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OVERVIEW OF BANKING SECTOR
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CHAPTER -1

OVERVIEW OF BANKING SECTOR

This research work is an analytical study on financial performance of selected nationalized banks with special reference to economic value added.

1.1 HISTORY OF BANKING IN INDIA

Early Beginning

Though the modern banking system is hardly 200 years old, banking business is quite old in the country. In India, the money lending activities or granting loans activities of a modern bank found in the Vedic period as per Hindu scriptures. In India during the Ramayana and Mahabharata eras, banking, which was a side business during Vedic period, had become full-fledged business activity for the people but during the Manu Smriti period which followed the Vedic period and Epic age, the banking business was carried on by the members of the Vaish Community. Manu the great law giver of the time speaks of the earning of interest as the business of Vaishyas. In the Smiriti period, the bankers performed the most of those functions which banks perform in modern times. The functions of the bank include accepting deposits, granting secured and unsecured loans against pledges and personal security, acting as treasurer, acting as their customer’s Bailee, granting loans to the kings in the times of severe crises and acting as a treasurer and bankers to the state and issuing and managing the currency of the country. The banks perform two important functions, one is to accept deposits and other is to grant loans or lend money or invest funds.

Before Buddisht period, banking business was only carried out by the members of Vaish community but during Buddisht period, the banking business was decentralized and became a matter of free volition. Consequently, Brahmins and Kshatriya also entered into lucrative business of banking who were earlier not permitted to take banking as their profession except under rare circumstances. During this period, bills of exchange were widely used. There were regulated by the king to control the business. In Kautilya’s Arthshastra, maximum rate of interest was fixed. The people who charged high rates were looked down upon by the society. People
who did this business were known as ‘Sresthis’ or ‘Sahukar’ or ‘Mahajan’ and various other names were used for them.

**Moghlul Period**

During the Moghul period, metallic money was used and indigenous bankers played very important role in lending money and financing for both domestic and foreign trade and commerce. They were also engaged in the most profitable business of money exchange. They started exchanging money, circulating in one part of the country with the money current in another part of the country making good margin for themselves. They assisted the state during the period of crisis. The Hundies were most commonly used to transfer money for the commercial transactions and it is the Indian form of bills of exchange. Not only this “during Moghul rule the issue of various kind of metallic money in different parts of the country gave the indigenous bankers great opportunities for developing very profitable business of money changing and the most important among them were appointed mint officers, revenue collectors, bankers and money changers to Government in various parts of the Empire”

They were respected by all people because these indigenous bankers were quite famous and had great political influence. Every big or small town had a sheth also known as ‘shah’ or ‘shroff’, ‘shetty’ or ‘chettiar’ and in the principal towns, besides all these, there was a ‘nagar sheth’ or ‘town bankers’ who performed numbers of banking functions.

**British Period**

In the 17th century, East India Company was established by foreigner to trade in India but due to lack of indigenous banks, inadequate experience and language barrier; they did not prefer such local banks. Company emphasized the development of trading firms to expedite trading with country. Such firms are generally known as agency houses and they were established by the English traders at the port towns of Bombay, Calcutta and Madras. These agency houses, apart from engaging in trade and commerce, also carried out banking business in India. The unification bankers gave one more severe blow to the indigenous bankers as it deprived them of the profitable business of money-changing.
The development of means of transport and communications causing deflection of trade and commerce along new routes, changing the nature and structure of trade activities in the country was the other factor which contributed to the downfall of the indigenous bankers. Partly to fill the void caused by their downfall and partly to growing financial requirements of English trade, the East India Company now came to favour the establishment of the banking institutions patterned after western style. The British agency houses which combined banking business with their trading activities were the foreigners of the modern joint stock banks established on the European lines.³

**The Presidency Banks**

Alexander & co. and Fergusson & co., one of the agency houses at Calcutta, combined banking activities with other businesses and founded India’s first joint stock bank – Hindustan Bank in 1770. Due to the failure of its predecessors it was liquidated in 1832. The Bengal Bank and the General Bank of India were established in 1785. East India Company established the Bank of Calcutta in 1806 which was renamed in 1809 immediately as Bank of Bengal followed by establishment of Bank of Bombay and Bank of Madras in 1840 and 1843 respectively. These three banks were collectively known as ‘Presidency Bank’. They worked as quasi central bank for many years.

In 1860, the principle of limited liability was introduced in Indian banking system. Presidency banks were empowered to issue notes to a limited extent but after the Paper Currency Act 1862, this right was taken away by the government. To protect the interest of Government and depositors, some restrictions were inflicted on these banks. They were denied to deal foreign bills and external borrowings by considering risk factor of such exchange. Even after implementing careful management, some restriction still continue to exist on them.

Nevertheless, presidency banks had branches in many of the important cities, but public opinion suggested a single presidency bank for a whole country because of duplication and overlapping in their activities. In 1898, some witnesses who presented their evidences before the Fowler Currency Committee suggested for the establishment of a central bank in the country but the government was careless to the suggestion. The three presidency banks were to maintain their individuality and also
not in favour of amalgamation of the three presidency banks and form a single bank. The Chamberlin Commission suggested the appointment of the committee to investigate the whole issue in 1913. But during banking crisis of 1913-1917, they found serious deficiencies in the banking system in the country suggesting the need for effective co-ordination and establishment of a central bank.

Besides the three presidency banks some of the important banks were established during 1860 to 1900, were:

- Allahabad Bank Ltd. (1865)
- The Alliance Bank of Simla Ltd. (1875)
- The Oundh Bank Ltd. (1881)
- The Punjab National Bank Ltd. (1894)
- The People’s Bank of India (1901)

Thus, by the end of the year 1900, there were three classes of banks in India, viz.,

i. Presidency Banks, numbering 3
ii. Joint Stock Banks, numbering 9
iii. Exchange Banks and Foreign Banks, numbering 8

These three Presidency Banks continued till 1920 and after that these three presidency banks were merged and had total 70 branches, total paid-up capital of Rs. 3.75 crores and reserves totaling Rs. 3.5 crores and a new bank was formed, called as Imperial Bank of India in 1921. The purpose of this was to protect these banks against the competition of foreign banks.

**Other Banks**

Several other Joint Stock Banks were established in early 19th century. But most of them could not survive because of other combined activities along with banking. But in 1860, an Act was passed; permitting the establishment of Joint Stock Banks with limited liability boosted the development of some other joint stock banks. Most of them failed due to lack of planning and objectives. The only bank during this time which still functional today is Allahabad Bank which was established in 1865, under European management. This bank is one of the oldest joint stock bank and nationalized bank. The first bank on limited liability basis was the Oudh Commercial
Bank, established in 1881 in Faizabad under Indian management. The Punjab National Bank was also established in Lahore in 1895 under Indian management which is one of the largest banks in India. This bank is also one of the nationalized banks at present. At the end of the century there were only 9 joint stock banks.

**The Swadeshi Movement**

The Swadeshi Movement started in 1906 inspired to establish many Indian joint stock banks in the country, with capital and reserves over Rs 5 lakhs doubled from 9 to 18 in the short period of seven years 1906-13. The period of 1906-13 may be said to be a boom period for Indian Banking because the number of Indian joint stock banks increased during this period and became much larger. These banks claimed the total deposits of Rs. 22 crores while their paid-up capital and reserves exceeds Rs. 4 crores. Some of the banks established during this boom period are famous today i.e. The Bank of India in 1906, The Canara Bank in 1906, The Indian Bank in 1907, The Bank of Baroda in 1908, The People Bank of India and The Central Bank of India in 1911. Thus, there was a mushroom growth of banks. All these banks are nationalized banks at present.

Co-operative banks came into existence in 1904 for providing credit facilities to agriculture and rural people where no other banking facility available. These banks played a very important role in Indian economy as during that period, India was mostly dependent on agriculture and the large portion of population was living in the rural areas where commercial banks failed to function. Till the twenties century, the growth of co-operative bank was very slow. Co-operative banks have three-tier structure. The Primary Credit Societies working at villages, towns and cities, Central Co-operative working at District level and State Co-operative Banks working at State level.

In addition to Indian joint stock banks, a number of multinational foreign banks came into existence in the banking system of India. Foreign banks called “Exchange Bank” or “Foreign Exchange banks” because a banking business carried out in India through their branches with their head office in parent countries. Their main function is to purchase and discount foreign bills of exchange. It is termed as exchange bank because they were managed and financed by Non-Indians. The main purpose of these banks was to open branches in India and to compete with Indian
banks. Before the Banking Regulation Act 1949 came into force, these banks enjoyed more freedom but after sanctioning this Act, the RBI obtained certain powers to control and supervise these banks.

**The Period of Banking Failure**

On the other hand, the first half period of the twentieth century stimulates growth of banks; on the other, there was a failure of many banks. Many of the small banks were failed which started during the Swadeshi Movement. But banking experienced severe setbacks during the period 1913-17, as 108 banks failed and another 373 banks failed in 1922-36 which was again followed by the failure of additional 620 banks in 1937-48.4

The Central Banking Enquiry Committee (1929) traced the following major reasons for the failure of banks in India.

- Insufficient paid-up capital and reserves
- Poor liquidity of assets
- Combination of non-banking activities with banking activities
- Irrational credit policy
- Incompetent and inexperienced directors
- Favouritism by the directors and their vested interests
- Lack of co-ordination among joint stock banks
- Mismanagement
- Dishonest management
- Ignorance of the people about banking business
- Creation of long-term loans on the basis of short-term deposits
- Indulgence in speculative types of investments
- Absence of a central bank for overall supervision and control
- Lack of suitable banking legislation for regulation of banks

Other banks failed in 1946-47 include the A.B.C. Bank, the Exchange Bank of India and Africa and the Nath Bank. Eventually, one of the last important reason for the bank crisis was at the time of independence 1947. There was a partition of the country into India and Pakistan. Most of the depositors who were Hindus migrated from India to Pakistan, while the major portion of the assets to India and banks which
failed to remain in Pakistan. The state of Indian banking at that time was described by Shri B. Ram Chandra Rao in these words: “With no banking legislation, no official supervision, no fluid market for short term investments which consequently leads to an over-investment in gift-edged securities, no co-ordinate policy of the different joint stock banks, no centralized banking in the way of the rate of interest, no check against the frequent happenings of swindles by directors or officers of banks and no national policy on the part of the state, the Indian joint stock banks have been unable to show any remarkable progress.”

Up till now, many suggestions were made to have a central bank in India to regulate credit flow and organize currency. On the basis of strong recommendations of the Hilton Young Commission of 1925 and Central Banking Enquiry Committee of 1929, the RBI Act was passed in 1934 and started functioning with the effects from 1 April 1935; the Banking Regulation Act was passed in 1949 for regulation and supervision of banks. It gave wide powers to RBI to regulate, control, supervise and develop the banking systems.

1.2 ORIGIN OF THE WORD BANK

Banking is one of the oldest financial institutions and it is as old as like authentic history. It is traceable in ancient times. The word bank in this regard, there are so many opinion. The word “Bank” itself is derived from the Latin word “BANCUS” or “BANQUE” which means a seat, desk or a bench in English. The early bankers, the Jewish money chargers in Lombardy, a district in North Italy used benches in market place for transacting their business and on failure of bankers; his bench was broken up by the people. This etymology is however ridiculed by Macleod on the ground that “The Italian money changes as such were never called banchieri in the Middle Ages” According to others who believed that the word “Bank” is originally derived from the German word “BACK” which means a joint-stock firm, which was Italianised into “BANCO” when the Germans were master of a great party of Italy. But there is no uniformity amongst the person about the word bank.
1.3 STRUCTURE OF INDIAN BANKS

The Indian banks can be broadly classified into two categories:

   a) Commercial Banks
   b) Co-operative Banks

**Commercial Banks**

Commercial banks (CBs) are one of the oldest and biggest forms of banking institutions in the organized sector and occupy a dominant place in the Indian money market. They are the heart of the Indian Money Market. Commercial banking system of the country consists of

   i. Scheduled Commercial Bank (SCBs)
   ii. Non-scheduled Commercial Bank

**Scheduled Commercial Banks**

Scheduled commercial banks are those commercial banks which are registered in the Second Schedule of the RBI Act, 1934. The following conditions must be satisfied by a bank for their inclusion in the Second Schedule.

- It must have a minimum paid-up capital and total reserves of Rs. 5 lakhs.
- It must also satisfy the Reserve Bank of India that its affairs are not being conducted in a way detrimental to the interest of its depositors.
- It must be a company as defined in Section 3 of the Indian Companies Act, 1956, or a corporation or a state co-operative banks or a company incorporated by or under any law in force in any place outside India, or an institution notified by the Central Government in this behalf.
Scheduled Commercial banks can also be divided into two categories:

a) Indian Banks

b) Foreign Banks

Indian Banks are also sub categorized into two sub-categories.

a) **Public Sector Banks**

Public sector banks are those banks which are owned and run by the Government.

- State Bank of India (SBI) and its associate banks
- 20 Nationalized Banks including IDBI Bank

b) **Private Sector Banks**

Private sector banks are those banks which are owned and run by the private sectors.
- Old Private Sector Banks which were established before 1990
- New Private Sector Banks which were established after the recommendation of Narsimhan Committee.

**Foreign Banks**

In addition to the domestic banks, there are some Foreign Banks in India. Foreign banks are those banks which are operated outside India and are having branches in India. The principal function of this bank is to make credit arrangements for imports and exports of the country. This bank also performs all the functions like commercial banks. The number of foreign banks increased with the change in the banking policy after 1993. Almost all the foreign banks in India are multinationals.

**Local Area Banks (LABs)**

This is a new type of regional rural bank permitted by the government to overcome the deficiencies of regional rural bank and to increase competitive level in banking environment. The local area banking license is given in unbanked and underbanked areas like semi-urban and rural areas of the country. Though their coverage for providing banking services is very limited about 2 to 3 districts, they can perform almost all functions of scheduled commercial banks. Low capital base required for this bank is Rs. 5 crore only. They are operating in India since 1999.

**Regional Rural Banks (RRBs)**

The Regional Rural Banks have been established by the government of India on October 1975, under the provisions of Regional Rural Bank Act, 1976. The main objective of the RRBs is to provide credit and other facilities to the weaker section of the societies particularly the small and marginal farmers, agricultural, artisans, labourers and small entrepreneurs so as to promote and regulate with a view to develop the rural economy for the purpose of agriculture, trade, commerce, industry and other productive activities in the rural areas.

The authorised share capital of each RRB is fixed at Rs. 1 crore and issued capital at Rs. 2 lakhs. Out of the issued capital, the share capital of RRB is divided into 50% by Central Government, 15% by concerned State Governments and 35% by sponsoring Bank.
Non-scheduled Commercial Banks

Non-scheduled commercial banks are those which do not satisfy the above criteria in terms of minimum required capital and natures of banking activities etc… are considered as Non-scheduled Commercial Banks.

Co-operative Banks

India is a cultivating country. Agriculture is the main activity in India. Most of the peoples are dependent on agricultural activity. They require short-term borrowings for the agriculture purposes. This requirement is not fulfilled by commercial banks. Therefore, special types of banks are required for the financing of agriculture. Co-operative banks are best suited for this purpose. The co-operative banks came into existence under the provision of the co-operative credit societies Act. Under this Act, numbers of co-operative banks were established. Subsequently, in 1912, a new Act was passed for the establishment of co-operative central banks by a union of primary credit societies. The Maclagan Committee recommended the establishment of state co-operative Apex Bank in 1914. These banks are organized and managed by the members to provide short-term and medium-term financial requirement.

The main objective of co-operative banks is to provide cheap credit to their members. They are based on the principles of co-operation, self-reliance and mutual-help, and they function with the rule of “One Member, One Vote”.

In India, the co-operative banking system is small in size as compared to the commercial banking system. Its credit outstanding is less than one fifth of the total credit outstanding of commercial banks. Nonetheless, co-operative credit system is the main source of institutional credit to the rural especially farmers in India.

Co-operative banking in India is federal in its structure. It has a pyramid shape of a three-tier structure including (i) Primary Credit Societies (PCSs) (ii) Central Co-operative Banks (CCBs) (iii) State Co-operative Banks (SCBs).
1.4 SERVICES PROVIDED BY BANK

Traditionally, the main services provided by commercial banks were very few. Gradually, with the development of technology, development of new concepts of modern banking and the globalization of economy, transformed the world into a big village, banks have started to perform many services. Now a days, banks become more and more service oriented and customer oriented and every bank has started to provide more and more facilities to their customers. These facilities are provided by each and every bank with the help of functions. The services of the bank may be broadly classified into two categories: Primary Services and Secondary Services or Ancillary Services.
SERVICES OF BANK

Primary services
- Accept or receive deposits
- Recurring deposit accounts
- Fixed or time deposit accounts
- Home safe accounts
- Current accounts or running accounts
- Call deposits
- Savings deposit accounts
- Money at call or sight
- Short-term advances
- Consumer credits
- Term loans
- Discounting and purchasing trade bills
- Overdraft
- Cash credit merchandize
- Treasury bills

Secondary services
- Agency services
- Collection and payment of credit instruments
- Collection of dividend and interest
- Execution of standing orders
- Income tax consultancy
- Reference letter
- Acts as correspondent
- Acting as trustees, executor, attorney

Miscellaneous services
- Safe custody of valuable
- Facility of letters of credit
- Collection of statistics and business information
- Underwriting securities
- Gift cheques
- Acts as a referees
- Facility of credit cards and traveller's cheques
- Accepting bills of exchange

CHART NO - 1.2
PRIMARY SERVICES

To Accept Deposits

The primary service of a bank is to accept the deposits from the public. This banking business depends on these services. The bank accepts the deposits in many ways. The following are the types of deposits which are accepted by the bank.

Recurring Deposit

Recurring Deposit is popularly known as RD, it is an ideal way to invest small fixed savings every month and to earn a handsome amount on maturity. It is one of the new and innovative forms of Saving Deposit Account. In this account, person needs to deposit a fixed amount of money every month for a specific period of time. After the completion of this specified period, person gets back all the deposits along with the cumulative interest which has accrued on it. The main object of this account is to encourage people to save some money compulsorily every month and earn a larger accumulated amount after a specified period. Cumulative interest is allowed on these accounts and this will enable the people to meet their future contingency. The rate of interest is generally higher than the Saving Deposit Account. But in India, it is usually same as Fixed Deposit Rates.

Fixed or Time Deposit

The term fixed means deposits repayable only after the expiry of a predetermined period fixed by a customer himself. The rate of interest on fixed deposit is higher and varies with the period for which money is deposited. In India, the banks are begun to call it “Term Deposit”. But this is also known as “Time Deposit” or “Time Liabilities”, this term most commonly used in the USA because the money is not repayable on demand but only repayable on the expiry of the fixed period of time.

The customers usually offer their money as fixed deposits to earn a higher rate of interest. The interest on fixed deposit is payable only for the fixed period of deposit. Quarterly payment of interest on fixed deposit is permitted. In such account, a cheque book and pass book are not issued. But after depositing his money, a depositor
receives a receipt popularly known as Fixed Deposit Receipt which is not transferable and negotiable instruments.

**Home Safe Account**

A home safe account is same as saving bank deposit account. The main purpose of this account is to create the habit of saving among children and low-income persons. On opening of such account, a safe box is issued to the customers and the key of the box is safe guarded by bank. The box is taken to home by customers and they deposit money inside it from time to time. Then after, this safe box is periodically taken to the bank and opened by bank and the money which is collected by customer is deposited to the customer’s account. Interest is allowed on the minimum balance of this account same as on a saving bank account.

**Current Account or Running Account**

This account is a running account which is continuously in operation and is usually opened by business class people. Such account may be opened by banks for individuals, partnership firm, joint stock firm, limited companies, associations, local bodies etc… The customers can pay money in the form of cash, cheque, postal order etc…into current account. In this account, the customers are free to withdraw and deposit their money as and when he required. There is no restriction on the number of transactions as well as the amount withdrawals from a current account. After opening such account, customers don’t need to keep cash with themselves and helps them to relieve from the burden of handling cash all the time. Sometimes, it is very difficult for the bank to manage and handle the cash but cheque facility removes this difficulty. Usually, interest is not allowed on the balance of current account because the amount deposited in this account is repayable on demand without any restrictions, called demand deposit.

**Call Deposits**

Call deposits are accepted by fellow bankers and are repayable on demand. Interest on call deposits normally depends upon the demand for the money and supply in the financial market.
Saving Deposits Account

This type of account is useful to those who want to deposit their money by small savings in a bank, which they need to withdraw only occasionally. The main purpose of this account is to protect theft among salaried people; middle income as well as lower income who wish to meet their future requirements and also intend to earn some extra income. This account may create habit of savings among the people. When bank receives deposits on these accounts, it becomes an enormous part of total deposits. The rate of interest is comparatively lower than fixed deposits account and higher than current account. Now a day, depositors can open such account with zero balance.

Lending of Money

Another major service of each and every bank is to make loans and advances to businessmen, traders and industrialists. It is one of the largest sources of profit for banks. These loans are made against the personal security or the security of some assets like silver and gold bullion, marketable goods, government securities, easily saleable stocks and shares etc…

Discounting and Purchasing of Trade bills

Discount of trade bill is one of the important bank services to facilitate credit to trade bill holders in exigency. Though, such trade bills are payable in cash at fixed maturity period, banks will convert it into credit in urgent need of cash by drawee. As banks are investing credit, they will not pay full amount of trade bill but they will pay trade bills minus discount. Banks will earn from this discount by providing credit. The bank will claim for amount of that bill on maturity. Such type of service is popular because of their liquidity so that it can be easily converted into cash and there is no default on payment of such bills.

Overdraft

Overdraft (OD) facility allows current account holders to overdraw then his/her deposit in the bank. The customers are free to draw the amount as and when required it up to previously agreed limit and to repay it at their convenience. This overdraft facility is granted by banks against the security of fixed deposits,
government securities or marketable securities etc… It may also be allowed for a short or temporary periods without any security, known as Clean Overdraft.

**Cash Credit Merchandise**

A cash credit account is running or active account and is operated same as current account with an overdraft facilities which allows his customer to borrow money up to a certain fixed credit limit. It is a drawing account and its limit are granted by banks against the securities of goods, book debts or documents of title of goods etc… without the need to maintain credit balance at any times. This is the most popular form of borrowings by the Indian industrialist and commercial houses because of advantages such as customer can withdraw money from his cash credit as and when required through cheque at different time and need not to borrow the whole amount at one time and he/she may deposits amount of money which he finds such surplus amount with him for a time being. While granting cash credit, banker has to estimate the customer’s requirements.

**Money at call or Very Short-term Advances**

Banks also grant advances to the dealers or brokers in stock exchange markets against the collateral securities like equity shares, debentures etc… for a very short period of time, generally not exceeding 7 days. Such advances are repayable immediately at short notice. Hence they are known as money at call or call money.

**Consumer Credit**

Banks also grant limited amount of credit to the consumer like households to purchase some durable goods like refrigerator, television sets etc., or to meet some personal needs like hospital bills etc. such consumer credit is made in lump sum and it is repayable in installments in short time. Under the 20-point Programme, the scope of consumer credit has been extended to cover expenses on marriage, funeral etc., as well.

**Term Loans**

Banks give term loans to traders, industrialists and now to agriculturists also against some collateral securities. Term loans are so-called because their maturity
period varies between 1 to 10 years. Term loans provide intermediate or working capital funds to the borrowers. Sometimes, two or more banks may jointly provide large term loans to the borrowers against a common security. Such loans are called participation loans or consortium finance.

**SECONDARY SERVICES**

*Agency Services*

The important service of a bank is to provide agency services to their customers. In these services, bank acts as an agent.

*Collection and Payment of Credit Instruments*

Banks collect and pay the cheques, bills, promissory notes, drafts and other credit instruments on behalf of their customers.

*Purchase and Sale of Securities*

Banks undertake purchase and sale of various securities like shares, stocks, bonds, debentures and other securities on behalf of their customers.

*Collection of Dividend and Interest*

Banks collect dividend on shares and interest on debentures of their customers and then credit into their accounts.

*Execution of Standing Orders*

Banks execute the standing order of their customers for making periodic collections as well as payments. Banks collect and pay insurance premium, rent, subscriptions to clubs & societies etc…on behalf of their customers. Some charges are levied by the banks.

*Income-tax Consultancy*

Banks may also employ income tax experts to prepare income-tax returns for their customers and help them to get refund of income-tax.
Reference Letter

Banks provide the information of financial condition of other businessmen to their customers as well as they send the information of financial conditions of their customers to the businessmen of the country and abroad.

Acts as Correspondents

Banks sometimes act as correspondents and representative of their customers. They provide traveler’s tickets and even secure air and sea passages for their customers.

Acting as Trustees, Executor, Attorney

Bank acts as trustee, takes care of their funds and helps in the proper management of property of the trust. As an executor, the bankers carried out the desire of deceased customers left by them. As an attorney, the bankers sign the transfer forms and documents on behalf of their customers.

Miscellaneous Services

It is a secondary service of commercial banks. In addition to agency services, a modern bank also provides a number of useful services to their customers. Banks provide fee based services but most of the services are free with a view to attract more and more customers.

Safe Custody of Valuable

Bank only acts as a custodian to their customers. Banks provide locker facility to their customer for the safety of their various valuables such as gold and silver ornaments, documents of title of goods; shares and debentures etc…

Facility of Letters of Credit

Banks may provide facility of letters of credit to the importers in favour of exporters. It clarifies the creditworthiness of their customers. Letters of credit are very useful in foreign trade.
Collection of Statistics and Business Information

Banks also collect statistics and business information relating to commerce, trade and industry. Some banks may publish valuable journals or bulletins containing research on financial, commercial and economic matters.

Underwriting Securities

Banks undertake the share and debentures issued by government, public or private companies.

Gift Cheques

Some banks issue cheque of various denominations to be used on auspicious occasions.

Act as a Referee

Banks may act as referee with respect to the financial standing, business reputation and respectability of customers.

Facility of Credit Cards and Traveler’s Cheques

Banks may provide facility of credit card and traveler’s cheque to their customers at the time of journey. They need not take cash with them at time of journey and it will help them to travel without the fear of theft or loss of money.

Accepting Bills of Exchange

Banks may accept bills of exchange as per the instruction of their customers as well as make payments of cheque, bills, hundies, internal as well as external instruments on behalf of their customers. It enables the customers to import the goods.
1.5 ROLE PLAYED BY BANKS IN MODERN ECONOMY OF A COUNTRY

Traditionally, the role of Indian banking industries was only to accept the deposits from the public and utilize for the purpose of lending or investments. But today, the role of banks has been changed because of the change in the economy like growing income, increasing literacy levels, youngest populations, desire to improve life style, higher adoptability of technology and change in the mind set of the people. Bank plays very important role in the development of modern economy in the country. No economy can think of its development or expansion in the absence of banking services.

- Banks provide various attractive saving deposit schemes because people in modern economy have cultivated thrift and savings habit due to increase in service sector and allowances paid to government employees.
- Banks mobilize idle funds from households to business people for productive purposes through their lending activities in accordance with plans and priorities.
- Banks provide necessary funds to the commerce, trade and industrialist for their working capital such as productive units for more production, to pay wages to workers, to purchase raw material, to pay current business expenses for the marketing of goods and services etc…
- Banks help businessmen in expanding the size of markets in those areas which may be physically too far and businessmen who are unable to extend their field of operation in far off markets due to lack of funds and risk involved in such dealings are supported by banks in so many ways.
- Banks provide easy access credit facility from place to place with economy and safety within a second with various e-banking facilities like ATM, EFT, RTGS, Mobile Banking, Phone Banking, Net Banking etc.
- Banks provide special services to business entrepreneur through personal banking so that they can expand their business. Apart to this, banks also promote new entrepreneurs by underwriting the scrip’s of new and existing companies; by granting assistance either as mentor for promoting new ventures or financing promotional activities under the joint guarantee system.
Banks provide various agency services such as collection of income and making of various payments on behalf of their customers with safety and security so that they can save their time and energy and various utility services like remittance of funds from one place to another, accepting and discounting bills of exchange etc..

Banks provide advance credit to the consumers for the purchase of certain durable consumer goods like T.V., Refrigerator, Scooters, Motor car etc...

Banks provide and distribute their funds for regional development and act as powerful agent. In this role, banks do not follow economic development but they help to create the infrastructure essential for economic growth. Thus, banks serve as engine of balanced regional development.

Banks provide transaction and conversion of foreign currency facility because now a days India ranks top position in receiving foreign remittance.

Banks create major fund for research and development and promote this fund in research activities for common man. The aim of this fund is to raise the productivity of agricultural, allied activities and small scale and cottage industries, and to improve the living conditions of the rural populations.

1.6 NATIONALIZATION AND NATIONALIZED BANKS

Where the ownership and management of banks are taken over by the state government, it is called “Nationalization of Banks” and the banks are known as “Nationalized Banks”

The Controversy of Bank Nationalization in India

Nationalization of commercial banks has always been a very controversial issue in every democratic society. The attempt to nationalize the bank in India did not give chance of campaigning for and against it. The aim of Government is to achieve socialistic pattern of society and it was expected that nationalization would effectively decentralize credits and as a part of result, the priority sectors such as agriculture, small scale industries, self-employed etc. would be provided liberal banking facilities and that banking facilities would be extended to rural and backward areas. These banks are expected to give priority to the neglected areas, exports, to meet the demand of public sector units and to use the balance of the available sources for organized
industries on the basis that new enterprises and backward areas will be preferred to the big business houses.

1.7 REASONS OF NATIONALIZATION

1) Deteriorate the Control of Few

Before nationalization, most of the banks were managed and controlled by business houses but they failed to provide credit facility. Hence, it was one of the important reasons for the nationalization of banks with the aim to provide credit facility to farmers and cottage industries.

2) To Provide Credit Facility to Neglected Sectors

Some of the important sectors in Indian economy like Agriculture; Small-scale sectors were not being provided sufficient credit facility by the banks for a long period because so many risk factors are involved in financing these sectors. After nationalization, most of the needy people can easily access credit service in the country.

3) Removal of Malpractices

One of the reasons of nationalization was to remove malpractices done by banks because before the nationalization, the banks charged and managed under private ownership. Hence large share of bank credit was granted to industrialist and big businessmen that is why other sectors were getting less money. To reduce such malpractices, the bank should be under the control of central authority.

4) Amplify Banking Business

The number of banks and branches were very less at that time and most of the banks have confined their activities only in big cities or urban areas having large population consequently the rural areas remained ignored. Most of the commercial banks at that time did not provide credit facilities in rural areas because of very low profit. This was one of the reasons of the nationalization.
5) **To Reduce Regional Imparities**

By providing easy access of banking services in remote areas in such a large country spread over large geographical span, government wanted to reduce economic imbalances.

6) **Growth of New Opportunities**

Due to increasing banking services, more entrepreneurs will get opportunity to expand their business and new people from various places will get opportunity to start new entrepreneurship. It will increase product portfolio in market and people will get opportunity to start entrepreneurship with new product or services. This will boost Indian economy.

1.8 **ERA OF NATIONALIZATION**

Over the last six decades, Indian Banking undergo evolution in the terms of organization, socio-economic role, function, banking policies etc. So it is useful to study the evolution of Indian Banking system with reference to some distinct phases. The first phase from 1948 to 1968 and second phase from 1969 to 1991. After these two phases, the period of banking reforms started in 1992 to 2002; it may be regarded as present or current phase.

I. **First Phase: 1948-1968 Indian Banking System Prior to Nationalization**

At the time of Independence in 1947, country inherited a banking system that was based on the British Banking System. Banking system was operating in major cities by many joint stock companies. And their financial activities were in limited areas like export of jute, tea, cotton, sugar etc. Uniform Banking Laws were lacking. So bank failures were common in those days.

**After Independence**

The first and foremost step needed was to create legislative framework for the bank. In 1948 RBI has passed the Banking Regulation Act provided the legal framework for the regulation of the banking system by the Reserve Bank of India and it came into force in March 1949. The Act imposed certain disciplines on joint stock companies doing banking business in India and prohibited the use of term ‘Bank’ by
financial companies which were not complying with certain minimum requirement i.e., a minimum paid-up capital and reserves. This stipulation led to a process of weeding out financially weak banks which came into force from March 1952. A number of banks went into liquidation.

The RBI, which was vested with greater powers of control over the banks, started collecting data from 1949 on various aspects of banking. There were 620 banking companies, big and small in size, scheduled and non-scheduled, operating mostly in state capitals and in urban centers. The total number of branches was 4263, total deposits and advances were Rs. 997 crore and Rs. 518 crore respectively, investment were Rs. 376 crore. Imperial bank of India was the biggest bank in those days with 433 branches. It is presently known as State Bank of India and its subsidiaries were independent banking companies mostly in the former princely states. Besides the Indian Banks, there were 15 Exchange Banks (Foreign Banks), mostly dealing with international banking i.e. financing the export and import of commodities with branches in big cities.

At the time of independence, the banking system was having deficiency in many respects. The banks were largely urban oriented and were not available in the rural areas. As a result the large proportion of rural population had to depend on the money lenders as their main source of credit. Bank’s rural penetration was grossly inadequate. They were not supporting agriculture sector, a crucial element of Indian Economy. Moreover, security oriented lending was the order of the day. Only 4% of the total advances were made without any security. Furthermore deficiency was that credit system was short term and there was lack of well developed capital market as well as term-lending institution except for the Industrial Finance Corporation of India (IFCI) set-up in 1948.

**Economic Plan Era**

In 1951, economic planning was introduced in the banking system for the purpose of aligning monetary and banking activity with the requirement of planning. In the first five years, RBI should have planning of finance development and the objective was to expand its use in required sectors like agriculture and small scale industries. There was imperative need to increase rural credit and branch expansion in the rural and backward areas. On the recommendations of All India Rural Credit
Survey Committee appointed by the RBI, the Imperial Bank of India was nationalized and renamed as State Bank of India from 1st July 1955.

SBI was charged with responsibility of expanding its rural branches. In this process of expansion, certain cooperative banks working in former as princely states were converted into subsidiaries of SBI in 1959, and they were also known as associate banks of SBI.

**On the Eve of Nationalization**

Even though expanding branches of banks were unable to reach many rural and semi-urban areas. Large scale industries were enjoying major portion of credit. Agriculture and small scale industries were not getting desired attention. So in 1968, Government adopted social control over banks by amending banking laws. In that social control, banks extended credit facilities to agriculture and small scale industries. Therefore, credit planning and the Lead Bank Scheme were integral part of the development after adoption of social control. Under social control, smaller banks become strong. Thus it acts as milestone in the evolution of banking policy.

**II. Second Phase: 1969-1991 Nationalization**

In 1969, Banking Commission was appointed to recommend changes in structure, procedure and policy of present banking system and second phase of evolution begins. The Commission was overtaken by swift politico economic development, which culminated in the nationalization on 19th July 1969. At that time, 14 major scheduled commercial banks in the private sector was nationalized which were having deposits of 50 crores and above with a view to extend credit to all segments of the economy and to reduce regional imbalances of the economy. This was intended to serve better needs of the economic development in conformity with national priorities and objectives. The banks which were nationalized are:

1) The Central Bank of India
2) The Bank of India
3) The Syndicate Bank
4) The Bank of Baroda
5) The Punjab National Bank
6) The Indian Overseas Bank
7) The United Commercial Bank
8) The Canara Bank
9) The Bank of Maharashtra
10) The Indian Bank
11) The Dena Bank
12) The Union Bank of India
13) The Allahabad Bank
14) The United Bank of India

The Nationalization of 14 major banks was the beginning of a revolution in the Indian Banking Industry. After one decade, 6 more banks having deposits over 200 crores were nationalized in 15th April 1980. This step brought 80% of the banking segment in India under Government ownership. These steps were taken to regulate the Banking Industry in India.

- 1949: Enactment of Banking Regulation Act
- 1955: Nationalization of State Bank of India
- 1959: Nationalization of SBI Subsidiaries
- 1961: Insurance Cover Extended to Deposits
- 1969: Nationalization of 14 Major Banks
- 1971: Creation of Credit Guarantee Corporation
- 1975: Creation of Regional Rural Banks
- 1980: Nationalization of Seven Banks with Deposits over 200 Crore

In 1980, Nationalization of six banks was done to ensure adequate credit flow into productive areas with priorities. The six banks are:

1. The New Bank of India Ltd.
2. Vijaya Bank Ltd.
3. Corporation Bank Ltd.
4. The Andhra Bank Ltd.
5. The Punjab and Sind Bank Ltd.
6. The Oriental Bank of Commerce Ltd.
The Government of India merged the New Bank of India with Punjab National Bank on 4th September 1993. As a result, the total numbers of nationalized banks reduced from 20 to 19.

**Nationalization and its consequences**

Nationalization of banks plays a new and pioneer role in the process of banking reforms in the country as well as growth and development of Indian banking system. In short, it resulted in the evolution of public sector banks. The aim of nationalization was to encourage new entrepreneurship, to reduce the inequalities between regions of the economic activity, to ensure banking system to reach out to the lives of millions in rural and semi-urban areas, to extend banking facilities to sectors hitherto, not served by banks so that they not only mop up the potential savings but also fulfill the credit gaps in agriculture, small-scale industries, exports and other neglected sectors.

**Expansion Phase**

In the wake of nationalization, there was phenomenal growth and development of banking system of the country. By the end of the second phase of nationalization, Indian banking system was relatively sophisticated, with a wide network of branches, huge deposit resources and extensive credit operations.

**Branch Expansion**

There was rapid branch expansion after nationalization. Branch expansion has two broad objectives: (i) to minimize regional imbalance (ii) to provide banking facilities in both rural and semi-urban areas. To achieve these objectives, branch expansion or opening of new branch licensing policy was formulated by the RBI and introduced the “Lead bank Scheme” towards the end of 1969. This scheme provides a new strategy of banking and area development in the branch expansion programme of banks in the post-nationalization phase of banking growth in the country. In this scheme, rural and urban areas, and backward regions and under banked states are included so that inter-regional disparities could be reduced.
TABLE NO - 1.1

NO. OF BRANCHES IN SECOND PHASE 1969-1991

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural Branches</th>
<th>Semi-urban Branches</th>
<th>Urban Branches</th>
<th>Metropolitan Branches</th>
<th>Total No. of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>1832</td>
<td>3322</td>
<td>1447</td>
<td>1661</td>
<td>8232</td>
</tr>
<tr>
<td></td>
<td>(22%)</td>
<td>(40%)</td>
<td>(18%)</td>
<td>(20%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>1980</td>
<td>15101</td>
<td>8078</td>
<td>4856</td>
<td>4384</td>
<td>32419</td>
</tr>
<tr>
<td></td>
<td>(46%)</td>
<td>(25%)</td>
<td>(15%)</td>
<td>(14%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>1991</td>
<td>35206</td>
<td>11344</td>
<td>8046</td>
<td>5624</td>
<td>60220</td>
</tr>
<tr>
<td></td>
<td>(58%)</td>
<td>(19%)</td>
<td>(13%)</td>
<td>(9%)</td>
<td>(100%)</td>
</tr>
</tbody>
</table>

(Source: Report on Trend and Progress of Banking in India of different years)

The total number of bank branches increased four-fold between 1969 and 1980 and an eight fold increased between 1969 and 1991. The share of percentage rose 64% in rural areas, 16% in semi-urban areas from 1969 to 1991. The branch expansion during the post-nationalization era was phenomenal. The share of rural and semi-urban branches together, in the total number of branches increased from 26% in 1969 to 76% in 1991. The impact of this phenomenal growth declined the population per branch from 65000 in 1969 to 14000 in 1991. Thus, one of the objectives of nationalization was to spread the branch banking network to the small man in rural and semi-urban areas upto great extent and to accelerate the socio-economic development. Even on the eve of banking reforms, there was wide spread bank branch network.

**Deposit Mobilization**

Another significant indicator of branch expansion was to mop-up national savings and to channel them into investments according to plan priorities and after nationalization, faster growth was recorded in the rate of deposit mobilization.
TABLE NO - 1.2

DEPOSITS MOBILIZATION IN SECOND PHASE 1969-1991
(Rs. in Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Term Deposits</th>
<th>Saving Deposits</th>
<th>Total Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>3280 (63%)</td>
<td>1524 (29%)</td>
<td>5173</td>
</tr>
<tr>
<td>1980</td>
<td>19253 (51%)</td>
<td>10937 (29%)</td>
<td>37988</td>
</tr>
<tr>
<td>1991</td>
<td>128768 (56%)</td>
<td>56902 (25%)</td>
<td>230758</td>
</tr>
</tbody>
</table>

(Source: Report on Trend and Progress of Banking in India of different years)

The total deposits increased six-times between 1969 and 1980 and five-times increased between 1980 and 1991. The reason behind rose in total deposits was widening and deepening of the branch network by banks. There was a remarkable increase in the term deposits and saving deposits in each of the period which represents the saving habits of the society. The share of time deposits was 56 percent of total deposits for the period 1969-1991 while the average share of savings deposits was 27 percent.

Credit Operations

One of the reasons of bank nationalization was to provide adequate credit to priority sectors in accordance with plan priorities which were neglected before nationalization. The RBI has introduced credit policy which was emphasized on security oriented lending. The new simplified systems and procedures have changed the concept of credit and stipulated that a major portion of mobilized deposits in rural and semi-urban areas should be deployed in priority sectors i.e. agriculture, small-scale industry, export sectors, weaker sections etc…
### TABLE NO - 1.3
CREDIT OPERATIONS IN SECOND PHASE 1969-1991
(Rs. in Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Bank Credit</th>
<th>Priority Sectors</th>
<th>Agriculture</th>
<th>SSI Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>3729</td>
<td>659 (18%)</td>
<td>258 (39%)</td>
<td>347 (52%)</td>
</tr>
<tr>
<td>1980</td>
<td>25371</td>
<td>8501 (33%)</td>
<td>3584 (42%)</td>
<td>3229 (38%)</td>
</tr>
<tr>
<td>1991</td>
<td>125592</td>
<td>45425 (36%)</td>
<td>18157 (40%)</td>
<td>18150 (40%)</td>
</tr>
</tbody>
</table>

(Source: Report on Trend and Progress of Banking in India of different years)

The bank credit increased seven times between 1969 and 1980 and five times between 1980 and 1991. The share of priority sectors in total bank credit revealed increased in each of the period i.e. 18% in 1969, 33% in 1980 and 36% in 1991. But the share of agriculture in priority sectors showed fluctuation between 1969 and 1991 and the share of SSI sector in priority sectors which was 52% in 1969 and it relatively declined to 38% in 1980 and 40% in 1991.

**Social Banking**

An important banking development after nationalization was the emergence of social banking. In the seventies, banking policy was reoriented for securing a progressive reduction in income inequalities, concentration of economic power and class disparities. For attaining the objectives of social banking, special institutions and schemes were sponsored by the RBI and GOI.

The introduction of the scheme for priority sector lending was followed by the establishment of Credit Guarantee Corporation in 1971 to provide guarantees against the risk of default in payment of loans to various categories of small borrowers. This was intended to encourage banks to lend these categories without hesitation. A number of innovations were made in the field of social-banking and large volumes of
credit were lent under 20-point Economic programme, Integrated Rural Development Programme (IRDP) and the programmes for self-employment of educated unemployed youth. Many of the poverty alleviation programmes in the nature of mass-lending schemes were adopted by the banking system for financing.

Though banks penetrated into rural areas, planners were not satisfied with the amount of credit extended to weaker sections of the rural society. To ensure the benefits of development percolated sufficiently to the needy, the GOI came out with special programmes like Small Farmers Development Agency, the Marginal Farmers Development Agency and Agricultural Labourers Development Agency. It was felt that to cater the needs of these target groups, a separate credit agency was necessary. The Narsimham Committee which went into these problems in 1974, recommended the establishment of Regional Rural Banks (RRBs). Under the RRBs Act, 1975, banks in collaboration with Central and State Governments set up RRBs in selected regions where the co-operative system was weak and commercial banks were not very active.

An important aspect of credit policy during the period was the use of administered interest rates to direct the flow of funds to preferred sectors, small borrowers and weaker sections of the society. The aim was to make credit available at low cost to the identified target groups.

**Problems and Consolidation Phase**

The phenomenal growth of the Indian banking system over the last two decades prior to the reforms, gave rise to several problems which became more visible from the mid-eighties. The rapid and substantial growth rendered the banking system unwieldy. Besides, both internal and external constraints, under which banks were functioning, exposed their several weaknesses i.e. low operational efficiency, low profitability, inadequate capital base, high level of NPAs, unhealthy Balance-sheets and unsatisfactory customer service.

The period 1985-1991 may be regarded as a period of consolidation for the banking system. The individual banks were asked for action plans covering organization and structure, housekeeping, training, customer-service, credit management, recovery of loans, productivity and profitability. Following recommendations of the Rangarajan Committee on computerization in banks, the
banks were asked to introduce modern technology in banking operations. Emphasis was laid on the financial viability of banks through improvement in profitability, strengthening the capital base of banks and allowing them flexibility in several areas of their operations.  

**Third Phase: 1992-2002 Regims of Reforms**

**Banking Sector Reforms**

In November 1991, the Government of India appointed a nine member committee on financial system to review all aspects relating to the structure, organization, function and procedures of the financial system under chairmanship of Mr. M. Narsihmham for making recommendation in the banking sectors and has deep effect on the performance of all the banks. The committee of financial system submitted its report I aimed at bringing about “Operational Flexibility” and “Functional Autonomy” so as to enhance efficiency, productivity and profitability of the banks through competition. Major recommendations of the Narsihmham committee were accepted by the government and formed a comprehensive reform of the banking system. The main recommendations of this committee were:

**THE NARSIMHAM COMMITTEE REPORT-1991**

- Reduction in Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR)
- De-regulation of Interest Rates
- Directed Credit Programmes and Redefinition of Priority Sectors
- Capital Adequacy Norms
- Revising the structure of banking system
- Uniform and transparent accounting practices with more disclosures in Balance-Sheet
- Competition through allowing entry of new private sector banks
- Freedom to foreign banks to open branches under terms and conditions applicable to the domestic banks
- Liberalized licensing policy of branch expansion
- Promoted Computerization in banks
- Abolished dual control of RBI and Finance Minister on banks.
- Setting up of Assets Reconstruction Fund (ARF)
- Setting up of Special Debt Recovery Tribunals for recovery of overdue loans
- Establishment of Discount and Finance House of India, Securities Trading Corporation of India and Negotiated Payment Settlement System
- Raising capital through the capital market
- Proper classification of Assets of banks
- Rationalization of foreign operations of Indian banks
- Improving financial health of banks through restructuring of weak banks and recapitalization
- Strengthening the other prudential norms relating to income recognition, classification of assets, loan loss provisions, provision for bad debt
- Speedy liberalization of capital markets
- Free and Autonomous Banks

The most of the reforms have been accepted by the government and not only improved the financial services but also performance of banks in India.

**THE NARSIMHAM COMMITTEE REPORT-1998**

In 1997, the Finance Ministry of the Government of India appointed one more banking sector reforms committee under the chairmanship of M. Narsimham committee II to review the progress of the implementation of banking sector reforms over the past six years and look ahead to chart a programme of banking sector reforms required to make technology upgradation, human resource development and the structural changes so as to strengthen the foundation of Indian banking system to make it more stable and internationally competitive in the fast changing environment.

The committee submitted its report in April 1998. The report covered a wide range of reforms related to issues of banking policy and focus on institutional, supervisory and legislative dimensions like capital adequacy, asset quality and classification, prudential norms, directed credit, asset liability management, earning and profitability systems and methods in banks, restructuring including mergers and amalgamations of banks, disclosure requirements, non-performing assets, review and update banking laws are being progressively implemented. The major findings and recommendations are:
- The reduction in ownership of government from 51% to 33%.
- In Basel-II, Banks in India shall adopt the New Capital Adequacy Frame work. Capital adequacy requirements should take into account the relevant risk factor and internal capital adequacy assessments of each bank and the higher standard needs to be set for capital adequacy and recommended that prescribed capital adequacy ratio need to be raised 9% by 2000 and 10% by 2002 for all banks and ensure that the capital held by a bank is commensurate with its overall risk profit.
- CRR was gradually decreased from its peak at 15% during pre-reforms year to 4.5% in June 2003. It was raised subsequently from time to time. Between December 2006 and August 2008, CRR was increased 14 times. It was 9% with effect from August 31, 2008, but it was reduced subsequently to 6.5%.

  The RBI (Amendment) Act, 2006 removes the floor of 3% and ceiling 20% in respect of CRR. It also provides that no interest shall be payable on CRR balances with the RBI.
- SLR was reduced from its peak of 38.5% during 1990-1992 to 25% since November 1997.
- Prime Lending Rate (PLR) of banks for commercial credit are now entirely within the purview of the banks and not set by the RBI. The rate of saving accounts and rates of interest on export credit are still subject to regulations with effect from April 2001; PLR has been converted into a benchmark rate for banks rather than treating it as the minimum rate.
- Bank Rate has been reduced from 8% to 6% effective from April, 2003. The RBI has the flexibility to conduct repo/reverse repo actions at a fixed rate or variable rates as circumstances warrant.
- Rate of interest on saving deposits of commercial banks was reduced from 4.5% in 1980’s to 3.5% in recent years.
- Prudential accounting norms have been introduced since 1992-93.

  There have been ongoing efforts to strengthen the banking system through the adoption of policies aimed at both improving the financial strength of banks as well as bringing about greater transparency in their operations.
- Public sector banks have been encouraged to approach the public to raise resources.
In 1993, RBI issued guidelines for licensing of new banks in the private sector. It had granted licenses to 10 banks which are currently in business. Fresh guidelines for licensing new banks were issued in January 2000. These guidelines mainly provided that-

- Initial minimum paid-capital shall be raised from Rs. 200 crores to Rs. 300 crores.
- Contribution of promoters shall be a minimum of 40% of the paid-up capital of the bank at any point of time. The contribution of 40% shall be locked in for 5 years from the date of licensing of the banks.
- While augmenting capital to Rs. 300 crores within 3 years, promoters shall bring in at least 40% of the fresh capital which will also be locked in for 5 years. NRI participation in the primary equity of a new bank shall be to the maximum extent of 40%.

In 1996, the RBI has issued guidelines for the setting of New Private Local Area Banks (LABs) which will help in mobilizing rural saving and channelizing them into investment in local areas.

- Setting up of small and local banks in order to serve local trade, small industries and agriculture.
- Selective credit controls which pertain to regulations of credit for specific purpose have been abolished in the post-liberalized period.

- Other measures include removing/relaxing credit restrictions for purchase of consumer durable products, enlarging the coverage of priority sector to include software, agro-processing industries and venture capital.

- In the next three years, the entire portfolio of government securities should be marked to market and schedule of adjustments should be announced at the earliest. There should be 5% weight for market risk for government and approved securities.

- The risk weight for a government guaranteed advance should be the same as for other advances.

- The foreign exchange open position limit should carry 100% risk weight.

- Banks have been asked to set up Assets Liability Management (ALM) systems. RBI has issued guidelines for risk management system in banks encompassing credit, market and operational risks. Greater attention to asset
liability management to avoid mismatches and to cover among others liquidity and interest rate risks.

- An asset is to be classified as doubtful if it is in the substandard category for 18 months in the first instance and eventually for 12 months and loss if it has been so identified but not written off.

- For the purpose of evaluating the quality of asset portfolio such advances covered by government guarantees which have turned stricky should be treated as NPAs. If such advances are excluded from computation, committee recommended that government guaranteed advances which otherwise would have been classified as NPAs and should be separately shown as an aspect of full disclosure and greater transparency in operations.

- The net NPAs level for all banks should be brought down 5% by 2000 and 3% soon thereafter.

- For banks with a high NPA portfolio, two approaches could be adopted to solve the problem of high NPAs.

   In the first approach, all loan assets in the doubtful and loss categories should be transferred to Asset Reconstruction Company (ARC) and their realizable value determined.

   Another approach could be to enable the banks to issue bonds in difficulty which would form part of Tier-II capital. If guarantee of government for these bonds extended which would make them eligible for SLR investment by banks and approve investment by LIC, GIC and Provident Fund.

- Proportionately higher share of direct credit in NPA can cause erosion in the quality of bank assets. The bank should extend credit to agriculture and Small Scale industries (SSI) on commercial consideration and its direct impact on bank’s asset quality on the basis of credit worthiness.

- With regard to income recognition, in India, income stops accruing when interest or installment of principal is not paid within 180 days which should be reduced to 90 days in phased manner by 2002.

- Introduction of a provision of 1% is required on standard assets and RBI should consider it in a phased manner.

- A credit information bureau has been established to identify bad risks.
- Derivative products such as Forward Rate Agreement (FRAs) and Interest Rate Swaps have been introduced.

- Experiment with the concept of Narrow Banking to rehabilitate weak banks.

- Recovery of debts due to banks and other financial institutions Act, 1993 was passed and special recovery tribunals were set up to facilitate quicker recovery of loans arrears.

- The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests (SARFAAESI) Act, 2002 has been introduced which enables the regulation of securitization of reconstruction of financial assets and enforcement of security interests by secured creditors. The Act will enable banks to dispose securities of defaulting borrowers to recover debt.

- The maximum disclosure is required relating to the maturity of assets and liabilities, foreign currency assets and liabilities, movement in provision accounts and NPAs.

- To supervise the working of commercial banks Department of Supervision has been set up in 1993 and Board of Financial supervision in 1994 in the Reserve Bank of India.

**Impact of Reforms**

The response of the banks to the reforms has been impressive. The banks have been adjusting very well to the new environment, though gradually. As at the end of March 2001, 23 out of 27 public sector banks had capital adequacy in excess of 10 percent, the prescribed ratio being 9 percent. 15 nationalized banks fell into this category, i.e. exceeding 10 percent. There has been a considerable reduction in Non-Performing Assets (NPAs). There has been remarkable progress in the net profit, deposits, credit deployed. In the first post-reform year 1992-93, 12 out of 27 public sector banks reported net losses, by March 2001 only 2 banks recorded net losses. The striking feature of the banking system during 1991-2001 is its continuing branch expansion. By March 2001 there were 65901 branches and the share of rural and semi-urban branches together was 70 percent indicating the wide reach of the banking system. There is little doubt that the benefits of the banking reforms have been considerable.
Forth Phase: Beyond 2002 Challenges and Opportunities

Bank plays a major role in the economic development of the country. It is one of the main financial institutions of the country which provides its services in each and every sectors of the economy and each and every areas of the country. Now a day, it is becoming a centre of the country’s activity. Hence, the role of the banks is becoming more and more challenging. For that banks should focus more on upgrading their knowledge in response to the process of continuous change and so many factors such as changing economic environment of the country, rapid use of Information Technology (IT), stiff internal and external competition and wide range of financial products and services.

The worldwide revolution in Information and Communication Technology (ICT) has become the biggest force of change in banking sector. It is a source of productive growth and facilitates effective competition. The process of technological change is just beginning in Indian banking. In the highly competitive environment, success is defined by the factors like customer relationship, product differentiation, brand equity and technology because of this present condition, banking activity is becoming more and more service oriented, technological oriented, customers oriented. They develop more relations and strengths with their customers towards relationship banking and try to provide more and more facilities to their customers; customers are increasingly moving away from the confines of traditional branch banking and want the convenience of remote electronic banking services.

**CHALLENGES**

The economy has changed the banking scenario and it brought lots of challenges and opportunities for the banks. In the complex and fast changing environment, the Indian banking sector is facing multiple and concurrent challenges such as increased competition, rising customer expectations, and diminishing customer loyalty.
Intense Competition

It is a big challenge to banks because a stiff competition has been started within the banks operating in India and banks have started to use information technology without direct recourse to the bank by the customers and make constant customer friendly relationship to stand with developed countries and fast changing business environment. Presently, banks are becoming more customer oriented because it is becoming the new rule of competition to recognize the importance of their customers and to address the needs through innovative products supported by new technology. These banks have introduced customer friendly products and services. As a consequence of competition, the managerial challenges include consumer expectations and feedback, market segmentation, product positioning, innovative delivery channels, cross-selling, etc... This is more easy, convenient and familiar because bank can provide banking services through the extensive use of technology.

Technology in Banking

Today, banking business has been adjusted, adopted and changed because of rapid use of technology which facilitates across every nook and corner of the vast country as it holds the key of success for the Indian banks. The private sector banks and foreign banks have started using technology for the banking transaction to stand in competitive market but still public sector banks are lacking the technology. It is challenging task for the public sector banks to use higher technology which helps in up-gradation and designing of more e- products. This e-product include net banking, tele-banking, mobile banking, ATMs etc... which provide great convenience and multiple options to the customers and cost savings advantages to banking industries. By using these technological products, bank can reduce the cost, increase volumes and enhance profitability, efficiency and customer convenience.

These e- products will act as an apex body to develop, disseminate and regulate technology for inter-bank network with wide range of products and services, facilitate move towards full-proof risk hedging techniques and strengthening payment systems to reach global standards. So adopting and adapting to technological changes as an alternative channel to banking is prime challenge to banks to meet public
demand and to face competitive market. Banks should adopt this change to meet regulatory norms.

**Timely Upgradation of Technology with Security in Banking**

Only the adoption of technology is not the challenge for the banks especially for public sector banks but after adopting timely upgradation with all advancements, more powerful safety and security is more important than adoption of technology. It improves their performance in the market and makes them competitive locally and internationally. An out dated application software, bugs in system and insecure system can create serious operational regulatory and reputational risks. At present electronic transfers, clearing and payment settlements have reduced transaction time and cost. It is necessary for the banks to upgrade technological financial products and services with security and to provide better services to their customers.

**Human Resource Management**

Human resource is a key differentiating factor challenged particularly to the Indian banks and it can be powerful asset and highly valuable resource. Today bank has become a choice of an employer in India and one of the most employee-friendly organizations. But it is very difficult for the organization to find skillful, experienced and responsible employees. The Human Resource function process should be continue in banks to ensure the development of employees, competencies, dynamism, motivation and effectiveness, in a systematic and planned manner. This process also deals with bringing about improvements and physical capacities, relationship, attitudes, values, knowledge and skills of the employees for achieving the objects for which the bank stands. Ongoing HR process in banks brings quality in employees. The quality of human resources reveals the ability of banks to deliver value to customers and linked to technology which requires intensive training to the staff and motivation through promotion, rewards or awards.

The HR is a big challenge for Public Sector Banks than Private Sector Banks and Foreign Banks due to attractive compensation structure and better career progression opportunities. Therefore, bank faces HR challenges which include Defining Job Roles, VRS Plan, Performance Measurement System, Training and

Risk Management and Regulatory Implication

There is increasing competitiveness among banks in the growing and fast challenging world. Even though, paramount importance has been given to the concept of Risk Management right from the beginning. The different types of risks affect the banks and banking system like credit risk, market risk, liquidity risk, operational risk, solvency risk, information security risk, group risk, enterprise risk etc…

The effective risk management requires technical expertise and also independent and dedicated risk management functions. There is a positive association between changes in risk and capital to reach the international standards of capital adequacy, risk management and accounting practices, human resource management needs to search right talent. For that banks should have freedom for that.

Corporate Governance

Good corporate governance has greater importance in the emerging environment because it provides higher standards of corporate leadership. It ensures transparency, responsibility, accountability, credibility, sustainability and efficiency in the management of the organization and control of business. Cultivation of good corporate governance practices in banks brings rules, regulations, guidelines and clean and clear corporate practices. Banks have to be more transparent and responsive while taking the right decision on discovering problems and its solution. The object of corporate governance in banks is to protect and enhance the shareholders value and to protect the interest of all its stakeholders such as customers, employees and society at large scale which bring credible business ethics in banks.

Structural Issues

The Indian banking sector continues to face some structural challenges like relatively large number of banks, some of which are sub-optimal in size and scale of operations. Business and technology derived structure of the bank should be managed. Individual banks’ and government’s role should be confined to provide stable macro-environment and to protect the interest of shareholders and stakeholders. On the
regulatory front, alignment with global developments in banking supervision is a focus area for both regulators and banks. The new international capital norms require a high level of sophistication in risk management, information systems and technology which would pose a challenge for many participants in the Indian banking sector. The deep and often painful process of restructuring the Indian economy and Indian industry has resulted in asset quality issues for the banking sector; while significant progress is being made in this area, a great deal of work towards resolution of these legacy issues still needs to be done.

Management of NPAs

The management of NPAs level is always a biggest challenge for the Indian banks due to fragile economic environment and it reveals that any bank’s profitability and consequently larger efforts of a bank to minimize NPAs are required to run bank longer. Today many of the Indian banks focus in improving its performance in the area of NPA management. There are several statutory, legal and political rules and regulations in the recovery of loans and advances. In the terms of assets classifications and quality and NPAs, Indian banks should have clean, strong and transparent balance sheets relative to other banks in comparable economies. For sound and better financial performance of public sector banks, restructuring of borrowal account should be left to individual banks.

Management in Different Segments of the Economy

It is very important challenge for all Indian Banking Industry to manage different segments of the economy in the present decade. Bank cannot ignore any one segment of the economy and may face certain problems regarding these. Banking services have to be delivered in keeping with the different levels of economic prosperity enjoyed by the population in rural, semi-urban, urban and metropolitan areas, and their relative needs. Providing technology driven banking in the metros on the one hand and to ensure availability of basic banking services in the rural areas on the other hand, form the two ends of the spectrum and banks need to manage both equally competently in the present decade.
**OPPORTUNITIES**

Opportunities are immense to enter in new business and new markets, to develop new way of working, to improve operational and functional efficiency, to provide high level of customer services etc…

**Indian Consumers**

Today, Indian consumers are the biggest opportunity for the Indian banking sectors. Demographic shifts in the terms of income levels and cultural shifts in the terms of lifestyle aspirations are changing the profile of the Indian consumer. This is and will be a key driver of economic growth going forward. The Indian consumer now seeks to fulfill his lifestyle aspirations at a younger age with an optimal combination of equity and debt to finance consumption and asset creation. This will lead to increased flow of savings to the banking system and a demand for competitive, sophisticated, personal and retail banking service. And, these consumers do not live just in India’s top ten cities. They are present across cities, towns and villages as improving communications increases awareness even in small towns and rural areas. Consumer goods companies are already tapping this potential – it is for the banks to make the most of the opportunity to deliver solutions to this market.

**Rural Banking**

It is good opportunity for each type of bank to open a branch in untapped areas and should launch simple products to cater the rising demand from customers so that they can increase their customers. Banking in India is generally fairly mature in terms of supply, financial products and services even though to reach rural India still remains a challenging task for the private sector banks and foreign banks to make priority sectors more receptive and productive. Quality assets and capital adequacy are also prime requirements in these regions. Public sector banks need to adopt financial engineering approach, redefine their strategy and reorient their organizational structure to rural banking.

**Retail Banking**

Retail banking is the emerging phenomenon in the banking sector in India. It serves the customers through a branch network and other delivery channels. It is the
basic resource mobilizing unit. Therefore, the banks should start developing long-term relationship with their customers through regular touch in an easy and convenient manner, by serving high quality products and services and to adopt customer segmentation which has helped in customizing their product portfolios particularly in respect of financing of consumer durables, personal loans, housing loans, agriculture finance, auto loan, commercial vehicle finance apart to this investment solutions and cards to its customers etc…which helps the banks in risks dispersal and in enhancing the earnings of banks with better recovery rates. Today the card business is an integral part of the bank’s retail strategy. Apart to this, banks should also start personal banking activities including lending activities to corporate customers.

1.9 ABOUT THE SAMPLE UNITS

1.9.1 BANK OF BARODA

Bank of Baroda was incorporated on 20th July 1908 with the paid up capital of Rs. 10 lacs, under the companies Act 1887. The Maharaja of Baroda Sir Sayajirao Gaekwad III was the first founder of the bank in the princely state of Gujarat. It is the third largest public sector bank in India after SBI and PNB. It is an Indian state-owned banking and financial services company. It has it’s headquarter in Vadodara, Gujarat. Along with headquarter in Vadodara, it has a corporate headquarter in the Mumbai. Bank of Baroda was nationalized by the government of India on 19th July 1969 having deposits of 50 crores along with 13 other commercial banks.

Through its wide branch networks and its specialized subsidiaries and affiliates, the bank offers a wide range of banking products and financial services to its corporate and retail customers.

In 1996, it entered into capital market for the first Initial Public Offer. At present, BOB’s public share holding is higher 46.19% which includes Retail Investors, Mutual Funds, Banks and Financial Institutions, Employees, FII and OCBs, Insurance Companies and others.

Vision and Mission Statement

“To be a top ranking National Bank of International Standards committed to augmenting stakeholders’ value through concern, care and competence.”
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(Source: Compiled from Annual Reports of the Bank)
1.9.2 BANK OF INDIA

Bank of India (BOI) was founded on 7th September, 1906 with headquarters in Mumbai by a group of eminent businessmen. The bank started its operations on 1st November 1906. The bank was under private ownership and control till July 1969, but after that the Central Government announced nationalization of 14 top scheduled commercial banks in the private sectors along with Bank of India (BOI), which were having deposits of 50 crores and above.

BOI started its operation with one office in Mumbai with a paid-up capital of Rs. 50 lacks and 50 employees and presently it has approximately 4646 branches in India. Sir Sassoon J. David was the lead promoter of the Bank of India. He was a member of the Sassoons who in turn became a part of a Bombay community of Baghdadi Jews, which was notable for its history of social service. Sir David was a prudent banker and remained the chief executive of the bank from its founding in 1906 until his death in 1926.

The Bank’s association with the capital market goes back to 1921. Bank of India entered into an agreement with the BSE to manage its BSE clearing house since 1921. The BOI came out with an IPO in 1997.

BOI is a founder member of SWIFT (Society for Worldwide Inter Bank Financial Telecommunications) in India which facilitates provision of cost-effective financial processing and communication services. The BOI has also specialized branches that deal in small-scale industries, asset recovery, lease finance and treasury and high-tech agricultural finance. The bank provides wide range of banking products and financial services to a large number of corporate and retail customers. The bank occupies a premier position among the nationalized banks because of rapid growth over the years and strong and blossomed operations at national and international level.

The Bank completed its first one hundred years of operations on 7th September 2006.
Vision:

“To become the bank of choice for corporate, medium businesses and up
market retail customers and to provide cost effective developmental banking for small
business, mass market and rural markets.”

Mission:

“To provide superior, proactive banking services to niche markets globally,
while providing cost-effective, responsive services to others in our role as a
development bank, and in so doing, meet the requirements of our stakeholders.”

Quality Policy:

We, at Bank of India are committed to become the Bank of Choice by
providing SUPERIOR, PROACTIVE, INNOVATIVE STATE OF THE ART
Banking services with an attitude of care and concern for the customers and patrons.
Table 1.5 - Financial Details of Bank of India (BOI) (Rs. in Crores)

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<td>Paid-up Capital</td>
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<td>488.14</td>
<td>488.14</td>
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<td>525.92</td>
<td>525.91</td>
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| **Net Profit**          | 340.05   | 701.44   | 11,231.6 | 20,093.9 | 30,073.3 | 17,410.7 | 24,88.71 | 26,77.52 | 27,49.35 | 8,404.9
| **Total Interest Income**| 6031.52  | 7028.71  | 9180.32  | 12,355.22| 16,347.35| 17,877.99| 21,751.72| 28,480.67| 31,898.93| 37,910.1 |
| **Net Interest Income** | 2236.88  | 2631.99  | 3440.46  | 4229.27  | 5498.9   | 5755.95  | 7810.69  | 8313.44  | 9013.99  | 10,830.53|
| **Operating Expenses**  | 1932.31  | 2115.13  | 2608.43  | 2644.99  | 3093.97  | 3667.81  | 5068.24  | 4940.66  | 5331.56  | 6699.47
| **Operating Profit**    | 1460.36  | 1719.23  | 2394.98  | 3701.2   | 5456.79  | 4704.77  | 5348.23  | 6693.95  | 7458.47  | 8422.9
| **Interest on Borrowings** | 303.68   | 361.94   | 543.32   | 561.86   | 532.59   | 555.64   | 812.89   | 1145.3   | 1488.6   | 1838
| **Other Income**        | 1155.79  | 1184.38  | 1562.95  | 2116.93  | 3051.86  | 2616.64  | 2641.77  | 3321.17  | 3766.04  | 4291.84
| **Provisions & Contingencies** | 1120.31 | 999.79   | 1271.82  | 1691.81  | 2449.46  | 2963.7   | 2895.52  | 4016.43  | 4709.1   | 4393

(Source: Compiled from Annual Reports of the Bank)
The Indian Overseas Bank was commenced on 10th February 1937 in Chennai (Madras). Shri. M. Ct. M. Chidambaram Chettyar was the founder of the bank and a pioneer in many fields i.e. Banking, Insurance and Industry. The purpose of the establishment of this bank was to encourage overseas banking and foreign exchange operations.

IOB had the distinction of simultaneously commencing operations in three branches at Karaikudi, Chennai and Yangon (Myanmar), it soon opened its branches in Penang and Singapore. IOB was the first bank to venture into consumer credit, as it introduced the popular Personal Loan Scheme.

IOB was nationalized in 19th July 1969 along with other 13 banks. Before nationalization, bank had twenty of its eight branches located overseas but after nationalization the bank emphasized on opening its branches in rural parts of India.

IOB had the distinction of being the first bank in banking industry to obtain ISO 9001 Certification for its Computer Policy and Planning Department from Det Norske Veritas (DNV), Netherlands in September 1999. This certification covers Design, Development, Implementation and Maintenance of Software developed in – house, procurement and supply of hardware and execution of turnkey projects.

**Vision:**

“To be among the top five nationalized banks in terms of business volumes and sustained profitability with global recognition guided by high standards of governance and ethics; and emerge as the “Most Preferred Banking Partner” to unlock value to all its stakeholders.”

**Core Values**

- Customer Centricity:
  - Good people to grow with
  - Touching Hearts and Spreading Smiles
- Honesty, Integrity, Fairness & Transparency
- Build Leaders for Industry
- Team of Skilled & dedicated Employee
- Innovation & Risk Appetite
- Green Banking

Mission
- Deliver the best of competitive products in terms of quality, range, utility and cost effectiveness
- Optimize our HR resources through training, exposure, mentoring and incentive, relying on the “soft touch” instead of the “big stick“.
- Develop quality bankers who would rise to be future leaders of the industry.
- Contribute to country’s economic growth through dedicated efforts and customer focus.
- Streamline the process of service delivery from time to time to meet emerging requirements.
- Nurture a climate of creative problem-solving to resolve customers’ grievances with alacrity ensuring that the Bank is regarded as Customer Centric.
- Emphasize a policy-oriented and rule-driven culture of compliance to meet evolving requirements.
- Engineer CRM (Customer Relationship Management) and insights gained for further enhancement of products and service quality.
- Expand IT infrastructure to deliver all banking services from “one tap” irrespective of customer location.
- Adopt a multi disciplinary approach to facilitate future growth through the evolution of “banks within the Bank”
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(Source: Compiled from Annual Reports of the Bank)
1.9.4 ORIENTAL BANK OF COMMERCE

Oriental Bank of Commerce was incorporated on 19th February 1943 in Lahore, Pakistan. Its modest beginning under its founding father, Late Rai Bahadur Lal Sohan Lal, the first chairman of the bank. It is one of the public sector banks in India and it started its journey from Lahore. After the country partitioned, the bank shifted its registered office from Lahore to Amritsar and subsequently shifted to Delhi in 1951.

Oriental Bank of Commerce was nationalized on 15th April 1980 with other five banks and at the time of nationalization, the bank had a business of Rs. 435 crores and 307 branches mostly in agricultural belt with having 3945 employees. The bank having 19th position among the 20 nationalized bank. Within a decade the bank turned into one of the most strongest, efficient and best performing bank of India.

The bank is one of the youngest public sector banks with 34% of its employees below 35 years of age. The bank is also having one of the highest productivity ratios in the banking industry.

Vision

“To be a customer friendly premier bank committed to enhancing stakeholder value.”

Mission

- Provide quality innovative services with state-of-the art technology in line with customer expectations
- Enhance Employee’s professional skills and strengthen cohesiveness.
- Create wealth for customers and other stakeholders.
Table 1.7 - Financial Details of Oriental Bank of Commerce (OBC)  
(Rs. in Crores)

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(Source: Compiled from Annual Reports of the Bank)
1.9.5 PUNJAB NATIONAL BANK

Punjab National Bank is one of the oldest and the third largest bank in India. It was registered on 19\textsuperscript{th} May 1894 under the Indian Companies Act but opened its business on 12\textsuperscript{th} April 1895 with its office in Anarkali Bazaar, Lahore. Since inception in 1895, PNB has always been a of “People’s bank” serving millions of people throughout the country and had the proud distinction of serving great national leaders.

Being a first Indian bank, bank have been started solely with Indian capital – owned, managed and operated by the Indians for the benefits of Indians. Lala Lajpat Rai, the Lion of Punjab was actively associated with the management of bank in its formative years.

The government of India nationalized PNB on 19\textsuperscript{th} July 1969 along with 13 major commercial banks. Currently, Punjab National Bank is the second largest government owned commercial bank in India after SBI. It has one of the largest branch networks in India with having about 5000 branches across 764 cities. It serves more than 3.7 crores customers. The bank has been ranked 248\textsuperscript{th} biggest bank in the world by the Bankers Almanac, London.

With more than 120 years strong existence, bank has 6081 total branches including 5 foreign branches, 6940 ATMs and 8.9 crores esteemed customers at present.

Vision

“To be a leading global bank with Pan India footprints and become a household brand in the Indo-Gangetic plains providing entire range of financial products and services under one roof.”

Mission

Banking for the unbanked
Table 1.8 - Financial Details of Punjab National Bank (PNB)

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(Source: Compiled from Annual Reports of the Bank)
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