3.1 THE PROFILE OF INDIAN BANKING INDUSTRY

Financial System and Economic Development

Financial sector of an economy is a multi-faceted term. It refers to the whole gamut of legal and institutional arrangements, financial intermediaries, markets and instruments with both domestic and external dimensions.

Finance is the life blood of the modern economy. A financial system helps to mobilize the financial surpluses of an economy and transfer them to areas of financial deficit. It is the linchpin of any development strategy. The financial system promotes savings by providing a wide variety of financial assets to the general public. Savings collected from the household sector are pooled together and allotted to various sectors of the economy for raising production levels. If the allocation of credit is judicious and socially equitable, it can help achieve the twin objectives of growth and social justice.

Emerging Financial Paradigm

The relationship between finance and development has been a crucial subject of public policy for long. As early as in the 19th century, a number of economists stressed the importance of financial development for the growth of an economy. The banking system was recognized to have important ramifications for the level and growth rate of national income via the identification and funding of productive investments. This, in turn, was expected to induce a more efficient allocation of capital and foster growth. A contrary view also prevailed at the same time suggesting that economic growth would create demand for financial services. This meant the financial development would follow growth more or less
automatically. In other words, financial development could be considered as a by-product of economic development.

**Banking in India**

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

**History**

Indian 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. Foreign banks too started to arrive, particularly in Calcutta, in the 1860s. The first entirely Indian joint stock bank was the Oudh Commercial Bank, established in 1881 in Faizabad. It failed in 1958.

The period between 1906 and 1911, saw the establishment of banks inspired by the Swadeshi movement. The Swadeshi movement inspired local
businessmen and political figures to found banks of and for the Indian community. A number of banks established then have survived to the present such as Bank of India, Corporation Bank, Indian Bank, Bank of Baroda, Canara Bank and Central Bank of India. During the First World War (1914-1918) through the end of the Second World War (1939-1945), and two years thereafter until the independence of India were challenging for Indian banking.

**Figure 3.1: Structure of the Organized Banking Sector in India**
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.

Nationalization

Despite the provisions, control and regulations of Reserve Bank of India, banks in India except the State Bank of India (SBI), continued to be owned and operated by private persons. By the 1960s, the Indian banking industry had become an important tool to facilitate the development of the Indian economy. The Government of India issued an ordinance and nationalized the 14 largest commercial banks with effect from the midnight of July 19, 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.

Liberalization

In the early 1990s, the then Narsimha 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, Axis Bank (earlier as UTI 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. The new policy shook the Banking sector in India completely.

**Indian Banking Scenario**

The global economy is recovering from the worst financial crisis since the great depression. The recovery, however, has been fragile and uneven. The unprecedented measures taken by central banks and governments have worked appreciably so far in supporting economic recovery. However, the fading away of the fiscal stimulus, limitations on future monetary measures and the ongoing deleveraging and repairing of balance sheets continue to clog the recovery process in developed economies. Meanwhile, multipronged initiatives have been undertaken by standard setting bodies and national authorities to reform the regulatory architecture of the financial system in areas ranging from enhanced capital prescriptions and regulatory perimeters to improved oversight and supervisory practices and orderly resolutions of financial institutions.

In the Indian context, strengthening of regulatory and accounting frameworks for ensuring financial stability and improvement of allocative efficiency of financial markets will be the core agenda for the regulatory authorities. Special efforts will have to be made by the banks to manage nonperforming assets and liquidity besides improving customer service through
business process re-engineering. With regard to financial inclusion, there is a need for collaborative efforts from all stakeholders to leverage technology to bring more people into the banking fold.

**Perspectives**

The regulatory and supervisory framework of the financial system across the world is undergoing a paradigm shift following the problems experienced during the global financial crisis. In this regard, multilateral and standard setting bodies like the G-20, IMF, BIS and FSB have been in the forefront to design an advanced regulatory framework to prevent the recurrence of such crisis. In particular, a mention may be made of the enhanced Basel II capital regime announced in September 2010. While this regime may have some adverse macroeconomic impacts in the short-term, it is expected to enhance the stability and safety of the financial system with consequent long-term benefits for stable growth. In India, the Reserve Bank has been initiating several measures to strengthen the banks and other financial institutions taking cues from the international developments.

Important regulatory initiatives such as the introduction of the Base Rate system is expected to lead to transparent and effective pricing of loan products while the intent to allow opening of new banks will instill competition and accelerate financial inclusion. Technological initiatives will help in providing cost effective banking services in under banked areas. Management of NPAs by banks remains an area of concern, particularly, due to the likelihood of deterioration in the quality of restructured advances.
Global Banking Developments

The global banking industry showed some improvements in performance during 2009-10, after witnessing a tumultuous period of large income losses and write downs in the wake of global crisis in 2008-09. Though the large scale monetary and fiscal stimulus measures led economic recovery and the revival of equity markets helped the global banking industry in terms of strengthening capital, liquidity and improving profitability, various concerns over downside risks to the global banking industry remained in regard to the quality of banks’ assets and profitability. Keeping in view the higher capital charge proposal under the enhanced Basel II framework, the global banking industry in some regions especially in the Euro area may witness further challenges to recapitalization over the coming years as private sector funding matures and extraordinary public support is withdrawn.

Policy Environment

The policy framework for the financial sector during 2009-10 was guided by an array of global initiatives aimed at strengthening prudential controls to avoid the odds of future crises. Prescription of enhanced capital charges and liquidity requirements, improved regulatory and supervisory practices and the resolution of systemically important financial institutions including cross border cooperation across national jurisdictions have received concerted focus from G-20 and other standard setting bodies. During the year 2009-10, the policy environment in India was marked by the efforts directed at improving transparency and efficiency of the financial system, financial inclusion and stability.
Role of Information Technology in Indian Banking

Informational technology (IT) has transformed the functioning of businesses, the world over. The RBI has played a proactive role in the implementation of IT in the banking sector. IT based initiatives are focused on meeting the three pronged objective of better housekeeping, improved customer service and overall systematic efficiency. The RBI has come out with a Financial Sector Technology Vision Document outlining the approach to be followed for IT implementation for the medium-term period of about three years.

Operation and Performance of Commercial Banks

The year 2009-10 witnessed a relatively sluggish performance of the Indian banking sector with some emerging concerns with respect to asset quality and a slow deposit growth. Gross Non-Performing Assets (NPAs) as ratio to gross advances for Scheduled Commercial Banks as a whole increased from 2.25 per cent in 2008-09 to 2.39 per cent in 2009-10. Notwithstanding the weakening asset quality, the Capital to Risk-Weighted Assets Ratio (CRAR) of Indian banks remained strong at 14.5 per cent, way above the regulatory minimum even after migration to the Basel II framework, providing banks with adequate cushion for emerging losses. In 2009-10, the profitability of Indian banks captured by the Return on Assets (ROA) was a notch lower at 1.05 per cent than 1.13 per cent during the previous year. Low levels of financial penetration and inclusion in the global comparison continued to be an area of concern for the Indian banking sector. In the short-term, the Indian banking sector needs to lend support to the process of economic recovery, while in the medium to long-term, it needs to
transform itself to become more efficient and vibrant so as to ensure a more sustainable and inclusive pattern of economic growth.

**Human Resource Management in Indian Banking**

The Banking and Financial Sector is undergoing a paradigm shift and innovations in products and services are the key drivers of this change. Sweeping changes in the banking environment is opening up tremendous opportunities for those players who can decipher the underlying trends and adapt quickly to new demands in the environment, develop a clear vision and design, and implement appropriate action plan to ensure success. The regulatory framework in banking and finance is also undergoing major transformation to ensure continuing safety and stability of the financial system of any country.

In the above scenario, the success of the organizations will invariably depend on the effectiveness of its Human Resource Management policies. In the financial services industry, it is ultimately the strength of Human Resources that translate the organization's objectives into achievements and ensure transformation. Making HRM a critical component of the strategic business objective of any bank to ensure competitive advantage, is indeed a challenging task. It is more critical in an environment like India where the workforce comes from different social, economic and cultural stratas with various associated labor laws and statutory obligations. To convert this diverse workforce into 'Human Asset' is one of the key challenges confronting the top management of banks. All in all, the three Cs, i.e. Competition, Consolidation & Convergence are becoming the main drivers of Indian banking.
3.2 BRIEF PROFILE OF STATE BANK OF INDIA

State Bank of India (SBI) is the largest state-owned banking and financial services company in India, by almost every parameter - revenues, profits, assets, market capitalization, etc. The bank traces its ancestry to British India, through the Imperial Bank of India, to the founding in 1806 of the Bank of Calcutta, making it the oldest commercial bank in the Indian Subcontinent. The Government of India nationalized the Imperial Bank of India in 1955, with the Reserve Bank of India taking a 60% stake, and renamed it the State Bank of India. In 2008, the Government took over the stake held by the Reserve Bank of India.

SBI provides a range of banking products through its vast network of branches in India and abroad, including products aimed at Non-Resident Indians (NRIs). The State Bank Group, with over 16,000 branches, has the largest banking branch network in India. With an asset base of $260 billion and $195 billion in deposits, it is a regional banking behemoth. It has a market share among Indian commercial banks of about 20% in deposits and advances, and SBI accounts for almost one-fifth of the nation's loans.

SBI has tried to reduce over-staffing by computerizing operations and through its "golden handshake" schemes, that led to a flight of its best and brightest managers. These managers took the retirement allowances and then went on to become senior managers in new private sector banks. The State Bank of India is the 29th most reputed company in the world according to Forbes. State Bank of India is the largest of the Big Four Banks of India, along with ICICI Bank, Punjab National Bank and Canara Bank - its main competitors.
Mission

The Bank succinctly states its mission as: "To retain bank's position as the premier Indian financial service group, with world class standards and significant global business, committed to excellence in customer, shareholder and employee satisfaction and to play a leading role in expanding and diversifying financial service sector, while continuing emphasis on its development banking role".

Vision

"To provide world-class services at home and in the world to customer"

Associate banks

SBI has five associate banks that with SBI constitute the State Bank Group. All use the same logo of a blue keyhole and all the associates use the "State Bank of" name followed by the regional headquarters' name. Earlier SBI had only seven associate banks that constituted the state bank group. Originally the then seven banks that become the associate banks belonged to the princely states until the government nationalized them between October 1959 and May 1960.

On 13 August 2008 State Bank of Saurastra merged with SBI, reducing the number of state banks from seven to six. Then on 19 June 2009 the SBI board approved the merger of its subsidiary State Bank of Indore, with itself. The process of merging of the State Bank of Indore was completed by April 2010, and the SBI Indore Branches started functioning as SBI on 26 August 2010.

The subsidiaries of SBI are; State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of
Travancore. The group companies of SBI are; SBI Capital Markets Ltd, SBI Mutual Fund (A Trust), SBI Factors and Commercial Services Ltd, SBI DFHI Ltd, SBI Cards and Payment Services Pvt Ltd, SBI Life Insurance Company Limited - Bancassurance (Life Insurance), SBI Funds Management Pvt Ltd, and SBI Canada.

Financial Performance

The operating profit of the Bank for 2009-10 stood at Rs. 18,320.91 crores as compared to Rs. 17,915.23 crores in 2008-09 registering a growth of 2.26%. The Bank has posted a net profit of Rs. 9,166.05 crores for 2009-10 as compared to Rs. 9,121.23 crores in 2008-09 registering a moderate growth of 0.49%.

The Bank has increased dividend to Rs. 30.00 per share (300%) from Rs. 29.00 per share (290%) in the last year. The net interest income of the Bank registered a growth of 13.41% from Rs. 20,873.14 crores in 2008-09 to Rs. 23,671.44 crores in 2009-10. The non-interest income stood at Rs. 14,968.15 crores in 2009-10 as against Rs. 12,690.79 crores in 2008-09.

International presence

As of 31 December 2009, the Bank had 157 overseas offices spread over 32 countries. It has branches of the parent in Colombo, Dhaka, Frankfurt, Hong Kong, Johannesburg, London and environs, Los Angeles, Male in the Maldives, Muscat, New York, Osaka, Sydney, and Tokyo. It has offshore banking units in the Bahamas, Bahrain, and Singapore, and representative offices in Bhutan and Cape Town.
### Table 3.1: State Bank of India at a glance

| Industry                  | • Banking  
<table>
<thead>
<tr>
<th></th>
<th>• Financial services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Founded</strong></td>
<td>1 July 1955</td>
</tr>
<tr>
<td><strong>Headquarters</strong></td>
<td>Mumbai, Maharashtra, India</td>
</tr>
</tbody>
</table>
| **Key people**            | Pratip Chaudhuri   
|                           | (Chairman)          |
| **Products**              | • Investment Banking  
|                          | • Consumer Banking  
|                          | • Commercial Banking |
|                          | • Retail Banking    |
|                          | • Private Banking   |
|                          | • Asset Management  |
|                          | • Pensions          |
|                          | • Credit Cards      |
| **Total Income**          | 85,962 crores       |
| **Net Profit**            | 9,166 crores        |
| **Earnings Per Share**    | Rs. 144.37          |
| **Owner(s)**              | Government of India |
| **Employees**             | 205,896 (2010)      |
History

The roots of the State Bank of India rest in the first decade of 19th century, when the Bank of Calcutta, later renamed the Bank of Bengal, was established on 2 June 1806. The Bank of Bengal and two other Presidency banks, namely, the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras (incorporated on 1 July 1843). All three Presidency banks were incorporated as joint stock companies, and were the result of the royal charters.

These three banks received the exclusive right to issue paper currency in 1861 with the Paper Currency Act, a right they retained until the formation of the Reserve Bank of India. The Presidency banks amalgamated on 27 January 1921, and the reorganized banking entity took as its name Imperial Bank of India. The Imperial Bank of India continued to remain a joint stock company.

Pursuant to the provisions of the State Bank of India Act (1955), the Reserve Bank of India, which is India’s central bank, acquired a controlling interest in the Imperial Bank of India. On 30 April 1955 the Imperial Bank of India became the State Bank of India. The Govt. of India recently acquired the Reserve Bank of India’s stake in SBI so as to remove any conflict of interest because the RBI is the country's banking regulatory authority.

In 1959 the Government passed the State Bank of India (Subsidiary Banks) Act, enabling the State Bank of India to take over eight former State-associated banks as its subsidiaries. On 13 September 2008, State Bank of Saurashtra, one of its Associate Banks, merged with State Bank of India. SBI has acquired local banks in rescues. For instance, in 1985, it acquired Bank of Cochin in Kerala,
which had 120 branches. SBI was the acquirer as its affiliate, State Bank of Travancore, already had an extensive network in Kerala.

**Figure 3.2: Organizational Structure of State Bank of India**
State Bank of India has an extensive administrative structure to oversee its large network of branches in India and abroad. The three tier structure consists of a Corporate Centre at Mumbai, fourteen Local Head Offices, headed by Chief General Manager (CGM) with two General Managers (GMs) under him and fifty eight Zonal Offices, based in important cities spread throughout the country.

The Bank's top management consists of the Chairman, Group Executives for National Banking Group, Corporate Banking Group, International Banking Group and Associates & Subsidiaries, and four staff functionaries in charge of Finance, Credit, Human Resources & Technology Management and Inspection & Audit.
Human Resource Department

A number of key initiatives have been taken by the Bank during the current year to motivate the employees to perform better so as to achieve the Bank’s growth plans.

Learning & Development

- Under the leadership pipeline initiative, the services of Duke Corporate Education, World’s leading business school for Executive Education along with IIM, Ahmedabad were engaged to groom the General Managers to lead the business drive with customer oriented culture.

- JAGRITI- a leadership programme for Branch Managers and unit Heads of Centralized Processing Cells (CPCs), which has been designed in association with an outside consultant, was rolled out on 26.10.2009 and is being conducted both at the College and Academy.

- The training system of the Bank was awarded the prestigious “Golden Peacock National Training Award 2009” in recognition of adopting the best training practices amongst the 230 Corporates nominated for the same.

- In order to make 24X7 learning accessible to its employees, 137 e-learning courses have been uploaded on the Gyanodaya portal. Several guided e-learning portals were also conducted to hand-hold employees in taking the e-courses.

- In order to induct specialists into Bank, 117 Management Trainees from B-schools were recruited.
• Strategic Training Unit (STU) headed by Chief General Manager (L&D) has been set up at Hyderabad. The STU will own and drive the training system and enhance the self-renewal capability of the Bank by conducting programmes that are the best in the industry.

**Personnel Management**

• Retired Employees Medical Benefit Scheme (REMBS) has been modified by increasing the ceiling on the medical benefits and introducing domiciliary treatment for the retirees.

• Centralized payment of pension to Bank Pensioners has been made operational through Human Resource Management system (HRMS).

• Investment of Bank’s Pension corpus through the Treasury Department of SBI for better return has been operationalized.

**Industrial Relations**

• Massive recruitment exercises have been undertaken during the financial 2009-10 to recruit around 22,000 clerical staff and 5,000 officers. This recruitment drive, which is the largest recruitment exercise undertaken in the banking sector, will further augment the staff strength in tandem with the Bank’s branch expansion drive and expected movement on account of promotion and retirement etc. This will not only help in reducing the age profile of staff but will also provide an opportunity of greater mobility and marketing thrust across the Bank to achieve its growth plans.
• Senior clerical staff has been empowered with additional supervisory duties by reviewing career progression scheme. They will shoulder supervisory roles and responsibilities, which will facilitate the Bank to utilize the services of officers for other value added work.

• Excellence in relationship with the members of both the staff and officers federation was achieved by sorting out various IR related issues through their consistent support and healthy dialogue/discussion during the year.

• Industry level first, settlement was signed with bank staff federation on outsourcing of maintenance functions in respect of all branches/offices.

• Industry level first, settlement was signed with its staff federation for outsourcing of replenishment of cash in ATMs, as also outsourcing of entire ATM services.

**Human Resources Management’s Project**

• For leveraging technology in employee management area, the Bank has implemented automation of its HR process through SAP-ERP-HRMS software. A centralized database of all employees across SBI is now available.

• Salary and pension processing and payment of 2.08 lacs employees including the employees retired during the year and 1.10 lacs Imperial Bank of India / State Bank of India pensioners respectively have since been centralized.
• During the year, the process of reimbursement of monthly expenses viz. Conveyance, Newspaper / Magazine, Casual Labor and Cleansing Material (known as 4in1 reimbursement) has been rolled out in the Bank for all employees. This is one of the major initiatives on paperless functioning in the HR area.

• HRMS will make available additional services on online submission and viewing of data etc. to all the employees of the Bank on an online “real time basis”. The above initiatives would help in employee satisfaction.

SWOT Analysis of State Bank of India

Strengths

• Strong market domestic position sustaining reach and customer confidence.

• Strong capital position helping pursue growth initiatives.

• State Bank of Saurashtra merger further hastens SBI and its associate banks merger and helping defend its leadership position.

Weaknesses

• Reduction in the asset quality and increasing non-performing assets ratio.

• Susceptible to political interventions.
Opportunities

- State Bank of India (SBI) could be the highest beneficiary from the increasing adoption of E-transactions.
- Investments in information technology will decrease transaction costs of State Bank of India (SBI).
- New business initiative will expand the market share and increase the revenues.
- Growth of general insurance industry will help increasing the market share.

Threats

- Intense competition in banking sector
- Global economic slowdown could reduce demand for banking services in India.
3.3 BRIEF PROFILE OF BANK OF BARODA

Bank of Baroda (BOB) is the third largest bank in India, after the State Bank of India and the Punjab National Bank and ahead of ICICI Bank. BOB has total assets in excess of Rs. 2.27 lakh crores, or Rs. 2,274 billion, a network of over 3,000 branches and offices, and about 1,100 ATMs. It plans to open 400 new branches in the coming year. It offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries and affiliates in the areas of investment banking, credit cards and asset management.

Its total business was Rs. 4,402 billion as of June 30, 2010. As of August 2010, the bank has 78 branches abroad. In 2010, BOB opened a branch in Auckland, New Zealand, and its tenth branch in the United Kingdom. The bank also plans to open five branches in Africa. Besides the above mentioned branches, BOB plans to open three outlets in the Persian Gulf region that will consist of ATMs with a couple of people.

The Maharajah of Baroda, Sir Sayajirao Gaekwad III, founded the bank on 20 July 1908 in the princely state of Baroda, in Gujarat. The bank, along with 13 other major commercial banks of India, was nationalized on 19 July 1969, by the Government of India.

Mission

The Bank proudly claims its mission: “To be a top ranking National Bank of International Standards committed to augmenting stake holder’s value through concern, care and competence”.

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Vision

In terms of Vision-2010 the Bank aspires to reclaim the leadership spot in the banking industry.

Performance Highlights

Total Business (Deposit + Advances) increased to Rs. 4,16,080 crore for 2009-10 reflecting a growth of 24.0% over previous year (2008-09). Gross profit and net profit were Rs 4,935 crore and Rs 3,058 crore respectively for 2009-10. Net profit registered a growth of 37.3% over previous year (2008-09). Credit-deposit ratio stood at 84.55% as against 81.94% last year (2008-09).

Retail credit posted a growth of 23.5% constituting 18.15% of the Bank’s gross domestic credit in 2009-10. Net interest margin (NIM) in global operations as per cent of interest earning assets was at the level of 2.74% and in domestic operations at 3.12%. Net NPAs to net advances stood at 0.34% this year against 0.31% last year 2008-09. Capital adequacy ratio (CAR) as per Basel I stood at 12.84% and as per Basel II at 14.36%.

Net Worth improved to Rs 13,785.14 crore registering a rise of 20.6% over previous year (2008-09). Book Value improved from Rs. 313.82 (2008-09) to Rs 378.44 on year (2009-10). Business per employee moved up from Rs. 911 lakh (2008-09) to Rs 1,068 lakh on year (2009-10). The Bank’s Directors have proposed a dividend of Rs 15/- per share (on the face value of Rs 10/-per share) for the year ended March 31st, 2010. The total outgo in the form of dividend, including taxes, will be Rs 639.26 crore.
Table 3.2: Bank of Baroda at a glance

| Industry                  | • Banking       |
|                          | • Financial services |
|                          | • Investment services |
| Founded                  | 20 July 1908    |
| Headquarters             | Mumbai, Maharashtra, India |
| Key people               | M. D. Mallya    |
|                          | (Chairman & MD) |
| Products                 | • Finance and insurance |
|                          | • Consumer banking |
|                          | • Corporate banking |
|                          | • Investment banking |
|                          | • Investment management |
|                          | • Private banking |
|                          | • Private equity |
| Net Profit               | 3,058 crore     |
| Earnings Per Share       | Rs. 83.96       |
| Owner(s)                 | Government of India |
Figure 3.4: Organizational Structure of Bank of Baroda

Board of Directors

- Chairman & Managing Director (Holding/Parent Company Bank of Baroda)
- Executive Director (Holding/Parent Company Bank of Baroda)

Corporate Centre, Mumbai

Domestic Operations

- Domestic Branch Banking
- Indian Subsidiaries

International Operations

- Domestic Foreign Business
- Overseas Branch Banking
- Overseas Subsidiaries

Head Office, Baroda
Figure 3.5: Organizational Structure for Domestic Operation

- CORPORATE OFFICE
  - ZONAL OFFICE
    - REGIONAL OFFICE
      - BRANCHES
The Regional office is broadly divided into 4 departments which are subdivided into sub departments:

The Regional office has to report to the Zonal Office which in turn reports to the Corporate Office. The Regional office is headed by the Assistant General Manager (AGM) who is known as Regional Manager. Assistant General Manager (AGM) is supported by the Deputy Regional Managers (DRMs) which in turn are supported by the Heads of all the Departments who are known as the Senior Managers.
International Presence

In its international expansion, the Bank of Baroda followed the Indian diaspora, especially that of the Gujaratis. It has significant international presence with a network of 72 offices in 25 countries, six subsidiaries, and four representative offices.

Among the Bank of Baroda's 42 overseas branches are ones in the world's major financial centers e.g., New York, London, Dubai, Hong Kong. The bank is engaged in retail banking via 17 branches of subsidiaries in Botswana, Guyana, Kenya, Tanzania, and Uganda. The Bank of Baroda also has a joint-venture bank in Zambia with nine branches. The Bank of Baroda maintains representative offices in Malaysia, China, Thailand, and Australia. It plans to upgrade its offices in China and Malaysia shortly to a branch and joint-venture, respectively.

The Bank of Baroda has received permission or in principle approval from host country regulators to open new offices in Trinidad and Tobago and Ghana, where it seeks to establish joint ventures or subsidiaries. The bank has received Reserve Bank of India approval to open offices in The Maldives, and New Zealand. The slogan of Bank of Baroda is "India's International Bank".

Human Resource Management in Bank of Baroda

Bank of Baroda has the tradition of continuous enrichment of its human asset so that they deliver value to the business. In the ongoing Business Transformation Programme, our PEOPLE play a vital role and are one of the key business enablers. Under its plan of organizational transformation through people
processes and systems, the Bank has launched a few innovative employee centric initiatives and has also undertaken revamp of key systems and practices.

**HR Objectives**

- To initiate and institutionalize globally competitive HR practices in the Bank in its pursuit to become a Bank of international standards and to become an employer of preferred choice.

- To put in place relevant Human Resource Development (HRD) strategies and use modern methodologies to undertake organizational renewal, identify and nurture talent, bring about marked changes in the mindset of employees at all levels so as to enhance Human Resource Quality.

- To create a performance-driven culture and an exciting workplace for the employees.

- To create a pool of entrepreneurial managers and business leaders for future.

- To inculcate a strong and effective sales and service culture across levels in the organization in order to generate strong stakeholder affiliation.

- To create a learning organization for employees’ intellectual growth and creativity and to re-skill the workforce to operate in digitally enabled modern core banking environment.
HR Business Model

The Strategic HR Business Model adopted by Bank of Baroda incorporates its HR Mission and Philosophy and is focused towards attainment of long-term organizational goals. A very strong Organizational Leadership at different levels forms the key link in the Model. These are:

- Strategic Leadership - Corporate level
- Business Leadership - Zonal & Regional level
- Operational Leadership - Business unit level i.e. branch

The two vital Human Resource sub-systems i.e. HR Planning & Management Sub-System and Competency Based HRD Sub-System shape the very crucial Performance Environment within the Bank which facilitates development of enabling capabilities of people. Through proper developmental inputs 'positive attitude and right mindset' is created among the employees of the Bank of Baroda, through proper communication medium and an organizational culture of sharing, openness, collaboration & confrontation, autonomy, etc., employees in BOB are facilitated to give their best output (performance).

The Model is adequately supported by a suitable learning platform, which imparts proper knowledge and enhances learning among people (functional, behavioural etc.) so that their competence increases and their potential could be properly leveraged for greater individual and organizational effectiveness. These create proper employee motivation, which ultimately facilitates goal achievement.
Figure 3.7: The Strategic HR Business Model

ORGANIZATION
PHILOSOPHY & GOALS

LEADERSHIP

HR Planning & Management sub-systems

Competency Based HRD sub-systems

Communication

Attitude & Culture

Competencies

Performance Driven Environment

LEARNING PLATEFORM

EMPLOYEE MOTIVATION

GOAL ACHIEVEMENT
HR initiatives

**HR Blueprint for Business Driven HR Reforms**: Board level approved strategy paper outlining various organization wide HR reforms/interventions.

**HR Steering Committee**: Board Level HR Committee for piloting HR initiatives and reforms. The Committee comprises of Directors and leading professionals as Experts from outside the Bank.

**Khoj**: Organization wide Talent Identification and Development Programme for Officers and Clerks (Through scientific process of identification and selection, employees with high potential to be deployed in key business areas).

**Sampark**: SOS Employee help line (Employees in distress can directly approach the Chairman & Managing Director for immediate relief).

**Paramarsh**: Employees Counseling Centre (Counseling centers for providing psychological assistance and guidance to overcome their stress, complexities and conflicts in order to lead a better life). This is totally confidential between the employee and the counselor.

**Bank of Baroda Financial Rewards for Business Leaders**: Weighted Index based Model for balanced assessment of efforts of Business Leaders (Branch Heads, Regional Heads, Deputy Regional Heads and Zonal Heads).

**MEP-Tikshna**: Management Education Programme for Executives (General Manager, Deputy General Manager, Assistant General Manager, Chief Manager) in association with top B-Schools like IIM-Ahemedabad and Management Development Institute, Gurgaon. The specially designed programme is aimed at
development of strategic business leaders for the future. So far, 213 executives have undergone the programme.

**HR Resourcing Policy:** New HR Resourcing Policy formulated to take care of various recruitment needs of the bank consequent upon abolition of the erstwhile Banking Services Recruitment Board (BSRB).

**Performance Appraisal System for Clerical and Sub-Staff:** With the objective of bringing an organization wide performance culture in the organization, hitherto uncovered employees in the Clerical and Sub-Staff cadre brought in under a new performance appraisal system.

**Massive Recruitment of Specialist officers and also graduates from B-Schools through campus recruitment:** To take care of the Bank’s requirement in different specialized areas like IT, Treasury, HR, Marketing & Sales, Credit, International Business etc *(Around 500 officers being recruited).*

**A New Induction cum Grooming Programme for Young Officers:** With the objective of developing future managers and leaders and for deployment in key areas, a re-vamped Officers’ induction cum grooming programme is launched.

**Fast Track Career Growth Opportunities for Executives and Officers:** In order to provide fast track growth opportunities to aspiring Executives and Officers, promotional opportunities have been provided.

**Bank of Baroda Leadership Development Centre:** Board has taken the decision to set-up a World-Class Leadership Development Centre to be set up to prepare future leaders for the Bank.
SWOT analysis of Bank of Baroda

Strengths

- Global presence and well spread over all the regions viz. Metros, Urban, Semi-Urban, and Rural regions.
- Dedicated staff and continuous growth with profitability.
- Financially sound, the international standards are maintained.

Weakness

- Lack of lateral induction and higher age group staff.
- Low technological level when compared with private and foreign banks.
- Less technology adaptable staff and discretion is limited.

Opportunities

- Growing banking industry and fast growing rural economy.
- Stronger grip over rural region as Indian economy is an agricultural economy.

Threats

- Competition from well established nationalized and private sector banks in the industry.
- Growth of Foreign Banks in India.
• Attrition is likely to increase in view of the flow/competition from the peer banks.

• The majority senior and experienced staff of the bank is likely to retire by 2016-2017.

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