CHAPTER - 1
INTRODUCTION

1.1 INDIAN ECONOMY IN A NUTSHELL

- India economy, the third largest economy in the world, in terms of purchasing power, is going to touch new heights in coming years. As predicted by Goldman Sachs, the Global Investment Bank, by 2035 India would be the third largest economy of the world just after US and China. It will grow to 60% of size of the US economy. This booming economy of today has to pass through many phases before it can achieve the current milestone of 9% GDP.

- The history of Indian economy can be broadly divided into three phases.
  Pre Colonial: The economic history of India since Indus Valley Civilization to 1700 AD can be categorized under this phase. During Indus Valley Civilization Indian economy was very well developed. It had very good trade relations with other parts of world, which is evident from the coins of various civilizations found at the site of Indus valley. Before the advent of East India Company, each village in India was a self sufficient entity. Each village was economically independent as all the economic needs were fulfilled with in the village.

  Then came the phase of Colonization. The arrival of East India Company in India ruined the Indian economy. There was a two-way depletion of resources. British used to buy raw materials from India at cheaper rates and finished goods were sold at higher than normal price in Indian markets. During this phase India's share of world income declined from 22.3% in 1700 AD to 3.8% in 1952.

- After India got independence from this colonial rule in 1947, the process of rebuilding the economy started. For this various policies and schemes were formulated. First five year plan for the development of Indian economy came into implementation in 1952. These Five Year Plans, started by Indian government, focused on the needs of Indian economy.

- If on one hand agriculture received the immediate attention on the other side industrial sector was developed at a fast pace to provide employment
opportunities to the growing population and to keep pace with the developments in the world. Since then Indian economy has come a long way. The Gross Domestic Product (GDP) at factor cost, which was 2.3% in 1951-52 reached 9% in financial year 2005-06. Trade liberalization, financial liberalization, tax reforms and opening up to foreign investments were some of the important steps, which helped Indian economy to gain momentum. The Economic Liberalization introduced by Man Mohan Singh in 1991, then Finance Minister in the government of P V Narsimha Rao, proved to be the stepping-stone for Indian economic reform movements.

To maintain its current status and to achieve the target GDP of 10% for financial year 2006-07, Indian economy has to overcome many challenges.

**Challenges before Indian economy:**

- **Population explosion:** This monster is eating up into the success of India. According to 2001 census of India, population of India in 2001 was 1,028,610,328, growing at a rate of 2.11% approx. Such a vast population puts lots of stress on economic infrastructure of the nation. Thus India has to control its burgeoning population.

- **Poverty:** As per records of National Planning Commission, 36% of the Indian population was living Below Poverty Line in 1993-94. Though this figure has decreased in recent times but some major steps are needed to be taken to eliminate poverty from India.

- **Unemployment:** The increasing population is pressing hard on economic resources as well as job opportunities. Indian government has started various schemes such as Jawahar Rozgar Yojna, and Self Employment Scheme for Educated Unemployed Youth (SEEUY). But these are proving to be a drop in an ocean.

- **Rural urban divide:** It is said that India lies in villages, even today when there is lots of talk going about migration to cities, 70% of the Indian population still lives in villages. There is a very stark difference in pace of rural and urban growth. Unless there isn't a balanced development Indian economy cannot grow.
These challenges can be overcome by the sustained and planned economic reforms.

**These include:**

- Maintaining fiscal discipline
- Orientation of public expenditure towards sectors in which India is faring badly such as health and education.
- Introduction of reforms in labour laws to generate more employment opportunities for the growing population of India.
- Reorganization of agricultural sector, introduction of new technology, reducing agriculture's dependence on monsoon by developing means of irrigation.
- Introduction of financial reforms including privatization of some public sector banks.

To understand it more deeply here is a detail given about an overview of financial system in India.

### 1.2 AN OVERVIEW OF INDIAN FINANCIAL SYSTEM

Financial System consists of financial institutions, financial markets, financial instruments and financial services. For economic growth of any country, availability of capital is essential. If the savings of the people are to be collected from them in return for some compensation like interest dividend etc and it is provided to those who need for investment in their business or industry.

Financial markets like money market and capital market, financial instruments like shares, debentures, bonds commercial bills etc. According to Prof. Olson, markets, institutions and instruments are the prime movers of economic growth. Availability of capital is necessary for economic growth. This capital is the saving of the people transferred to industries through financial institutions like banks, insurance companies and through financial markets like capital market for long term funds and money markets through commercial bills etc.
1.3 COMPONENTS OF FINANCIAL SYSTEM

There are four components of Financial System, namely,

1) Financial Markets
2) Financial Institutions
3) Financial Instruments
4) Financial Services

(1) **Financial Markets:** The main function of financial market is to facilitate transfer of funds from surplus sectors i.e. tenders or investors to needy sectors i.e. borrowers. Thus financial markets perform a crucial function of linking savers or investors and borrowers. Due to modern technology, the industry need money on large scale and it is due to financial market (capital market to be exact) that they are able to collect saving of investors by issuing shares and debentures. The government and other private sector business enterprises collect money for short-term (i.e. for a period of less than one year) form money market. The main participants in the money market are commercial banks and Reserve Bank.

**Types of Financial Market:** There are mainly two types of Financial market viz

(i) Money market and (ii) Capital market.

(1) **Money Market:** Money Market is that market where borrowers and lenders exchange short term funds, generally for less than one year. As Prof. Khan said, “Money market refers to that segment of the financial market which enables the raising up of short term funds for meeting temporary shortages of cash and other obligations and development of excess funds for earning return.

(2) **Capital Market:** It is a market for long-term funds raised in the form of shares, debentures, bonds etc. the main institutions of capital market are Stock exchanges’ mutual funds, foreign institutional investors. They facilitate the investment of funds for long period of time. The long-term funds are raised by companies by issuing shares and debentures. They have to decide as to what types of shares are to be issued, at what time, at what price etc. These are the new issues and market in which such issues are made is called primary market. Thus there are two segments of capital market (1) Primary market (2) Secondary market. The primary market deals with new security issues and the main players of primary market are the individual investors foreign institutional investors, merchant bankers, mutual funds, financial institutions,
stock brokers etc. The secondary market is a market where securities already issued are bought and sold. The major players of secondary markets are stock brokers who are members of stock exchanges, foreign institutional investors, mutual funds and individual investors.

(2) **Financial Institutions:** The financial institutions are commercial banks. Development banks, specialized financial institutions like Export Import bank, non-banking financial institutions, they pool funds from savers and provide them to corporate sector and other who need finance. They act as financial intermediaries as they act as middle men between saver and borrowers. There are different types of financial institutions. The main institution is the commercial banks which collects money in the form of various types of deposits and lend them to industry and trade. But banks lend money for a short period of time. So, financial institutions like IFCI, IDBI, ICICI have been established in post-independent period. They provide funds for 10-20 year to industries. Besides, there are specialized financial institutions like NABARD, HUDCO, Export Import Bank which provide finance to particular segment of the economy. There are mutual funds which work as links between savers and borrowers like Unit Trust of India and other mutual funds in private sector and public sector.

(3) **Financial Instrument:** Financial instrument like share, debentures, treasury bills, commercial papers are the main instruments of linking savings and borrowing. They represent a claim against the future income and wealth of other. It is a claim against a person or institutions for the payment of the some of the money at a specified future date. There are two types of financial instruments, namely, money market instruments of short duration of less than one year e.g. treasury bills, commercial papers, certificates of deposits etc. Second types of securities are capital market securities like shares, debentures, bonds etc of a long duration. These financial instruments help financial markets and financial intermediaries to perform an important task channelizing savings into investment.

(4) **Financial Services:** Financial Services are provided by financial intermediaries. Financial services can be defined as “activities, benefits and satisfaction connected with sale of money that offers to users and customers, financial related values, e.g. banks, insurance companies, stock brokers, mutual funds stock exchanges, merchant bankers, credit-rating agencies depositories etc.
1.4 PRE AND POST LIBERALIZATION OVERVIEW

Table-1

Pre and Post liberalization Overview of Indian Financial System

We can divide the Indian financial system into three phases from the viewpoint of exposition.

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B. Below Mentioned are the problems of finance system before liberalization.

The problem of financial repression encourages by administered interest rates pegged at unrealistically low levels.

Large scale pre-emption of resources from the banking system by the government to finance its fiscal deficit.

Too many structural and micro regulations that slowed down financial innovation and highly increased transaction costs.

Comparatively insufficient level of responsible regulation in the
Inadequately developed debt and money markets; and Obsolete (often primitive) technical and industrial structure that made the capital markets and the rest of the financial system highly incompetent.

C. After 1991 i.e. post liberalization
   (1) Financial Sector
   (2) Capital Market after liberalization
   (3) Insurance market after liberalization

### 1.4.1 PRE LIBERALIZATION

#### A. Up to 1951, relating post-independence scenario, in the period of economic development

The India financial system before 1951 resembled with the theoretical model of financial institution in a conventional economy. A conventional and traditional economy is one which has low and constant per capita output. Before independence the Indian Industrial financing institutions were showing the character of closed-circle industrial entrepreneurship. They were semi-organised. There was shortage of issuing institutions and virtual absence of intermediary financial institutions for giving long-term finance to the industrial sector. Consequently, the businessmen had not easy access to private savings. They had to rely on their own savings, i.e. reinvestment of profit in the business. The financial system was not grabbing the opportunities lying for industrial investment.

#### B. From 1951 to mid-eighties showing the obligations of planned economic growth.

During this phase the ability of the finance system to give finance and credit to business enterprises in varied forms was greatly increased. The organization of Indian Financial system during this period progressed in economic and social welfare goals of the government were started in 1951. The government wanted to grow the country with social justice and equality as mentioned in the constitution of India under the Directive Principles of state policy.

The Indian financial sector today is considerably different from what it was in the 1970s and 1980s. The Indian financial system of the pre-reform period basically fulfilled to the requirements of planned economic development in a mixed-economy structure where the Government sector has a major role in economic activity. Fiscal
activism was employed to boost economic growth. Government made large expenditure, by way of public sector, to finance project having long gestation period. For financing such projects large public borrowings is needed.

1 Nationalization of banks:

- RBI was nationalized in 1948. It was a first step towards transfer of significant financial intermediaries into the hands of government. Then, government of India took over the Imperial Bank of India and converted it into the State Bank of India in 1956. Then 245 life insurance companies were nationalized and merged into the LIC (Life Insurance Corporation of India).

- LIC became a gigantic government-owned insurance company. In 1969, 14 big commercial banks were nationalized under the holding of the central government of India. 1969 became the landmark year in the history of government takeover of private financial banks. In 1972 all the general insurance companies operating in India were nationalized.

(1) New Institutions:

- Along with nationalization under the control of government various new institutions in public sector were established. Many influential institutions known as development bank/development finance institutions and term-lending institutions were established. Some of them were spread all across the country and some were operating in a few states. Another significant step was creation of Unit Trust of India (UTI) which was an investment trust.

(2) Term Lending Financial Institution (Development Banks):

- Term lending institutions are also known as Development Banks. They are Industrial Financial Corporation of India (IFCI), Small Industrial Development Bank of India (SIDBI), National Bank for Agriculture and Rural Development (NABARD), The Export Import (EXIM) Bank of India, Industrial Development Bank of India (IDBI), State Financial Corporations, State Industrial Development Corporation (SIDC’s) etc.

(3) Industrial Finance Corporation of India (IFCI):

- The Industrial Finance Corporation of India was established in the year 1948 as India’s first development bank. The key objective of IFCI was to provide medium and long term credit to the industrial undertaking.
(4) **Small Industrial Development Bank of India:**
- SIDBI was established by passing as Act under parliament in the year 1989, The SIDBI gives services such as the principal financial institution for the promotions, finding and development of industries in the small scale sectors and to coordinate the functions of other institutions engaged in similar activities.

(5) **National Bank for Agriculture and Rural Development (NABARD):**
- NABARD also came into existence in the year 1982 by an Act of parliament. It serves as an top refinancing organization for the institutions giving investment and credit for encouraging development activities in rural areas.

(6) **The Export Import Bank of India (EXIM Bank):**
The Export Import Bank of India is a public sector financial institution was set up in the year 1981. The main purpose of this bank is to finance, to facilitate and to promote India’s trade and commerce, and to provide the project finance, Trade finance etc. EXIM also acts an intermediary for facilitating the forfeiting transaction between the Indian exporter and the overseas forfeiting agency etc.

(7) **Industrial Development Bank of India (IDBI)**
Industrial Development Bank of India (IDBI) was set up by an Act of parliament as a wholly owned subsidiary of the Reserve Bank of India. Later on in the year 1976, the IDBI ownership was transferred to the Government of India.

(8) **Life Insurance Corporation of India (LIC)**
The parliament of India passed the Life Insurance Corporation of India Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September,1956, with the objective of spreading life insurance much more persons in the country, providing them adequate financial cover at a reasonable cost.

(9) **Unit Trust of India (UTI):**
UTI made mutual finds famous in India. UTI was established in 1964. It promoted indirect holding of securities in the hands of public, UTI fulfilled long-awaited need of the capital market in India. It acted as a proper vehicle foe mobilizing the savings of the citizens who believe in savings and saved a
substantial portion of their income. The basic goal of UTI was to encourage the small investors to take part in the industrial growth of India by indirect holding of equity shares of several companies.

(10) Commercial Banks:
In addition to the commencement of different new financial institutions, the government of India tried to divert the savings in favour of industrial financing. The commercial banks removed the traditional theory of deposit banking. Before establishment of commercial banks, deposit banking was limited itself to the provision of short-term funds only for business. Earlier, industrial finance formed a very small portion of the total credit (loans) given to the customers; it was a great hindrance to the growth of industries. Commercial banks removed this drawback of traditional deposit banking.

Commercial banks with united and solid system integrated the banking operations and policies in accordance with the five year planning of government of India.

Commercial banks in India encouraged 2 functions (1) term-lending and (2) Underwriting of new securities such as equity shares of industrial enterprises. The traditional role of providing short-term credit of commercial banks was changes with the launch of term loans y the commercial banks. It helped to get the credit facility for small and medium-sized business organizations.

The commercial banks played a major role in providing underwriting services to the corporate companies for the issue of securities in the capital market. Commercial banks also participated directly in providing industrial finance by subscribing the shares and debentures o various corporate businesses.

Commercial banks also encouraged industrial financing by way of loans against securities. It is also called secures loans.

Commercial banks also redirected the resources to the neglected and deprived sectors such as small-scale industries, agriculture and export-oriented businesses. Even though these sectors were playing a major role in the economy, they were given very less credit (loans) from the banks in the past.
(11) Small-scale Industries:
In 1962, RBI launched a separate policy of giving extra rights to the commercial banks to borrow from RBI at discounted rates for increasing the amount of loans to the small-scale Industries.

(12) Exports:
In 1957, the government of India established Export Risk Corporation to give insurance cover to exporters. Its name was changed as Export credit and Guarantee Corporation Ltd and it gave guarantee to the banks purpose of promoting different types of finance facilities given by banks to the exporters.

(13) Agricultural Finance:
The Agricultural Refinance Corporation Ltd was established in 1963 as a subsidiary of Reserve Bank of India (RBI). Is encouraged agricultural production by way refinance. It provided loans to various finance institutions such as banks for refinance purpose.

(14) Innovative Banking Phase:
The period from 1965 to 1990 is also known as the phase of innovative banking or revolutionary phase.
Before 1965 large-scale industries, large and well-established corporations were enjoying the benefit of bank credit with monopoly. On the other hand, priorities sectors such as export, agriculture and SSI (Small Scale Industries) were not getting credit form the market. At that time there were a few bank branches in the country, and too were in the urban areas and the rural areas and smaller towns were almost completely ignored. There were no bank branches in such areas. The control of the big banks was in the hands of well-establishes business houses.
The financial system was encouraging the savers because the interest rates were controlled and suppressed by the banks. Furthermore, it has a limited role in capital formation process. Due to high CRR (Cash Reserve Ratio) and SLR (Statutory Liquidity ratio) requirement for the banks the household saving were discourages by the government.
Below mentioned are the problems of finance system before liberalization.

- The problem of financial repression encourages by administered interest rates pegged at unrealistically low levels.
- Large scale pre-emption of resources from the banking system by the government to finance its fiscal deficit.
- Too many structural and micro regulations that slowed down financial innovation and highly increased transaction costs.
- Comparatively insufficient level of responsible regulation in the financial sector.
- Inadequately developed debt and money markets; and
- Obsolete (often primitive) technical and industrial structure that made the capital markets and the rest of the financial system highly incompetent.

1.4.2 POST LIBERALIZATION

C. After 1991 i.e. post liberalization

(1) FINANCIAL SECTOR:

The India financial sector was in for a repair in 1990s. Financial sector reforms have long been regarded as an essential part of the overall policy reforms in India. India has recognized that these reforms are imperative for increasing the efficiency of resource mobilization and distribution in the real economy and for the overall macroeconomic stability. The reforms have been driven by a thrust toward liberalization and numerous initiatives such as liberalization in the interest rate and reserve requirements have been taken on this front. At the same time, the government has stressed on stronger regulation aimed at making stronger prudential norms, transparency and supervision to mitigate the prospects of systemic risk. Today the Indian financial system is naturally strong, functionally diverse, efficient and globally competitive. During the last 20 years, the Indian financial system has been incrementally deregulated and exposed to international financial markets along with the introduction of new instruments and products.

Liberalization in India gathered pace in the early to mid 1990s and the catch up has been very fast since then, to the extent that by the late 1990s the gap
between India and the average of all the countries, and in particular emerging Asia, has narrowed substantially.

Effective restrictions continue on the acquisition of foreign financial assets by residents and on currency convertibility for capital account transactions. Recently, these restrictions have been slightly eased to allow domestic residents to invest in foreign equities. It is also apparent that some domestic investment, notably in equity, by domestic residents is intermediated through Mauritius to take advantage of favourable tax treatment under the reciprocal tax agreement. Direct deposits and equity and bond holdings by non-resident Indians are subject to favourable treatment, but remain small relative to the size of the financial sector.

1.5 STRUCTURE OF INDIAN FINANCIAL SYSTEM

Organizational Structure of Indian Financial System

Major Components of Indian financial System:

Introduction:
A country’s financial system includes its banks, securities market, pension funds, insurer, market infrastructures, central bank and regulatory and supervisory authorities. These institutions and markets provide a framework for carrying out economic transactions and monetary policy and help to efficiency channelize savings into investment, thereby supporting economic growth. As past crises have demonstrated, problems in financial systems can undermine the effectiveness of monetary policy, change economic downturns, and trigger capital flight or create large fiscal costs related to rescuing troubled financial institutions. Moreover, with increasing financial and trade links between countries, financial shocks in one jurisdiction can rapidly spill over across national borders. Therefore, resilient and well-regulated financial systems are essential for both domestic and international economic and financial stability.
1.6 ROLES AND FUNCTIONS OF FINANCIAL SYSTEM

Financial Institutions in India are divided in two categories. The first type refers to the regulatory institutions and the second type refers to the intermediaries. The regulators are allocated with the job of governing all the divisions of the Indian financial system. There institutions are responsible for maintaining the transparency and the national interest in the operations of the institutions under their supervision.

The regulatory bodies of the financial institutions in India are as follows:

- Reserve Bank of India (RBI)
- Securities and Exchange Board of India (SEBI)
- Central Board of Direct Taxes (CBDT)
- Central Board of Excise and Customs

Apart from the Regulatory bodies, there are the Intermediaries that include the banking and non-banking financial institutions. Some of the specialized financial institutions are as follows:

- Unit Trust of India (UTI)
- Securities Trading Corporation of India Ltd. (STCI)
- Industrial Development Bank of India (IDBI)
• Industrial Reconstruction Bank of India (IRBI), now (Industrial Investment Bank of India)
• Export – Import Bank of India (EXIM Bank)
• Small Industrial Development Bank of India (SIDBI)
• National Bank for Agriculture and Rural Development (NABARD)
• Life Insurance Corporation of India (LIC)
• General Insurance Corporation of India (GIC)
• Shipping Credit and Investment Company of India Ltd. (SCICI)
• Housing and Urban Development Corporation Ltd. (HUDCO)
• National Housing Bank (NHB)

Financial institutions can also b classified as banking institutions and non-banking financial institutions.

The banking institutions of India play a major role in the economy of the country. The banking institutions are the providers of depository and transaction services. These activities are the major sources of creating money. The banking institutions are the major sources of providing loans and other credit facilities to the clients.

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 and is engaged in the business of loans and advances, acquisition of share/ stock/ bonds/ debentures/ securities issued by Government or local authority or other securities of like marketable nature, leasing, hire-purchase, insurance business chit business but does not include any institutions whose principal business is that of agriculture activity, industrial activity, sale/ purchase/ construction of immovable property.

A. Non Banking Financial Company includes following

1. Equipment leasing company (EL)
2. Hire purchase finance company (HP)
3. Investment company (IC)
4. Loan company (LC)
5. Residuary non-Banking company
6. Mutual Benefit Financial Company (MBFC) i.e. Nidhi Company
7. Mutual Benefit Company (MBC), i.e. potential Nidhi Company
8. Miscellaneous non-banking company (MNBC)
1.6.1 FUNCTIONS OF FINANCIAL SYSTEM

Financial system of a country has an important role in the development of economy. If various businesses in the country prosper, we can say that whole economy is also prospering. Various businesses either make profit or incur loss or come at breakeven point (no profit, no loss) at the end of the year. Financial system of a country works as a backbone of the economy. Well-developed and well-managed financial system helps the economy to grow. It also helps the society to develop. There are various functions financial system as given below.

(1) Saving Function:

Saving is an essential element for the development of a country. Financial requirement of a country are satisfied by public savings. People must increase their habit of saving more. If people save some portion of their income, it can be converted savings and these savings can be used for satisfying the finance needs of Industries. Financial system of a country provides a strong platform for investment through various financial instruments of money market and capital market.

Public savings find their way into the hands of those in production through the financial system. Financial claims are issued in the money and capital markets which promise future income flows. The funds with the producers result in production of goods and services thereby increasing society living standards.

(2) Capital formation & Investment:

A financial system provides a mechanism for the pooling of funds to undertake large-scale indivisible enterprise or for the subdividing of shares in enterprises to facilitate diversification.

In modern economies, the minimum investment required to run a business is often beyond the capacity of an individual or even several individual. From the
perspective of firms raising capital, the financial system provides a variety of mechanism (such as security markets and financial intermediaries) through which individual households can pool (or aggregate) their wealth into larger amounts of capital for use by business firms. From the perspective of individual savers, the financial system provides opportunities for households to participate in large indivisible investment. Mutual funds that hold stock and bonds are examples of financial intermediaries that provide virtually full divisibility in subdividing the individual unit size of the traded securities they hold.

(3) Transferring Resources across Time and Space:
A financial system provides way to transfer economic resources through time, across geography regions, and among industries.
A well-developed, smooth-functioning financial system facilitates the efficient life-cycle allocations of household consumption and the efficient allocation of physical capital to its most productive use in the business sector. A well-developed, smooth functioning capital market also makes possible the efficient separation of ownership from management of the firm. This is turn makes feasible specialization in production according to the principle of comparative advantage.
Intermediaries that serve this function include banks, insurance companies and person funds in financing corporate investments and paying retirement annuities, and mutual funds that invest in virtually all sectors.

(4) Providing Information:
A financial system provides price information that helps coordinate decentralized decision-making in various sectors of the economy.
The main function of financial markets is to allow individuals and businesses to trade financial assets.
An additional latent function of the capital markets is provides information useful for decision-making.
Interest rates and security prices are information used by households or their agents in making their consumption-saving decisions and in choosing the portfolio allocations of their wealth. These same prices provide important signals to managers of firms in their selection of investment projects and financings.
(5) **Creator of Credit:**

To develop country huge funds are required. Funds are in both the forms; cash forms and Credit forms. Credit money is also as “deposit money”. Credit money boosts industrial development. This function of financial system ultimately increases the process of economic development in the country.

(6) **Promotion of entrepreneurship:**

Financial system of a country, motivate new, young and innovative businessmen, which are having potential to grow but having financial liquidity problems. When an entrepreneur needs funds for a specific project or company, he can get the funds from different financial instruments and intermediaries. Many venture capitalists take interest in investing money in new companies having growth-potentials. Many IT companies and BPO sector companies in India, have grown tremendously with the help of venture capital. Thus, financial system promotes the entrepreneurship.

(7) **Providing financial Service:**

The financial market includes several components. All the components are inter-linked in one way or other. Financial intermediaries are one of the basic components of a financial system. Financial intermediaries provide different services helpful and incidental for raising funds and for facilitating investments.

(8) **Development of less developed or undeveloped areas of the country:**

Financial markets such as capital market and money market help the businessman to establish their new companies and implement their new projects in the less-developed areas of the country. For making industrial development of some undeveloped areas, government provide several facilities, reliefs and incentives to businessmen for erecting new plants and companies in such areas so as to create employment opportunities for the people of that area. These incentives include tax benefits, tax holiday, subsidies and some other monetary and non-monetary benefits. And thus, development of less-developed or undeveloped areas becomes possible.
1.6.2 Roles of financial system

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a. Role of Clearing and Settling Payment:
A financial system provides modes of clearing and settling payments to facilitate the exchange of goods, services and assets.
There are many ways of clearing and settling payments. Collectively, the set of institutional arrangements for accomplishing this task is called the payments system. Depository financial intermediaries such as banks serve this function with cheques, bills, wire transfers, current accounts, and credit/ cash cards, ATMs etc.
Mechanisms for clearing and settling securities transactions are designed to deal with the costs and the risks associated with the process. Costs arise in the form of processing fees, transfer taxes, and the maintenance of collateral. Risk arises because one of the parties to a transaction may not fulfill its seller fails to deliver. The key elements for managing these costs and risks include netting arrangements, efficient use of collateral, delivery-versus payment, immobilization of securities, and extension of credit.

b. Role of Managing Risk:
A financial system provides ways to manage uncertainty and control risk. A well-functioning financial system facilitates the efficient allocation of risk-bearing. Through often elaborate financial securities and through private sector and government intermediaries (including the system of social insurance), the financial system provides risk-pooling and risk-sharing opportunities for both household and business firms. It facilitates efficient life-cycle risk-bearing by households, and it allows for the separation of the providers of working capital for real investment (i.e.
in personnel, plant, and equipment) from the providers of risk capital who bear the financial risk of those investments.

c. **Role of Financial engineering:**
Financial engineering is a process involving the creation and combination of a variety of financial instruments in order to achieve a defined financial objective within certain cost, tax and legal constraints, e.g. combining or dividing existing financial products to create new financial products. Financial engineering consists of off balance-sheet items, repacking of financial claims, restructuring of assets and liabilities and increase of artificial securities. Also these functions are performed by a well-managed financial system.

d. **Role of intermediaries:**
For capital formation process, it is an essential function to bring together the savers of the funds and the seekers of the funds. Financial intermediaries and financial markets provide link between borrowers and lenders for the purpose of borrowing and lending money. With the help financial markets such as capital market and money market potential users and savers of the funds come together.

e. **Role as bridging the Gap:**
Financial institutions includes regulatory bodies such as RBI, SEBI etc. and intermediaries such as UTI, EXIM Bank, Mutual funds, Insurance companies, and NBFC (Non-Banking Finance Companies) etc. These intermediaries give various services to the economy which includes credit rating, merchant banking facility, leading, service as a depository, service as a custodian, service as underwriters, and portfolio management services. By providing above mentioned services, financial intermediaries bridge the gap between the investor and savers. They provide investments opportunities to savers. The persons want to invest their savings, get opportunity to invest in mutual funds etc. By doing so, they can use specialized knowledge of mutual funds companies and moderate their risk up to some extent.

f. **Role of Providing financial liquidity:**
A business cannot work without liquidity. Financial markets such as money market fulfil the temporary liquidity requirements of an organization. Any person can sell at any time his/her securities in capital market or money market depending upon the securities he/she is holding.
Thus, well-organized and well-developed financial system includes efficient and effective network of banks, financial institutions, financial intermediaries and vast range of financial instruments. They collectively develop the efficient and effective money market and capital market.

1.6.3 Role of banking sector in Indian economy:

History of Indian banking:

Merchants in Calcutta established the Union Bank in 1839, but it failed in 1848 as a consequence of the economic crisis of 1848-49. The Allahabad Bank, established in 1865 and still functioning today, is the oldest Joint Stock bank in India. (Joint Stock Bank: A company that issues stock and requires shareholders to be held liable for the company's debt) It was not the first though. That honor belongs to the Bank of Upper India, which was established in 1863, and which survived until 1913, when it failed, with some of its assets and liabilities being transferred to the Alliance Bank of Simla.

Post-Independence:

The partition of India in 1947 adversely impacted the economies of Punjab and West Bengal, paralyzing banking activities for months. India's independence marked the end of a regime of the Laissez-faire for the Indian banking. The Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy. This resulted into greater involvement of the state in different segments of the economy including banking and finance.

The major steps to regulate banking included:

• The Reserve Bank of India, India's central banking authority, was established in April 1934, but was nationalized on January 1, 1949 under the terms of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948 (RBI, 2005b).
• In 1949, the Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI) "to regulate, control, and inspect the banks in India".
• The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors.
• Nationalisation of banks
The Government of India issued an ordinance ("Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969") and nationalized the 14 largest commercial banks with effect from the midnight of July 19, 1969. These banks contained 85 percent of bank deposits in the country. Jayaprakash Narayan, a national leader of India, described the step as a "masterstroke of political sagacity." Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received the presidential approval on 9 August 1969.

A second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalised banks from 20 to 19. After this, until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy.

**Liberalisation:**

In the early 1990s, the then Narasimha Rao government embarked on a policy of liberalization, licensing a small number of private banks. These came to be known as New Generation tech-savvy banks, and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of Commerce, UTI Bank (since renamed Axis Bank), ICICI Bank and HDFC Bank. This move, along with the rapid growth in the economy of India, revitalized the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks.

The next stage for the Indian banking has been set up with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%, at present it has gone up to 74% with some restrictions.
The new policy gave modern look to Indian banking. The Banking sector in India completely. People not just demanded more from their banks but also received more.

Current scenario:

Overall, banking in India is considered as fairly mature in terms of supply, product range and reach—even though reach in rural India still remains a challenge for the private sector and foreign banks. Even in terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets—compared to other banks in comparable economies in its region. The Reserve Bank of India is an autonomous body, with minimal pressure from the government. The stated policy of the Bank on the Indian Rupee is to manage volatility—without any stated exchange rate—and this has mostly been true.

With the growth in the Indian economy expected to be strong for quite some time—especially in its services sector, the demand for banking services—especially retail banking, mortgages and investment services are expected to be strong. M&As, takeovers, asset sales and much more action will happen on this front in India.

In March 2006, the Reserve Bank of India allowed Warburg Pincus to increase its stake in Kotak Mahindra Bank (a private sector bank) to 10%. This is the first time an investor has been allowed to hold more than 5% in a private sector bank since the RBI announced norms in 2005 that any stake exceeding 5% in the private sector banks would need to be vetted by them.

1.7 STRUCTURE OF INDIAN BANKING SECTOR

Banking Industry in India functions under the sunshade of Reserve Bank of India—the regulatory, central bank. Banking Industry mainly consists of:

I. Commercial Banks:

A financial institution that provides services, such as accepting deposits, giving business loans and auto loans, mortgage lending, and basic investment products like savings accounts and certificates of deposit. The traditional commercial bank is a brick and mortar institution with tellers, safe deposit boxes, vaults and ATMs. However, some commercial banks do not have any
physical branches and require consumers to complete all transactions by phone or Internet. In exchange, they generally pay higher interest rates on investments and deposits, and charge lower fees.

II. Co-operative Banks:
The commercial banking structure in India consists of: Scheduled Commercial Banks
Unscheduled Bank. Scheduled commercial Banks constitute those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934.

Organised banking in India is more than two centuries old. Till 1935 all the banks were in private sector and were set up by individuals and/or industrial houses which collected deposits from individuals and used them for their own purposes. In the absence of any regulatory framework, these private owners of banks were at liberty to use the funds in any manner, they deemed appropriate and resultantly, the bank failures were frequent.

Move towards State ownership of banks started with the nationalisation of RBI and passing of Banking Companies Act 1949. On the recommendations of All India Rural Credit Survey Committee, SBI Act was enacted in 1955 and Imperial Bank of India was transferred to SBI. Similarly, the conversion of 8 State-owned banks (State Bank of Bikaner and State Bank of Jaipur were two separate banks earlier and merged) into subsidiaries (now associates) of SBI
during 1959 took place. During 1968 the scheme of ‘social control’ was introduced, which was closely followed by nationalisation of 14 major banks in 1969 and another six in 1980.

Keeping in view the objectives of nationalisation, PSBs undertook expansion of reach and services. Resultantly the number of branches increased 7 fold (from 8321 to more than 60000 out of which 58% in rural areas) and no. of people served per branch office came down from 65000 in 1969 to 10000. Much of this expansion has taken place in rural and semi-urban areas. The expansion is significant in terms of geographical distribution. States neglected by private banks before 1969 have a vast network of public sector banks. The PSBs including RRBs, account for 93% of bank offices and 87% of banking system deposits.

1.8 SOME OF THE PROMINENT BANKS

1.8.1 Nationalized Banks
1.8.2 Old and new Private Sector Banks.
1.8.3 Indian Banks with business outside India

Table-2
Some of the prominent banks

<table>
<thead>
<tr>
<th>Nationalized Banks</th>
<th>Old Private Sector Banks/Societies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) State Bank of India</td>
<td>1) Catholic Syrian Bank</td>
</tr>
<tr>
<td>2) State Bank of Bikaner &amp; Jaipur</td>
<td>2) City Union Bank</td>
</tr>
<tr>
<td>3) State Bank of Hyderabad</td>
<td>3) Dhanlaxmi Bank</td>
</tr>
<tr>
<td>4) State Bank of Mysore</td>
<td>4) Federal Bank</td>
</tr>
<tr>
<td>5) State Bank of Patiala</td>
<td>5) Jammu &amp; Kashmir Bank</td>
</tr>
<tr>
<td>6) State Bank of Travancore</td>
<td>6) Karnataka Bank</td>
</tr>
<tr>
<td>7) Allahabad Bank</td>
<td>7) Karur Vysya Bank</td>
</tr>
<tr>
<td>8) Andhra Bank</td>
<td>8) Lakshmi Vilas Bank</td>
</tr>
<tr>
<td>9) Bank of Baroda</td>
<td>9) Nainital Bank</td>
</tr>
<tr>
<td>10) Bank of India</td>
<td>10) South Indian Bank</td>
</tr>
<tr>
<td>11) Bank of Maharashtra</td>
<td>11) Tamilnad Mercantile Bank</td>
</tr>
<tr>
<td>13) Central Bank of India</td>
<td>13) Saraswat Bank</td>
</tr>
<tr>
<td>14) Corporation Bank</td>
<td>New private sector banks</td>
</tr>
<tr>
<td>15) Dena Bank</td>
<td>1) Axis bank</td>
</tr>
<tr>
<td>16) IDBI Bank</td>
<td>2) HDFC bank</td>
</tr>
<tr>
<td>17) Indian Bank</td>
<td>3) ICICI Bank</td>
</tr>
<tr>
<td>18) Indian Overseas Bank</td>
<td>4) Indusind bank</td>
</tr>
<tr>
<td>19) Oriental Bank of Commerce</td>
<td>5) ING Vysya bank</td>
</tr>
<tr>
<td>20) Punjab National Bank</td>
<td>6) Kotak Mahindra bank</td>
</tr>
<tr>
<td>21) Punjab and Sind Bank</td>
<td>7) Yes bank</td>
</tr>
<tr>
<td>22) Syndicate Bank</td>
<td></td>
</tr>
<tr>
<td>23) Uco Bank</td>
<td></td>
</tr>
<tr>
<td>24) United Bank of India</td>
<td></td>
</tr>
<tr>
<td>25) Union Bank of India</td>
<td></td>
</tr>
<tr>
<td>26) Vijaya Bank</td>
<td></td>
</tr>
</tbody>
</table>

List of subsidiaries of Indian Banks abroad as on November 30, 2007:

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allahabad Bank</td>
<td>Hongkong</td>
</tr>
<tr>
<td>AXIS BANK Ltd.</td>
<td>Hongkong, Singapore</td>
</tr>
<tr>
<td>SBI (Canada) Ltd.</td>
<td>Toronto, Vancouver, Mississauga</td>
</tr>
<tr>
<td>SBI (California) Ltd.</td>
<td>Los Angeles, Artesia, San Jose (Silicon Valley)</td>
</tr>
<tr>
<td>SBI Finance Inc.</td>
<td>Delaware, U.S.A.</td>
</tr>
<tr>
<td>SBI International (Mauritius)</td>
<td>Mauritius (Off-shore Bank)</td>
</tr>
<tr>
<td>SBI (China) Ltd.</td>
<td>Shanghai</td>
</tr>
<tr>
<td>SBI (Singapore) Ltd.</td>
<td>Singapore</td>
</tr>
<tr>
<td>Bank of Baroda (Uganda) Ltd.</td>
<td>Uganda</td>
</tr>
<tr>
<td>Bank of Baroda (Kenya) Ltd.</td>
<td>Kenya</td>
</tr>
<tr>
<td>Bank of Baroda (Ghana) Ltd.</td>
<td>Accra, Ghana</td>
</tr>
<tr>
<td>Bank Name</td>
<td>Location</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Bank of Baroda (U.K.) Nominee Ltd.</td>
<td>London, United Kingdom</td>
</tr>
<tr>
<td>Bank of Baroda (Hong Kong) Ltd.</td>
<td>Hong Kong (Converted into Restricted Licensed Bank)</td>
</tr>
<tr>
<td>Bank of India Finance (Kenya) Ltd.</td>
<td>Kenya</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>Hongkong, United Kingdom</td>
</tr>
<tr>
<td>IOB Properties Pte Ltd.</td>
<td>Singapore</td>
</tr>
<tr>
<td>Bank of Baroda (Botswana) Ltd.</td>
<td>Gaborone, Botswana</td>
</tr>
<tr>
<td>Bank of Baroda (Guyana) Inc.</td>
<td>Georgetown, Guyana (South America)</td>
</tr>
<tr>
<td>ICICI Bank (U.K.) Ltd</td>
<td>London (U.K.)</td>
</tr>
<tr>
<td>ICICI Bank (Canada)Ltd</td>
<td>Toronto (Canada)</td>
</tr>
<tr>
<td>Bank of Baroda (Tanzania) Ltd.</td>
<td>Tanzania</td>
</tr>
<tr>
<td>Bank of Baroda (United Arab Emirate)</td>
<td>Dubai, Abu Dhabi, Ras Al Khaimah, Deira, Damman, Salalah, Al Ain</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>Muscat, Oman</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>Brussels, Belgium</td>
</tr>
<tr>
<td>ICICI Bank Eurasia LLC</td>
<td>Russia</td>
</tr>
<tr>
<td>PT Bank Indomonex</td>
<td>Indonesia</td>
</tr>
<tr>
<td>Indian Ocean International Bank Ltd. (IOIB)</td>
<td>Port Louis, Mauritius</td>
</tr>
<tr>
<td>Punjab National Bank International Limited (PNBIL)</td>
<td>London, United Kingdom</td>
</tr>
<tr>
<td>Bank of Baroda (Trinidad and Tobago) Limited</td>
<td>Trinidad &amp; Tobago</td>
</tr>
<tr>
<td>PT Bank Swadesi Tbk</td>
<td>Indonesia</td>
</tr>
<tr>
<td>Bank of Baroda (Trinidad and Tobago) Limited</td>
<td>Trinidad &amp; Tobago</td>
</tr>
<tr>
<td>Syndicate bank</td>
<td>United Kingdom</td>
</tr>
</tbody>
</table>

From the above list this research is targeting two major competitor of Indian banking. State bank of India and ICICI bank. Before going further in depth, it is necessary to understand the profile and history about SBI and ICICI.
1.9 INCEPTION DETAILS OF SBI AND ICICI BANKS

i. State bank of India:

The State Bank of India, the country’s oldest Bank and a premier in terms of balance sheet size, number of branches, market capitalization and profits is today going through a momentous phase of Change and Transformation – the two hundred year old Public sector behemoth is today stirring out of its Public Sector legacy and moving with an agility to give the Private and Foreign Banks a run for their money.

The Bank is entering into many new businesses with strategic tie ups – Pension Funds, General Insurance, Custodial Services, Private Equity, Mobile Banking, Point of Sale Merchant Acquisition, Advisory Services, structured products etc – each one of these initiatives having a huge potential for growth. The Bank is forging ahead with cutting edge technology and innovative new banking models, to expand its Rural Banking base, looking at the vast untapped potential in the hinterland and proposes to cover 100,000 villages in the next two years.

It is also focusing at the top end of the market, on whole sale banking capabilities to provide India’s growing mid / large Corporate with a complete array of products and services. It is consolidating its global treasury operations and entering into structured products and derivative instruments. Today, the Bank is the largest provider of infrastructure debt and the largest arranger of external commercial borrowings in the country. It is the only Indian bank to feature in the Fortune 500 list.

The Bank is changing outdated front and back end processes to modern customer friendly processes to help improve the total customer experience. With about 8500 of its own 10000 branches and another 5100 branches of its Associate Banks already networked, today it offers the largest banking network to the Indian customer. The Bank is also in the process of providing complete payment solution to its clientele with its over 21000 ATMs, and other electronic channels such as Internet banking, debit cards, mobile banking, etc.
With four national level Apex Training Colleges and 54 learning Centres spread all over the country the Bank is continuously engaged in skill enhancement of its employees. Some of the training programmes are attended by bankers from banks in other countries.

The bank is also looking at opportunities to grow in size in India as well as Internationally. It presently has 173 foreign offices in 33 countries across the globe. It has also 7 Subsidiaries in India – SBI Capital Markets, SBICAP Securities, SBI DFHI, SBI Factors, SBI Life and SBI Cards - forming a formidable group in the Indian Banking scenario. It is in the process of raising capital for its growth and also consolidating its various holdings.

Throughout all this change, the Bank is also attempting to change old mindsets, attitudes and take all employees together on this exciting road to Transformation. In a recently concluded mass internal communication programme termed ‘Parivartan’ the Bank rolled out over 3300 two day workshops across the country and covered over 130,000 employees in a period of 100 days using about 400 Trainers, to drive home the message of Change and inclusiveness. The workshops fired the imagination of the employees with some other banks in India as well as other Public Sector Organizations seeking to emulate the programme.

ii. ICICI details

History of the bank

ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46% through a public offering of shares in India in fiscal 1998, an equity offering in the form of ADRs listed on the NYSE in fiscal 2000, ICICI Bank's acquisition of Bank of Madura Limited in an all-stock amalgamation in fiscal 2001, and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002. ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses.
In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI became the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE.

After consideration of various corporate structuring alternatives in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking, the managements of ICICI and ICICI Bank formed the view that the merger of ICICI with ICICI Bank would be the optimal strategic alternative for both entities, and would create the optimal legal structure for the ICICI group's universal banking strategy. The merger would enhance value for ICICI shareholders through the merged entity's access to low-cost deposits, greater opportunities for earning fee-based income and the ability to participate in the payments system and provide transaction-banking services. The merger would enhance value for ICICI Bank shareholders through a large capital base and scale of operations, seamless access to ICICI's strong corporate relationships built up over five decades, entry into new business segments, higher market share in various business segments, particularly fee-based services, and access to the vast talent pool of ICICI and its subsidiaries.

In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, have been integrated in a single entity.

ICICI Bank has formulated a Code of Business Conduct and Ethics for its directors and employees.
1.10 AWARDS WON BY SBI AND ICICI BANKS IN RECENT PAST

1.10.1 Award: Best Executive” Award to the Chairman by Asia Money.


2. The Bank was voted, for the third year in a row, as the “Most Preferred Housing Loan” and “Most Preferred Bank” in the CNBC AWAAZ Consumer Awards in a survey conducted by CNBC TV18 in association with AG Nielsen & Company. The Bank was also awarded the “Best Home Loan Provider” as well as “The Best Bank” – by Outlook Money Awards, 2008.

3. SBI has been rated as the Best Public Sector Bank for Rural Reach by Dun & Bradstreet. The Bank has won awards for topping SHG-Bank Credit linkage in Orissa, Jharkhand, Maharashtra, Uttarakhand, Tamil Nadu and Uttar Pradesh.

4. The Bank was awarded Reader’s Digest “Pegasus Corporate Social Responsibility Award 2007” in recognition of its contribution towards Rural Community Development.

5. The Bank was conferred the following National awards by the Government of India (GOI), Ministry of Micro Small and Medium Enterprises for the FY 2007.


7. State Bank of India wins 2 awards for Best Rural Banking Initiative and Best IT Architecture awards to state bank of India

8. (i) First under "National Awards for excellence in lending to Micro Enterprises". (ii)Second under "National Awards for Excellence in MSE Lending". (iii) The Bank was also presented an award for outstanding performance in the area of finance to SMEs by Dun & Bradstreet.


10. SBI ranked no 1 bank in the 4os b&m ICMR survey on India’s.

11. Sri Omprakash Bhatt declared as one of the 25 most valuable Indians by the week magazine in august 2009.
12. Readers Digest Awards 2011 For Trusted Brand in Fund Management Category
   ICRA Mutual Fund Awards 2011 For Magnum Income Fund - Floating Rate Plan
   - Long Term Plan.
13. The State Bank of India (SBI) was adjudged as the most preferred bank of North
    East at the second Northeast Consumer Awards, presented here in November
    2011.
14. Best Online Banking Award, Best Customer Initiative Award & Best Risk
    Management Award (Runner Up) by IBA Banking Technology Awards 2010.

1.10.2 Awards won by ICICI bank

- For the fifth year in a row, ICICI Bank was awarded the "Best Foreign Exchange
  Bank (India)" by Finance Asia Country Awards. The Bank also received the "Best
  Bond House (India)".
- Ms. Chanda Kochhar awarded the 3rd Asian Corporate Director Recognition
  Award 2012 by Corporate Governance Asia.
- ICICI Bank awarded the Best Trade Finance bank in India by GTR Asia Leaders
  in Trade Awards 2012.
- Ms. Chanda Kochhar, Managing Director & CEO, ranked 5th in the list of "Most
  Powerful CEOs", in the corporate India's definitive power listing, by The
  Economic Times Corporate Dossier. She also tops the list of "Top Women
  CEOs", in the country.
- ICICI Bank featured as the top Indian brand to be listed in the annual BrandZ's
  Top 100 Most Valuable Global Brands study.
- ICICI Bank won the "Best Bond House (India) 2011", by IFR Asia
- ICICI Bank awarded the Best Bank (India) by Global Finance
- ICICI Bank won the "Century International Quality Era Award" at Geneva. The
  award recognizes commitment towards Quality, Excellence, Customer
  Satisfaction, Leadership and Strategic Planning as established in the QC 100
  model of Total Quality Management (TQM).
- For the second year in a row, Ms. Chanda Kochhar, Managing Director & CEO, is
  in the Power List 2012 of 25 most influential women professional in India, by
  India Today.
➢ Ms. Chanda Kochhar, Managing Director & CEO, is amongst the nine Indian women to be named in the Forbes magazine's inaugural 'Asia Power Businesswomen list'

➢ Mr. N.S.Kannan, Executive Director & CFO, received the "Best CFO", in the Banking / Financial Services category by CNBC - TV 18.

➢ ICICI Bank was recognised for the first Credit Default Swap (CDS) deal in India at the Fimmda annual conference in Kuala Lumpur.

➢ Ms. Chanda Kochhar, Managing Director & CEO was awarded the "CNBC Asia India Business Leader Of The Year Award". She also received the "CNBC Asia's CSR Award 2011"

➢ After considering all of the above in this research the main focus is on the comparative study of sbi and icici banks has been selected as the major research area. It is in the context of customers preferences so far as services of both the banks are concerned. The scope of research is expanded to Gujarat state.