charged beyond a rate of twelve per cent. Loans against goods like opium, indigo, salt woollens, cotton, cotton piece goods, mule twist and silk goods were also granted but such finance by way of cash credits gained momentum only from the third decade of the nineteenth century. All commodities, including tea, sugar and jute, which began to be financed later, were either pledged or hypothecated to the bank. Demand promissory notes were signed by the borrower in favor of the guarantor, which was in turn endorsed to the bank. Lending against shares of the banks or on the mortgage of houses, land or other real property was, however, forbidden.

Indians were the principal borrowers against deposit of Company's paper, while the business of discounts on private as well as salary bills was almost the exclusive monopoly of individuals Europeans and their partnership firms. But the main function of the three banks, as far as the government was concerned, was to help the latter raise loans from time to time and also provide a degree of stability to the prices of government securities.

Fig. 4.3 Old Bank of Bengal
4.4 Major Change in the Conditions

A major change in the conditions of operation of the Banks of Bengal, Bombay and Madras occurred after 1860. With the passing of the Paper Currency Act of 1861, the right of note issue of the presidency banks was abolished and the Government of India assumed from March 01, 1862 the sole power of issuing paper currency within British India. The task of management and circulation of the new currency notes was conferred on the presidency banks and the Government undertook to transfer the Treasury balances to the banks at places where the banks would open branches. None of the three banks had till then any branches (except the sole attempt and that too a short-lived one by the Bank of Bengal at Mirzapore in 1839) although the charters had given them such authority. But as soon as the three presidency banks were assured of the free use of government Treasury balances at places where they would open branches, they embarked on branch expansion at a rapid pace. By 1876, the branches, agencies and sub agencies of the three presidency banks covered most of the major parts and many of the inland trade centres in India. While the Bank of Bengal had eighteen branches including its head office, seasonal branches and sub agencies, the Banks of Bombay and Madras had fifteen each.

![Bank of Madras Note Dated 1861 for INR10]
4.5 Presidency Banks Act

The presidency Banks Act, which came into operation on 1 May 1876, brought the three presidency banks under a common statute with similar restrictions on business. The proprietary connection of the Government was, however, terminated, though the banks continued to hold charge of the public debt offices in the three presidency towns, and the custody of a part of the government balances. The Act also stipulated the creation of Reserve Treasuries at Calcutta, Bombay and Madras into which sums above the specified minimum balances promised to the presidency banks at only their head offices were to be lodged. The Government could lend to the presidency banks from such Reserve Treasuries but the latter could look upon them more as a favor than as a right.

Fig.4.5: Bank of Madras

4.6 Bank of Madras

The decision of the Government to keep the surplus balances in Reserve Treasuries outside the normal control of the presidency banks and the connected decision not to guarantee minimum government balances at new places where
branches were to be opened effectively checked the growth of new branches after 1876. The pace of expansion witnessed in the previous decade fell sharply although, in the case of the Bank of Madras, it continued on a modest scale as the profits of that bank were mainly derived from trade dispersed among a number of port towns and inland centres of the presidency.

India witnessed rapid commercialization in the last quarter of the nineteenth century as its railway network expanded to cover all the major regions of the country. New irrigation networks in Madras, Punjab and Sind accelerated the process of conversion of subsistence crops into cash crops, a portion of which found its way into the foreign markets. Tea and coffee plantations transformed large areas of the eastern Terais, the hills of Assam and the Nilgiris into regions of estate agriculture par excellence. All these resulted in the expansion of India's international trade more than six-fold. The three presidency banks were both beneficiaries and promoters of this commercialization process as they became involved in the financing of practically every trading, manufacturing and mining activity in the sub-continent. While the Banks of Bengal and Bombay were engaged in the financing of large modern manufacturing industries, the Bank of Madras went into the financing of large modern manufacturing industries; the Bank of Madras went into the financing of small-scale industries in a way which had no parallel elsewhere. But the three banks were rigorously excluded from any business involving foreign exchange. Not only was such business considered risky for these banks, which held government deposits, it was also feared that these banks enjoying government patronage would offer unfair competition to the exchange banks which had by then arrived in India. This exclusion continued till the creation of the Reserve Bank of India in 1935.
4.7 Presidency Banks of Bengal

The presidency Banks of Bengal, Bombay and Madras with their 70 branches were merged in 1921 to form the Imperial Bank of India. The triad had been transformed into a monolith and a giant among Indian commercial banks had emerged. The new bank took on the triple role of a commercial bank, a banker's bank and a banker to the government.

But this creation was preceded by years of deliberations on the need for a 'State Bank of India'. What eventually emerged was a 'half-way house' combining the functions of a commercial bank and a quasi-central bank.

The establishment of the Reserve Bank of India as the central bank of the country in 1935 ended the quasi-central banking role of the Imperial Bank. The latter ceased to be bankers to the Government of India and instead became agent of the Reserve Bank for the transaction of government business at centres at which the central bank was not established. But it continued to maintain currency chests and
small coin depots and operate the remittance facilities scheme for other banks and the public on terms stipulated by the Reserve Bank. It also acted as a bankers' bank by holding their surplus cash and granting them advances against authorized securities. The management of the bank clearing houses also continued with it at many places where the Reserve Bank did not have offices. The bank was also the biggest tenderer at the Treasury bill auctions conducted by the Reserve Bank on behalf of the Government.

The establishment of the Reserve Bank simultaneously saw important amendments being made to the constitution of the Imperial Bank converting it into a purely commercial bank. The earlier restrictions on its business were removed and the bank was permitted to function with the name Imperial Bank.

The Imperial Bank during the three and a half decades of its existence recorded an impressive growth in terms of offices, reserves, deposits, investments and advances, the increases in some cases amounting to more than six-fold. The financial status and security inherited from its forerunners no doubt provided a firm and durable platform. But the lofty traditions of banking which the Imperial Bank consistently maintained and the high standard of integrity it observed in its operations inspired confidence in its depositors that no other bank in India could perhaps then equal. All these enabled the Imperial Bank to acquire a pre-eminent position in the Indian banking industry and also secure a vital place in the country's economic life.
When India attained freedom, the Imperial Bank had a capital base (including reserves) of INR11.85 crores, deposits and advances of INR275.14 crores and INR72.94 crores respectively and a network of 172 branches and more than 200 sub offices extending all over the country.

4.8 First Five Year Plan

In 1951, when the First Five Year Plan was launched, the development of rural India 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-associate banks.
An act was accordingly passed in Parliament in May 1955 and the State Bank of India was constituted on 1 July 1955. More than a quarter of the resources of the Indian banking system thus passed under the direct control of the State. 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 (later named Associates).

The State Bank of India was thus born with a new sense of social purpose aided by the 480 offices comprising branches, sub offices and three Local Head Offices inherited from the Imperial Bank. The concept of banking as mere repositories of the community's savings and lenders to creditworthy parties was soon to give way to the concept of purposeful banking sub serving the growing and diversified financial needs of planned economic development. The State Bank of India was destined to act as the pacesetter in this respect and lead the Indian banking system into the exciting field of national development.

The analysis of the financial inclusion data of State Bank of India during 2013-2016 is done in both the number of accounts and its amount is shown in table no. 4.1. It is discussed according to the accounts opened directly by the bank and through business correspondents’ channel.

**Table 4.1: Number of Financial Inclusion accounts opened (in lacs)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of accounts opened directly in the Bank</th>
<th>Number of accounts opened through Business Correspondents channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>41</td>
<td>162</td>
</tr>
<tr>
<td>2014</td>
<td>33</td>
<td>320</td>
</tr>
<tr>
<td>2015</td>
<td>75</td>
<td>651</td>
</tr>
<tr>
<td>2016</td>
<td>90</td>
<td>838</td>
</tr>
</tbody>
</table>
It is evident from the table no that the number of accounts opened both by the branch and Business Correspondents have been increasing manifold times.

**Table 4.2: Amount of deposits in Financial Inclusion accounts (in crores)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Bank</th>
<th>BC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>317</td>
<td>731</td>
</tr>
<tr>
<td>2014</td>
<td>408</td>
<td>1774</td>
</tr>
<tr>
<td>2015</td>
<td>877</td>
<td>3538</td>
</tr>
<tr>
<td>2016</td>
<td>1555</td>
<td>6882</td>
</tr>
</tbody>
</table>

With reference to growth in the amount of deposits between 2013 and 2016, it is discernible that it has increased 5 times in case of branch and nearly 10 times in case of Business Correspondents.

**Table 4.3: Average balance in Financial Inclusion accounts and PMJDY accounts (in Rupees)**

<table>
<thead>
<tr>
<th>Month – Year</th>
<th>Financial Inclusion</th>
<th>PMJDY</th>
</tr>
</thead>
<tbody>
<tr>
<td>March – 13</td>
<td>453</td>
<td>-</td>
</tr>
<tr>
<td>March – 14</td>
<td>553</td>
<td>-</td>
</tr>
<tr>
<td>March – 15</td>
<td>541</td>
<td>389</td>
</tr>
<tr>
<td>March – 16</td>
<td>822</td>
<td>814</td>
</tr>
</tbody>
</table>

The proportion of percentage of Financial Inclusion accounts to total percentage of accounts in State Bank of India as of March 2016 is given below.
Fig.4.8 Financial Inclusion account to the total number of accounts (March 2016)

The percentage of deposit amount in Financial Inclusion accounts to total deposit amount in SBI is shown in the figure below.

Fig.4.9 Deposit amount in Financial Inclusion account to total deposit amount (March 2016)

The market share of PMJDY accounts of State Bank of India when compared to the total PMJDY Deposits of all banks put together is shown below.
Fig.4.10 Market share of State Bank of India – Accounts under PMJDY
(March 2016)

State Bank of India has set up 240 Financial Inclusion learning centres as at the end of March, 2016. The growth in the number of transactions in Financial Inclusion accounts is 53.06% during the financial year 2016. The amount of deposits in financial year 2016 has shown a growth of 49.48%.

4.9 Profile of Kulithalai:- The Study Area

Kulithalai is a town in Karur district in the Indian state of Tamil Nadu. The recorded history of Kulithalai is known from medieval Chola period of the 9th century and has been ruled, at different times, by the Medieval Cholas, Later Cholas, Later Pandyas, Vijayanagar Empire and the British.

Kulithalai comes under the Kulithalai assembly constituency which elects a member to the Tamil Nadu Legislative Assembly once every five years and it is a part of the Karur (LokSabha constituency) which elects its Member of Parliament (MP) once in five years. The town is administered by the Kulithalai municipality, which
covers an area of 11.16 km (4.31 square miles). As of 2011, the town had a population of 27,910. The town is a part of the fertile Cauvery delta region and agriculture is the major occupation. Roadways are the major mode of transportation to Kulithalai and the town also has rail connectivity. The nearest Airport is Tiruchirappalli Airport, located 40 km (25 mi) away from the town.

The town derives its name from the presiding deity of the Kadamba Vaneswarar temple. The 7th century Nayanmars (Saiva saints) Thirunavukkarasar, revered the place as Kadambandurai and Kuzhithandalai in his works in Tevaram. The word Kuzhithandalai, in modern times, is denoted as Kulithalai. As per Hindu legend, Saptha Matha, the seven divine virgins were praying to god Shiva in the Kadamba forest located here to save them from a demon named Doomralochana. Shiva is believed to have killed the demon to save the forest and the virgins, thereby getting the name Kadambavana Vaneswarar, meaning the Lord of Kadamba Forest.

4.9.1 Geography & Climate

Kulithalai is located at 10.56°N 78.29°E and has a contour extending in North-South and East-West orientation. The town is located in Karur district of the South Indian state, Tamil Nadu, at a distance of 370 km (230 miles) from Chennai. Kulithalai is located on the banks of Kaveri river. The topography is almost plain, with no major geological formation. There are no notable mineral resources available in and around the town. The soil types are alluvial and red that is conducive for common crops in the Cauvery delta. The temperature ranges from a maximum of 32.7 °C (90.9 °F) to a minimum of 24 °C (75 °F). Like the rest of the state, April to June are the hottest months and December to January are the coldest. Kulithalai
receives an average of 27 cm (11 in) annually, which is lesser than the state average of 1,008 mm (39.7 in). The South west monsoon, with an onset in June and lasting up to August, brings scanty rainfall. Bulk of the rainfall is received during the North East monsoon in the months of October, November and December. The average number of rainy days ranges from 35-40 every year.

4.9.2 Kulithalai Economy

Agriculture and allied agro-based industries form the economic base of Kulithalai. There are house-hold industries like gem cutting and rice mills, oil mills and coir manufacturing units located along New Court Street and Manaparai Road. There are no major industries in the town. As of 2001, worker population constituted 37.6 per cent of the total population. Out of the total workforce, 7,034 constituting 71.58 per cent people were employed in tertiary sector, 1,707 people constituting 17.37 per cent were involved in primary sector, 58 people constituting 0.22 per cent were involved in secondary sector and 1,028 people constituting 10.46 per cent marginal workers. The town is a centre for trading for the surrounding villages, housing provisional stores, food grain stores, vegetable shops, hotels, markets and fertilizer shops.

4.9.3 Kulithalai SBI

4.9.3.1 Administration of the Study Unit

The study unit that is Kulithalai, State Bank of India has the following hierarchical structure. Chief Manager is the head of the bank. Below him/her, Assistant Manager Cash, Deputy Manager Operations, Assistant Managers Advances, and Financial Inclusion Officer. The hierarchical structure of the study branch is
given in Fig.4.12. Each of these officers has the shop floor level staff to carry out the tasks assigned to them. Kulithalai is having exclusive Financial Inclusion Centre. The business correspondents are controlled by the Chief Manager through Financial Inclusion Officer. There day to day operations are however monitored by the Financial Inclusion Officer. Hierarchical Structure of the State Bank of India in Kulithalai Branch is given in Fig.4.11

**Fig.4.11: Hierarchical Structure of the State Bank of India Kulithalai Branch**

**PMJDY**

Business statistics of State Bank of India Kulithalai as at the end of the March 2017 is as follows:

Total business of SBI, Kulithalai is the sum of both deposits and advances which is INR 7835.03 lacs and total amount of loans is INR 61.71 lacs both of which constitute the total business of SBI, Kulithalai branch. The classification of the business under the three segments (Per, Agri and SME) is discussed below:
The deposits under personal segment accounts for INR 70,74,12,000/- which constitutes the major portion of the deposits. Next comes the small and medium enterprises segment which shows the figure of INR 7,59,71,000/-. The deposits of agricultural segment comes to a meager total INR 1,19,000/-, since most of the depositors do not disclose their agricultural base while coming for deposit.

Out of the total loans, agricultural segment comes first with an amount of INR 37,26,000/- followed by personal segment with loan amount of INR 21,87,000/-. The small and medium enterprises come last with INR 2,58,000 as its loan figure.
Chapter – V

Data Analysis and Interpretation