and shroffs money
lenders and traders worked on large cash balances, and vast amount of funds remained idle because their velocity of circulation was slow.\textsuperscript{10}

With regard to financing the development of local areas, the Bombay Provincial Banking Enquiry Committee reported that they neglected the local channels. “The Bihar and Orissa Provincial Banking Enquiry Committee viewed that the IBI and the joint stock banks did not play much part in financing the industries of the province. Regarding its relations with other banks, the Imperial Banks several time helped the other banks by providing ample funds. It built up close relations with the Provinces Co-operative Banks of different Provinces and allowed them overdrafts. The competition of the IBI with other banks was often exaggerated. The lowering of interest rates rather benefited the business community by reducing the semi-monopolistic position of joint stock banks.\textsuperscript{11} Besides, IBI was already a state bank, as it was specially created by the Indian Government within certain limits.

2.3.1 Need for Amalgamation (Imperial Bank of India)

i. The interest of the three presidency banks had much in common and all three stood to benefit by a co-ordinated policy.

ii. It was considered that the resources and prestige of the amalgamated concern would be considerably greater than those commanded by the three Presidency Banks operating separately.

iii. It was also felt that the amalgamated concern would be in a better position to expand banking facilities throughout India than the three Presidency Banks operating separately.
2.3.2 By-laws of the IBI

The IBI was framed by laws for their own benefits. The by–laws of the bank laid down clear rules regarding the business interest of all members. Section 31 of the Imperial Bank Act authorized the central board to frame the by-laws of the bank. These were accordingly drafted and passed at the first meeting of the board, held on 26 October, 1920. The important by-laws governing advances of the bank were as under:

i. The bank shall not discount bills for or lend or advance in any way to any individual or partnership firm an amount exceeding in the aggregate Rs.20 lakhs at anytime.

ii. Local boards may advance on the securities without any limit, but shall immediately report to the central board any advance in excess of Rs.15 lakhs in the case of loans on securities.

iii. Accounts may be overdrawn to the extent of Rs.1 lakh without security.

2.3.3 Branch Expansion Programme

The Indian Legislative council debates of 1919-20 brought into sharp focus, the lamentable State of Indian banking. In 1918 India had altogether 96 banks’ head offices and 322 branches including those of the three Presidency Banks, Exchange Banks and India Joint Stock Banks. About 21 per cent of the Indian towns with a population of 50,000 and more and 75 per cent of the towns with a population of 10,000 and more were unbanked. The Presidency Banks which then had 68 branches
and agencies and three head offices at Calcutta, Bombay and Madras accounted for about 17 per cent of the total bank offices in India. At the time of the amalgamation in 1921, the three banks, according to their half-yearly reports of 31st December, 1920, had a total of 73 offices in India. In the year 1921, the IBI had taken further steps to open 100 new branches in different localities in India.

2.3.4 Business Growth Strategies

In the year 1925 the management of Imperial Bank directed its attention to the consolidation of the bank’s business and development of the branches. The creation of the IBI has made money more mobile and the bank has tapped financial sources of supply which were not open to the former Presidency Banks. The supply of money had been increased and the movement of money from place to place had been simplified.

In favour of developing agricultural advances against produce under the banks’ ‘lock and key’ it directed that such advances should not be restricted to the larger traders only but also extended to the smaller traders with means of Rs.7,500 and recommended that limit of any individual loan should be reduced to as low as Rs.2500.15

2.3.5 Trend of Business from 1926–35

During the second half of the 1920s, the public deposit peaked at Rs.32,54,88,964 in the half year ended 30th June, 1926 mainly because of the floating of a government loan on a partly cash basis. The government deposits fell during the second half of 1927, and failed to recover during the following half-year when the
balance with the bank was only Rs.7,96,57,353 on 30 June, 1928. This was nearly Rs.2 crores less than that of 30 June, 1927 and nearly Rs.24 crores less than that of 30th June, 1926.16

2.3.6 Amendment of the Imperial Bank Act of 1921

The Reserve Bank bill, which was withdrawn sine die in February, 1928, was reviewed at the end of 1932 and referred to an India office committee on 14th March, 1933. The bill drafted on the basis of the recommendations of the committee was then placed in the Indian Legislative Assembly on 8th September, 1933 and received the assent of the governor general six months later.17

The Imperial Bank bill was passed by the Joint Committee and placed before the legislative assembly on 26th January, 1934.18 The council of state passed it on 16 February and the bill received the assent of the governor-general on 6 March, 1934 as the IBI Act, 1934 which was to come into force on 1st April, 1935.

2.3.7 Net Worth and Deposits of IBI

Net worth refers to capital plus all free reserves. They are the sources of fund for the bank. It maintains the capital and reserve according to the provision of the Banking Regulation Act. Table 2.1 elucidates the net worth and deposits of the IBI.

<table>
<thead>
<tr>
<th>TABLE 2.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Worth and Deposits of the IBI</td>
</tr>
<tr>
<td>Year</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>1936</td>
</tr>
<tr>
<td>1937</td>
</tr>
<tr>
<td>1938</td>
</tr>
<tr>
<td>1939</td>
</tr>
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<td>1940</td>
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<td>1941</td>
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<td>1942</td>
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<td>1943</td>
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<tr>
<td>1944</td>
</tr>
<tr>
<td>1945</td>
</tr>
<tr>
<td>1946</td>
</tr>
<tr>
<td>1947</td>
</tr>
</tbody>
</table>

Source: Balance Sheets of the Imperial Bank of India for the relevant years and Statistical tables Relating to Banks in India 1939 – 47.

Figures in brackets indicate the percentages of increase/decrease over the previous year.

Table 2.1 shows that the net worth was constant in 1936 and 1937 and 1940 and 1941 and in the rest of the years; the amount of net worth registered increasing trend. Initially, people may not have awareness on share capital for which the IBI might have struggled to issue shares but thereafter it issued shares freely for which
the amount of net worth was in an increasing trend from 1942. The amount of deposit was in an increasing trend over the period. Regarding the growth of deposit, there was a fluctuation in its trend. Competition, famine, improper monsoon and so on may be the reasons for this irregular trend.

2.3.8 Trend of the Imperial Bank’s Business

The rate of Imperial Bank was 3.5 per cent, fixed on 16th February, 1933 continued till 27th November 1935. It was then lowered to 3 per cent and continued at that rate till 1940. Considerable improvement in the demand for bank finance prompted the Imperial Bank to rise its advance rate to 3.5 per cent on 4th January, 1940 which remained unchanged till November, 1951.19

2.3.9 The IBI after Independence

After independence, there was a general demand for the nationalization of key and basic industries including the Reserve Bank of India and the IBI. Some legislators and leading nationalists wanted immediate nationalisation of the IBI alone leaving other commercial banks under private management. This demand was made due to the bank’s peculiarity and the strongest position in Indian Banking system. People felt that it was managed by foreigners and the management was highly bureaucratic.20

The government carefully re-examined the whole issue especially the effects on branches outside India and found that nationalization was not feasible mainly because of its possible repercussions on the investment market and the unsettled economic
conditions in the country. The Rural Banking Enquiry Committee (RBEC) in its report in May, 1950 also did not favour nationalization of the IBI. 

In February, 1951, the RBI organized an informal conference of certain co-operators and economists. The conference found the formulation of future policies and credit needs in rural areas. Hence, in August 1951 All India Rural Credit Survey Committee (AIRCSC) was formed under the chairmanship of Shri. A.D. Gorwala.

The committee recommended the amalgamation of the IBI and ten other banks into a newly established bank called the State Bank of India. The government of India accepted the recommendations of the committee and the decision to establish a State bank of India was announced in the Lok Sabha by C.D. Deshmukh.

The Government introduced the State Bank of India Bill in Lok Sabha on 16th April, 1955 and it was passed by the parliament and got the presidents’ assent on 8th May, 1955. The Act came into force on 1st July, 1955 and from this date the whole of the undertaking of the Imperial Bank was transferred to the SBI. Moreover, from time to time many small banks merged with SBI under section 35 of the SBI Act 1955, and section 45 of the Banking Regulation Act, 1949.

2.3.10 Objectives of the State Bank of India (SBI)

The preamble to the SBI Act 1955, merely states the extension of banking facilities on a large scale, more particularly in the rural and semi-urban areas. It acts as an instrument of development although principally but the state governments are
directly responsible for the implementation of the programme of co-operative development.\textsuperscript{23}

The AIRCS committee has also suggested to the government not to interfere with the day-to-day working of the bank and the bank on its part not to lower the standards of sound banking.\textsuperscript{24}

The committee has also stressed on the training of SBI personnel in the aims and methods of co-operation. The co-operative banking wherever suitable, such personnel is to be positively associated with the boards of co-operative credit institutions so that ‘the technical quality of co-operative banking can be assimilated into the higher standards which obtain in commercial banking.’\textsuperscript{25}

\textbf{2.3.11 Capital and Payment of Compensation}

The AIRCS committee recommended that the capital amount of Rs.20 crores to be subscribed by the Government of India and the RBI at par value of shares in such a number as would have voting power of not less than 51 per cent. It means that the IBI was not to be nationalised involving complete take-over by the Government.

It was to be in public sector only and some of its shares were to be held in private hands. The shareholders of the IBI were given the compensation of Rs.1765. for every fully paid share and Rs.431.12 for every partly paid share. The Authorised
capital of the SBI was fixed at Rs.20 crores divided into shares of Rs.100 each and issued capital at Rs.5,62,50,000, all allotted to the RBI in lieu of the shares of the IBI. The RBI was to keep with it the SBI shares in such a manner that its holding was not to be less than 55 per cent of the issued capital of the SBI. Rest of the shares could be held by parties in the private sector. Actually the RBI had to hold about 92 per cent shares and the rest were transferred to other parties with a view to maintaining the commercial character of the bank.\textsuperscript{26}

2.4 SUBSIDIARY BANKS OF THE SBI

On July, 1955, the IBI was nationalised and in its place, the State Bank of India was established on 1\textsuperscript{st} July, 1955. Thus, it is considered as a Red Letter Day and a new chapter of the state ownership in the history of commercial banking in India. The State Associated Bank did not like to amalgamate themselves with the SBI. But, the SBI agreed to absorb them on account of various difficulties such as differences in the standard of working, scales of pay of staff members and so on. However, after some time, this bank submitted a proposal to the State Associated Banks for making them as subsidiary banks. Most of these banks agreed to it. Therefore, the SBI passed one act in 1959. It received the assent of the president on 10\textsuperscript{th} September, 1959. According to the provisions of the Act, the following eight State Associated Banks were taken over by the SBI as its subsidiaries.

<table>
<thead>
<tr>
<th>Name of the Bank</th>
<th>Subsidiary with effect from</th>
</tr>
</thead>
<tbody>
<tr>
<td>“1. State Bank of Hyderabad”</td>
<td>1\textsuperscript{st} October, 1959</td>
</tr>
</tbody>
</table>
2. State Bank of Bikaner 1st January, 1960
4. State Bank of Saurastra 1st May, 1960
5. State Bank of Patiala 1st April, 1960
7. State Bank of Indore 1st January, 1960

These banks had separate entity which was retained in the form of subsidiaries to enable them to serve the local needs in their respective areas.
2.4.1 International Subsidiaries

The SBI is doing good work even at the international level. It has three wholly covered subsidiaries and four joint ventures abroad. “SBI European Bank, SBI Canada and SBI California are the international subsidiaries. The SBI international (Mauritius), Indo-Nigerian Merchant Bank, Nepal SBI Bank, and Bank of Bhutan are joint ventures of SBI. Besides, a notable attribute of these banks are that they perform both banking as well as non-banking activities in order to compete with other giant banks.

Table 2.2 depicts the working results of foreign subsidiaries and joint ventures abroad on 31\textsuperscript{st} March, 2002. This table comprises the deposits, loans, investment and net profit of the international subsidiaries of SBI.

**TABLE 2.2**

*Working Results of Foreign Subsidiaries and Joint Ventures Abroad (As on 31.3.2002)*

(Rs. in crore)

<table>
<thead>
<tr>
<th>Subsidiaries/Joint Ventures</th>
<th>Deposits</th>
<th>Loans</th>
<th>Investments</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholly owned subsidiaries*</td>
<td>581.70</td>
<td>504.10</td>
<td>270.84</td>
<td>21.12</td>
</tr>
<tr>
<td>Other subsidiaries**</td>
<td>545.09</td>
<td>728.09</td>
<td>36.89</td>
<td>23.30</td>
</tr>
<tr>
<td>Joint ventures***</td>
<td>1129.82</td>
<td>461.06</td>
<td>145.08</td>
<td>11.58</td>
</tr>
</tbody>
</table>

* SBI (Canada) and SBI (California)
** Indo-Nigerian Merchant Bank Ltd, and SBI international (Mauritius Ltd).
*** Nepal SBI Bank Ltd, and Bank of Bhutan.

Sources: Annual Reports of SBI (2001 to 2002).
As on 31st March, 2002 the joint venture of SBI had mobilized a deposit of Rs.1129.82 crores followed by the deposits of wholly subsidiaries to the tune of Rs.581.70 crores. But the other subsidiaries had mobilised only Rs.545.09 crores. Out of these three, the other subsidiaries had advanced the maximum of Rs.728.09 crores. The wholly owned subsidiaries and joint ventures had given advances of Rs.504.10 crores and 461.06 crores respectively. Regarding investment, the wholly owned subsidiaries had the maximum of Rs.270.84 crores than those of the other two. The net profit of these subsidiaries were Rs.21.12 crores, Rs.23.30 crores and 11.58 crores respectively.

From this, it is concluded that the deposits and investment were least in the other subsidiaries but the advances and the profits of these banks were more as profit depends on advances.

2.4.2 Non–Banking Subsidiaries

In Indian economy today, the financial intermediation is being conducted by a wide range of financial institutions including the banks. That segment of the institutions which consists of financial companies other than banks is called non–banking sectors. The SBI has number of non–banking subsidiaries which are capital market, mutual funds, Home Finance and the like.

The following are the non- banking subsidiaries of the SBI:

1. SBI capital markets.
2. SBI Funds management (Mutual funds)
3. SBI Home finance (Housing finance)
4. SBI Factors and commercial service (Factoring)
5. SBI Gilts (Primary Dealer)
6. SBI securities (Stock Broking)
7. SBI cards and payments services (credit services)
8. SBI Gold and precious metals.

2.4.3 Growth of Deposit and Advance at National Level

Deposits Per Branch

The SBI is the very old bank in India. It has been expanding its branches even from its formation. Expansion and diversification are essential for all business and the banking sector is not an exception.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Branches</th>
<th>Deposit (Rs. in Crores)</th>
<th>Deposit Per Branch (Rs. in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-1998</td>
<td>8925</td>
<td>123549</td>
<td>13.84</td>
</tr>
<tr>
<td>1998-1999</td>
<td>8982</td>
<td>160255</td>
<td>17.84</td>
</tr>
<tr>
<td>1999-2000</td>
<td>9043</td>
<td>187639</td>
<td>20.75</td>
</tr>
<tr>
<td>2000-2001</td>
<td>9078</td>
<td>234396</td>
<td>25.82</td>
</tr>
<tr>
<td>2001-2002</td>
<td>9085</td>
<td>262549</td>
<td>28.90</td>
</tr>
<tr>
<td>2002-2003</td>
<td>9039</td>
<td>288866</td>
<td>31.96</td>
</tr>
<tr>
<td>2003-2004</td>
<td>9087</td>
<td>309798</td>
<td>34.08</td>
</tr>
<tr>
<td>2004-2005</td>
<td>9156</td>
<td>352799</td>
<td>38.53</td>
</tr>
</tbody>
</table>


As could it be seen from Table 2.2 that every year this bank had started new branches in viable places. This bank had 8925 branches in 1997-98 and raised then to 9156 in 2004–05. The urban branches normally have more deposits than the rural branches. However, the deposit per branch has been in an increasing trend. The average deposit per branch
ranged from 13.84 crores to 38.53 crores. The average deposit of the branch is the maximum in 2004 – 05 and minimum in 1997 – 98.

From this, it is concluded that the SBI established branches in suitable places and mobilised sizeable amount of deposit. The average amount of deposit is in an increasing trend over the period of study due to the adoption of the right marketing strategies, rendering good services and so on.

2.4.4 Growth of Advances

Banks are formed for earning profit in addition to rendering service. A bank invests its funds in many ways to earn income. The bulk of its income is derived from loans and advances. The SBI has introduced various innovative plus schemes like doctors plus, teachers plus, tractors plus and so on. These are special schemes which are granted at soft interest.
Table 2.4 depicts the growth of advances of SBI. The amount of advances was Rs.64141 crores in 1997-98 and it increased to 178475 crores in 2004-05. The growth rate was fluctuating in trend. The highest growth rate of advances was 25.66 per cent in 2004-2005 and the lowest was 0.20 in 1999-2000. Awareness of the borrowers, soft interest, excess deposit in banks, heavy competition and so on may be the reasons for the trend.

2.4.5 Growth of Deposit
Initially all the accounts are opened with deposits of money by the customers. Deposit is the life-blood of banking business. At the same time, a banker should be very careful while opening accounts for customers. The SBI gets deposits through saving bank account, current account, fixed account, recurring deposit and the like.
### Table 2.5

**Growth of Deposit in SBI**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Deposits (Rs. in crores)</th>
<th>Increase/Decrease (Rs. in crores)</th>
<th>Percentage of Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>72223</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1994-95</td>
<td>80302</td>
<td>8079</td>
<td>11.19</td>
</tr>
<tr>
<td>1995-96</td>
<td>90145</td>
<td>9843</td>
<td>12.25</td>
</tr>
<tr>
<td>1996-97</td>
<td>103767</td>
<td>13622</td>
<td>15.11</td>
</tr>
<tr>
<td>1997-98</td>
<td>123549</td>
<td>19782</td>
<td>19.06</td>
</tr>
<tr>
<td>1998-99</td>
<td>160255</td>
<td>36706</td>
<td>29.70</td>
</tr>
<tr>
<td>1999-2000</td>
<td>187639</td>
<td>27384</td>
<td>17.08</td>
</tr>
<tr>
<td>2000-2001</td>
<td>234396</td>
<td>46757</td>
<td>24.91</td>
</tr>
<tr>
<td>2001-2002</td>
<td>262549</td>
<td>28153</td>
<td>12.01</td>
</tr>
<tr>
<td>2002-2003</td>
<td>288866</td>
<td>26317</td>
<td>10.02</td>
</tr>
<tr>
<td>2003-2004</td>
<td>309798</td>
<td>20932</td>
<td>7.24</td>
</tr>
<tr>
<td>2004-2005</td>
<td>352799</td>
<td>43001</td>
<td>13.88</td>
</tr>
</tbody>
</table>


Table 2.5 highlights the growth of deposits which consist of all kinds of deposits of the SBI. The amount of deposit was increasing every year in the period of study. The growth rate was increasing up to 1998-99 and thereafter was decreasing but in 2004-05 it increased to 13.88 per cent.

From this it is inferred that the privatisation, globalisation and liberalisation, decontrol and deregulation of banking service and the like may be the reasons for the declining trend. In 2004-05 this bank enhanced its trend because of the introduction of innovative services.
Growth of branch of SBI was to earn profit by expansion and diversification. The banks are expanding the business in rural, semi-urban and urban areas. This helps to uplift the villages. They persuade the people to save money. This expansion offers employment opportunities to the people.

**TABLE 2.6**

*Growth of Branches of SBI*

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Branches</th>
<th>Number Increase/Decrease</th>
<th>Percentage Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>8925</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1998-99</td>
<td>8982</td>
<td>0057</td>
<td>0.64</td>
</tr>
<tr>
<td>1999-2000</td>
<td>9043</td>
<td>0061</td>
<td>0.68</td>
</tr>
<tr>
<td>2000-2001</td>
<td>9078</td>
<td>0035</td>
<td>0.39</td>
</tr>
<tr>
<td>2001-2002</td>
<td>9085</td>
<td>0007</td>
<td>0.08</td>
</tr>
<tr>
<td>2002-2003</td>
<td>9039</td>
<td>-46</td>
<td>-0.50</td>
</tr>
<tr>
<td>2003-2004</td>
<td>9089</td>
<td>0050</td>
<td>0.55</td>
</tr>
<tr>
<td>2004-2005</td>
<td>9156</td>
<td>0067</td>
<td>0.74</td>
</tr>
</tbody>
</table>


Table 2.6 elucidates the expansion of branches in India. In 1997-98, there were only 8925 branches but in 2004-05, this bank had 9156 branches. A notable point of this study is that the number of branches declined from 9085 in 2001 – 02 to 9039 in 2002–03.
From this table, it is concluded that reduction in the number of employees, attractive Voluntary Retirement Schemes, stiff competition and so on may be the causes for the slow expansion.

2.5 ORGANISATION STRUCTURE OF SBI AT NATIONAL LEVEL

The SBI is managed by a Central Board of Directors, in accordance with the SBI Act. The Central Board of Directors of the SBI consists of a chairman and a vice-chairman. Both are appointed by the Government of India in consultation with the RBI. Their term of office does not exceed five years which is fixed by the Government of India. The Central Board appoints two managing directors with the approval of the Government of India. They can be in the office for five years.
The Central Board comprises 18 directors of which eight are nominated by the Central Government in consultation with the RBI to represent economic and territorial interests, in such a manner that less than five of them possess special knowledge on the working of co-operatives and of rural economy and others have experience in commerce, Industry, banking and finance and other six directors are elected by the shareholders of RBI. Of the remaining two directors one each of them is nominated by the Government of India and the RBI. The elected directors can hold the office for four years. The nominated directors can be in office with the pleasure of the nominating authorities.

The Central Board has constituted four committees namely, executive committee, audit committee, assets-liability management committee and the shareholders and the investors’ grievance committee. 29
2.5.1 Administration of SBI in Tamil Nadu

Administration of SBI in Tamil Nadu

Zonal Office

Chennai

Coimbatore

Madurai

Trichirappalli

Madurai District

Theni District

Dindigul District

Virudhunagar District

Sivagangai District

Ramnad District

Tirunelveli District

Tuticorin District

Kanniyakumari District

Source: State Bank of India, Madurai Regional Office, Madurai.
The State of Tamil Nadu has four zonal offices of SBI, which are in Chennai, Coimbatore, Madurai and Trichirappalli. The four zonals control the entire SBI activities of Tamil Nadu.

Organisation Structure of SBI at Branch Level

All branches are controlled by the zonal offices. Their local head office is situated in Chennai. All branches of this bank are computerized. The branches of the SBI are headed by chief managers. Next to them are managers for cash, Small Industries and Small Business (SIB) and Personal Banking Division (PBD). The entire

Source: State Bank of India, Staff Training College Centre, Chennai.
office is divided into three divisions namely Cash Department, PBD and SIB department. The cash department and clerical department are under the control of the accountant. The chief cash officer is in-charge of cash department and an Assistant cash officer and cashiers are under his control. To assist the cash department, there are messengers and armed guards and menials.

The clerical department of the bank is headed by the Chief Manager; below him there is a head clerk and clerk-cum-typist. To assist them, there are messengers and menials. They are also under the control of this section.

2.6 PROFILE OF SBI IN MADURAI REGION

The Madurai zonal office (Regional office) started its operation on 2nd August 1979. This region consists of nine districts namely, Madurai, Theni, Dindigul, Virudhunagar, Sivagangai, Ramnad, Tirunelvelli, Tuticorin and Kanniyakumari. The branches of SBI in Madurai are classified under three heads namely rural, semi-urban and urban. There are about 135 branches in the region, of which 28 are in urban area, 48 in rural area and 59 in semi-urban areas. The total strength of the staff members of this region is 3243, of which 791 are officers, 1579 are clerks and 873 are messengers.

There are one Personal Banking Branch and four Agricultural Development Branches (ADBs) in Madurai region. The Deputy general manager directly controls the entire 135 branches. Moreover, there are nine AGMS in this region who are under the control of DGM.
For administrative purpose, this region is divided into three regions. The head office of the region I is located in Madurai which controls the branches in Madurai and Theni Districts. The region II consists of four districts, namely Dindigul, Sivagangai, Ramnadu and Virudhunagar Districts and its head office is in Dindigul which has about 46 branches. Tirunelvelli, Tuticorin and Kanniyakumari are in the Region III. Its head office is in Nagarcoil which controls 41 branches.

2.7 BANKING SERVICES AVAILABLE IN MADURAI REGION OF THE SBI

The SBI and its branches of Madurai region render good services to their customers. The following are the services of SBI in the Madurai region:

1. Services Rendered to Depositors

Banks operate various types of deposit accounts such as savings bank account, current account and term deposit account.
a. **Savings Bank Account**

   It is meant for people of the lower and middle classes who wish to save a part of their income to meet their future needs and also intend to earn income from their savings. At present the rate of interest provided on savings account is 3 per cent per annum compounded half yearly. The rate of interest varies according to the direction of RBI.

b. **Current Account**

   It is a running account which suits the requirements of big businessmen, joint-stock companies, public authorities, partnership firms, public corporation and other institutions whose banking transactions happen to be numerous on every working day. There is no restriction on the number and the amount of withdrawal from a current account. Banks do not give interest on current account and on the other hand service charges will be levied to meet incidental expenses incurred in operating the account. It allows overdraft facilities to its customers.

c. **Fixed Deposit Account**

   The fixed deposit remain with the bank for a fixed period specified in advance. Such deposits are repayable on the expiry of the specified period as chosen by the depositor to suit his purpose and to enable him to get back the money as and when he needs it. Loan can be availed upto 90 per cent of this original deposit. Table 2.7 delineates the rate of interest on fixed deposit.

**TABLE 2.7**
Interest Rates for Fixed Deposit of SBI As on 01.05.2006

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Duration</th>
<th>Interest Rate (%p.a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>7 days to 14 days</td>
<td>3.00</td>
</tr>
<tr>
<td>2.</td>
<td>15 days to 45 days</td>
<td>4.50</td>
</tr>
<tr>
<td>3.</td>
<td>46 days to 179 days</td>
<td>5.00</td>
</tr>
<tr>
<td>4.</td>
<td>180 days to 1 year</td>
<td>6.00</td>
</tr>
<tr>
<td>5.</td>
<td>1 year - 3 years</td>
<td>6.25</td>
</tr>
<tr>
<td>6.</td>
<td>3 year – 5 years</td>
<td>6.50</td>
</tr>
<tr>
<td>7.</td>
<td>5 year - 10 years</td>
<td>7.00</td>
</tr>
</tbody>
</table>

Source: [www.online.sbi.com](http://www.online.sbi.com)

d. Recurring Deposit Account

This account is intended to inculcate the habit of saving on a regular basis. It offers attractive rate of interest. Generally for opening a recurring deposit with the SBI, there is a need to have a nominal amount of Rs.100. The period of maturity for recurring deposit varies from 6 months to 10 years.

e. Re-investment Plan

This plan provides for re-investment of interest. This is just like fixed deposit. It is accepted for a fixed period. The period may range between six and 120 months. Interest is payable only at the time of maturity. Table 2.8 explains the rate of interest on Re-investment plan.

**TABLE 2.8**
### Re-investment Plan Rate

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Duration</th>
<th>Maturity Amount for Rs.100</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>6 months</td>
<td>102.5156</td>
</tr>
<tr>
<td>2.</td>
<td>9 months</td>
<td>103.7971</td>
</tr>
<tr>
<td>3.</td>
<td>12 months</td>
<td>105.6145</td>
</tr>
<tr>
<td>4.</td>
<td>24 months</td>
<td>111.5442</td>
</tr>
<tr>
<td>5.</td>
<td>36 months</td>
<td>118.6813</td>
</tr>
<tr>
<td>6.</td>
<td>60 months</td>
<td>136.3539</td>
</tr>
<tr>
<td>7.</td>
<td>120 months</td>
<td>185.9239</td>
</tr>
</tbody>
</table>

Source: [www.online.sbi.com](http://www.online.sbi.com).

### f. State Bank Education Plan

Parents save money for meeting the education expenses of their children. Such parents are required to make a monthly deposit of Rs.100 during the period in which the child studies from the nursery to 7th class. Thereafter the parents get specified sum annually when the child reaches 12th class till the completion of his/her 5th year of university education. This plan provides for further study abroad.
g. Deposit Schemes for NRI’s

A large number of Indian citizens live abroad. They are in a position to save a great deal of money. The Government of India has realised the importance of mobilising their savings in the form of bank deposits through this scheme. In order to encourage them, banks offer certain concessions and incentives to remit money to India as investment. At present all banks in India operate various deposit accounts for non-resident Indians (NRI). The rate of interest on NRI’s deposit is 6.43 per cent for less than 3 years and 6.45 per cent for more than three years.

II Services to Borrowers

Banks provide various types of loans like personal loan, educational loan, festival loan, the SBI loan to pensioners, agricultural loan and so on.

I Personal Loan

The personal loan is provided for a general purpose. It is given for acquiring certain durable items like television, refrigerator, computer and so on. It is also given for some specific purpose like family function, medical treatment, children’s marriage and so on. The rate of interest is fixed at 12.75 per cent per annum with effect from 1.1.2004.

The eligibility for availing this loan is that the employers should have a minimum of two years of experience and a monthly income of Rs.6,000/- . This loan is a term loan. The individual can get a maximum of Rs.10 lakhs. The repayment is to be made in 48 instalments

ii) The SBI Educational Loans
Educational loan is granted for the purpose of pursuing studies in the recognised colleges/institutions to meet the tuition and other fees. It is given at some concessional rate, that is currently between 10.5 per cent per annum and 11.5 per cent per annum. The SBI charges interest upto 4 lakhs at 10.5 per cent and above 4 lakhs at 11.5 per cent. The students are not required to pay any margin money to avail this loan upto four lakhs. But there is a need to pay margin money and processing charges for loans above Rs. four lakhs. The repayment is to be made in six months after getting the job.

iii) Festival Loan for Public

This loan is given for meeting the expenditure related to festivals. The following are the persons eligible to avail festival loans:

a) employee of Government, profit-making public/private limited companies and so on with a minimum of two years of service.

b) Self-employed persons with a minimum of three years standing experience.

c) Persons who have regular service and income from veritable sources like pension and so on.

An individual can avail this loan of Rs.5,000 as minimum and the maximum is Rs.50,000. The repayment is to be made in 12 instalments. The SBI charge the rate of interest for this loan at 9 per cent per annum.

iv) SBI Loan to Pensioners
Bankers provide this loan to pensioners for the purpose of meeting personal expenses. It is given to attract the new pensioners. The following are the persons eligible to get this loans:

a) All Central and State Government Pensioners whose pension accounts are maintained by the same branch.

b) The pensioners should not be more than 70 years of age.

The pensioners can avail the maximum of Rs.75,000/- as loan and the repayment is to be made in 12 monthly instalment. There is no processing charge and margin money to avail this loan. The SBI charges interest at the rate of 13.1 per cent per annum for this loan.

v) The SBI Housing Loan

The housing loan is given for the purpose of constructing a new building or for purchase of buildings or to repair the old buildings. This loan is recovered over a period of more than ten years. The following are the persons eligible to borrow this loan:

a) The customer should have an independent source of income

b) He should have completed the age of 21 years.

c) The State and Central Government employees are eligible to avail this loan.

The rate of interest for housing loan is 8.5 per cent per annum for upto five years, five years to 15 years at 8.25 per cent per annum and above 15 years 9.75 per
cent per annum as floating rate. But the fixed rate of interest is 9.5 per cent per annum for five years, about 9.75 per cent between five and 15 years and 9.75 per cent per annum for above 15 years.

**vi) Agricultural Loan**

Agricultural loan is provided to the farmers for the purpose of buying fertilizers, pesticides, seeds and the like. It is also given for the construction of storage and godown. Agricultural loan is given for the agriculturist alone. The repayment of the loan is made, depending on the types of loans.

**III. Subsidiary/Ancillary Services**

Banks perform various subsidiary services with the objectives of retaining the existing customers and attracting new customers. The subsidiary services can be divided into two categories such as agency services and general utility services.

**A) Agency Services**

**i) Collection of Money on Behalf of Customers**

Bankers undertake to collect money in the form of cheques, bank drafts, bill of exchange, promissory notes, dividend warrants, interest warrants, postal orders, pay orders, Government promissory notes or corporate bonds and so on. Banks also collect pension of the retired people and rent due to their customers from their tenants.

**ii) Payments of Money on Behalf of Customers**
Payments are made by a banker on behalf of his customers with regard to bills of exchange, pronotes, insurance premia, subscription to newspapers and clubs, rent to landlords and so on.

iii) Advising on Stock Exchange Investments

When a customer wants to invest his money in stock exchange securities, the bank advises the customer on the basis of information collected.

iv) Purchase and Sale of Securities

Normally banks do not deal in stock exchanges but they undertake to purchase and sell securities on behalf of their customers.

v) Arranging for Remittance of Funds

Banks remit funds from one place to another place on behalf of the customers. It is more safe, inexpensive and simple. Bankers are using the following instruments for transfer of the funds:

a) Mail Transfer

Money can be sent through mail transfers to anybody who has an account in any of the branches of the SBI.

b) Telegraphic Transfer

To send money urgently, banks may be requested to send money by telegraphic transfer on payment of nominal charges.
c) Bank Draft

A draft is an order by one branch upon its head office or upon another branch to pay a specified sum of money to the person named in the document. It is issued both to the customers and non-customers. The bankers charge exchange rate of Rs.30 upto Rs.10,000 and above Rs.10,000 they charge Rs.3.50 per thousand for its own customers. For non-customers, they charge Rs.50 as exchange rate upto Rs.10,000 and for above Rs.10,000, they charge Rs.3.50 per thousand.

d) Travellers Cheques

They are issued by banks for remittances of money from one place to another. They may be purchased by any one but he need not be a customer of the bank. They can be encashable at any office of the issuing bank.

The bankers charge different exchange rates for customers and non-customers. They charge Rs.30 and Rs.50 for customers and non-customers respectively upto Rs.10,000 and for above Rs.10,000 they charge Rs.3.50 per thousand.

e) Other Agency Services

The banks render travelling services for customers going abroad. They obtain passports, purchase tickets for Air-Travel, Railway Travel, Bus Travel and so on. Besides, they book accommodation in the hotels for the customers.
B General Utility Services

Safe-custody Services

Bank accept shares, debentures, promissory notes, insurance policy, title deed of the property, wills, gold ornaments, and other valuables for safe custody. Banks open safe custody accounts only for those customers who are properly introduced to the bank. But the bankers have no knowledge of the contents of the sealed box. Ordinarily, the safe custody articles are returned to the customer himself and not to a third party. The SBI levies service charges against the safe custody service in the following ways:

1. For script Rs.100 per script per annum but the minimum charge is Rs.200.
2. For sealed script Rs.200 per annum per cover.
3. For banks deposit receipt Rs.200 per annum per cover.

Safe Deposit Lockers

Banks provide safe deposit lockers to the public at their selected branches. For this purpose, the banks arrange strong rooms. These lockers are of different sizes and are hired to the public at a reasonable rent.

There are three types of safe deposit locker in SBI such as small, medium and extra large sized. Charges are collected for this service, based on the size and the area. Table 2.9 shows charges on safe deposit lockers.
TABLE 2.9
Charges for Safe Deposit Locker

<table>
<thead>
<tr>
<th>Type</th>
<th>Metropolitan and Urban per annum</th>
<th>Semi-urban and Rural per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1000</td>
<td>750</td>
</tr>
<tr>
<td>Medium</td>
<td>3000</td>
<td>2500</td>
</tr>
<tr>
<td>Extra Large</td>
<td>5000</td>
<td>4000</td>
</tr>
</tbody>
</table>

Source: www.online.sbi.com.

When a customer loses the key of the safe deposit locker, the banker collects a penalty of Rs.500 and the actual expenditure incurred.

**Dealings in Foreign Exchange**

The term foreign exchange refers to foreign money which includes notes, cheques, bills of exchange and deposits in foreign currencies. Foreign exchange is the means of payment to the foreign country in international trade. Banks purchase and sell foreign currencies and they encourage foreign trade by providing finance both to the exporters and importers.

**Issue of Letters of Credit**

Letters of credit play an important role in internal and foreign trade. A banker requests another banker or a trader to grant a specified amount to a third party specified therein and the issuing banker himself agrees to pay the money paid under the letters of credit. Letters of credit are of two types:

a) **Travellers Letters of Credit**
They are meant for the convenience of the travelling public.

b) Letter of Commercial Credit

They are issued for the purpose of facilitating trade transactions.

Letter of Guarantee

Letter of guarantee plays an important role in internal and foreign trade. The banks give guarantee in writing about the financial position of the customers. In case of default, the concerned banks will repay the amount to the company.

Merchant Banking Facilities

Merchant banking is a new line of activity for Indian Banks. Merchant banking comprises in rendering services of non-banking nature to the individual and business houses. The merchant banking division of a bank renders advisory services and assistance to the entrepreneurs to set up new industrial ventures and also to expand existing units or diversify production.

2.8 INNOVATIVE SERVICES IN GENERAL

ATM DHOST

“ATM refers to Automatic Teller Machine. It is called ATM dhost. It is a computerized machine and it can be operated throughout 24 hours. The SBI operates 5000 ATMs in India. It is the largest network in the country. There is no prescribed amount to be maintained by the ATM holders. The ATM service is available in the
study unit of this Madurai Region. The managers of this region insist all customers of the branches to avail of this service.

The customers can avail themselves of this service, free of cost, earlier. Moreover, this service can be availed free of cost in the first year of getting this card but in the subsequent years, the customers are charged Rs.50 per annum with effect from 1\textsuperscript{st} February, 2006. An individual can withdraw a maximum of Rs.15,000/- at a time.

Tele-Banking
This is one of the recent facilities introduced by the SBI. To use this facility, the banker should have computerised his operations. The voice of the customer is digitaled in order to ensure genuineness of the enquiry. It helps to save time and the customers can get the required information during the working hours through telephone.\textsuperscript{31}

E-Rail
The e-rail service is available in this bank. Through railway ticket on line, this facility was launched by the SBI on 1\textsuperscript{st} September 2003. All internet banking customers can use this facility. The users can personally collect the ticket only at New Delhi. The payment amount will include ticket fare and reservation charges, courier charges and bank service fee of Rs.10. The bank service fee has been waived for one month in case of cancellation and the ticket should be presented over the reservation counter. The cancellation ticket will be issued immediately and the amount will be credited only
after four days. The SBI shall not be responsible for any delays or disputes regarding tickets.

SBI-Life
The SBI life has been started with an authorised capital of Rs.250 crores and a paid up capital of Rs.125 crores. The strength of the SBI life has a base of 15,000 branches of the SBI group with eight crores customers base which includes 15 lakhs of corporate customers. The SBI life service is provided by this bank to the customers. Group insurance scheme provides life insurance cover and accident, death, benefit to groups of persons sharing a common identity.

DEMAT Service
This is done at the request of the shareholders through the medium of depository participants (DP). If an investor wants the services of a depository, he has to open an account with the DP. Further, a depository can transfer securities as per the investors’ instructions without actually handling securities, through the electronic mode. The DP will maintain the account balances of securities bought and sold by the investor from time to time. The DP will also give the investor a statement of holdings which is similar to a bank pass book.

Online Services

www.online.sbi.com is the online banking services of the SBI. It is the India’s Premier Commercial Bank. If a branch of this bank is authorised then the customer of the area is allowed to become an e-customer of the SBI. The following is the general information regarding availing of this service:
1. The www.online.sbi.com registration form(s) should be addressed and sent directly to the branches where the applicant maintains his/her accounts.

2. Separate registration is required in case, the accounts are maintained at different branches. Separate registration is allowed for single and joint accounts at the option of the customer.

3. Normally the account holder can have access to his accounts through the www.online.sbi.com. Only after he/she acknowledges the respective branches, the receipt of the user-id and password are sent to him/her.32

SMART GOLD

Smart Gold is an Indian Oil Corporation (IOC) co-branded Smart Card with chip embedded in the card. The customer of the SBI can store the value of money in the form of e-purse and can spend the amount at any of IOC outlet or over 500 merchant establishment enrolled for the purpose in Mumbai. The total value of the amount that can be stored on the Smart Gold is Rs.20,000/-. The customers can re-load the card with any amount they like upto Rs.20,000/- and they can e-loan the card with any amount. The SBI would charge an enrolment fee of Rs.250/- at the time of enrolment and an annual fee of Rs.100/- every year. The card is valid for four years.

STEPS

The State Bank Electronic Payment System (STEPS) is a highly innovative and effective payment solution designed, developed and implemented by the SBI’s selected and fully computerized branches (FCBs). STEPs provides a device to end fully the automated Electronic Fund Transfer (EFT) to ensure credit of funds at the
destination with speed and efficiency. STEPs ensures credit of funds to the beneficiary’s account at the other branch on the next day.

PLUS SCHEMES
The SBI has introduced a lot of plus schemes to attract the customers. The plus schemes are available in only selected branches. Some of them are as follows:

a) Teachers-Plus

The SBI recognises the special position of the teachers in our society. Hence, it is proud to introduce teachers plus. Through this scheme, the teachers can avail themselves of concessions in the rate of interest, processing charges and margin amount. Teachers can avail personal loan, car loan, festival loan and housing loan under this scheme. The bank charges interest based on the purpose for which the teachers avail the loan.

b) Sainik-plus Scheme

For all those who are ready to lay down their lives for their motherland, the SBI is proud to offer Sainik Plus with special discounts on processing fees, interest rates and margin amount on various finance schemes. This is available for all Non-Commissioned Officers (NCOs) and Jawans of Indian Army. Through Sainik plus they can avail personal loan, housing loan and so on.

C. Medi-Plus

The SBI has launched a new loan scheme for making available specialized medical treatment. The customer can avail of loans under the medi-plus scheme to cover the cost of treatments such as orthodontic treatment, heart valve replacement,
surgery, serious accidents, penile implant surgery and artificial limb prosthesis. The rate of interest for this loan is 11 per cent per annum.

**E-PAY**
E-Pay is online payment services launched by the SBI. All internet banking individual customers can use these services. Telephone, electricity and mobile bills can be paid through online services in this bank. Moreover, these services can be used only during working hours of the bank.

**DROP-BOX FACILITY**
This facility has been launched by the SBI very recently. Under this scheme, various trays/boxes have been kept by the banks in their premises for depositing and collecting the cheques. The bankers keep boxes for each purpose like local, within the state, outside the state, foreign countries and so on for clearing the cheques and bills. This system is operated like post office because they have separate boxes for each of the towns and cities. This service is available in all branches of the Madurai region. This system helps the customers to save their precious time.

**SINGLE WINDOW CONCEPT**
Under this scheme, there is no division of work among the bank employees. All are expected to do all the work. No individual is responsible for any particular task. This aids developing of team spirit among the employees. The single window concept is followed in all the branches of SBI of the Madurai region.

**2.9 INNOVATIVE SERVICES FOR AGRICULTURE**
The SBI offers different types of loans to agriculturists. They assess the requirements of the agriculturists. They fix ceilings, rate of interest, period, purpose and so on. The following Table 2.10 portrays the details of interest, ceiling and period of loan.

**TABLE 2.10**  
*Details of Interest and Period of Innovative Agricultural Credit*

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Size of the Credit</th>
<th>Rate of Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><em>Less than 3 Years (Percentage)</em></td>
</tr>
<tr>
<td>1.</td>
<td>Below Rs.50,000</td>
<td>8.5</td>
</tr>
<tr>
<td>2.</td>
<td>Rs.50,000 – Rs.2,00,000</td>
<td>9.5</td>
</tr>
<tr>
<td>3.</td>
<td>Rs.2,00,000 – Rs.5,00,000</td>
<td>10.25</td>
</tr>
<tr>
<td>4.</td>
<td>Rs.5,00,000 – Rs.25,00,000</td>
<td>11.25</td>
</tr>
<tr>
<td>5.</td>
<td>Above Rs.25,00,000.</td>
<td>10.75 to 12.25</td>
</tr>
</tbody>
</table>

Source: [www.online.sbi.com](http://www.online.sbi.com).

The above particulars are applicable to all innovative agricultural credit which are mentioned below:
a) Agri-Gold Loan

“It refers to agriculture loan. The loan amount is fixed on the basis of agricultural production or investment requirements. There is no minimum or maximum limit for this loan. It is provided on all working days. The repayments can be made on instalment basis. The banks charge low rate interest and the interest is computed on daily balance. It collects processing charges of Rs.250 per lakh for lending loans. It is very helpful to the small scale farmers.

b) Crop Loan

This loan is provided to cultivators who have own lands, tenant cultivators, share cropper and so on. The loan limit is fixed by the district level technical committee. The SBI is lending loans upto Rs.1,000 in cash. It is to be repaid during harvesting seasons. It is provided for all marketable crops. It is a short-term loan. The period of loan does not exceed 18 months.

C. Dairy Plus

This loan is provided to individual farmer, who is a member of milk co-operatives for a period of atleast two years. He should supply 1000 litres of milk to co-operatives per annum. The age limit for him is below 65. He should have 10 milch cattle and 0.25 cents of land. The SBI lends the maximum amount of Rs.2 lakhs and charges interest at the rate of 15 per cent per annum. The purpose of this loan is to purchase cattle, milk machine, for construction of shed and so on. The loan amount is recovered in 60 equal monthly instalments.
1) Tractors Plus

It is given to encourage farmers to buy tractors, because, the agriculturists are the back-bone of the country. The SBI lends the maximum amount of Rs.4 lakhs. This loan amount is applicable to individual or group of farmers, who have atleast 4 acres of land. The following are the types of this loan:

i) Rakshak Tractors Plus

This scheme is applicable to ex-servicemen. The terms and conditions of the tractors plus scheme are applicable to this scheme also. But the land should be in the name of ex-servicemen or in the name of their family members. The maximum loan amount is Rs.4 lakhs and the rate of interest charged is 15 per cent per annum.

ii) Krishi Plus

It is given to promote entrepreneurs in rural areas. Moreover, the small and marginal farmers are eligible to avail this loan. The loan amount is Rs.4 lakhs and the repayment is to be made in 5 to 7 years. It is provided to the farmer for purchase of only one tractor.
iii) Land Purchase Scheme

It is provided to the existing small and marginal farmers for purchase of land. The loan is for purchasing land, farm equipment, meeting registration charges and stamp duty and so on. It is also applicable to the tenant cultivators. The maximum loan amount is Rs.5 lakhs. The repayment of this loan is to be made in 9 to 10 years.

4. Kisan Credit Card Scheme (KCC)

The kisan credit card scheme is popularly called “Green Card.” The KCC provides timely support to the farmers to meet their credit needs. The existing borrowers having good track record for the last two years with credit requirement of Rs.3000/- can avail this scheme. It supports ancillary activities, related to crop production. The limit of the loan is fixed-based on the seasonal credit requirements. Cheque books may also be issued to literate KCC holders having credit limits of above Rs.25,000/-.33.

5. Kisan Gold Card Scheme (KGC)

It is another important scheme to farmers who have excellent loan repayment by using KCC. They are eligible to avail this scheme. The SBI is lending this loan on the basis of 5 times of the annual farm’s income or 50 per cent of the value of land mortgaged as collateral security whichever is more. But at the same time, the loan amount should not exceed Rs.5 lakhs in addition to KCC limit. The purpose of this loan is for purchasing agricultural implements or making land development or repairing farm machinery. The repayment should also be made through loan account
separately. An individual can maintain only five loan accounts. The period of validity of this card is one year and it can be renewed every year.

6. Produce Marketing Loan (PMC)

“It is a short term loan. It is provided to farmers against the stocks stored in farm houses or against warehouse receipt. The farmers who have availed crop loan in a branch of a bank are eligible to avail this loan in the same bank. The SBI lends a loan amount of Rs.5 lakhs or 60 per cent of the value of produce whichever is less.”

2.10 CONCLUSION

The British Government had indirectly supported India in many ways, that is, provided education through schools, rendered transport facilities through railways and extended finance through the Banks of Bengal, Bombay and Madras established in the three presidencies of British India. In 1921, the IBI was formed which rendered appreciable services. After independence, there was a general demand for the nationalisation of this bank but RBEC did not favour it. In 1951, under the recommendation of AIRSC, the IBI and ten other banks were amalgamated and the SBI was formed.
REFERENCE


3. **Ibid.**, p.11.

4. **Ibid.**, p.16.


21. Materilas from SBI Staff Training Centre, Trichy.

22. All India Rural Credit Survey Committee Report, Vol.II, 1954, p.3.


24. **Ibid.**, p.380


3.1 INTRODUCTION

Historically, banks, world over, grow under protected environment. The high-risen buildings or British banks were originally intended to instil a sense of fear and