

CHAPTER - III
PROFILE OF STATE BANK OF INDIA

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3.1 INTRODUCTION

Banks have a unique place in the financial system of any country. The close association of the banks with the developmental efforts of the country makes it imperative in the economic development of the nation. The function of the bank as a catalyst in social development is laudable. In modern days banks have occupied an important place in every economic activity of the human life. Banks have made such inroad existence at all levels. The rich and the poor, the learned and the illiterates have their association with banks. So the banking service has become an essential service in the modern world.

In India next to Reserve Bank of India the central bank of the country, State Bank of India of public sector bank having field level branches throughout the country does yeomen service in this regard. Beyond this there are several other banks in public, private and cooperative sectors which carry out banking services in the country. However State Bank of India leads others in this regard. This chapter presents the functioning of the State Bank of India. It also exhibits the position of an employee in State Bank of India. The data collected from books, annual reports, website have been used for the preparation of the chapter.

3.2 ORIGIN OF BANKING

In the early history period it is identified that many of today's banking services were first practiced in Lydia, China and Greece where trade and commerce flourished. The temples in Babylonia made loans from their treasuries as early as 2000 B.C. The temples of ancient Greece served as safe deposit vaults for the valuables of worshippers. The Greeks also coined money and developed a system of credit. The Roman empire had a highly developed banking system and its bankers accepted deposits of money and granted loans against mortgages. Shortly after the fall of Rome in AD 476, banking declined in Europe.

Trade in 13th century prompted Italy to revive banking. The money changers of the Italian developed facilities for exchanging local and foreign currency. In course of time they started to provide other services like, lending money.

The first bank to offer most of the basic banking function known today was the Bank of Barcelona in Spain. It was founded by merchants in 1401. This bank received deposits, exchanged currency and carried out lending operations. It also introduced cheque services. Three other banks were also established in the same period. They were managed by a committee of city officials. The banks so established were Bank of Venice (1587), the Bank of Amsterdam (1609), and the Bank of

Hamburg (1619). These institutions laid the foundation for modern banking transaction.

In European continent for more than 300 years, banking was in the hands of powerful statesmen and wealthy private bankers, such as the Medici family in Florence and the Fuggers in Germany. During the 19th century, members of the Rothschild family became the most influential bankers in Europe. It is hoped that they are powerful bankers in the world. This international banking family was founded by German Francier Mayer Amschel Rothschild (1743-1812). Soon it spread to all the major European financial capitals.

The Bank of France was started by Napoleon in 1800. The bank became the dominantly financial institution in France by the mid 1800s. In Germany banking experienced a rapid development about the middle of the 19th Century with the establishment of several stock issuing, or publicly owned banks.

3.3 INDIAN BANKING SCENARIO

Banking has been practiced in India since times immemorial. The origin of banking in India can be traced back to as early as 500 B.C. Vedas and Manusmrities bear a good testimony to the existence and working of banking system in India. The first joint stock bank, the

General Bank of India was established in 1786.¹ The other banks which were started then are the Bank of Hindustan and the Bengal Bank. The Bank of Hindustan set up in 1870 is reported to have continued till 1906, while the other two failed in the mean time. With the arrival of Britishers in India, revolutionary change took place in all the facets of Indian life namely, social economic and political. The banking system too did not remain immune from this racial change.²

The seeds of modern commercial banking on British pattern were sown during the time of East India company. East India company greatly felt the need for banking. The East India company established three banks such as the Bank of Bengal in 1809, the Bank of Bombay in 1840 and the Bank of Madras in 1843. These three banks known as 'Presidency banks' were independent units and function well. They were amalgamated in 1920 and a new bank, the Imperial Bank of India was established in 1921. With the passing of the State Bank of India Act in 1955, the undertaking of the Imperial Bank of India was taken over by the newly constituted State Bank of India.

The Reserve Bank of India Act was passed in the year 1934 and thereby the Reserve Bank of India was created in 1935, which is the Central Bank of India. Later in the wake of Swadeshi movement a

¹ Sandhya Sridevi, "*Computerization in Banking Industry-HR Implications*", Banking Finance, 2007, Vol. XX, Issue 1, p. 13.

² *Ibid*, p. 14.

number of new banks with Indian Management were established in the country namely, Bank of Baroda Ltd, the Central Bank of India Ltd, the Canara Bank Ltd, The Punjab National Bank Ltd.

The enactment of the Banking Regulation Act 1949 made many changes in the Indian Banking system. As the outcome, Indian Banking system underwent a substantial change structurally, geographically and functionally. During this period economic development of the country was envisaged through five year plans. Nationalisation of commercial bank is said to be a major development in the Indian banking system.

In July 1969, the Government of India nationalised 14 banks having deposits of Rs. 50 crores and above. In 1980 the Government further acquired another six banks with deposit of more than 200 crores.³

Despite the impressive progress made by the banks in the three decades following nationalisation, the excessive controls enforced on them by the government fostered certain rigidities and inefficiencies in the commercial banking system. This has not only hindered their development but also rapidly eroded their profitability. The need to correct the defects of the financial sector was felt during the global trend towards economic liberalisation. Hence, a high level committee

³ Rathnakar, G. and Veeraiah, P., “*Changing Scenario in Banking Sector in India - A Study*”, 2006, Vol. XIX, Issue 1, p. 13.

was constituted under the chairmanship of Sri. M. Narasimhan to review the progress and the working of the Indian financial sector and to suggest measures to reform it. The major banking sector reforms have been initiated in India on Narasimhan committee recommendations in tune with Bank committee norms.

At present Indian Banking is facing tremendous changes. Information Technology has enabled banks to offer a wide array of products to its customers. The Narasimhan Committee Report suggested a wide ranging reforms for the banking sector in 1992. As the outcome the Banking Regulation Act was amended. The amendment of Banking Regulation Act in 1993 permitted the entry of new private sector banks. So, now there are new private sector banks in addition to old private sector banks functioning in India.

Banks today face a world of competition and opportunities.⁴ Banks have to adopt themselves to the changing scenario in the banking industry and the emphasis has now shifted from deposit mobilisation to better performance and customer satisfaction.

Internet banking has changed the face banking industry. Now banking is no longer confined to the branches where one has to approach in person, to withdraw cash or deposit a cheque or request a statement of accounts. Through, internet banking, any enquiry or

⁴ *Ibid.*, p. 14.

transaction is processed online without any reference to the branch (anywhere banking) at any time. Providing internet banking is increasingly becoming a “need to have” rather than a “nice to have” service.

Many services previously considered impossible have been now provided by banks. Enactment of the Information Technology Act, 2000 further modernised the banking sector. The objectives of the Act are to provide legal recognition for transactions carried out by means of electronic data interchange and other means of electronic communication.

On account of the introduction of advanced technology, fresh talents with attractive pay and perquisites are recruited. However an organisation cannot afford to go on inducting talent without reviewing its existing manpower. At present banks are facing two major challenges - management of assets or precisely nonperforming assets and management of human resources.

The Indian banking industry has emerged as one of the biggest with a large number of employees. While measuring the performance of a bank the contribution of its employees towards customer satisfaction is the most significant factor. The efficiency of employees determines to a great extent the quality of services rendered by banks.

3.4 ORIGIN OF STATE BANK OF INDIA

The origin of the State Bank of India goes back to the first decade of the nineteenth century with the establishment of the Bank of Calcutta in Calcutta on 2nd June 1806. Three years later the bank received its charter and was redesigned as the Bank of Bengal (2nd January 1809). It was the first joint stock bank of British India sponsored by the Government of Bengal. Subsequently the Bank of Bombay (15th April 1840) and the Bank of Madras (1st July 1843) were established. These three banks remained at the apex of modern banking in India till their amalgamation as the Imperial Bank of India on 27th January 1921. In 1951 when the first five year plan was introduced along with the launching by the development of rural India the latter was given the highest priority.

The commercial banks of the country including the Imperial Bank of India had till then confined their operations to the urban sector and were not equipped to respond to the emergent needs of economic regeneration of the rural areas. In order, therefore, to serve the economy in general and the rural sector in particular, the All India Rural Credit Survey committee recommended the creation of a state partnered and state sponsored bank by taking over the Imperial Bank of India, and integrating with it, the former state owned or state association banks. An Act was accordingly passed in parliament in May 1955 and the State Bank of India was constituted on 1 July 1955.

Later, the State Bank of India (subsidiary banks) Act was passed in 1959, enabling the State Bank of India to take over eight former state associated banks as its subsidiaries.

The State Bank of India was thus born with a new sense of social purpose aided by the 480 offices comprising branches, suboffices and three local head offices inherited from the Imperial Bank. The State Bank of India was destined to act as the pacesetter in this respect and lead the Indian banking system into the existing field of national development.⁵

3.5 GROWTH OF STATE BANK OF INDIA

The State Bank of India grew into a massive institution, separating its branches in to every corner of India. The bank has a massive and unmatched distribution network of domestic branches reaching every nook and cranny of the country foreign offices spreading over countries covering all time zones as well as a fast growing technology base providing state of the art virtual banking channels.

As a premier player in the diversified financial services market, the banks enjoy the status of an universal bank offering an array of financial products and services under a single umbrella leveraging its unmatched strengths in terms of capital and asset base, massive

⁵ www.sbi.co.in

infrastructure and a large pool of talent and committed staff to world class standards of efficiency and professionalism.

The State Bank of India has the following seven Associate Banks (Abs) with controlling interest ranging from 75 per cent to 100 per cent.

1. State Bank of Bikaner and Jaipur (SBBJ)
2. State Bank of Hyderabad (SBH)
3. State Bank of Indore (SBIR)
4. State Bank of Mysore (SBM)
5. State Bank of Patiala (SBP)
6. State Bank of Saurashtra (SBS)
7. State Bank of Travancore (SBT)

Each associate bank individually and collectively grows in terms of employees, deposit, business, profit. The details of growth in terms of above variables are presented below:

3.5.1 Growth of Employees

In State Bank of India there has been a steady progress in employment. There are three categories of employees employed in State Bank of India. They are officers, clerical staff and subordinate staff (substaff). Over a period of time the number of employees employed in State Bank of India has been increasing.

3.5.1.1 Officers

Officers are the administrative staff assigned with administrative duty. They are Junior Management Grade I, Assistant Manager, Deputy Manager, Branch Manager, Chief Manager, Assistant General Manager, Deputy General Manager and General Manager. They are a part of the middle level management who are responsible for managing the assigned duty. Every officer is assigned with a definite responsibility. There are supporting staff such as clerks and substaff. The details of officers employed in the State Bank of India and its associate banks from 1991 to 2008 are presented in table 3.1.

Table: 3.1

Strength of officials in State Bank of India and its Associate Banks

Year	No. of Officers	Year	No. of Officers
1991-92	69540	2001-02	72957
1992-93	70524	2002-03	76001
1993-94	70855	2003-04	71328
1994-95	72601	2004-05	74536
1995-96	77801	2005-06	76763
1996-97	76759	2006-07	83831
1997-98	75390	2007-08	69075
1998-99	76142	2008-09	Not available
1999-2000	75452	2009-10	Not available
2000-01	70196	2010-11	Not available

Source: Basic Statistical Returns on Scheduled Commercial Banks, 2008.

3.5.1.2 Clerical Staff

Clerical staff are those employees who are doing clerical work in bank. Their normal function is to enter the transactions in the computed account books receiving and paying the cash to customers. There are some other clerical staff who carry out other clerical work such as posting in ledgers, issuing demand draft, cheque and the like. Their position is next to officers and are responsible to their officers. They are in direct touch with the customers. They are Assistants, Senior Assistant, Special Assistant and Customer Relation Assistant.

Table: 3.2

Strength of clerical staff in State Bank of India and its Associate Banks

Year	No. of officers	Year	No. of officers
1991-92	14917	2001-02	140394
1992-93	149807	2002-03	134656
1993-94	150762	2003-04	128823
1994-95	154395	2004-05	125012
1995-96	156747	2005-06	120571
1996-97	158675	2006-07	117668
1997-98	157599	2007-08	102378
1998-99	156161	2008-09	Not available
1999-2000	155541	2009-10	Not available
2000-01	145678	2010-11	Not available

Source: Basic Statistical Returns of Scheduled Commercial Banks, 2008.

3.5.1.3 Subordinate (Substaff)

They are the last cadre staff in the banking system. They are doing the mechanical work in the bank. They are messenger, general attender, Bearer, Guard. The details of subordinate staff employed in State Bank of India and its associate banks from 1991 to 2008.

Table: 3.3

Strength of Subordinate Staff in State Bank of India and its Associate Banks

Year	No. of Officers	Year	No. of Officers
1991-92	66213	2001-02	68599
1992-93	67591	2002-03	70732
1993-94	72217	2003-04	64195
1994-95	70520	2004-05	64239
1995-96	76059	2005-06	62410
1996-97	74643	2006-07	65680
1997-98	75828	2007-08	57152
1998-99	75559	2008-09	Not available
1999-2000	75205	2009-10	Not available
2000-01	71371	2010-11	Not available

Source: Basic Statistical Returns of Scheduled Commercial Banks, 2008.

3.5.2 Profit Per Employee

The bank mobilises deposit from its customers at a lesser rate of interest and grants it as loan to its customers in different forms. The difference in these rates become the profit of the bank. Similarly in addition to the above cited two primary services, the bank renders several other ancillary services. In rendering these services the bank

levies a charge which become an incomes in return a profit. The details of profit earned by the bank over a period of time in terms of its employees is given in Table 3.4.

Table: 3.4

Growth of Profit Per Employee in State Bank of India

Sl. No.	Year	Profit per employee (₹ in lakhs)
1	2005-06	2.17
2	2006-07	2.37
3	2007-08	3.73
4	2008-09	4.74
5	2009-10	4.46
	CGR	4.7%

Source: www.sbi.co.in

It is inferred from the table 3.4 that the profit per employee in the State Bank of India has been growing at a rate of 4.7 per cent. It indicates that the State Bank of India has been growing at moderate rate in the past five years.

3.5.3 Deposits

Deposits in the form of savings, recurring, current and fixed are received by the bank from its customers. These deposits are the main sources wherefrom the bank collects money for its requirements. Over a period the deposit mobilised by the bank has grown tremendously which is presented in Table 3.5.

Table: 3.5

Growth of Deposit in State Bank of India in State Bank of India

Sl. No.	Year	Deposit per employee (` in lakhs)
1	2005-06	191
2	2006-07	235
3	2007-08	299
4	2008-09	360
5	2009-10	401
	CGR	31%

Source: www.sbi.com

It is clear from the table 3.5 that deposits received from the customers in terms of savings, recurring, fixed and current account over the last five years from 2005-10 has grown at a compound rate of 31 per cent, which is significant one.

3.5.4 Business Per Employee

Business per employee is the sum total of all business done by the bank in terms of deposits mobilised, loans granted and other incidental business transacted in a year. The bank in competition with other banks has done its business very effectively to achieve a phenomenal growth. The growth of business of the bank is evidenced in Table 3.6.

Table: 3.6

Growth of Business Per Employee in State Bank of India

Sl. No.	Year	Deposit per employee (₹ in lakhs)
1	2005-06	299.23
2	2006-07	357.00
3	2007-08	456.00
4	2008-09	556.00
5	2009-10	636.00
	CGR	4.3%

Source: www.sbi.co.in

Table 3.6 shows that the business per employee of the State Bank of India has been growing at a rate of 4.3 per cent. It reveals that business per employee has been moderately growing for the past five years from 2005-2010.

3.6 HISTORY OF STATE BANK OF INDIA, NAGERCOIL

State Bank of India in Nagercoil branch was inaugurated for people's service on 25th November 1957. It has been serving the society for the past 53 years. It was computerised in the year 1997. There are other branches in Kanyakumari District. They are (1) Aramboly, (2) Arumanai, (3) Chemanvilai, (4) Colachel, (5) Kalkulam (6) Kappiarai, (7) Karungal, (8) Kothanallur, (9) Kottar, (10) Kuzhithurai, (11) Manjalumoodu, (12) Ramanpudhur, (13) Thadikarankonam, (14) Thengamputhur, (15) Thingal Nagar, (16) Vadiveeswaram, (17) Vivekanandapuram.

3.7 SERVICES PROVIDED BY STATE BANK OF INDIA

Apart from receiving deposits and granting loans and advances the following are some important modern services provided by State Bank of India to its customer.

3.7.1 Personal Banking

State Bank of India offers a wide range of services in the personal banking segment. State Bank of India products are designed with flexibility to suit for personal requirement. They are State Bank of India housing loan, State Bank of India car loan, State Bank of India personal loan, State Bank of India loan for pensioners, loan against mortgage of property, loan against shares and debentures, rent plus scheme, medi plus scheme.

3.7.2 Agricultural Development

State Bank of India caters to the needs of agriculturalists and landless agricultural labourers. Specialised branches have been set up in different parts of the country exclusively for the development of agriculture through credit deployment.

3.7.3 Non-Resident Indian Services

State Bank of India offers products and services needed for the non-resident Indians living across the globe.

3.7.4 International Banking

International banking services of State Bank of India are delivered for the benefit of its Indian customers. Non resident Indians and foreign entities make use of the services like corporate lending loan syndications, merchant banking, handling letters of credit and guarantees, short term financing, collection of clean and documenting credits and remittances.

3.7.5 Corporate Banking

State Bank of India is a shop providing financial products / services to a wide range of large, medium and small customers both domestic and international.

3.7.6 Working Capital Financing

Assistance extended both as fund based and non-fund based facilities to corporates, partnership firms, proprietary concerns. Working capital finance extended to all segments of industries and service sector such as information technology.

3.7.7 Term Loans

Term loan one granted to support capital expenditure for setting up new ventures and also for expansion, renovation etc.

3.7.8 Internet Banking

State Bank of India enables its retail banking customer to operate their accounts across India, removing the restrictions imposed

by geo graphy and time. It's a platform that enables the customers to carry out their banking activities from their desktop, aided by the power and convenience of the internet.

3.7.9 ATM Services

State Bank of India offers the convenience of ATM services. This means that the customer can transact at free of cost at the ATMs of State Bank group.

3.7.10 ATM Debit Card

State Bank ATM cum debit card provides the services to its customers. Since there is no need to carry cash in pocket, there is no fear of over pending.

3.7.11 Core Banking

This means the entire bank branches are networked and the customer is the customer of bank rather than branch. One can operate the account at any one branch of the bank.

3.7.12 Indian Financial System Code

This is an identification code to each branch of the Bank in our country. It enables the customer to remit the money easily to any branch of any kind in India through RTGS (Real Time Gross Settlement) /NEFT (National Electronic Funds Transfer). It is an 11 digit code.

3.7.13 Multicity Cheques

These cheques enable the paying bank to debit the customers account instantaneously. These cheques replace the Demand Drafts.

3.7.14 Bank Assurance

Bank assurance means bank selling general insurance products as it gives them miscellaneous income using the existing resources.

3.7.15 Phone and Mobile Banking

Phone and mobile banking means through telephone and mobile normal banking transaction can be transacted. Online banks are never closed, and 24 hours access to one's banking accounts is allowed.

3.8 SUMMARY

State Bank of India had long history starting with 1806 AD. It was the first joint stock bank started in British India. Subsequently three bank were started and alter they were merged to form Imperial Bank of India in 1921. Subsequently in 1955 by enacting a separate Act Imperial Bank was integrated into State Bank of India. It has seven associated bank. Over a period of time it has witnessed a multi dimensional growth. As regards officials there were 69540 employees in 1991-1992, which has become 69075 in 2007-2008. Similarly profit per employee has witnessed a growth of 4.7 per cent in the last five years ending with 2009-2010. As regards deposits has witnessed a growth of 31 per cent in the past five years ending with 2009-2010.