CHAPTER 2

INDIAN BANKING STRUCTURE AND STATE BANK OF INDIA

Banks play an important role in the economic development of a country. There has been tremendous impact of recent technological developments, particularly of information technology, on the banking sector throughout the world. Banking industry has been innovative and successful in meeting the changing need of its customers by offering greater access and e-banking services.

2.1 STRUCTURE OF INDIAN BANKING INDUSTRY

Prior to the passing of the banking regulation act, 1949, the banking companies were governed by the provisions of the companies act, 1913. However, provisions of the companies act 1913 were not adequate to regulate the organization and working of the commercial banks in India. The banking regulation act, 1949 was passed to consolidate and amend the laws relating to the banking companies in India. The law relating to organizational aspects of banking is not found in a single statute. It is contained in a number of statutes. The important ones are as follows:

1.- The reserve bank of India act, 1934
2.- The banking regulation act, 1949.
3.- The companies act, 1956.
4.- The state bank of India act 1955.
The Important constituents of the structure of commercial banking in India are:

**CENTRAL BANK –**

The Reserve Bank of India was established as the central bank of India in 1935. The central bank occupies the central position in the banking system of the country. It was created to ensure balanced growth of banking structure and system in India. It performs:

- **Central banking function** like issue of bank notes, banker to the government, banker to the banks, controller of credit, custodian of foreign exchange reserves, etc
- **Supervisory functions** such as licensing of banks, branch expansion, merger, liquidation, etc
- **Promotional functions** like promotion and development of specialized institutions to meet specific financial requirements. These includes industrial finance corporation of India (IFCI), Industrial development bank of India (IDBI), Export–import bank of India (EXIM Bank), etc

**(1) SCHEDULED BANKS**

A scheduled bank is a bank that is listed under the second schedule of the RBI Act, 1934. In order to be included under this schedule of the RBI Act, banks have to fulfill certain conditions such as having a paid up capital and reserves of at least 0.5 million and satisfying the Reserve Bank that its affairs are not being conducted in a manner prejudicial to the interests of its depositors. Scheduled banks are further classified into commercial and cooperative banks. The basic difference between scheduled commercial banks and scheduled cooperative banks is in their
holding pattern. Scheduled cooperative banks are cooperative credit institutions that are registered under the Cooperative Societies Act. These banks work according to the cooperative principles of mutual assistance.

(i) Scheduled commercial banks:
Scheduled commercial banks (SCBs) account for a major proportion of the business of the scheduled banks. As at end-March, 2009, 80 SCBs were operational in India. SCBs in India are categorized into the five groups based on their ownership and/or their nature of operations. State Bank of India and its six associates (excluding State Bank of Saurashtra, which has been merged with the SBI with effect from August 13, 2008) are recognized as a separate category of SCBs, because of the distinct statutes (SBI Act, 1955 and SBI Subsidiary Banks Act, 1959) that govern them. Nationalized banks (10) and SBI and associates (7), together form the public sector banks group and control around 70% of the total credit and deposits businesses in India. IDBI ltd. has been included in the nationalized banks group since December 2004. Private sector banks include the old private sector banks and the new generation private sector banks- which were incorporated according to the revised guidelines issued by the RBI regarding the entry of private sector banks in 1993. As at end-March 2009, there were 15 old and 7 new generation private sector banks operating in India.

Foreign banks are present in the country either through complete branch/subsidiary route presence or through their representative offices. At end-June 2009, 32 foreign banks were operating in India with 293 branches. Besides, 43 foreign banks were also operating in India through representative offices. The banking system, largely, comprises of scheduled banks (banks that are listed under the Second Schedule of the RBI Act, 1934). Unscheduled banks form a very small component (function in the form of Local Area Bank). Scheduled banks are further
classified into commercial and cooperative banks, with the basic difference in their holding pattern. Cooperative banks are cooperative credit institutions that are registered under the Cooperative Societies Act and work according to the cooperative principles of mutual assistance. Their functions are to collect deposits from the public and grant loans and advances. A bank ordinarily grants financial help for short and medium term only.

A bank also performs various agency and miscellaneous functions for its customers. There are various types of commercial banks which can be classified as:

**(a) Public Sector Banks**

Public Sector Banks (SBI and associates + Nationalized banks) control more than 74-75% of the total credit and deposits businesses in India whereas Private Sector Banks around 17-18%. Keeping in view the objectives of nationalization, PSBs undertook expansion of reach and services. Resultantly the number of branches increased 7 fold (from 8321 to more than 60000 out of which 58% in rural areas) and no. of people served per branch office came down from 65000 in 1969 to 10000. Much of this expansion has taken place in rural and semi-urban areas. The expansion is significant in terms of geographical distribution. States neglected by private banks before 1969 have a vast network of public sector banks. The PSBs including RRBs, account for 93% of bank offices and 87% of banking system deposits. The core operating income of a bank is interest income (comprises 75-85% in the total income of almost all Indian Banks). Besides interest income, a bank also generates fee-based income in the form of commissions and exchange, income from treasury operations and other income from other banking activities. As banks were assigned a special role in the economic development of the country, RBI has stipulated that a portion of bank lending should be for the
development of under-banked and under-privileged sections, which is called the priority sector. Current rules stipulate that domestic banks should lend 40% and the foreign banks should lend 32% of their net credit to the priority sector. On the cost sides, the major items for a bank are interest paid on different types of deposits, bonds issued and borrowings, and provisioning cost for Non-performing Assets (NPAs). These occupy an important place in the Indian banking system. These can be broadly classified into two categories:

**The State Banks and its subsidiary banks and 20 Nationalized banks**

1. **The State Bank of India and its subsidiaries:**
   The state bank of India commands a dominant position in most of the strategic sectors of the diversified financial services business in India. Even after the establishment of reserve bank in 1935 the imperial bank continued to act as the agent of the reserve bank and the government. Now the state bank acts as the agent of the reserve bank. The reserve bank is empowered to appoint any nationalized bank to act as its agent at all places in India where it has no branch.

2. **Nationalized banks**
   On 19th July 1969, 14 major commercial banks of India were nationalized. It was a landmark in the banking history of India. The main objective of nationalization was to mobilize resources to provide loans especially to the neglected sectors like agriculture, small scale industries etc to generate employment, extend banking facilities in neglected areas, and enable the banks to actively participate in the economic development of the country. On 15th April 1980 the government nationalized another 6 banks thus bringing the total number of nationalized banks to 20.
(B) Private sector banks

Private sector banks are of two types:

(1) Indian banks - private sector banks are owned and managed by shareholders. However these are governed by the banking regulation act 1949.

(2) Foreign banks - a bank which is incorporated or registered outside India but carries on its business in India is known as a foreign bank. All these banks are scheduled banks and are entitled to all the privileges which are available to the scheduled banks to the privileged banks. These banks are also subject to the supervisory and other control of the reserve bank.

(C) State co-operative banks -

A co-operative bank means a state co-operative bank, central /district co-operative bank or primary co-operative bank. It has three tier system. The state co-operative bank is the apex institution in a state. Central/district co-operative banks function at district level; whereas a primary credit society works at the village level. There are also a large number of private co-operative banks especially in urban areas.

(d) Regional rural banks -

The lack of banking facilities in rural areas led to the establishment of rural banks. Regional Rural Banks (RRBs) were set up in September 1975 in order to develop the rural economy by providing banking services in such areas by combining the cooperative specialty of local orientation and the sound resource base which is the characteristic of commercial banks. RRBs have a unique structure, in the sense that their equity holding is jointly held by the central government, the concerned state government and the sponsor bank (in the ratio 50:15:35), which is
responsible for assisting the RRB by providing financial, managerial and training aid and also subscribing to its share capital.

Between 1975 and 1987, 196 RRBs were established. RRBs have grown in geographical coverage, reaching out to increasing number of rural clientele. At the end of June 2008, they covered 585 out of the 622 districts of the country. Despite growing in geographical coverage, the number of RRBs operational in the country has been declining over the past five years due to rapid consolidation among them. As a result of state wise amalgamation of RRBs sponsored by the same sponsor bank, the number of RRBs fell to 86 by end March 2009.

(2)-Development banks-
The government established a number of financial institutions and development banks to meet the need for development.

(i) Land development banks-
The land development banks meet the long term requirements of agriculture sector like finance for purchase of agriculture machinery, tractors sinking or repairing of wells, etc. Land development banks raise their resources mainly through the issue of debentures. These debentures are subscribed by the central and state government, commercial banks and the state co-operative banks. These debentures are guaranteed by the state government.

These banks have two tier set up Central Land Development Bank at the state level and Primary Land Development Bank at the District or taluka level.

(ii) Industrial development banks-
After independence, a need was felt for speeding up industrial development. Industrial finance posed one of the serious problems. The Government established a number of financial institutions and development banks to meet the situation. The important ones are:
- Industrial Finance Corporation of India (IFCI)
- Industrial development bank of India (IDBI)
- State financial corporation (SFC)
- Industrial credit and Investment Corporation of India (ICICI Bank)
- State industrial development corporations (SIDC’S)
- Export–import bank of India (EXIM)

[2]-NON-SCHEDULED BANK

Non-scheduled banks also function in the Indian banking space, in the form of Local Area Banks (LAB). As at end-March 2009 there were only 4 LABs operating in India. Local area banks are banks that are set up under the scheme announced by the government of India in 1996, for the establishment of new private banks of a local nature; with jurisdiction over a maximum of three contiguous districts. LABs aid in the mobilization of funds of rural and semi urban districts. Six LABs were originally licensed, but the license of one of them was cancelled due to irregularities in operations, and the other was amalgamated with Bank of Baroda in 2004 due to its weak financial position. The banks which are not included in the second schedule of the reserve bank are called non-scheduled banks. They do not enjoy the privileges granted to scheduled banks. Such banks are required to maintain cash reserves equivalent to 3%. Such banks are required to send prescribed periodic returns to the reserve bank. These banks can be granted concessional remittance facilities if their names are included in the approved list of the reserve bank.³

³ Source: Dr O.P.Gupta(2012) Banking Law And Practice In India, Sahitya Bhawan Publications, Pg 9 to 16.
2.2 BUSINESS SEGMENTATION OF BANKS-

The entire range of banking operations can be segmented into four broad heads- retail banking businesses, wholesale banking businesses, treasury operations and other banking activities. Banks have dedicated business units and branches for retail banking, wholesale banking (divided again into large corporate, mid corporate) etc.

- Retail banking: Loans to individuals or small businesses.
- Wholesale banking: loans to mid and large corporate.
- Treasury operation: Investments in bonds, equity, mutual funds, Commodities, derivatives, trading and forex operations
- Other banking businesses: Hire purchase activities, leasing business, Merchant banking, syndication services, etc

**Retail banking**

Retail banking segment is the highest margin business as compared to other business segments in the banking industry. Currently, ICICI Bank is the largest players in this segment in India. Other major players in this segment are SBI, PNB, HDFC Bank, etc. It includes exposures to individuals or small businesses. Retail banking activities are identified based on four criteria of orientation, granularity, product criterion and low value of individual exposures. In essence, these qualifiers imply that retail exposures should be to individuals or small businesses (whose annual turnover is limited to Rs. 0.50 billion) and could take any form of credit like cash credit, overdrafts etc. Retail banking exposures to one entity is limited to the extent of 0.2% of the total retail portfolio of the bank or the absolute limit of Rs. 50 million. Retail banking products on the liability side includes all types of deposit accounts and mortgages and loans (personal, housing, educational etc) on the assets side of banks. It also
includes other ancillary products and services like credit cards, demat accounts etc.
The retail portfolio of banks accounted for around 21.3% of the total loans and advances of SCBs as at end-March 2009. The major component of the retail portfolio of banks is housing loans, followed by auto loans. Retail banking segment is a well diversified business segment. Most banks have a significant portion of their business contributed by retail banking activities. The largest players in retail banking in India are ICICI Bank, SBI, PNB, BOI, HDFC and Canara Bank. Among the large banks, ICICI bank is a major player in the retail banking space which has had definitive strategies in place to boost its retail portfolio. It has a strong focus on movement towards cheaper channels of distribution, which is vital for the transaction intensive retail business. SBI’s retail business is also fast growing and a strategic business unit for the bank. Among the smaller banks, many have a visible presence especially in the auto loans business. Among these banks the reliance on their respective retail portfolio is high, as many of these banks have advance portfolios that are concentrated in certain usages, such as auto or consumer durables. Foreign banks have had a somewhat restricted retail portfolio till recently. However, they are fast expanding in this business segment. The retail banking industry is likely to see a high competition scenario in the near future.

**Wholesale banking**

Wholesale banking includes high ticket exposures primarily to corporate. Internal processes of most banks classify wholesale banking into mid corporate and large corporate according to the size of exposure to the clients. A large portion of wholesale banking clients also account for off balance sheet businesses. Wholesale banking segment in India is largely dominated by large Indian banks – SBI, ICICI Banks, PNB, BOB, etc.
Hence, wholesale banking clients are strategic for the banks with the view to gain other business from them. Various forms of financing, like project finance, leasing finance, finance for working capital, term finance etc form part of wholesale banking transactions. Syndication services and merchant banking services are also provided to wholesale clients in addition to the variety of products and services offered. Wholesale banking is also a well diversified banking vertical. Most banks have a presence in wholesale banking. But this vertical is largely dominated by large Indian banks. While a large portion of the business of foreign banks comes from wholesale banking, their market share is still smaller than that of the larger Indian banks. A number of large private players among Indian banks are also very active in this segment. Among the players with the largest footprint in the wholesale banking space are SBI, ICICI Bank, IDBI Bank, Canara Bank, Bank of India, Punjab National Bank and Central Bank of India. Bank of Baroda has also been exhibiting quite robust results from its wholesale banking operations.

**Treasury Operations**

Treasury operations include investments in debt market (sovereign and corporate), equity market, mutual funds, derivatives, and trading and forex operations. These functions can be proprietary activities, or can be undertaken on customer’s account. Treasury operations are important for managing the funding of the bank. Apart from core banking activities, which comprises primarily of lending, deposit taking functions and services; treasury income is a significant component of the earnings of banks. A bank has to categorize its entire investment portfolio into three headings: Held-to-Maturity (HTM), Available-for-Sale (AFS) and Held-for-Trade (HFT). The investment categorized as HFT cannot be transferred to other categories. The investment, categorized as HTM can be transferred into AFS category and AFS to HTM category. Treasury
involves the front office (dealing room), mid office (risk management including independent reporting to the asset liability committee) and back office (settlement of deals executed, statutory funds management etc).

**Other Banking Businesses**

This is considered as a residual category which includes all those businesses of banks that do not fall under any of the aforesaid categories. This category includes para banking activities like hire purchase activities, leasing business, merchant banking, factoring activities etc.

**2.3 Products of the Banking Industry**

The products of the banking industry broadly include deposit products, credit products and customized banking services. Most banks offer the same kind of products with minor variations. The basic differentiation is attained through quality of service and the delivery channels that are adopted. Apart from the generic products like deposits (demand deposits – current, savings and term deposits), loans and advances (short term and long term loans) and services, there have been innovations in terms and products such as the flexible term deposit, convertible savings deposit (wherein idle cash in savings account can be transferred to a fixed deposit), etc. Innovations have been increasingly directed towards the delivery channels used, with the focus shifting towards ATM transactions, phone and internet banking. Product differentiating services have been attached to most products, such as debit/ATM cards, credit cards, nomination, and de mat services. Other banking products include fee-based services that provide non-interest income to the banks. Corporate fee-based services offered by banks include treasury products; cash management services; letter of credit and bank guarantee; bill discounting; factoring and forfeiting services; foreign exchange services;
Merchant banking; leasing; credit rating; underwriting and custodial services. Retail fee-based services include remittances and payment facilities, wealth management, trading facilities and other value added services.

Although banking in India in terms of supply, product range and reach, has developed a lot, reach in rural India still remains a challenge for the private sector and foreign banks. Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region. In terms of quality of assets and capital adequacy. Consequently, we have seen some examples of growth strategies adopted by some nationalized and private sector banks to face upcoming challenges in banking industry of India. For example recently, ICICI Bank Ltd. merged the Bank of Rajasthan Ltd. in order to increase its reach in rural market and market share significantly. The largest public sector bank in India, State Bank of India (SBI), has also adopted the same strategy to retain its position. It is in the process of acquiring its associates. SBI has merged State Bank of Indore in 2010.

The growth of the banking industry is closely linked with the growth of the global economy. India is one of the fastest growing economies in the world and is expected to remain on that path for many years to come. This will be backed by the stellar growth in infrastructure, industry, services and agriculture. This is expected to boost the corporate credit growth in the economy and provide opportunities to banks to lend to fulfill these requirements in the future.
2.4 STATE BANK OF INDIA (SBI) is a multinational banking and financial service company based in India. It was founded on 1 July 1956. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra. As of December 2013, it had assets of US$388 billion and 16,000 branches, including 190 foreign offices, making it the largest banking and financial services company in India by assets. The chairperson at present is Arundhati Bhattacharya.

State Bank of India is one of the Big Four banks of India, along with ICICI Bank, Punjab National Bank and Bank of Baroda. The bank traces its ancestry to British India, through the Imperial Bank of India, to the founding in 1806 of the Bank of Calcutta, making it the oldest commercial bank in the Indian Subcontinent. Bank of Madras merged into the other two presidency banks—Bank of Calcutta and Bank of Bombay—to form the Imperial Bank of India, which in turn became the State Bank of India. Government of India nationalised the Imperial Bank of India in 1955, with Reserve Bank of India taking a 60% stake, and renamed it the State Bank of India. In 2008, the government took over the stake held by the Reserve Bank of India. The State Bank of India (SBI) has become the first Indian bank to be ranked among the Top 50 banks in the world, capturing the 36th rank, as per the Brand Finance study. According to RBI's 'Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks: September 2009', nationalized banks, as a group, accounted for 50.5 per cent of the aggregate deposits, while State Bank of India(SBI) and its associates accounted for 23.8 per cent.
2.4.1 EVOLUTION OF SBI

The roots of the State Bank of India lie in the first decade of 19th century, when the Bank of Calcutta, later renamed the Bank of Bengal, was established on 2 June 1806. The Bank of Bengal was one of three Presidency banks, the other two being the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras (incorporated on 1 July 1843). All three Presidency banks were incorporated as joint stock companies and were the result of the royal charters. These three banks received the exclusive right to issue paper currency till 1861 when with the Paper Currency Act, the right was taken over by the Government of India. The Presidency banks amalgamated on 27 January 1921, and the re-organized banking entity took as its name Imperial Bank of India. The Imperial Bank of India remained a joint stock company but without Government participation.

In 1951, when the First Five Year Plan was launched, the development of rural India was given the highest priority. The commercial banks of the country including the Imperial Bank of India had till then confined their operations to the urban sector and were not equipped to respond to the emergent needs of economic regeneration of the rural areas. In order, therefore, to serve the economy in general and the rural sector in particular, the All India Rural Credit Survey Committee recommended the creation of a state-partnered and state-sponsored bank by taking over the Imperial Bank of India, and integrating with it, the former state-owned or state-associate banks. An act was accordingly passed in Parliament in May 1955 and the State Bank of India was constituted on 1 July 1955. More than a quarter of the resources of the Indian banking system thus passed under the direct control of the State. Later, the State Bank of India (Subsidiary Banks) Act was passed in 1959, enabling the State Bank of India to take over eight former State-associated banks as its
subsidiaries (later Pursuant to the provisions of the State Bank of India Act of 1955, the Reserve Bank of India, which is India's central bank, acquired a controlling interest in the Imperial Bank of India. On 1 July 1955, the Imperial Bank of India became the State Bank of India. The government of India recently acquired the Reserve Bank of India's stake in SBI so as to remove any conflict of interest because the RBI is the country's banking regulatory authority.

In 1959, the government passed the State Bank of India (Subsidiary Banks) Act, which made eight state banks associates of SBI. A process of consolidation began on 13 September 2008, when the State Bank of Saurashtra merged with SBI.(Later named Associates)

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

SBI has acquired local banks in rescues. The first was the Bank of Behar (est. 1911), which SBI acquired in 1969, together with its 28 branches. The next year SBI acquired National Bank of Lahore (est. 1942), which had 24 branches. Five years later, in 1975, SBI acquired Krishnaram Baldeo Bank, which had been established in 1916 in Gwalior State, under the patronage of Maharaja Madho Rao Scindia. The bank had been the Dukan Pichadi, a small moneylender, owned by the Maharaja. The new banks first manager was Jall N. Broacha, a Parsi. In 1985, SBI acquired
the Bank of Cochin in Kerala, which had 120 branches. SBI was the acquirer as its affiliate, the State Bank of Travancore, already had an extensive network in Kerala.

The State Bank of India and all its associate banks are identified by the same blue *keyhole* logo. The State Bank of India word mark usually has one standard typeface, but also utilizes other typefaces.

On October 7, 2013, Arundhati Bhattacharya became the first woman to be appointed Chairperson of the bank.

**Business**

The business of the banks was initially confined to discounting of bills of exchange or other negotiable private securities, keeping cash accounts and receiving deposits and issuing and circulating cash notes. Loans were restricted to Rs. one lakh and the period of accommodation confined to three months only. The security for such loans was public securities, commonly called Company's Paper, bullion, treasure, plate, jewels, or goods 'not of a perishable nature' and no interest could be charged beyond a rate of twelve per cent. Loans against goods like opium, indigo, salt woollens, cotton, cotton piece goods, mule twist and silk goods were also granted but such finance by way of cash credits gained momentum only from the third decade of the nineteenth century. All commodities, including tea, sugar and jute, which began to be financed later, were either pledged or hypothecated to the bank. Demand promissory notes were signed by the borrower in favour of the guarantor, which was in turn endorsed to the bank. Lending against shares of the banks or on the mortgage of houses, land or other real property was however forbidden. Indians were the principal borrowers against deposit of Company's paper, while the business of discounts on private as well as salary bills was almost the exclusive monopoly of individuals Europeans and their
partnership firms. But the main function of the three banks, as far as the government was concerned, was to help the latter raise loans from time to time and also provide a degree of stability to the prices of government securities.

2.4.2 OPERATIONS

SBI provides a range of banking products through its network of branches in India and overseas, including products aimed at non-resident Indians (NRIs). SBI has 14 regional hubs and 57 Zonal Offices that are located at important cities throughout India.

Domestic presence

SBI had 14,816 branches in India, as on 31 March 2013, of which 9,851 (66%) were in Rural and Semi-urban areas. In the financial year 2012-13, its revenue was INR 200,560 Crores (US$ 36.9 billion), out of which domestic operations contributed to 95.35% of revenue. Similarly, domestic operations contributed to 88.37% of total profits for the same financial year.

International presence

As of 28 June 2013, the bank had 180 overseas offices spread over 34 countries. It has branches of the parent in Moscow, Colombo, Dhaka, Frankfurt, Hong Kong, Tehran, Johannesburg, London, Los Angeles, Male in the Maldives, Muscat, Dubai, New York, Osaka, Sydney, and Tokyo. It has offshore banking units in the Bahamas, Bahrain, and Singapore, and representative offices in Bhutan and Cape Town. It also has an ADB in Boston, USA.

The Canadian subsidiary, State Bank of India (Canada) also dates to 1982. It has seven branches, four in the Toronto area and three in the Vancouver area.
SBI operates several foreign subsidiaries or affiliates. In 1990, it established an offshore bank: State Bank of India (Mauritius). SBI (Mauritius) has 15 branches in major cities/towns of the country including Rodriguez.

State Bank of India (S.B.I.) Branch at Tsim Sha Tsui, Hong Kong

The Israeli branch of the State Bank of India located in Ramat Gan.

In 1982, the bank established a subsidiary, State Bank of India (California), which now has ten branches – nine branches in the state of California and one in Washington, D.C. The 10th branch was opened in Fremont, California on 28 March 2011. The other eight branches in California are located in Los Angeles, Artesia, San Jose, Canoga Park, Fresno, San Diego, Tustin and Bakersfield.

In Nigeria, SBI operates as INMB Bank. This bank began in 1981 as the Indo-Nigerian Merchant Bank and received permission in 2002 to commence retail banking. It now has five branches in Nigeria.

In Nepal, SBI owns 55% of Nepal SBI Bank, which has branches throughout the country. In Moscow, SBI owns 60% of Commercial Bank of India, with Canara Bank owning the rest. In Indonesia, it owns 76% of PT Bank Indo Monex.

The State Bank of India already has a branch in Shanghai and plans to open one in Tianjin.

In Kenya, State Bank of India owns 76% of Giro Commercial Bank, which it acquired for US$8 million in October 2005.
Associate banks

At present SBI has five associate banks; all use the State Bank of India logo, which is a blue circle, and all use the "State Bank of" name, followed by the regional headquarters' name:

- State Bank of Bikaner & Jaipur
- State Bank of Hyderabad
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Travancore

Earlier SBI had seven associate banks (including State Bank of Saurashtra and State Bank of Indore), all of which had belonged to princely states until the government nationalised them between October 1959 and May 1960. In tune with the first Five Year Plan, which prioritised the development of rural India, the government integrated these banks into State Bank of India system to expand its rural outreach.

There has been a proposal to merge all the associate banks into SBI to create a "mega bank" and streamline the group's operations.

The first step towards unification occurred on 13 August 2008 when State Bank of Saurashtra merged with SBI, reducing the number of associate state banks from seven to six. Then on 19 June 2009 the SBI board approved the absorption of State Bank of Indore. SBI holds 98.3% in State Bank of Indore. (Individuals who held the shares prior to its takeover by the government hold the balance of 1.77%.

The acquisition of State Bank of Indore added 470 branches to SBI's existing network of branches. Also, following the acquisition, SBI's total assets will inch very close to the 10 trillion mark (10 billion long scale). The total assets of SBI and the State Bank of Indore stood at 9,981,190
million as of March 2009. The process of merging of State Bank of Indore was completed by April 2010, and the SBI Indore branches started functioning as SBI branches on 26 August 2010.

2.4.3 STATE BANK OF INDIA NON BANKING SUBSIDIARIES
The Bank has the following Non-Banking Subsidiaries in India:

1. SBI Capital Markets Ltd.
2. SBI Funds Management Pvt. Ltd.
3. SBI Factors & Commercial Services Pvt. Ltd
4. SBI Pension Funds Pvt Ltd (SBIPFPL)
5. SBI DFHI Ltd.

SBI Capital Markets Ltd (SBICAP) - SBICAP undertakes merchant banking activities, advisory services, project appraisal, credit syndication and securities broking. SBICAP’s current focus is on infrastructure project advisory and syndication mandates, particularly in sectors, such as, urban infrastructure and power, which are reckoned as the growth drivers. The other focus areas are public issues of equity, book-building issues, debt placements, broking, and sales and distribution.

SBI Funds Management Pvt. Ltd (SBI FUNDS) - SBI FUNDS is the Asset Management Company (AMC) set up for managing the affairs of SBI Mutual Fund. During 2003-04, SBI FUNDS reported a total inflow of Rs.12,450 crore in the open-ended funds. Total redemption amounted to Rs.10,523 crore, leaving a net inflow of Rs.1,927 crore for the year as against a net inflow of Rs.686 crore in the previous year.

SBI Factors and Commercial Services Pvt Ltd (SBI FACTORS) - SBI Factors, a subsidiary of State bank of India (SBI) is one of the leading factoring companies in India with an asset base of Rs. 700.10 crores as on
30.09.2005. It was established in February 1991 with the primary objective to provide domestic factoring services to Small and Medium Enterprises (SMEs). Factoring is a Collection and finance service designed to improve the cash flow position of SMEs by turning their credit invoices into ready cash.

**SBI DFHI Ltd (SBI DFHI)** - SBI DFHI LTD is a Primary Dealer - an Institution created by RBI to support the book building process in Primary Auctions of Government securities and provides necessary depth and liquidity to the Secondary Market in Government Securities. SBI DFHI Ltd was created out of the merger in 2004 of two leading players in the domestic Money and Debt Markets, the RBI promoted Discount & Finance House of India (DFHI) and SBI Gilts Ltd.

**SBI General Insurance Company Limited** - SBI General Insurance Company Limited is a joint venture between the State Bank of India and Insurance Australia Group (IAG). SBI owns 74% of the total capital and IAG the remaining 26%. SBI General commenced its business operation in India late March 2010 in a limited way and is working towards a nationwide launch with a larger product portfolio.

**SBI Pension Funds Pvt. Ltd (SBIPFPL)** - SBI Pension Funds Pvt Ltd (SBIPFPL) is wholly owned subsidiary of State Bank of India, the largest Banking and Financial Services Bank in India. SBIPFPL is a fund manager appointed by Pension Fund Regulatory and Development Authority (PFRDA) as one of the Pension Fund Managers for managing of corpus under National Pension System (NPS).
Joint ventures

1. **SBI Life Insurance Company Ltd (SBI LIFE)**

2. **SBI General Insurance Company Limited**

3. **SBI-SG Global Securities Private Limited**

**1. SBI Life Insurance Company Ltd (SBI LIFE)**

**SBI Life Insurance**, India’s largest private life insurance, is a joint venture between State Bank of India and BNP Paribas Assurance SBI owns 74% of the total capital and BNP Paribas Assurance the remaining 26%. SBI Life Insurance has an authorized capital of Rs. 2,000 crore and a paid up capital of Rs 1,000 crores.

BNP Paribas Assurance is the insurance arm of BNP Paribas - Euro Zone’s leading Bank. BNP Paribas, part of the worlds top 10 groups of banks by market value and part of Europe top 3 banking companies, is one of the oldest foreign banks with a presence in India dating back to 1860. BNP Paribas Assurance is the fourth largest life insurance company in France, and a worldwide leader in Creditor insurance products offering protection to over 50 million clients. BNP Paribas Assurance operates in 41 countries mainly through the banc assurance and partnership model.

SBI Life Insurance’s mission is to emerge as the leading company offering a comprehensive range of Life Insurance and pension products at competitive prices, ensuring high standards of customer service and world class operating efficiency.

SBI Life has a unique multi-distribution model encompassing Bank assurance Agency and Corporate Solutions. SBI Life extensively leverages the SBI Group relationship as a platform for cross-selling insurance products along with its numerous banking product packages.
such as housing loans and personal loans. Agency Channel, comprising of the most productive force of over 68,000 Insurance Advisors, offers door to door insurance solutions to customers.

2. SBI General Insurance Company Limited

SBI General Insurance Company Limited is a joint venture between the State Bank of India and Insurance Australia Group (IAG). SBI owns 74% of the total capital and IAG the remaining 26%.

SBI General commenced its business operation in India late March 2010 in a limited way and is working towards a nationwide launch with a larger product portfolio. SBI General will be a technology driven company with state-of-the-art IT systems. It will be a multi-product, multi-segment and multi-channel company. SBI General is in the process of setting up a unique multi-distribution model encompassing Banc assurance, Agency, Broking & Retail Direct (On-line & Tele Sales) channels. Banc assurance will be the major channel during the initial years. SBI General’s Vision is to emerge as the most trusted protection provider with fair and transparent business practices and lead the nation’s effort in increasing general insurance penetration as well as partnering the nation in reducing risks systematically. SBI General in course of time will introduce innovative and well-diversified portfolio of products at competitive prices & convenient to buy.

3. SBI-SG Global Securities Services Private Limited

SBI-SG Global Securities Services Private Limited is a joint venture between State Bank of India (SBI) and Societe Generale Securities Services (SGSS). This joint venture has been set up to offer high quality Custody Services, Fund Accounting & Fund Administration, Risk Analysis & Performance Measurement and Registrar & Transfer Agency Services to domestic investors like Financial Institutions, Mutual Funds,
Insurance Companies, Pension Funds, Portfolio Management Services, Private Banks, Corporates, Brokers and overseas investors like Global Custodians or Foreign Institutional Investors in the Indian Securities Market.

The joint venture is leveraging SBI’s strength in the Indian financial sector and SGSS is contributing its recognized experience and best practices as one of the leading global custodians providing securities services across 80 countries world-wide. It is a state-of-the-art service delivery with total focus on rendering world class service to all the major players in the Securities Industry in India.

2.4.4 OTHER SBI SERVICE POINTS

SBI has 27,000+ ATMs and SBI group (including associate banks) has 32,752 ATMs. SBI has become the first bank to install an ATM at Drass in the Jammu & Kashmir Kargil region. This was the Bank's 27,032nd ATM on 27 July 2012.

2.4.5 LOGO AND SLOGAN

- The logo of the State Bank of India is a blue circle with a small cut in the bottom that depicts perfection and the small man the common man - being the centre of the bank's business.

2.4.6 LISTINGS AND SHAREHOLDING

As on 30 June 2013, Government of India held around 62% equity shares in SBI. Over 800,000 individual shareholders hold approx. 5.7% of its shares. Life Insurance Corporation of India is the largest non-promoter shareholder in the company with 10.9% shareholding.

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoters: Government of India</td>
<td>62.31%</td>
</tr>
<tr>
<td>Insurance Companies</td>
<td>11.90%</td>
</tr>
<tr>
<td>Foreign Institutional Investors</td>
<td>09.79%</td>
</tr>
<tr>
<td>Individual shareholders</td>
<td>05.70%</td>
</tr>
<tr>
<td>GDRs</td>
<td>02.71%</td>
</tr>
<tr>
<td>Others</td>
<td>07.59%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

The equity shares of SBI are listed on the Bombay Stock Exchange, where it is a constituent of the BSE SENSEX index, and the National Stock Exchange of India, where it is a constituent of the S&P CNX Nifty. Its Global Depository Receipts (GDRs) are listed on the London Stock Exchange.
2.4.7 EMPLOYEES

SBI is one of the largest employers in the country having 228,296 employees as on 31st March 2013, out of which there were 46,833 female employees (21%) and 2,402 disabled employees (1%). On the same date, SBI had 43,550 Schedule Caste (19%) and 16,764 Schedule Tribe employees (7%). The percentage of Officers, Assistants and Sub-staff was 35%, 48% and 17% respectively on the same date.

**Hiring drive:** The bank hired 20,682 Assistants in FY 2012-13, from over 30 lakh applicants, for expansion of the branch network and to mitigate staff shortage, particularly at rural and semi-urban branches. In the same year, it recruited 847 probationary officers from around 17 lakh candidates which applied for officers’ position.

**Staff productivity:** As per its Annual Report for FY 2012-13, each employee contributed to revenues of INR 944 Lacs and net profit of INR 6.45 Lacs.

2.4.8 RECENT AWARDS AND RECOGNITIONS

- SBI was ranked 298th in the Fortune Global 500 rankings of the world's biggest corporations for the year 2012.
- SBI won "Best Public Sector Bank" award in the D&B India's study on 'India's Top Banks 2013'.
- SBI won National Award for its performance in the implementation of Prime Minister's Employment Generation Program (PMEGP)
scheme for the year 2012.

- Best Online Banking Award, Best Customer Initiative Award & Best Risk Management Award (Runner Up) by IBA Banking Technology Awards 2010
- SKOCH Award 2010 for Virtual corporation Category for its e-payment solution
- SBI was the only bank featured in the "top 10 brands of India" list in an annual survey conducted by Brand Finance and The Economic Times in 2010.
- The Bank of the year 2009, India (won the second year in a row) by The Banker Magazine
- Best Bank – Large and Most Socially Responsible Bank by the Business Bank Awards 2009
- Best Bank 2009 by Business India
- The Most Trusted Brand 2009 by The Economic Times.
- SBI was named the 29th most reputed company in the world according to Forbes 2009 rankings
- Most Preferred Bank & Most preferred Home loan provider by CNBC
- Visionaries of Financial Inclusion By FINO
- Technology Bank of the Year by IBA Banking Technology Awards
- SBI was 11th most trusted brand in India as per the Brand Trust Report 2010.
2.4.9 MAJOR COMPETITORS

Some of the major competitors for SBI in the banking sector are Axis Bank, ICICI Bank, HDFC Bank, Punjab National Bank, Bank of Baroda, Canara Bank and Bank of India. However in terms of average market share, SBI is by far the largest player in the market.⁴

⁴ Source: http/www.sbi.co.in/