FINANCIAL APPRAISAL
OF
STATE BANK OF INDIA

A Thesis Submitted to
KUMAUN UNIVERSITY, NAINITAL
For the Award of the Degree of
Doctor of Philosophy
In Commerce

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2016
PREFACE

The Indian banking system is unique and perhaps has no parallel in the banking history of any country in the world. However it is interesting to study the evolution of Indian banking in terms of organization, functions, resources, mobilization, socio-economic role, problems and solutions. This period, conveniently divided into three phases, has witnessed many macro-economic developments, monetary & banking policies and the external situations which influenced the evolution of Indian banking in different ways and in different periods.

The first phase covers the period from 1948 to 1968 i.e. the period after independence but before nationalization. This period consisted the development of legislative framework appropriate for banking in the form of Banking Regulation Act 1949, Nationalization of Imperial Bank of India and renaming it as State Bank of India and geographical expansion of banking activities. The second phase from 1969 to 1991 is known as an era of nationalization & rapid expansion of banking facilities. Moreover, the concept of social banking emerged and it was decided to use banking as an instrument for promoting socio-economic objectives. Thus the progress made by banking during this era was laudable but the very viability of banking system came in for sprouting on account of low operational efficiency, inadequate capital base, high level of NPA, low profitability, unhealthy balance sheet and unsatisfactory customer services. The third phase, called as reform phase, paved the way for various reforms in Indian banking. Important initiatives with regard to the reform of the banking system
takes in this phase include introduction of new accounting and prudential norms relating to income recognition, provisioning and capital adequacy and deregulation of interest rates & easing of norms for entry in the field of banking.

Banking is the king pin of the chariot of economic progress. As such its role extending economy of a country like India can neither be underestimated nor overlooked. The success of Indian planning depends on Reserve Bank of India and Central Government of India and enforced a number of schemes to develop banking and banking habits in the country specially in the rural and semi-rural, remote and under developing area.

The existing banking institutions have to face the global competition. As a consequence, there has not only been rapid expansion in the number of banking institutions in the country, but the banking horizon of the country has also changed significantly with the entry of new private sector and foreign banks. As of now, the country has public sector, old private sector, new private sector and foreign banks operating side by side and giving cut-throat competition to each other. Apparently, these different types of banks differ significantly from each other in terms of financial performance including operational efficiency, profitability, productivity and credit efficiency. There is a general perception that new private sector banks and foreign banks are more efficient in financial performance than that of nationalized and old private sector banks.

The origin of State Bank of India goes back to the first decade of the 19th 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 on 2nd January 1809. The Bank of Bombay on 15th April 1840 and The Bank of Madras on 1st July 1843 followed the bank of Bengal. These three banks were governed by Royal Charter, which were revised from time to time.

In order, 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. An act was accordingly passed in Parliament in May 1955 and the State Bank of India was constituted on 1st 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 aim of this study is to understand and to find out different types of efficiency level of State Bank of India. The operational efficiency reveals the performance of banks regarding operational aspects. The profitability tells about banks financial strength. I am sure that this study will definitely add new facts to existing literature on State Bank of India and will contribute significant link in the area of finance with banking business.

This study emphasis on the Financial Appraisal of State Bank of India for a period of ten year from 2003-04 to 2012-13.

**Frame Work of the Study:**

The write up of this thesis has been divided in to seven chapters-

Chapter 1 traces the history of Indian banking up to independence in brief and during post-independence. This chapter will be divided broadly under i.e. (a) Indian banking during pre-independence period, (b) Indian banking during 1948
to 1968 i.e. banking before nationalization and (c) Indian banking during 1969 to 1991 i.e. nationalization and after.

Chapter 2 aims at providing a detailed review of the theoretical framework of financial aspects of different writers, researchers, economists etc. There is neither a single comprehensive study nor any attempt has been made to analyze all the contents of State Bank of India. That is why this researcher takes the topic as “Financial Appraisal of State Bank of India” because there is hardly any study on this topic.

Chapter 3 Deposit mobilization and lending policies consisted the theoretical aspects regarding perspectives and composition & classification of bank deposits. In this chapter the relationship of deposit mobilization and lending policies of State Bank of India will be defined. Here an attempt will also be made to analyze the trends and productivity of deposits and lending of State Bank of India.

Chapter 4 Investment Pattern of State Bank of India tries to clear the fundamental aspects of investments like objectives, importance, investment policy, principles of investment policy of bank, investment pattern and investment process of State Bank of India.

Chapter 5 will consist of the profitability aspects of State Bank of India. Here the concept of profit and profitability is defined. In this chapter the practically approach regarding different techniques to measure the profitability of the bank is detailed. An exposure of credit risk and market risk is also given to
show the relationship between different types of risks and their impact on the profit earning capacity of the bank.

Chapter 6 which is challenges and issues ahead will consist of discussion and interpretations on different types of challenges faced by the banking industry as well as the State Bank of India. This chapter will be discussing different types of modes (challenges) on which the bank has to make stand itself.

Chapter 7 includes findings and suggestions drawn from the research undertaken.
ACKNOWLEDGEMENT

Research is like an endless ocean and it needs to be steered and supported by several individuals in order to fetch out a handful pearls from its depth. I take the opportunity to express my gratitude to those who have been kind enough to help me in the completion of this work. First of all I am greatly indebted to my supervisor Prof. Atul Joshi, Dept. of Commerce, D.S.B. Campus, Kumaun University, Nainital for his proper guidance, mature advice and sparing much of his invaluable time in going through each and every word of this thesis, without which it could not be in its present shape. His wide knowledge and logical way of thinking have been of great value to me. His guidance, encouragement, support and invaluable professional advice have had an enormous impact on my thesis, and I have learned a great deal from him. I also express my deep regard to Dr. Mahima Joshi, wife of Prof. Atul Joshi, for her loving and kind behavior.

I am also thankful to Prof. B. D. Kavidayal, Head, Dept. of Commerce, D. S. B. Campus, Kumaun University, Nainital, Late Prof. P. S. Anand (Ex supervisor) and Dr. Arti Pant (Ex Supervisor) & all the faculties of Dept. Of Commerce, D. S. B. Campus, Nainital for their suggestions and co-operation which I got time to time during my research work.
As a layman, I firmly believe that my Journey for Ph. D. Degree began with the blessings of my parents and ended up with the grace of god. My Parents allowed me a birth on this earth, spareda lot of time and money for my growth and served
me all the facilities to avail the best education. Hence I express my deep regards to my family members too.

I acknowledge my immense gratitude to all those professionals, officials and stakeholders of State Bank of India, who have been helped me to make this thesis more meaningful, especially library staff of Kumaun University, Nainital; M.J.P. Rohilkhand University, Bareilly who provides all facilities regarding relevant literature and data on the subject.

My loving and caring wife Yogita (School Teacher) who have always been a source of inspiration in building up my academic career. Today, I take this opportunity to thank her with a sense of pride for sacrificing her comforts and interests so as to ensure my long hours of concentration at my work.

Last but not the least I also have some words from my heart to Dr. N. L. Sharma, Head (Retd.) Dept. of Commerce, Bareilly College, Bareilly who provided me valuable guidance towards my research work.

Above all, I am overwhelmed by the grace of the almighty, which has rendered all this possible.

(Vinay Kumar Gupta)
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![Deposits per Branch Chart]

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