Chapter 3

AN OVERVIEW OF INDIAN BANKING INDUSTRY

3.1 Introduction

3.2 Banking Development In India

3.3 Profile and Retail Lending Schemes of Sample Banks
3.1 Introduction

Banking is an important segment of the tertiary sector and it acts as the backbone of economic progress.¹ Banks render vital services to the masses hailing from the various sectors of the economy like agriculture, industry whether small scale or large scale². The banking industry is one of the few institutions that impinge on the economy and affect its performance for better or worse. They act as a development agency and are the source of hope and aspirations of the masses.³

The role of commercial banks in accelerating investments and growth in a developing economy has been emphasised time and again. The banks are considered as the mart of the world, the nerve centre of economy and finance of the nation and barometer of its economic perspective.⁴ The economic development of a country can be achieved through a sound, progressive and dynamic banking system. The bankers are now considered not merely as dealers in money but more radically as the dealers in development.

The monetary policy is transmitted to the entire economy through banking system which constitutes the core of financial sector. There exists a correlation between financial development and economic growth. Money finance is an important and necessary factor for economic development. Though finance is by no means a substitute for real resources, it has a crucial role in the economic development of a country.⁵

The banking system is of utmost importance in the economic growth of the less developed countries. First and foremost a sound banking system mobilises savings of the people, channelises them into productive activities and boost up the rate of the capital formation in the country. Secondly, through a network of branches
in rural and backward areas, the banking system can accelerate the process of monetisation of the economy. Thirdly, the banking system can permit business innovations by providing cheap credit facilities to entrepreneurs who otherwise would not dare to do so. Fourthly, the banking system can provide long-term finance to business and industry and promoting development of commerce and industry especially in less developed countries. Fifthly, the banking system, by adopting cheap money policy, can help the economic growth of such countries. Finally the banking system can provide financial accommodation to priority sectors such as agriculture and small-scale industries. Thus a well developed commercial banking system can prove a boon to the economic development of less developed countries.\(^6\)

A developing economy faces many problems like poverty, scarcity of capital, lack of entrepreneurship etc. The commercial banks can work as a catalytic agent of growth by following the right kind of policies in their functioning, taking cognizance of the socio economic conditions prevailing in the country.\(^7\)

The commercial banks provide a wide range of services to the community in many ways. Along with the basic banking services of accepting deposits and giving loans and advances, banks render certain ancillary services to their customers. Modern commercial banks have diversified their activities with their entry into new non-traditional areas of business like mutual fund, merchant banking, retail banking, ATMs, credit card and debit cards etc.\(^8\)

The role of commercial banks in India has been and continues to be an evolving one undergoing changes in response to the emerging economic environment. Banking is a force that is the very lifeline of the Indian economy,
touching every nerve and fibre of agriculture, industry and commerce and the lives of millions.  

3.2. Banking Development in India

The first bank in India was established in 1786. From 1786 till date, the development of Indian banking system can be classified into three distinct phases.

Phase 1: The early phase from 1786 to the nationalisation of Indian banks in 1969.

Phase 2: From Nationalisation of Indian banks in 1969 to 1991 reforms in the Indian banking sector

Phase 3: The new phase of Indian banking system with the advent of Indian Financial and banking sector reforms after 1991.

3.2.1 Phase 1

In 1786 the General Bank of India was set up. The Bank of Hindustan and The Bengal Bank were the next to come into existence in India. The Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) were established by the East India Company as independent units and called the Presidency Banks. In 1920, the Imperial Bank of India was formed through the amalgamation of the three Presidency Banks. It was started as a private shareholders bank with mostly European shareholders.

Allahabad Bank was established in 1865. Punjab National Bank, which was established in 1894 was the first bank set up exclusively by Indians.  

Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank and Bank of Mysore were set-up between 1906 and 1913. The Reserve Bank of India was established in 1935.
The growth of the banks was very slow during the first phase. There were many cases of bank failures between 1913 and 1948. The Government of India passed the Banking Companies Act 1949 to streamline the functioning and activities of commercial banks. This Act was later changed to Banking Regulation Act, 1949. The Reserve Bank of India was vested with extensive powers for the supervision of banking in India as per the Banking Regulation (Amendment) Act of 1965. RBI is the central banking authority in the country.

3.2.2 Phase 2: Nationalisation of Indian Banks

Nationalisation of banks took place in a phased manner. Nationalisation brought the control and ownership of banks under the Government. After independence the Government took major steps in Banking sector Reforms. As the first step the Reserve Bank of India was nationalised in 1949. The Imperial Bank of India was nationalised in 1955 during the first phase of nationalization. Seven subsidiary banks of State Bank of India were also nationalised in 1959.


The second phase of nationalisation of Indian banks took place in April 1980. In the second phase six more banks were nationalised. These banks are Andhra Bank Ltd., Corporation Bank, New Bank of India, Punjab and Sind Bank, Oriental Bank of Commerce and Vijaya Bank. The New Bank of India was merged
with Punjab National Bank in 1993, making the number of nationalized banks in India to 19. Through this step 80% of the banking segment in India was brought under Government ownership.

The important objectives of nationalisation are:

1. To remove the control of a few large industrial houses over the commercial banking in the country.

2. To provide adequate credit to the priority sectors of the economy such as agriculture, small scale industry and export.

3. To introduce professional management in the commercial banking business of the country.

4. To provide proper incentives and stimuli, so that a new class of entrepreneur emerge in the country.

5. To make provision for adequate training and reasonable terms and conditions of service for bank employees.

The banking system in India achieved significant growth and witnessed a qualitative transformation after the nationalisation. At the time of nationalisation of commercial banks in 1969, they had only a total of 4133 branches. This increased to 72662 by the end of March 2013. The deposits and advances of public sector banks in India also increased several times.

3.2.3 Phase 3: Banking Sector Reforms

In the third phase of Indian banking sector development more products and facilities were introduced in the banking sector as a part of the reform measure. The Government was forced to have a rethinking on the banking sector policies in the
light of the new economic policy 1991. To suggest measures to revamp the functioning of the banks the Government appointed Narasimham Committee. Banking sector reforms were a means to achieve the ultimate economic development and economic stability in the country. The reforms were largely intended to improve efficiency and profitability of the banks and make their financial operations more market oriented and transparent.² In the year 1992 the financial sector reforms were initiated in India, following the report of the Narasimham Committee I. This committee on financial systems was headed by Shri M Narasimham, the former governor of RBI. The terms of reference of the Committee were to examine all aspects relating to the structure, organisation and functioning of the Indian banking system and capital markets.

3.2.3.1 First phase of reforms

The Narasimham Committee submitted its report in November 1991 and it was placed before the Parliament in December 1991. The recommendations of the committee constitute a landmark in the evolution of banking policy in the country. The improvement in the productivity, efficiency and profitability were the aims of the recommendations of the committee. It also aimed to provide greater operational flexibility, functional autonomy in decision making by infusing competitiveness and higher degree of professionalism into banking operations in order to achieve efficiency and effectiveness of the financial system. The cleaning up of bank balance sheets and bringing about greater disclosure and transparency in accounting were the main focus of the first phase of reforms. Many of the recommendations made by the committee were accepted and implemented by the government. A pre requisite of a healthy economy is a healthy and sound banking and financial system.
An Overview of Indian Banking Industry

For making necessary reforms in the banking and financial system Narasimham Committee I made the following recommendations.

- The Narasimham committee recommended that the number of public sector banks is to be reduced. Three to four big banks including SBI should be developed as international banks. Then, eight to ten banks which are having nationwide presence should concentrate on the universal and national banking services. Region - specific banking should be done by local banks. RRBs should focus on agriculture and rural financing.

- In future there would be no nationalisation of private banks and the private sector banks should be treated at par with public sector banks. The ban on setting up new banks in the private sector should be removed.

- Banks must be given freedom to open and close branches and branch licensing should be abolished.

- The Government should take a more liberal approach in allowing foreign banks to open more offices in India in tune with the policy on foreign investment. In merchant and investment banks joint ventures between foreign and Indian banks could also be permitted and foreign operation of Indian banks should be rationalised.

- The Statutory Liquidity Ratio 'SLR' and the Cash Reserve Ratio 'CRR' must be reduced. Both these ratios were very high at that time. The SLR then was 38.5% and CRR was 15%. This high proportion of SLR and CRR meant locking the bank resources for government uses. It was hindrance in the productivity of the bank. Thus the committee recommended their gradual
reduction. SLR was recommended to reduce from 38.5% to 25% and CRR from 15% to 3 to 5%.

- The directed credit programme should be re-examined at least in the case of those who were able to stand on their own foot. The priority sector should be redefined to comprise the small and marginal farmers, the tiny sector of industries, small business and transport operators, village and cottage industries, rural artisans and other weaker sections. The target for the redefined sector should be fixed at 10% of the aggregate credit.

- The committee felt that the interest rates in India should be regulated and controlled by the authorities. The determination of the interest rate should be on grounds of market forces such as the demand for and the supply of fund. Hence the committee recommended eliminating government controls on interest rate and phasing out the concessional interest rates for the priority sector.

- Banks and financial institutions should achieve a minimum of 4% capital adequacy ratio in relation to risk weighted assets by March 1993, of which Tier I capital should not be less than 50%. The BIS standard of 8% capital adequacy ratio should be achieved by March 1996.

- Profitable public sector banks should be permitted to approach the capital market for enhancement of their capital through issue of fresh capital to the public. In respect of other banks, the Government could meet the shortfall in their capital requirements by direct subscription to their capital by providing a loan.
• Banks and financial institutions should adopt uniform accounting practices particularly with regard to income recognition and provisioning against doubtful debt. In respect of doubtful debts, provision should be made to the extent of 100% security shortfall and loss assets.

• With regard to income recognition, no income should be recognised in accounts of nonperforming assets.

• The committee recommended the establishment of an Asset Reconstruction Fund (ARF). This fund will take over the proportion of the bad and doubtful debts from the banks and financial institutions. It would help banks to get rid of bad debts.

• As per the recommendations of the International Accounting Standards Committee, the balance sheet of banks and financial institutions should be made transparent and full disclosure be made in the balance sheet.

• To provide institutional legal support to speed up the process of recovery of nonperforming assets, debt recovery tribunal should be constituted.

• The committee recommended that the public sector banks should be free and autonomous. Banks must enjoy autonomy to pursue competitiveness and efficiency so that they can reform the work culture. The banking technology upgradation will also be made easy.

• To improve customer service and control systems and to improve the work environment for the employees and greater use of computerised system is needed.
• At that time banks were under the dual control of the Reserve Bank of India and the Banking Division of the Ministry of Finance, Government of India. The committee recommended abolishing this system. It considered and recommended that the RBI should be the only main agency to regulate banking in India.

3.2.3.2 Second phase of reforms

In 1998 Narasimham Committee II was constituted and the Committee submitted its report on April 23, 1998. The Committee which proposed to review the Indian Banking sector reforms reiterated many of its previous recommendations. In the light of post reform experience, it had also given some new suggestions for the second phase of reforms. The suggestions included the following.

• The committee suggested that it would be desirable if capital adequacy requirements take into account market risks in addition to credit risk.

• In the next three years, the entire portfolio of the government securities should be marked to the market and there should be 5% weight for market risk for government and other approved securities.

• The risk weight for government guaranteed advances should be the same as for other advances.

• The minimum capital to risk weighted asset ratio (CRAR) should be increased to 10% from 8%. An intermediate minimum target of 9% be achieved by the year 2000 and 10% by 2002.

• The banks should be encouraged to access the capital market at home or abroad.
An asset should be classified as doubtful, if it is in the substandard category for 18 months in the first instance and eventually for 12 months and as loss if it has been so identified but not written off.

Government guaranteed advances which have turned sticky should be classified as nonperforming assets.

The practice of ever greenining by making fresh advances to their troubled constituents by banks and financial institutions should be avoided.

Recapitalisation of banks from government budget is to be discontinued.

The average level of net NPAs of banks have to be reduced to less than 5% by the year 2000 and 3% by 2002. The minimum objective of banks with international presence is to reduce gross NPAs to 5% by the year 2000 and 3% by 2002 and net NPAs to 3% and nil by these days.

The commission stated that along with cleaning up the balance sheet of banks steps should be taken to prevent or limit the re-emergence of new NPAs. This can be achieved only through strict application of prudential norms and managerial improvement.

By the year 2002, the international practices of income recognition by the introduction of 90 days norms are to be achieved in a phased manner.

A higher share in NPA portfolio of banks is the directed credit and has been one of the factors in the erosion in the quality of bank assets. Banks have to extend credit to agriculture and small scale sector. There is scope for
correcting the distortions arising out of directed credit and its impact on banks asset quality.

- 10% of the priority sector bank credit is earmarked for lending to weaker sections. Government sponsored poverty alleviation and employment generation schemes constitute a major portion of this lending. The current practice may continue in this sector. The committee recommends that the interest rate on loans under rupees two lakhs should be deregulated for scheduled commercial banks as in the case of regional rural banks and co-operative credit institutions.

- A general provision of 1% on standard assets is introduced.

- Apply income recognition, asset classification and provisioning norms to government guaranteed advances in the same manner as for any other advances.

- The maturity pattern of assets and liabilities, foreign currency assets and liabilities, movements in provision accounts and NPAs are to be disclosed.

- In order to avoid mismatches and to cover liquidity and interest rate risks, banks should also pay greater attention to asset liability management.

- For successful rehabilitation of banks facing a problem of the Non-performing assets, it recommended Narrow Banking Concept where weak banks will be allowed to place their funds only in short term and risk free assets.
Apart from these major recommendations, the committee also recommended faster computerisation, technology up-gradation, training of staff, depoliticising of banks, professionalism in banking, reviewing bank recruitment, etc.

3.2.4 Progress of reforms

Removal of entry barriers

To promote competitiveness in the banking sector the industry was opened for private banks and foreign banks. Indian banks were allowed to enter into joint ventures with foreign banks and foreign banks were also permitted to set up either branches or subsidiaries in India.

Deregulation of interest rates

The interest rate regime was closely administered by the RBI till 1992. The banking sector is now operating in a deregulated environment. Now they have more freedom in their operations. The number of interest rate slabs has been reduced from twenty to three. The banks themselves can decide the Prime Lending Rate for commercial credit.

Reduction in pre-emptive reserves

The RBI reduced SLR and CRR substantially to increase lendable resources at the disposal of banks, thereby enhancing profitability.

Prudential norms

In the areas of income recognition, asset classification, provisioning for bad and doubtful debts and capital adequacy prudential norms are introduced. The income recognition norms are introduced to depict a true picture of the income and expenditure of banks. The asset classification and provisioning norms are intended to assess the quality of asset portfolio of banks. The capital adequacy is intended to
check whether the banks are in a viable position to meet any contingencies due to a decline in the quality of assets,

*Capital adequacy*

The prudential norms prescribe a minimum capital to be maintained on the basis of the risk weighted assets of the banks. In April 1992, RBI introduced capital to risk weighted asset ratio (CRAR) system for banks in India. Risk weights are assigned to balance sheet assets, non-funded items and other off-balance sheet exposures on the prescribed percentages under the system. The BIS standard of 8% capital adequacy laid by Basel Committee I was accepted in April 1992. The RBI has revised the CRAR from 8% to 9% from 31st March 2000 in tune with recommendations of Narasimham Committee II and from 9% to 10% with effect from 31st March 2004. Achievement of capital adequacy is expected to strengthen the financial soundness and stability of banking system, while keeping them in line with international standards.\textsuperscript{12}

*Phasing out of directed credit programme*

One of the recommendations of the Narasimham Committee was that the priority sector should be redefined and the target for the sector should be fixed at 10% of aggregate credit subject to review after three years. The small and marginal farmers, rural artisans and other weaker sections, village and cottage industries comprise the redefined priority sector. The Government has not reduced the level of priority sector lending from 40%. Moreover, the banks are allowed to place the money under the Rural Infrastructure Development Fund if they are not able to attain the priority sector lending targets.
Transparency of accounts

To provide a realistic picture of financial position of banks transparency in the accounts of banks is required. The format of bank balance sheet and profit and loss account should be modified in such a manner that the balance sheet should disclose more information. RBI and government have modified the format with effect from March 1992 and banks are preparing their balance sheet as per the new format. Break up of capital adequacy ratio, provisions made for the year, NPA percentages etc. are introduced later. Now banks have to disclose seven critical ratios relating to productivity and profitability through their annual reports.

Relaxation of branch licensing policies

Greater freedom is given to banks to rationalise their existing branch network by relocating branches and opening new branches. Banks are now expanding their network into potential areas where low cost deposits are available.

Recapitalisation

For the recapitalisation of public sector banks from 1993-94 to 1998-99 the Government of India contributed rupees 20446.2 crores. The Government has provided an amount of rupees 6334.44 crores for writing down the capital base of eleven banks and for adjustment of their losses. Even after such measures many banks remained under-capitalised. So by amending the Banking Companies Act the Government has reduced the minimum share holding of Government in public sector banks to 51% and allowed public sector banks to raise fresh capital from the market.
3.3  Structure of Commercial Banks India

The commercial banks in India are classified as scheduled Commercial Banks and non-Scheduled Commercial Banks.

3.3.1  Scheduled Commercial Banks

Scheduled Commercial Banks are those included in the second Schedule of Reserve Bank of India Act, 1934. RBI in turn includes only those banks in this schedule which satisfy the criteria laid down vide section 42 (6) (a) of the Act. For a bank’s name being included in the schedule, it must satisfy the following conditions.

1. Its paid up capital and reserves have an aggregate value of not less than Rs. 5 lakhs.
2. It must satisfy the RBI that its affairs are not being conducted in a manner detrimental to the interest of its depositors.
3. It must be a corporation or corporate body and not a partnership or sole proprietorship concern.

The scheduled commercial banks in India comprise State Bank of India and its associates, nationalised banks, foreign banks, private sector banks, co-operative banks and regional rural banks. As on 31st March, 2013, there are 151 scheduled commercial banks in India having a total network of 102343 branches. The scheduled commercial banks in India comprise

1. Public sector banks
   i. State Bank of India and its associates
   ii. Nationalised banks
2. Private sector banks

   i. Indian banks

      a. Old private sector banks

      b. New generation banks

   ii. Foreign banks

3. Regional Rural Banks

4. Scheduled Co-operative Banks

3.3.1.1 Public sector banks

Public sector banks are those banks which are owned and controlled by government. They are classified into (a) State Bank of India and its associates and (b) Nationalised banks. The nationalised banks are a major segment in commercial banking in India. Public sector banks dominate with 75% of deposits and 76.2% of advances in the country.

3.3.1.2 Private sector banks

Private sector banks are owned and controlled by private parties and institutions. They are governed by Banking Regulation Act 1949 and are registered as banking companies under the Companies Act 1956. Old Indian private sector banks are those that had started functioning during the pre-banking reform era.

The recommendations of the Narasimham Committee I include the freedom of entry into the financial system. The committee recommended that the RBI should permit the establishment of new banks in the private sector provided they conform
to the minimum start-up capital and other requirements. On the basis of the recommendations, RBI allowed banks to set up in the private sector.

In January 1993 RBI issued guidelines for licensing new banks in the private sector. Such banks came to be known as new generation banks. RBI granted licenses to 10 banks. Revised guidelines were issued in 2001 based on a review of the experience gained on their functioning. Following are the major provisions of the revised guidelines:

- Initial minimum paid-up capital shall be Rs. 200 crores which will be raised to Rs. 300 crores within three years of commencement of business.
- Contribution of promoters shall be a minimum of 40% of the paid-up capital of the bank at any point of time. This contribution shall be locked in for five years from the date of licensing of the bank.
- While augmenting capital to rupees 300 crores within three years, promoters shall bring in at least 40% of the fresh capital which will also be locked in for five years.
- NRI participation in the primary equity of a new bank shall be to the maximum extent of 40%.
- The new bank cannot be promoted by any large business house, but individual companies can contribute up to 10% equity.
- NFBCs with AAA rating and 12 % capital adequacy can function as a bank.
- The new bank will have to maintain a capital adequacy of 10 %.
- 40 % of the net bank credit will be for priority sector.
25% branches of the new bank will be in rural/ semi-urban areas.

In 1993, six private sector banks, namely UTI Bank Ltd, IndusInd Bank Ltd, ICICI Banking Corporation Ltd, Global Trust Bank Ltd, Centurion Bank Ltd and HDFC Bank Ltd were set up. In 1994, four more new private banks, namely Times Bank Ltd, Bank of Punjab Ltd, Development Credit Bank Ltd and IDBI Bank Ltd were set up. Thus, by 1994, a total of 10 private sector banks were in operation. Kotak Mahindra bank was set up in 2003 and Yes bank in 2005. Global Trust Bank Ltd merged with Oriental Bank of Commerce with effect from 14 August, 2004. IDBI Bank was merged with IDBI Limited (Public Sector Bank) with effect from April 02, 2005. Later Bank of Punjab and Centurion Bank were merged to form Centurion Bank of Punjab. RBI has approved merger of Centurion Bank and Bank of Punjab effective from 1st October, 2005. Centurion Bank of Punjab and HDFC bank were merged with effect from 23 May, 2008. As on March 2013 there are 7 new generation banks operating in our country.

The economy expected a lot from the setting up of the new generation banks. The banks are expected to sub-serve the underlying goal of financial sector reforms which are to provide competitive, efficient and low cost financial intermediation services for the society at large. Work technology is expected to be upgraded in the banking sector at the same time running the system on viable lines.14

The new generation banks have brought new innovation of products and services, productivity, profitability, professionalism, technology, and competition among private sector banks. Adequate capital resources, absence of nonperforming loans in their books, well-trained employees, computerisation, a handful of branches in chosen centres, a new variety of products and services, etc are the advantage of
these new private banks. They have 14.8% share of gross advances of the scheduled commercial banks.\textsuperscript{15} Due to the use of high level technology, core banking and aggressive marketing strategies, they have achieved remarkable performance levels.

The new generation banks have tapped new markets such as retailing, capital markets, bancassurance and tie-ups with automobile dealers for vehicle finance. They have brought in state-of-the-art technology and aggressive marketing techniques. In order to compete with public sector banks and old private sector banks they constantly innovate products and offer superior services to the customers.

3.3.1.3 Foreign banks

Banks that are registered in a foreign country are foreign banks. Presence of foreign banks in India has benefited the financial system by enhancing competition, transfer of technology and specialised skill resulting in higher efficiency and greater customer satisfaction.\textsuperscript{16} Foreign banks are present in the country either through branch/subsidiary or through their representative offices. As on March 2013, 43 foreign banks are operating in India with 334 branches and 261 ATMs.

3.3.2 Non-Scheduled Commercial Banks

Non-Scheduled Commercial Banks are banks which are not scheduled banks. They are not entitled to all those facilities that the Scheduled banks get from the RBI.

3.4 Present Position of Indian Banks

The increase in the number of bank offices is the most noteworthy feature of banking development in India in the post-reform period. After nationalisation of commercial banks branch expansion has gained momentum. To provide banking
services in unbanked areas and thereby reduce regional disparities in banking development was the main objective of branch expansion. The table below shows the branches of commercial banks in India during the period 2005-2013.

**Table 3.1**  
*Offices of commercial banks in India-2005 to 2013*

<table>
<thead>
<tr>
<th>Bank Group</th>
<th>As on March 31st</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td><strong>State bank of India and associates</strong></td>
<td>13896</td>
</tr>
<tr>
<td><strong>Nationalised banks</strong>*</td>
<td>35075</td>
</tr>
<tr>
<td><strong>Public sector banks</strong></td>
<td>48971</td>
</tr>
<tr>
<td>Old private sector banks</td>
<td>4511</td>
</tr>
<tr>
<td>New private sector banks</td>
<td>1685</td>
</tr>
<tr>
<td><strong>Private sector banks</strong></td>
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<tr>
<td>Foreign banks</td>
<td>245</td>
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<tr>
<td>Regional rural banks</td>
<td>14762</td>
</tr>
<tr>
<td>Non-scheduled commercial banks</td>
<td>25</td>
</tr>
<tr>
<td><strong>All commercial banks</strong></td>
<td>70199</td>
</tr>
</tbody>
</table>

*Includes IDBI Bank Ltd  
*Source: RBI- Report on Trends and Progress of banking in India- various issues.*

ATMs are established by almost all banks in India with the introduction of automation in banking operations, either in bank premises or in busy places. ATMs help to provide 24 hours banking facilities to their customers. The number of ATMs increased considerably in the recent years. The scheduled commercial banks have a
An Overview of Indian Banking Industry

total of 114014 ATMs in India as on March 2013. The new generation banks have the highest percentage of ATMs to branches with 375%.\textsuperscript{17}

Appreciable efforts have been made by commercial banks in deposit mobilisation through a series of schemes. After nationalisation, deposits increased rapidly. The bank credit of scheduled commercial banks also increased. After nationalisation banks started financing to priority sectors like agriculture, small industry, education, housing loan for weaker sections, and consumption loans. The programmes of poverty reduction and poverty eradication like Integrated Rural Development Programme, Prime Minister’s Rojgar Yojana etc of the Government of India are implemented through the public sector banks.

Banks have the right to diversify their functions according to need as per the provisions of the Banking Regulation Act 1949. Banks select the areas like merchant banking and underwriting, mutual funds, retail banking, internet banking, venture capital funds, factoring etc. as a part of diversification of services.

Indian banking sector has come a long way and made good progress. It is clearly evident in several parameters like profitability, annual credit growth rate and trend in gross NPAs. This sector has benefited from strong economic growth over the last decade and from several policy initiatives carried out by RBI.\textsuperscript{18} These include the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, up-gradation of technology infrastructure, introduction of credit information bureaus, strengthening of risk management practices, etc. All these have contributed to the overall improvement of the banking sector.
Growing balance sheet, rising profitability, higher pace of credit expansion, declining NPAs and more importantly government’s focus on financial inclusion have added to making the banking sector in India vibrant and strong. Table 3.3 indicates the basic statistics relating to Indian banks for the period 2004-2013.
Table 3.2

Statistics relating to commercial banks in India at a glance

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tr>
<td>Number of commercial banks</td>
<td>291</td>
<td>288</td>
<td>222</td>
<td>182</td>
<td>173</td>
<td>170</td>
<td>167</td>
<td>167</td>
<td>173</td>
<td>155</td>
</tr>
<tr>
<td>Scheduled commercial banks</td>
<td>286</td>
<td>284</td>
<td>218</td>
<td>178</td>
<td>169</td>
<td>166</td>
<td>163</td>
<td>163</td>
<td>169</td>
<td>151</td>
</tr>
<tr>
<td>Of which, regional rural banks</td>
<td>196</td>
<td>196</td>
<td>133</td>
<td>96</td>
<td>90</td>
<td>86</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>64</td>
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<tr>
<td>Non scheduled commercial banks</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Number of bank offices in India</td>
<td>69170</td>
<td>70373</td>
<td>72072</td>
<td>74653</td>
<td>78787</td>
<td>82897</td>
<td>88203</td>
<td>94019</td>
<td>101261</td>
<td>109811</td>
</tr>
<tr>
<td>Population per office (in thousands)</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>15</td>
<td>15</td>
<td>14</td>
<td>14</td>
<td>13</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Aggregate deposits of scheduled commercial banks (Rs. Crore)</td>
<td>1504416</td>
<td>1700198</td>
<td>2109049</td>
<td>2611934</td>
<td>3196940</td>
<td>3834110</td>
<td>4492826</td>
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</tr>
<tr>
<td>Deposits of scheduled commercial banks per office (Rs. Lakh)</td>
<td>2265</td>
<td>2574</td>
<td>3047</td>
<td>3675</td>
<td>4344</td>
<td>4980</td>
<td>5479</td>
<td>6090</td>
<td>6431</td>
<td>6741</td>
</tr>
<tr>
<td>Per capita deposits of scheduled commercial banks (Rs)</td>
<td>14089</td>
<td>16281</td>
<td>19130</td>
<td>23382</td>
<td>28610</td>
<td>33919</td>
<td>39107</td>
<td>45505</td>
<td>51106</td>
<td>56380</td>
</tr>
<tr>
<td>Credit of scheduled commercial banks (Rs. Crore)</td>
<td>840785</td>
<td>1100428</td>
<td>1507077</td>
<td>1931190</td>
<td>2361913</td>
<td>2775549</td>
<td>3244788</td>
<td>3942083</td>
<td>4611852</td>
<td>5260459</td>
</tr>
<tr>
<td>Credit of scheduled commercial banks per office (Rs. Lakh)</td>
<td>1330</td>
<td>1700</td>
<td>2209</td>
<td>2757</td>
<td>3222</td>
<td>3615</td>
<td>3983</td>
<td>4582</td>
<td>5023</td>
<td>5260</td>
</tr>
<tr>
<td>Per capita credit of scheduled commercial banks (Rs)</td>
<td>8273</td>
<td>10752</td>
<td>13869</td>
<td>17541</td>
<td>21218</td>
<td>24617</td>
<td>28431</td>
<td>34187</td>
<td>39909</td>
<td>44028</td>
</tr>
<tr>
<td>Credit-Deposit ratio (per cent)</td>
<td>55.9</td>
<td>62.6</td>
<td>70.1</td>
<td>73.5</td>
<td>74.6</td>
<td>73.8</td>
<td>73.7</td>
<td>76.5</td>
<td>78.6</td>
<td>7.91</td>
</tr>
</tbody>
</table>

### 3.5 Banking in Kerala

Since historical times Kerala has been blessed with favourable environment for banking development. The Travancore Banking Enquiry Committee Report 1930 mentioned the existence of two types of indigenous banks in Kerala. The first type was “hundi merchants” who accepted deposits and lend money. And the other was “money lenders” who lend money only.

In Kerala banking had a communal colour in the beginning. Christians started most of the banks. Thiruvalla in Travancore and Trichur in Cochin were the two main centers where banking activities were concentrated. Unit type banks were established at that time. Liquidation was common among banks and a few were reorganised into banking companies. Nedungadi Bank, which was started at Calicut in 1899 was the first bank in Kerala. It was followed by Travancore National Bank in 1900 at Thiruvalla. At the time of passing the Companies Regulation Act in 1917, there were 6 banks in existence in Kerala including Travancore National Bank.¹⁹

There were 32 banks in Kerala at the time of independence. The number increased to 130 by the end of 1955. As a result of liquidation and merger of the banks, the total number of banks in the state was 28 on the eve of nationalisation of Indian banks. Banks established outside Kerala also opened their branches in Kerala and functioned along with other banks.

There is a fundamental shift in the banking sector in the state. With the help of new tools in technology, the traditional banking institutions in the State are providing modern banking practices. This has two fold effects on an economy that is getting integrated to the global business at a fast pace. It has changed the way of traditional banking followed by the people of the state and the way the economy of
the state is functioning. The banking sector is very developed in Kerala compared to that of the rest of the country.

The banking system of Kerala is well developed. The banking habit of the people of Kerala has been influenced by high rate of literacy, high earnings of the people, large amount of foreign remittances and comparatively higher standard of living. The total number of commercial bank branches in the state grew from 601 in June 1969 to 5452 in March 2013 with a total of 5393 ATMs. It is also reported that deposits and advances have shown tremendous growth during this period. The table below shows the branches of commercial banks in Kerala during the period 2004-2013.

### Table 3.3

*Commercial bank branches in Kerala- 2004 to 2013 (as on 31st March)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural</th>
<th>Semi urban</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>346</td>
<td>2430</td>
<td>628</td>
<td>3404</td>
</tr>
<tr>
<td>2005</td>
<td>321</td>
<td>2478</td>
<td>874</td>
<td>3673</td>
</tr>
<tr>
<td>2006</td>
<td>350</td>
<td>2375</td>
<td>828</td>
<td>3553</td>
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<tr>
<td>2007</td>
<td>321</td>
<td>2478</td>
<td>874</td>
<td>3673</td>
</tr>
<tr>
<td>2008</td>
<td>329</td>
<td>2576</td>
<td>931</td>
<td>3836</td>
</tr>
<tr>
<td>2009</td>
<td>332</td>
<td>2712</td>
<td>1142</td>
<td>4186</td>
</tr>
<tr>
<td>2010</td>
<td>327</td>
<td>2904</td>
<td>1233</td>
<td>4464</td>
</tr>
<tr>
<td>2011</td>
<td>340</td>
<td>3094</td>
<td>1277</td>
<td>4711</td>
</tr>
<tr>
<td>2012</td>
<td>353</td>
<td>3386</td>
<td>1357</td>
<td>5096</td>
</tr>
<tr>
<td>2013</td>
<td>375</td>
<td>3669</td>
<td>1408</td>
<td>5452</td>
</tr>
</tbody>
</table>

*Source: SLBC Kerala*
3.6 Profile and Retail lending Practices of of Sample Banks

3.6.1 State Bank of India

The roots of the State Bank of India can be traced back to 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 was one of the three Presidency banks, the other two being the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras (incorporated on 1 July 1843). The Presidency banks were amalgamated on 27 January 1921 and the Imperial Bank of India was formed. On 30 April 1955, the Imperial Bank of India was nationalised and became the State Bank of India.

In 1959, the government passed the State Bank of India (Subsidiary Banks) Act through which the State Bank of India took over eight state associated banks as
its subsidiaries. On 13 September 2008, the State Bank of Saurashtra was merged with the State Bank of India. The SBI board approved the merger of its subsidiary, State Bank of Indore, with itself on 19 June 2009 reducing the number of associate banks to six.

SBI has 137 foreign offices across 32 countries. It has about 25,000 ATMs and SBI group has about 45,000 ATMs. SBI has 15003 branches as on 31st March 2013.

The outstanding retail advances of State Bank of India as on March 2013 stood at Rs.209, 694 Crores. Housing loan constitutes 57% of the total retail loans and vehicle loan is 12% of the retail loans as on March 2013.

Housing loan, vehicle loan and personal loan are the major components of the retail loan portfolio of State Bank of India. The housing loan is sanctioned for the purpose of purchase, construction, extension, repairs or renovation of new or second-hand residential house or flat. And also for the purchase of plot of land and for furnishing. The following are the important retail loan schemes of State Bank of India.

*Home Loan as an Overdraft*

This loan is sanctioned as an overdraft with flexibility to operate the account like SB or current account. Minimum amount of this loan is Rupees Five lakhs.

*SBI Yuva Home Loan*

This is a tailor made home loan product for the youth coming in the age group of 21 years to 45 years. Under this scheme, 20% higher loan amount, than that
of normal home loan is provided to salaried persons. Only the interest of the loan is payable during the first 36 months and the regular EMI starts only after completion of 36 months.

**NRI Home Loans**

Under this scheme, home loan is provided to NRIs and persons of Indian origin.

**SBI Realty**

SBI realty provides an opportunity to the customers to purchase a plot for the construction of house with a repayment period of upto 15 years.

**Pre-Approved Home Loan**

This loan is provided to customers before finalisation of property for enabling them to negotiate with the seller confidently.

**SBI Tribal Plus**

This is a special home loan scheme designed for hill or tribal areas. Maximum Rs. 10 lakhs is sanctioned under this scheme with a repayment period of 15 years.

**Gram Niwas**

Under this scheme home loan is provided to customers in rural and semi-urban areas having population up to 50,000 as per 2001 census with a repayment period of maximum 15 years.
Sahyog Niwas

Sahyog Niwas scheme provides home loan to self help groups for the purchase or construction of a house. The loan amount is limited to 10 times of the saving corpus of the SHG subject to a maximum of Rs 50,000 per member.

SBI New Car Loan Scheme

This loan is provided for the purchase of new passenger cars, multi utility vehicles and SUVs.

SBI Combo Loan Scheme

Here loan is provided for the purchase of car and two-wheeler taken together.

Certified Pre-owned Car Loan

Under this scheme, loan is sanctioned for the purchase of certified pre-owned car of not more than five years old.

Car loan Scheme for Used Car

This loan is provided for the purchase of used car of not more than five years old.

Two-wheeler Loan

Two-wheeler loan is for the purchase of new two-wheeler.

Xpress Credit Personal Loan

Personal loans are provided by the bank to meet the expenses of marriage, medical treatment, education, foreign travel or any other general purpose. These are
personal loans provided to the employees of central and state government, quasi-government, public sector units, and selected corporates who are maintaining salary account with the Bank.

**SBI Saral Personal Loan**

Under this scheme, loan is provided to the salaried individuals, self-employed persons, engineers, doctors, architects, chartered accountants etc. for any legitimate purpose.

**Loan to Pensioners**

The loan is provided to pensioners of not more than 72 years of age. The loan amount is limited to maximum 12 months pension with a ceiling of Rupees one lakh in the case of pensioners and 9 months of pension with a ceiling of Rs. 50,000 in the case of family pensioners.

**Loan to Affluent Pensioners**

This scheme is formulated to meet the requirements of pensioners with higher repayment capacity.

**Festival Loans**

These loans help the customers to meet any kind of festival related expenses.

### 3.6.2 State Bank of Travancore

State Bank of Travancore (SBT) was originally established as Travancore Bank Ltd. in 1945 sponsored by the erstwhile princely state of Travancore. It became a scheduled bank in 1946 and obtained a license to deal in foreign exchange business in 1947. Under the SBI subsidiary Banks Act 1959, it was made
an associate of the SBI. Its registered office is at Poojapura, Thiruvananthapuram, Kerala. As on 31st March 2013, SBT has 1000 branches and 965 ATMs. It continues to maintain its position as a premier bank in Kerala with a market share of 21.88% in business and 14.25% of branch network.

As on March 2013, the outstanding retail advances of the Bank is Rs. 33,178 crores, being 49.16% of total advances. The housing loan outstanding on March 2013 is Rs. 8582 crores and vehicle loan is Rs. 1357 crores. The retail loan portfolio of State Bank of Travancore mainly consists of housing loan, vehicle loan and personal loan. The following are the important retail loan schemes offered by SBT to the customers.

**SBT Max Gain**

These loans are provided for the construction, purchase, repair, renovation, and alteration of a house or purchase of plot and construction of house.

**SBT Home Decor Loan**

Under this scheme, loan is provided for furnishing of house, purchase of new household furniture, air-conditioners, or any other household items to individuals who avail housing loan from SBT. Loan amount is 25% of housing loan with a ceiling of Rupees five lakhs.

**SBT House Site Purchase Scheme**

This loan is provided for the purchase of residential plot allotted by authorised development authority or city improvement trust on first sale only.
Car Loan

Car loan is provided for the purchase of new or old passenger cars, multi utility vehicles and sports utility vehicles. The loan is to be repaid in 84 EMIs in the case of new cars and 60 EMIs in the case of second hand cars.

Two-wheeler Loan

For the purchase of two wheelers SBT provide two wheeler loans with a maximum amount of Rs. 50,000 on repayment period of 72 months.

SBT Saral Gold Loan

These loans are sanctioned to all individual customers, who have an account with full KYC compliance for meeting unforeseen commitments, emergency medical need and domestic purposes.

SBT Home Cash

These loans are provided to all home loan customers with a satisfactory repayment record for purchase of consumer durables, education or medical expenses of family members, personal expenses etc.

Suvidha Loan

Suvidha loan is provided on the mortgage of immovable properties for meeting the personal needs of the customers.

New Prasanthi Loan

This is a demand loan scheme for pensioners to meet their short term consumption needs.
New Prasanthi Elite

Under this scheme, loans are provided to meet the personal needs of elite pensioners of central, civil, defence, railways, telecom, state and bank pensioners whose pension accounts are maintained at SBT branches.

Jai Jawan Pension Loan

It is provided to meet the personal expenses of young defence pensioners.

SBT Personal Loan

SBT personal loan is a general purpose unsecured loan for salaried individuals, whose salary accounts are maintained at SBT branches.

3.6.3 Canara Bank

Canara Bank was founded by Shri Ammembal Subba Rao Pai, a great visionary and philanthropist, in July 1906, at Mangalore in Karnataka. The bank has nine subsidiaries/sponsored institutions and joint ventures in India and abroad. The bank provides several IT based services like funds transfer through interbank mobile payment services in ATMs, e-filing of tax returns and facility for viewing details of tax deducted at source, terminal at select branches for customers to use net banking, SMS, e-mail alerts for all transactions done through ATM, net banking, POS, mobile banking, online payments irrespective of amounts, online loan applications and tracking facility, generation of automatic pass sheets through e-mail and automatic renewal of term deposits. The bank has 4211 branches and 4005 ATMs as on September 2013.

As on March 2013, the retail advances of the bank is Rs. 23,084 crores. 57% of the retail advances is housing loan. Canara bank introduced Canara home loan
plus, Canara consumer loan and Canara loan against property in 2003. The bank provide housing loan, vehicle loan and personal loans under various schemes to the customers.

*Housing Loan*

This loan is provided for the purchase, construction, repairs or extension of house or flat and for the purchase of plot for construction of house. Housing loan can be availed as the takeover of loan taken from recognised housing finance companies, co-operative banks, commercial banks etc.

*House Improvement Loan*

Here loan is provided for the furnishing of house. It can be availed along with a housing loan from Canara Bank, separately if housing loan is obtained from other bank or without housing loan.

*Canara Site Loan*

Under this scheme, loan is provided to individuals for the purchase of housing site from government agencies.

*Canara Home Loan Plus*

This loan is provided to existing housing loan borrowers for any purpose, other than speculative purpose.

*Home Loan for NRIs*

These loans are provided for the purchase or construction of ready built house or purchase of site and construction thereon or for the repairs, improvement,
or extension of house and as takeover of housing loan liability from other institutions.

*Premium Housing Loan to High Net worth Individuals*

These loans can be availed by high net worth individuals having gross annual income of Rs 25 Lakhs and above for construction of house, purchase of house or takeover of housing loan from other financial institutions or banks.

*Canara Mobile*

This is the vehicle loan scheme of Canara Bank. Four wheeler loan for the purchase of both new and old four wheelers and two wheeler loans for the purchase of new two wheelers are provided under this scheme.

*Canara Rent*

Existing customers of the bank as well as new customers can avail Canara rent. Under this scheme loan is provided up to 75% of the net monthly rent receivables of the customer for the property leased to central or state government undertakings, financial institutions etc.

*Loan for Senior Citizens*

Pensioners are provided loan for meeting the cost of medical expenses or other genuine needs.

*Canara Jeevan*

This is the reverse mortgage loan for senior citizens for meeting their living expenses.
Canara Consumer Loan

Canara consumer loan is provided to salaried individuals, business men and professionals for the purchase of new consumer durable items.

Canara Mortgage

Under this scheme, loan is provided for meeting the genuine needs of both existing and new customers through mortgage of property.

3.6.4 Union Bank of India

Union Bank of India was inaugurated by the Father of the Nation, Mahatma Gandhi, on November 11, 1919. It was originally incorporated in Mumbai with the name The Union Bank of India Ltd. The Bank was nationalized in July 19, 1969, and the name of the Bank was changed to Union Bank of India. In the year 1975, Belgaum Bank Ltd, a private sector bank was amalgamated with the Bank.

The Bank's business segments include Treasury Operations, Retail Banking Operations, Corporate Wholesale Banking and other banking operations. They offer various types of deposits such as savings bank deposits, current deposits, current and savings account deposits, and term deposits. The Bank's advances portfolio includes large corporate advances; micro, small and medium enterprises advances; agriculture advances, and retail advances. As on March 2013 the bank has 3551 branches and 4603 ATMs with a total business of Rs 475,673 crores.

The retail advances of Union Bank of India reached Rs 19,560 crores in March 2013 with an annual growth rate of 21.88% as compared to the previous year. Housing loan accounts for 63% of the total retail loans and vehicle loan, 9% of the total retail advances. Compared to 2012, there is an annual growth rate of 47% in
housing loan and 70% in car loan in 2013. The bank provide retail loan under different schemes.

*Union Home*

These loans are provided for the purchase, construction, repairs, improvement and extension of house, purchase of plot for construction of house and for the takeover of loan taken from another bank or financial institution.

*Union Paradise*

Union paradise can be availed by NRIs for the purchase, construction, repairs, improvement, or extension of house in India or for the purchase of plot and construction of house thereon.

*Union Awas*

Under this scheme, loan is provided to purchase or construct house, purchase plot from government agencies and to repair or improve the residential house property.

*Union Miles*

Vehicle loans are provided by Union Bank to purchase new or old four wheelers and new two wheelers.

*Union Personal*

Salaried individuals can meet their personal expenses like purchase of consumer durables through this loan scheme.
Union Reverse Mortgage

Union reverse mortgage is provided to senior citizens in the form of monthly payout or a combination of monthly payout and lump sum amount against self occupied residential property in India.

Union Cash

Pensioners who draw pension through the Bank can avail union cash to meet their medium term financial requirements through Union cash.

Union Smile

These loans are provided for meeting the short term financial requirements such as medical expenses, payment of school fees, telephone bill, electricity bill etc. by drawing overdraft on SB account. People having salary account in the bank or drawing pension through the UBI can avail this loan.

3.6.5 Federal Bank Ltd.

The Federal bank ltd., the largest traditional private sector banks in the country, is headquartered at Aluva, Kerala. The bank was established by Kulangara Paul Hormis. It built a wide network of branches, reaching out to cover all the major cities of the country and is now accepted as one of the leading private sector banks in the country. Federal bank has played a pioneer role in developing and deploying new technology-assisted, customer friendly products and services.

In 1964, the bank embarked on a series of acquisitions that would substantially increase its size. It acquired the Chalakudy Public Bank in Chalakudy, the Cochin Union Bank in Trichur and Alleppey Bank in Alleppey. In the next year it acquired the St. George Union Bank in Puthenpally. It acquired the Marthandom
Commercial Bank in Trivandrum in 1968. In 1970 the bank became a scheduled bank, which coincided with the silver jubilee year of the commencement of its operation in Aluva. The RBI approved the merger of Federal bank and Ganesh Bank of Kurundwad on 7th January 2006.

The Federal bank is the first among the traditional banks to have all the branches automated and it has attained 100% connectivity. The bank is also the forerunner in introducing internet banking services through FedNet. It also pioneered among traditional banks in Electric Telephone bill payment, E-shopping payment gateway, mobile alerts and mobile banking services, express remittance facility from abroad and in providing RTGS facility in all its branches. The bank has also the distinction of becoming one of the first banks in India to deploy most of these technology enabled services at the smaller branches including rural and semi urban areas. As on 31st March 2013, the bank has a network of 1103 branches and 1171 ATMs.

As on March 2013, the retail advances of Federal Bank is Rs.13,328 crores and it is 29.49% of the total advances of the bank. Housing loan accounts for 40% of the total retail advances. The Bank provides retail loans under various schemes, the important schemes are given below.

*Federal Housing Loan*

This scheme assist borrowers for the construction of house, acquisition of land and construction of house, repair, renovation and remodeling of house and reimbursement of home loans taken from other banks. Both residents and non-residents can avail this loan.
Federal Vehicle Loan

New or used four wheelers and new two wheelers can be purchased through this loan.

Federal Personal Loan

For meeting the personal needs of individuals, federal personal loans are provided to different categories of customers.

Fed Rise

Fed rise is a personal loan issued as an overdraft against recurring deposits.

3.6.6 South Indian Bank Ltd.

South Indian Bank was formed on 25th January 1929, by a group of 44 enterprising men who, with a capital of only Rs 22,000/-, joined together in Thrissur city to liberate the business community from the clutches of greedy money lenders. In 1960s the South Indian Bank took over 15 other small banks when there was a crisis in the banking industry in Kerala.

The bank has covered major milestones since its inception in 1929. It is the first among the private sector banks in Kerala to issue credit cards. The bank also pioneered among the private sector banks in Kerala in opening a currency chest on behalf of RBI in April 1992. The South Indian Bank is the first Kerala based bank to implement the core banking system. The bank has 750 branches and 800 ATM counters as on 31st March 2013.

South Indian Bank provides housing loan, vehicle loan and personal loans under retail loans in different schemes to the customers. The following are the important retail lending schemes of the SIB.
SIB Home Loans for Salaried Class

Under this scheme, loan is provided for the construction or purchase of house and the purchase of plot for construction of house to the employees of MNCs, state and central government, IT companies etc.

SIB Home Loans for Business Class

This is a housing loan scheme aimed at the self employed and business people.

SIB Home Loans for Next Gen

The target group of this scheme is professionals with net monthly income of Rs 60,000 and above.

SIB Home Loans for Agriculturists

People whose main source of income is agriculture is the target group of this scheme.

SIB Home Loans for NRIs

In this scheme, housing loan is provided to NRIs individually or jointly with NRI and resident spouse.

SIB Home Loans for Senior Citizens

The target group of this scheme is pensioners.
Mobiloan Personal

Under this scheme, loan is provided for the purchase of any private registration vehicle to salaried persons, business men, professionals, large scale agriculturist etc.

Mobiloan Commercial

This loan is provided for the purchase of any commercial registration or taxi vehicle.

Mobiloan Agricultural

Agriculturists can avail this loan for the purchase of vehicles.

Personal Loan for Individuals

Under this scheme, loan is provided for meeting the personal or family finance requirements of salaried persons, professionals, businessmen, and other categories having sufficient income.

Group Personal Loans

These loans are provided to the permanent employees of central/state government, public sector units, reputed institutions etc.

Doctors’ Credit

Practising or employed allopathic doctors can avail loan for meeting the personal finance requirements through doctors’ credit.
3.6.7 HDFC Bank

Housing Development Finance Corporation Limited, more popularly known as HDFC Bank Ltd, was established in the year 1994, as a part of the liberalisation of the Indian Banking Industry by Reserve Bank of India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995. It was one of the first banks to receive an-in-principle approval from RBI, for setting up a bank in the private sector. The bank was incorporated with the name HDFC Bank Limited, with its registered office in Mumbai. The following year, it started its operations as a Scheduled Commercial Bank. In 2002, HDFC Bank merged with Times Bank Limited and in 2008 RBI approved the amalgamation of Centurion Bank of Punjab with HDFC Bank. As on 31st March 2013 the bank has 2776 branches and 10583 ATMs across India.

The total retail advances of HDFC Bank as on March 2013 is Rs. 136,386 crores. Like other commercial banks, housing loan constitute a major share of retail advances of the bank. The different retail lending schemes of HDFC is given below.

*Home Loans*

These are loans to individuals for the purchase or construction of houses.

*Home Improvement Loan*

Home improvement loan can be used for meeting the expenses of internal and external repairs and other structural improvements in the house.

*Home Extension Loan*

These loans are provided for meeting the cost of extension of existing house.
Land Purchase Loan

This is a loan facility to purchase land for the construction of house.

Vehicle Loan

Under this scheme, loan is provided to purchase new or used four wheelers and new two wheelers to residents as well as non-residents.

Auto Loan Takeover

Under this scheme, the vehicle loan taken by the HDFC bank account holder from any approved financier is taken over by the bank.

Personal Loan

Personal loan are provided for meeting the requirements of marriage, education of children, foreign travel etc. The existing customers can avail personal loans at easy terms.

Consumer Durables Loan

100% finance for the purchase of luxury items are provided under this scheme with a repayment period of maximum 36months.

3.6.8 ICICI Bank

ICICI Bank started as a wholly owned subsidiary of ICICI Limited, an Indian financial institution, in 1994\textsuperscript{28}. Four years later, when the company offered ICICI Bank's shares to the public, ICICI's shareholding was reduced to 46%. In the year 2000, ICICI Bank made an equity offering in the form of ADRs on the New York Stock Exchange and became the first Indian company and the first bank or financial institution from Asian countries (with the exception of Japan) to be listed
on the NYSE. In the next year, it acquired the Bank of Madura Limited in an all-stock amalgamation. Later in the year and the next fiscal year, the bank made secondary market sales to institutional investors. In 2001 the Boards of Directors of ICICI and ICICI Bank sanctioned the amalgamation of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank.

ICICI Bank has a wide network both in India and abroad. In India alone, the bank has 3100 branches and 10486 ATMs as on 31st March 2013. ICICI Bank has made its presence felt in 18 countries.

As on March 2013, the retail advances of ICICI Bank is Rs. 112,411 crores. Housing loan constitutes 51.5%, auto loan 10.3% and personal loans 2.8% of total retail loans. The retail lending schemes of ICICI bank includes the following.

*Home Loan*

These are loans provided for the construction, repair and renovation of house or for the purchase of a plot for the construction of house to residents and non-residents.

*Land Loan*

Under this scheme, loan is provided for the purchase of residential plot of land for the construction of house.

*Vehicle Loan*

In this scheme, loan is provided for the purchase of private and commercial registration vehicles.
Vehicle Loan for Agriculturists

These loans are provided for the purchase of tractors, multi utility vehicles, earth moving vehicles etc.

Personal Loans

Personal loans are provided to salaried group, self employed and professionals for meeting their personal finance requirements.

Flexi Cash

This is a personal loan facility provided to salaried persons.

Table 3.4 below shows the financial highlights of the sample banks as on March 2013.

Table 3.4

Financial highlights of sample banks as on 31st March, 2013  

(Amount in Millions)

<table>
<thead>
<tr>
<th>Items</th>
<th>SBI</th>
<th>SBT</th>
<th>CB</th>
<th>UBI</th>
<th>FB</th>
<th>SIB</th>
<th>HDFC</th>
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</tr>
</thead>
<tbody>
<tr>
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<td>3660</td>
<td>1128</td>
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<td>No. of employees</td>
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<td>42693</td>
<td>31798</td>
<td>10059</td>
<td>6087</td>
<td>69401</td>
<td>62065</td>
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<td>Business per employee</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(in lakh)</td>
<td>94.39</td>
<td>125.9</td>
<td>142.02</td>
<td>121.5</td>
<td>107.5</td>
<td>120.1</td>
<td>75</td>
<td>73.5</td>
</tr>
<tr>
<td>Profit per employee</td>
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<tr>
<td>(in lakh)</td>
<td>0.65</td>
<td>0.50</td>
<td>0.70</td>
<td>0.70</td>
<td>0.90</td>
<td>0.80</td>
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Table 3.4 Continued…

Financial highlights of sample banks as on 31st March, 2013

(Amount in Millions)

<table>
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<tr>
<th>Items</th>
<th>SBI</th>
<th>SBT</th>
<th>CB</th>
<th>UBI</th>
<th>FB</th>
<th>SIB</th>
<th>HDFC</th>
<th>ICICI</th>
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<td>Capital and Reserves &amp;</td>
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<tr>
<td>surplus</td>
<td>988837</td>
<td>43650</td>
<td>248778</td>
<td>172962</td>
<td>63647</td>
<td>30062</td>
<td>362141</td>
<td>667060</td>
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<td>Deposits</td>
<td>12027396</td>
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<td>2637616</td>
<td>576149</td>
<td>442623</td>
<td>2962470</td>
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<td>Investments</td>
<td>3509273</td>
<td>272255</td>
<td>1211328</td>
<td>80834</td>
<td>211546</td>
<td>125235</td>
<td>1116136</td>
<td>1713936</td>
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<td>Advances</td>
<td>10456166</td>
<td>674836</td>
<td>2421766</td>
<td>2081022</td>
<td>440967</td>
<td>318155</td>
<td>2397206</td>
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<td>Interest income</td>
<td>1196571</td>
<td>86348</td>
<td>340779</td>
<td>251247</td>
<td>61676</td>
<td>44343</td>
<td>350649</td>
<td>400756</td>
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<td>Other income</td>
<td>160348</td>
<td>6530</td>
<td>31530</td>
<td>25520</td>
<td>6644</td>
<td>3349</td>
<td>68526</td>
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<td>753258</td>
<td>65066</td>
<td>261989</td>
<td>175819</td>
<td>41929</td>
<td>31535</td>
<td>192538</td>
<td>262092</td>
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<td>51240</td>
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<td>11795</td>
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<td>112361</td>
<td>90126</td>
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<td>Net interest margin</td>
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<td>2.0</td>
<td>2.63</td>
<td>3</td>
<td>2.84</td>
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<td>4.56</td>
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<td>adjusted to CoF</td>
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<tr>
<td>Wages as % of total</td>
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<td>11.15</td>
<td>10.38</td>
<td>12.47</td>
<td>11.66</td>
<td>12.05</td>
<td>13.01</td>
<td>11.05</td>
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<tr>
<td>expenses</td>
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<td>Return on equity</td>
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<td>12.08</td>
<td>13.52</td>
<td>13.89</td>
<td>19.41</td>
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<td>0.79</td>
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<td>13.91</td>
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<td>0.98</td>
<td>0.78</td>
<td>0.20</td>
<td>0.77</td>
</tr>
</tbody>
</table>

Source: A Profile of Banks- RBI, 2013.
Reference


19 The Travencore Banking Enquiry Committee Report 1930.

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21 http://www.statebankoftravancore.com

22 http://www.canarabank.com

23 http://www.unionbankofindia.com

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