CHAPTER IV

STATE BANK OF INDIA
(Operational perspectives)
One of the main objectives for the creation of SBI was to undertake major and rapid branch expansion for extensive credit deployment and remittance facilities throughout India. For this, time bound branch expansion programme was launched soon after its establishment. The programme envisaged opening of 400 branches with 5 years. From July 1955, 145 new branches by June 1965 and 319 more branches upto December, 1968. Accordingly, a massive branch expansion has taken place by the state Bank of India in rural and semi-urban areas between 1969 and 1990 to strength rural credit delivery system. The number of branches of the bank in India and abroad increased from 466 during 1955 to an amazing figure 8888 up to 31 March, 1997. With expansion of branches, the number of employees also increased significantly as 14,682 in 1955 and 2,36,000 as on 31 March, 1997.

4.1 BRANCH EXPANSION OF SBI:

There has been an equally massive expansion of branches of the bank's 7 subsidiary (Associates) Bank's. The Associate branches increased from 299 in early sixties to 2139 in 1978 and 3744 by December, 1987. During the year the 1997 emphasis was placed on reengineering the network through opening of specialised Branches dedicated to select industries/products. The national Banking group (NBG)
during the year of which six were industrial Financial Branches and one was on overseas Branch, bringing the total number of branches in its commercial network to 218, which exclusively cater to mind-size corporate custmors high-value SSIS and the high-value agricultural sector. The remaining 8,616 branches in NGB net work focussed their attention on business cutting across the various segments.
**TABLE-4.1**

BRANCH EXPANSION OF SBI (1978-1997)

<table>
<thead>
<tr>
<th>Year's</th>
<th>Number of Branches</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>2,139</td>
<td>-</td>
</tr>
<tr>
<td>1987</td>
<td>3,744</td>
<td>42.86</td>
</tr>
<tr>
<td>1997</td>
<td>8,904</td>
<td>58.00</td>
</tr>
</tbody>
</table>

Table 4.1 Shows that there has been an equally massive expansion of branches of the banks, 7 (Subsidiary) Banks. In 1987 the total percentage increase in branches is 42.86% in comparison to 1978. But in the year 1997 it touches to 8904 which shows 58% increase in comparison to 1987. It means govt. is giving more emphasing in opening the branches.
TABLE 4.2

BRANCH EXPANSION INCLUDING FOREIGN OFFICES (1993-94 to 1996-97)

<table>
<thead>
<tr>
<th>Year's</th>
<th>Number of Branches</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>8,7,38</td>
<td>-</td>
</tr>
<tr>
<td>1993-94</td>
<td>8,8,12</td>
<td>0.8</td>
</tr>
<tr>
<td>1994-95</td>
<td>8,8,47</td>
<td>0.4</td>
</tr>
<tr>
<td>1995-96</td>
<td>8,8,85</td>
<td>0.5</td>
</tr>
<tr>
<td>1996-97</td>
<td>8,9,04</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Source: Annual Reports of SBI. (1992-93 to 1996-97)

Table 4.2 Reveals that during the period 1992-93 to 1996-97 opening of branches is not satisfactory. Because it was 8738 in the year 1992-93 and 8904 in the year 1996-97. Which shows that during this period only 166 branches has been opened.
### TABLE-4.3

#### 4.2 GROWTH OF EMPLOYEES IN SBI

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of offices</th>
<th>Number of Employees</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>466</td>
<td>14,682</td>
<td>-</td>
</tr>
<tr>
<td>1969</td>
<td>1673</td>
<td>59,916</td>
<td>75.49</td>
</tr>
<tr>
<td>1978</td>
<td>4,992</td>
<td>1,29,167</td>
<td>53.61</td>
</tr>
<tr>
<td>1987</td>
<td>7,577</td>
<td>2,12,083</td>
<td>39.00</td>
</tr>
<tr>
<td>1997</td>
<td>8,904</td>
<td>2,36,000</td>
<td>10.13</td>
</tr>
</tbody>
</table>

Source: Annual Reports of SBI.

Man power wise State Bank of India is the biggest Bank not only in India but also in entire world. It has 2.36 Lakh employees in the bank. Table 4.3 indicates the development of the bank in sense of employees which were 14,682 in the year 1955 increased to 2.36 lakh in the year 1997. Employees are increasing every year due to fast expansion of Branches of the bank in the Urban area as well as in the rural area.

When there is increase in the number of employees it will also the position of offices of the bank. In 1955 the offices were only in a small number that is 466, which touches 8904 in 1997.
TABLE-4.4

NUMBER OF EMPLOYEES DURING THE PERIOD (1992-93 to 1996-97)

<table>
<thead>
<tr>
<th>Year's</th>
<th>Number of Employees</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>2,26,000</td>
<td>-</td>
</tr>
<tr>
<td>1993-94</td>
<td>2,29,000</td>
<td>1.3</td>
</tr>
<tr>
<td>1994-95</td>
<td>2,32,000</td>
<td>1.3</td>
</tr>
<tr>
<td>1995-96</td>
<td>2,33,000</td>
<td>0.4</td>
</tr>
<tr>
<td>1996-97</td>
<td>2,36,000</td>
<td>1.3</td>
</tr>
</tbody>
</table>


The table-4.4 Shows that there is continues increase in the number of employees during the period 1992-93 to 1996-97.

That is 1.3%, 1.3%, 0.4% and 1.3% in every year.
4.1.3 FINANCIAL PERFORMANCE OF SBI

As for as the financial performance of the bank is concerned Table 4.5 indicate the trends. In the table main indicatons which were considered were share capital, Reserves and Surplus, Deposits, advances, Income, Assets and Liabilities and net profits paid to its share holders. The table 4.5 shows the trends in financial performance of the bank from the year 1988-89 to 1996-97.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DEPOSITS</strong></td>
<td>37334.1</td>
<td>43515.3</td>
<td>49935.6</td>
<td>60192.0</td>
<td>66317.0</td>
<td>76406.0</td>
<td>85122.0</td>
<td>96395.0</td>
<td>110701.0</td>
</tr>
<tr>
<td>ADVANCES</td>
<td>27968.6</td>
<td>34499.1</td>
<td>40437.7</td>
<td>44343.6</td>
<td>47695.0</td>
<td>41498.0</td>
<td>48530.0</td>
<td>59826.0</td>
<td>62233.0</td>
</tr>
<tr>
<td>INCOME</td>
<td>5691.7</td>
<td>5704.8</td>
<td>6677.9</td>
<td>10931.0</td>
<td>11156.7</td>
<td>10746.0</td>
<td>12675.0</td>
<td>15716.0</td>
<td>17594.0</td>
</tr>
<tr>
<td>EXPENDITURE</td>
<td>5608.7</td>
<td>5619.8</td>
<td>6570.9</td>
<td>10756.2</td>
<td>10944.7</td>
<td>10471.0</td>
<td>11534.0</td>
<td>14884.0</td>
<td>16264.0</td>
</tr>
<tr>
<td>NET PROFIT</td>
<td>85.0</td>
<td>85.0</td>
<td>107.0</td>
<td>175.0</td>
<td>212.4</td>
<td>275.4</td>
<td>715.50</td>
<td>831.60</td>
<td>1329.30</td>
</tr>
<tr>
<td>SHARE CAPITAL</td>
<td>150.0</td>
<td>150.0</td>
<td>200.0</td>
<td>200.0</td>
<td>200.0</td>
<td>474.0</td>
<td>474.0</td>
<td>474.0</td>
<td>526.0</td>
</tr>
<tr>
<td>RESERVE AND SURPLUS</td>
<td>806.90</td>
<td>880.50</td>
<td>1090.50</td>
<td>1262.0</td>
<td>1459.10</td>
<td>3837.0</td>
<td>4256.0</td>
<td>4988.0</td>
<td>7450.0</td>
</tr>
<tr>
<td>ASSETS</td>
<td>55907.8</td>
<td>85673.0</td>
<td>75522.0</td>
<td>95078.9</td>
<td>100515.4</td>
<td>11531.0</td>
<td>121996.0</td>
<td>144469.8</td>
<td>156473.1</td>
</tr>
<tr>
<td>LIABILITIES</td>
<td>54950.9</td>
<td>64642.0</td>
<td>74231.0</td>
<td>93619.9</td>
<td>98856.3</td>
<td>107419.7</td>
<td>117265.9</td>
<td>139008.9</td>
<td>148496.0</td>
</tr>
<tr>
<td>NET ASSETS</td>
<td>956.9</td>
<td>1030.5</td>
<td>1290.5</td>
<td>1482.0</td>
<td>1669.1</td>
<td>4111.6</td>
<td>4730.0</td>
<td>5462.9</td>
<td>7977.1</td>
</tr>
</tbody>
</table>

Note: Figures in Parentheses indicates the percentage increase in comparison to last year figure

Source: ANNUAL REPORTS OF SBI
Table 4.5 shows that State Bank of India has consistently striven to raise profit, Rs. 85 crores in 1988-89 to Rs. 1329.30 crores in 1996-97.

India has been included. Starting with the deposits of Rs. 37,334.1 crore it has reached to 1,10,701 crore in the year 1996-97 to know the trend of increase during the period 1992-93 to 1996-97 the percentage increase has been seen. In the year's 1993-94 there is increase of 15.2% in the deposit. Deposits touched the 66,317 crores at the end of March 1994-95.

Raising deposits for findings the bank lending operation has been a consistent policy of SBI. It is also seen that individual savers constitute around 50% of total deposits. The aggregate deposits of the banks recorded a growth of 13.2% during the year 1995-96. In the year of 1997 the total deposits were Rs. 1,10,701 crores in comparison to Rs. 96,395 crores in 1996-97. Which shows the increase of 14.8% against individual deposits contribution to be the largest source accounting for 52% of the bank deposits.

The table 4.5 also throughs the light on Advances of the banks given to different parties. Which were Rs. 27,968.6 crore in 1988-89 to Rs. 62,233 crore in 1996-97.

After comparing the figure during the period 1992-93 to 1996-97 a trend of continuous increase is there. Highest increase in percentage wise is seen in the year 1995-96 that is 23.3%. Although advances were increased in the year 1996-97 but 4 percentage is very less.
Table 4.5 shows that in the head of the Income interest earned and other income has been included. It is very clear with the increase of income there is also increase in the Expenditures, percentage wise also both are nearest to each other according to income in 1993-94 percentage increase in income is 3.7% and 4.37% in the case of expenditure in the year 1995-96 there is increase in the income that is 24% from 14% of the previous year, but increase in the case of expenditure is more in comparison to income that is 10.2% to 29%. The table shows the further increase in year 1996-97 also with 11.9% in income and 9.3% in Expenditure.

According to table 4.5 if we compare the profit of last five year during the period 1992-93 to 1996-97. It shows that every year there is substantially increase in the profit. The bank posted substantially higher net profit of Rs. 715.50 crores during 1994-95 compare to Rs. 275.04 crores in 1993-94 reflecting a rise of 160% Again in the year 1995-96 bank earned net profit of Rs. 831.60 crores against Rs. 715.50 crores during the period 1994-95 registered and increase of 16.2% The Bank posted a substantially higher net profit of Rs. 1329.30 crores for the year 1996-97 against Rs. 831.60 crore for the year 1995-96. That is 59.8% increase. The major contribution factors for improved net profit were higher interest income from Advances as well as investment operations, lower operating cost and better performance of foreign offices. In case of share capital although there is increase that is 150 crore in the year 1988-89, and 526 crore in the year
1996-97. But between this period increase is negligence it remains the same in the year 1990-91 to 1992-93 that is 200 crore. It increased in to 474 crore in the year 1993-94 that is 137% in comparison to previous year. But after that there was no change in this figure up to year 1995-96. Again increasing trend has been see 1996-97 that is 11% in comparison to 1995-96. Table further shows Bank is giving more emphasis on the Reserve and surplus because there is increasing trend of reserve every year from 1988-89 to 1996-97. Starting with the 806.90 crore in 1989-90 it has reached to big figure that is 7,450 crore.

Although every year there is increase but maximum increase is seen in the year 1993-94 that is 149.2%. It is all due to profit earned by the do not only this year but during the period 1988-89 to 1996-97.

Table 4.5 also indicates that with the increase of Assets of the bank liabilities of the bank has also increased. Figures of Assets and liabilities are very near to each other every year during the period 1988-89 to 1996-97. On the one hand when maximum increase is seen in case of after that is 18.4% in the year 1995-96 on the other hand maximum increase in the case of liabilities is also seen during this period that is 18.5%. When we are talking about Assets and liabilities during the period 1988-89 to 1996-97. The position of Net Assets and liabilities tells about Net Assets. Maximum increase in the case of Net Assets has been seen in the year 1993-94 that is 147.8% in comparison to 1992-93.
4.2 BUSINESS AREA OF SBI

The Bank realised a laudable performance of business and has substantially contributed to the realisation of corporate and national goals. The bank has contributed significantly to the development of trade and industry for the country. The major activities of State Bank of India are furnished as follow.

4.2.1 BANKER TO GOVERNMENT

State Bank handles a significant part of the day-to-day banking business of both the central and state Government and is the main banker to most of the public sector corporations. State Bank plays a major role in financing the procurement of grains and other commodities like cotton, Jute and tobacco. Also, the bank is often solely designated by the Government of India to handle special schemes such as Gold Bonds, Gold Replenishment Schemes (against export of jewellery). The National Deposit Scheme etc.

4.2.2 AGRICULTURE FINANCE

Committed to promote growth in rural areas, State Bank started large scale financing of agriculture in 1968 and since than it has been extending both technical and financial assistance for agriculture and related activities through its network of 427. Agriculture Development Branches (initiated in 1972). The assistance goes beyond

85
short term credit for seasonal agriculture operations and also covers marketing of agriculture produce, mechanisation and moderation of farms, provision of irrigation facilities and development of land.

The Bank's advances to agriculture and allied activities stood at Rs. 7,807 crore, recording an increase of about 16% over the previous year. It is expected that the recovery of agriculture loans will be 62% compared to 60% achieved during the previous year (July 1995-June 1996).

4.2.3 INDUSTRIAL FINANCE

State Bank plays a vital role in provision to Indian industry, working capital and term finance, which in the last three decades has grown significantly. Small scale industries (SSI) and small Business Finance (SRF) occupy an important place in the Bank's lending programme. Advances of SSI units rose to Rs. 8,662 crore during 1996-97 which is 8% higher than the previous year's figure. Advances granted to retail traders, transport operators, professionals and self-employed (under SBI) were Rs. 2,794 crore, 16% higher than the previous year. Besides meeting the financial requirements of the small and medium enterprises, the Bank also plays a catalytic role in technology upgradation of these enterprises through its project uptech Group. So far the group has implemented seven projects in select clusters. It has launched a
quality support scheme to encourage deserving units in improving the quality of their output and obtain ISO certification.

4.2.4 New Technology and Communication Network of SBI

On September 20, 1988, the bank initiated State Bank integrated communication Network (SBINET). A satellite based communication network called Remote Area Business message Network (RABAM) was introduced in the bank in 1991 for stable and reliable data communication. As on March 31, 1993 as many as 20 centers had been covered. Another scheme called SBI DATANET is being introduced in the year 1994 for electronic fund transfer facility, efficient funds settlement and forex related operation. During the year 1996-97, the Bank added two more exchanges to (SBINET) taking the total to 32, with the addition of 10 met intercity circuits, the network spread of offices covered 135 offices in 66 cities. SBI DATANET, a Network of PC/modem/Telex Systems, which enables transmission of inter-Office/interbranch messages facilitating various transactions-related applications, was extended to 111 additional offices during the year, connecting a total of 623 offices. Seventy three branches, handling 85% of the Bank's forex business, were connected to SWIFT. In addition, SBI-e-mail facility was extended to seven more LHO's taking the total to 10.
An internet Home page was created for the Bank on the World Wide Web, so that the global investors and customers in India and abroad may now look at the products and services offered by the Bank on internet. In order to improve services and operational efficiency, the task of computerizing the Bank's branches has speeded up. During 1996-97 474 branches were fully computerized taking the total to 673. The total number of fully and partly computerized the branches rose to 1,000 by the year end. During the year, the Bank successfully completed setting up satellite training centers at all 13 LHO's which can train about 5,000 employees on computers and IT.

4.2.5 CUSTOMER FOCUS OF SBI

Being an institution with a corporate culture that focuses on meeting customer needs in a rapidly changing market-place, the Bank continuously seeks to deliver quality solutions to its customers. A superior competitive strategic structure with enhanced processes was introduced at all 13 local Head offices of the Banks to take care of the mid-corporates. The Computerisation of branches are speeding up, 15 ATM's (Automated Teller Machines) were installed at important centers of the country and the facility of "any where any time banking" was introduced in Mumbai spirit of competitiveness among branches for achieving excellence in customer service was encouraged through a system of award based on their performance.
4.2.6 HUMAN RESOURCES OF SBI

The success of the Bank's operations ultimately depends on the quality of its human resources. The Bank has made huge investments in training infrastructure to continuously upgrade the knowledge and skills of its employees and reorient their attitudes to enable them to meet the emerging challenges in the Years ahead. During the years 1996-97, over 48,000 employees were exposed to about 2,400 training programmes conducted by the Bank at its various training establishments. To motivate and enthuse the employees of superior performance, a Multiple Reward and Recognition Scheme was introduced.
4.3 INTERNATIONAL NET WORK OF SBI

SBI is actively involved in Foreign exchange and international banking operations through a network of its overseas branches and offices in India and abroad spreaded. The International operations includes developing and identifying new market for Indian exporters, encouraging new export potentials within the country, providing trade information service for prospective exporters and conducting entrepreneur Development programmes for small exporters. The Bank also help Indian Govt. and corporations to raise foreign currency loans for financing high value imports. The Bank also acts as an advisor to the Govt. of India. The Bank registered as consultant with several multilateral funding institutions. During the year, 1996-97 the Bank was comanelled as consultant by the Asian Development Bank and provided consultancy services to the National Banking College, GHANA, for developing an appropriate administrative, faculty and syllabi structure. Accordingly, apart from the prestige value of the activity, it constitute get another source of non-interest income to the Bank.

4.3.1 OVERSEAS OFFICES

The Bank's foreign which mainly cater to the needs of the country's trade and provide foreign currency resources
to the Indian corporates, improved their performance during the year and earned a net profit of Rs. 143.58 crore, recording an increase of 55% over the previous year. With a net work of 52 offices overseas, the bank and its foreign subsidiaries spread their operations over 35 countries. Two new branches here opened.
TABLE-4.6

BUSINESS LEVELS AND NET PROFITS OF THE BANK'S FOREIGN OFFICES

(AT-END-MARCH-1997)

<table>
<thead>
<tr>
<th></th>
<th>Rs.in Crore</th>
<th>US.$ in Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>6,933.83</td>
<td>1,933.89</td>
</tr>
<tr>
<td>Advances</td>
<td>7,210.19</td>
<td>2,007.85</td>
</tr>
<tr>
<td>Investments</td>
<td>1,115.13</td>
<td>310.54</td>
</tr>
<tr>
<td>Net Profit</td>
<td>143.58</td>
<td>39.98</td>
</tr>
</tbody>
</table>


During the year, one by SBI at Johannesburg in South Africa and the other at SANJOSE city (sillicon Valley) by the SBI, California, one of the Bank's subsidiaries.

Representative offices in Shanghai, China and Sydney, Australia have also been envisaged. While these offices services the international needs of the Banks foreign customers as well as conduct some retail banking they primary focus on India-retail banking, they primary focus on India related business in and investment flows the host country.

In order to up grade technology at all foreign office and to bring about enterprise wise uniformity of systems, the central accounting software at offices in Frankfurt, Tokyo, Osaka, Antwerp and Paris was upgraded. The trade finance system was also upgrated at office in Tokyo, Osaka.
and Singapore, bringing the total numbers of such office to five. At end-March 1997, 14, overseas offices were linked to SWIFT network.

A new link office was established enter into relationship banking by providing an efficient system for realizing the proceeds of clean and documentary collections drawn on overseas centers.

FOREIGN SUBSIDIARIES

The bank has three wholly-owned subsidiaries and four joint ventures abroad. The subsidiaries are SBI EXUROPEAN RANK PLC SBI CANADA AND SBI CALIFORNIA. Another subsidiary, SBI HONGKONG FINANCE Ltd., set up in 1978 as a deposit taking company, is in the process of being deregistered. Further, SBI services Limited was promoted in 1983 to provide backup services exclusively to the Bank's. Representable office at SAO PAULO, in terms of BRAZILIAN legal requirement. The joint ventures of the bank are Nepal SBI bank of Bhutan, SBI international Ltd, Mauritius and Indo Nigerian merchant Bank Ltd; Lagos.

4.3.2 INTERNATIONAL BANKING BY DOMESTIC CUSTOMERS

The monetary Policy for the second half of 1996-97 announced by SBI permitted banks to provide foreign currency denominated loans to their customers out of their FCNR (B) deposits, for meeting the foreign currency, or
rupees requirements. With a view to profitability deploying its a suitable scheme based on the RBI guidelines. Under the scheme, launched in December 1996, the Bank sanctioned loans aggregating US $ 245.82 million to 35 borrowers the year.

MERCHANT BANKING

The bank has already earned a reputation for its capability in the year of syndicated loans and its an established player in the Asian Loan market having arranged 20 syndicated transactions totaling US $ 1.40 billion during the year.

The Bank currency loans amounting to over US $ 1 billion to various Indian corporates and over US $ 223 million by way of medium term loan during the same period.

The international merchants Banking Group of the Bank was able to provide a range of advisory services with technical and long term relationships with a broad spectrum of clientele. Due to the Bank's ability to syndicated loan market as also sanction stand-alone facilities. It enjoyed the position of one the top players in the loan syndication market.

4.3.3 INTERNATIONAL CORRESPONDENT BANKING

The bank presently benefits from relationship with a group of more then 900 correspondent banks world wide.
### TABLE-4.7

**WORKING RESULTS OF SUBSIDIARIES AND JOINT VENTURES ABROAD**

(at end March-1997)  
(Rs. in Crore)

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>Deposits</th>
<th>Advances</th>
<th>Investment</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI European Bank PIC</td>
<td>807.76</td>
<td>580.33</td>
<td>480.76</td>
<td>6.12</td>
</tr>
<tr>
<td>SBI Canada¹</td>
<td>184.82</td>
<td>161.56</td>
<td>27.25</td>
<td>5.22</td>
</tr>
<tr>
<td>SBI California</td>
<td>122.07</td>
<td>64.99</td>
<td>69.45</td>
<td>1.61</td>
</tr>
<tr>
<td>SBI Services Limited a Brazil</td>
<td>N.A</td>
<td>N.A</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td>SBI Honkong Finance Ltd.</td>
<td>N.A</td>
<td>N.A</td>
<td>N.A</td>
<td>N.A</td>
</tr>
</tbody>
</table>

**JOINT VENTURES**

| Nepal SBI Banks²                   | 151.40   | 84.47    | 28.73      | 3.86       |
| Bank of Bhutan³                    | 357.58   | 132.74   | 124.40     | 3.88       |
| SB Internations Ltd. Mauritiuns⁴   | 227.59   | 109.01   | 17.95      | 5.04       |
| Indi-Nigerian Merchant Bank Ltd. (Lagos)³ | 11.71   | 7.92     | 3.70       | 0.41       |


1. At end October 1996
3. At end December 1996.
4. Operating profit before provisions and taxes.  
   NA = Not Applicable.
4.4 PRESENT POSITION OF ASSOCIATES AND SBI

Within the country state Bank group comprises state Bank of India, seven Associate Banks, one fully owned banking subsidiary and five non banking subsidiaries.

ASSOCIATE BANKS

During the year the bank for the first time, entered into MOUs with the associates Banks various operational parameters. These of the Associate Banks were permitted to mobilize subordinated debts to meet their capital adequacy requirements.
<table>
<thead>
<tr>
<th>Name of the Bank</th>
<th>No. of Branches</th>
<th>Deposits</th>
<th>Advances</th>
<th>Investment</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>State bank of India</td>
<td>8,836 (67.6)</td>
<td>1,03,767 (73.6)</td>
<td>55,023 (72.6)</td>
<td>45,712 (75.3)</td>
<td>1,329 (78.8)</td>
</tr>
<tr>
<td>Associates Banks</td>
<td>4,226 (32.2)</td>
<td>37,192 (26.3)</td>
<td>20,668 (27.3)</td>
<td>14,918 (24.6)</td>
<td>356 (21.11)</td>
</tr>
<tr>
<td>Total</td>
<td>13,062</td>
<td>1,40,959</td>
<td>75,691</td>
<td>60,630</td>
<td>1,685</td>
</tr>
</tbody>
</table>


Table 4.8 Shows the performance of SBI and its associate Banks in the year 1996-97 related to deposits, Advances, Investments and Net profit. Table also tells about the number of Branch's of SBI and its associates banks. Total branches are 13,062. In the year 1996-97. Out of this State Bank of India has 8836 branches which is 67.6% of the total branches. Associates bank the share of 32.21% of the total branches that is 4,226. As per deposits of SBI and Associates banks is 1,40,959 out of this SBI has deposits of Rs. 103,767 crore which is 73.6% of the total deposits. Associate banks has the contribution of Rs. 37,192. Which is 26.3% of the total amount.

Table: also tells about the advances of SBI and Associates banks. Total advances are shown 75,691 crore out of which SBI has given advances of Rs. 55,023 crore with the percentage of 72.6% of the total Advances. Associates Banks has contributed towards Advances Rs. 20,668 crores.
Which is 27.3% of the total Advances. In the case of investments the total investments by SBI and Associates Banks is Rs. 60,630 crore out of which the share of SBI and Associates Banks is Rs. 45,712 crore which is 75.3%.

Table further indicates about the net profit portion of SBI and Associate Banks. Total profit earned during the year 1996-97 by the SBI and Associates Banks is Rs. 1,685 crore. Out of this major share of the that profit is related to SBI that is Rs. 1329 crore with the percentage of 78.8. Associates Banks has earned the profit of Rs. 356 crores out of the total profit which is 21.1% of the total profit. If we see the overall picture of the SBI and Associate Banks, it is very clear that banks of Associates banks are approximately more than 50% but in the case of deposits, Advances, Investments major share is related to SBI and contribution of Associate banks is not up to the mark. Even profit earned by the Associates banks is very less in comparison to SBI that is Rs. 356 crore and 1329 crore spectively. So Associate Banks has improved a lot to get the maximum profit.

BANKING SUBSIDIARY

SBI commercial and International Bank (SBICI)

SBICI earned a net profit of Rs. 5.06 crore. The bank focus on NRI deposits. To enable the bank to broaden its activities, its issued capital was raised from Rs. 50 crore to Rs. 100 crore during the year.
NON BANKING SUBSIDIAIRES

A. SBI CAPITAL MARKET LTD. (SBI CAP)

SBICAP, the merchant banking arm of SBI, continued to be the top most fund-raiser. During the year, SBICAP helped 30 corporates raise Rs. 7,773.26 crore through lead managing public offering and excited 29 deals for private placement of bounds, and deventures aggregating Rs.4,200 crore.

Along with the Lehman Brothers, its strategic alliance partner, the company initiated remove steps jointly enter the investment banking turf which requires global capabilities. During the year, the Asian Development Bank invested in the equity of SBICAP and now holds 14 percents of its equity.

B. SBI GILTS LTD (SBIGL)

SBIGL was incorporated as a subsidiary of SBI in March 1996 to act as a primary dealer in the government securities market. The authorized capital of the company is Rs. 200 crore and the paid up capital is Rs.100 crore. The company's capital is subscribed by SBI and its Associates/subsidiaries to the extent of 85% and the Asian Development Bank contributed the balance 15%. The company commenced its operations in July 1996. In consonance with the objectives of the RBI for setting up of primary dealers in gifts, the company strivers to strengthen the infrastructure in the government securities market in order
to make it vibrant liquid and broad based. In the very first year of its operations the company made a net profit of Rs. 12.91 crore.

C. SBI SECURITIES LTD (SSL)

SSL was incorporated as the stock broaking arm of the SBI group in March 1997. The Asian Development Bank has agree to invest Rs. 15 crore in the capital of this company. 

SBICAP, along with SBIGL and SSL will form the "Investment Ranking Group" of the Bank to Complement in a Synergistic manner the core activities of the units of service the needs of corporates under one roof. The unified action will be to look after client relationship, product development, sales and distribution.

D. SBI FUNDS MANAGEMENT LTD. (SBIFML)

SBIFML was managing 16 sechemes with an aggregate corpus of Rs. 1,815.44 crore and two off share funds with a corpus of Rs. 307.44 crore as at end - March 1997.

In order to strength the net worth of the company SBI decided to invest a further sum of Rs. 25 crore in SBIFM. With a view to increasing the organization efficiency to operate in a competitive business environment, the company is being restructured, based on the recommendations of a consultant of international repute.
E. SBI Factor and commercial services Ltd. (SBI Factors)

The factoring subsidiary of SBI recorded impressive financial results during the year with impressive financial results during the year with a 16% increase in its operating profits to Rs. 4.51 crore. The total turnover of SBI Factor was Rs. 438 crore.

The company is set to enter export factoring and has arranged a line of credit in foreign currency equivalent of Rs. 15 crores.

SUPPORT SYSTEMS OF SBI

A. HUMAN RESOURCES

The success of the Bank's operations ultimately depends on the quality of its human resources. The Bank has made huge investments in training infrastructure to continuously upgrade the knowledge and skills of its employees and reorient their attitudes to enable them to meet the emerging challenges in the year ahead. During the year, 1996-97 over 48,000 employees were exposed to about 2,400 training programmes conducted by the Banks at its various training establishments. To motivate and enthuse the employees for superior performance, multiple Reward and Recognition scheme was introduced. (APPENDIX-II)

B. INDUSTRIAL RELATIONS

During the year, industrial relations in the Bank remained cordial. Staff welfare continued to receive
emphasis and steps were taken to improve upon the range of welfare activity.

C. USE OF TECHNOLOGY

The bank's is a frontrunner in the usage of modern communication media. During the year, the bank added two more exchanges to SBINET taking the total to 32. With the addition of 10 new intercity circuits, the network spread of officers covered 135 officer an 66 cities. SBI datanet a network of PC/Modern/Telex Systems which enables transmission of inter-office/inter-branch message facilitating various transactions-related application, was extended to III additional offices during the year, connecting a total of 623 offices.

Seventy three branches, hurdling 85% of the Bank,s forex business, were connected to swift. In additional, SBI-e-mail facility was to 10.Am. Internet home page was created for the Bank on the world wide web, so that the global investors are customers in India and abroad may now look at the products and services offered by the Bank on the internet.

In order to improve services and operational efficiently, the task of computerizing the Ban's branches was space due up. During the year, 474 branches were fully computerized, taking the total to 663. These branches accounted for 20% of aggregate deposits and 45% of
aggregate advances. The total number of fully and partly computerized branches rose to 1,000 by the years end.

The bank installed 15 ATM's (off line) at important centers of the country. It also joined the shared payments network system under the aegis of the Indian Bank's Association to provide any where any time banking in Mumbai. During the year, the Bank successfully completed setting up of satellite training centers at all 13 LHOs. Which can train about 5,000 employees per annum in commuters and IT.

C. OFFICIAL LANGUAGE:

The bank continued its efforts to implement vigorously the official Language policy to achieve the targets set for different linguistic results by the Government of India. A well planned review system was established to monitor the progressive use of Hindi.

D. INSPECTION AND AUDIT:

During the year 4,517 branches including nine foreign offices, we inspected by the inspection and Audit Department in addition three subsidiries viz. SBICI, SBICAP and SBIFML were also inspected. The Bank decided during the year, to undertake systems Audit of its critical computer installations. The system of cincersion audit was also interdicted to audit the process of switchover from manual to computerized accounting systems at Fully
computerized branches. An audit manual for computer audit at fully computerized branches was prepared and operationalised.

E. CREDIT AUDIT

In the restructured set-up the bank started a separate credit Audit Department to improve efficiency and effectiveness of the credit audit was conducted in 20 selected branches in three circles, covering 158 commercial account advances of over Rs. 3 crore which processed under the revised credit procedure. The credit audit reports are expected to bring about improvement in the appraisal assessment and sanction process and also the quality of the Bank's credit portfolio.

A. INTERNATIONAL CONSULTANCY

The bank is registered as consultant with several multilateral funding institutions. During the year the bank empanelled as consultant by the Assian Development Bank and provided consultancy services to the National Banking College, Ghana, for developing an appropriate administrative, faculty and syllabi structure. On behalf of the social fund for development, established by the Government of Egypt training programmes on Rural and Development Banking for the commercial banks in Egypt were conducted in Egypt and India. The service is fee-based. Accordingly, apart from the prestige value of the activity,
it constitutes yet another source of non-interest income to the Bank.

B. SBI BANK CARD

Growing consumerism has created a huge potential for such services as card products. To fruitfully exploit the emerging opportunities in this area, the Bank entered into an MOU with GE capital corporation for launching a bank card joint venture.

C. CUSTOMER FOCUS

Being an institution with a corporate culture that focuses on meeting customer needs in a rapidly changing market place, the bank continuously seeks to deliver quality solutions to its customer. During the year, apart from putting in place a mechanism for measuring the effectiveness of commercial network of the NBC a superior competitive strategic structure with enhanced process was introduced at all 13 local Head offices of Bank table to take care of the mid-corporates. As detailed else where in the Report, computerisation of branches was speeded up, 15 ATM's were facility of "any where any time banking was introduced in Mumbai. customer service surveys were commissioned during the year at the circle level with the assistance of outside agencies to enable the bank to receive feedback on the quality of its services offered to customers and reorient its strategies accordingly to ensure
greater customer satisfaction. Spirit of competitiveness among branches for achieving excellence in customer service was encouraged through a system of award based on their performance.

D. SBI HOME FINANCE LTD. (SBIHFL)

SBIHFL, the Bank's affiliate maintained a steady growth in business. During the year, the company sanctioned and disbursed loans amounting Rs. 116 crore and Rs. 109 crore (including some of the loans sanctioned earlier) respectively. The company laid stress on individual housing loans. As a result, the share of individual housing loans in its outstanding loan portfolio went up from 41.5% in March 1996 to 43% in March 1997. The company mobilized deposits worth Rs. 147 crore during 1996-97, recording a growth of 67.9% over the previous year.

SBI FACING NEW CHALLENGES

Guided by the objectives of having a loan and integrated management structure at the corporate centre, four important staff functionaries mainly looking after the areas of finance, credit, corporate Development and inspection and Audit, have been put in place. Credit management calls for system with adoption process of risk-related parameters and a defined process of credit analysis including use of internal committees for sanctioned of proposals. Financial management includes, inter alia,
treasury operational and resources and capital management at the corporate level. The other two functionaries relate to provision of adequate support systems to the operations/SBUs/groups.

A. MANAGING RISK:

The year witnessed the implementation of the revised credit Risk Assessment system for the commercial and institutional customer segments. The new system marks a significant improvement in the measurement of various types of risks in a borrowal unit. Methodologies were evolved for determining and managing target portfolio with classified by industry, borrower type, credit rating product, maturity and large exposure aggregates. Industry risk concentration exercise are now being undertaken as a part of the on going review of the loan portfolio.

A specialised credit policy and procedures Department under the chief credit office was set up for reviewing credit policies and procedures in the Banks. The revised three stage pre-and-post sanction credit process stabilized during the year. The system of committees introduced for taking credit decisions and selective delayering of functionaries in the credit sanction process took roots. In order to further improve the quality and management of the Bank's credit portfolio; conscious efforts were made for upgradation of credit skills at training interventions.
B. TREASURY AND INVESTMENT MANAGEMENT

The Bank's investments in Indian grew by 6.5% (5.2% last year) and reached a level of Rs. 45,712 crore at end March-1997. The bulk of the investments was in government and other approved secrets (907%), followed by investments in shares, debentures and bonds (7.4%) and investment in subsidiaries and joint ventures (1.9%) working towards internationally accepted accounting standards. The bank marked to market 70.9% of its SLR investments well above the RBI norms of 50%.

The asset liability management committee (ALCO) at the corporate level is engaged in formulation of a balance sheet policy for the bank based on a detailed assessment of risk return trade off.

The ALCO also evolves appropriate systems and procedures for ongoing. Identification of market risks, etc., and lays down parameters for efficient management of these risks.

These integrative mechanisms provide for detailed policy formulation within broad parameters laid down by the Board, reviewing policy implementation as also joint decision making in certain critical areas.

C. FINANCIAL CODITROL

The year also saw the emergence of a new group-based budgeting and performance system for a better overview of funds, the trend of profit and business growth VIS-9-VIS
the banking industry and analysis of the performance from both globalised and regional perspectives. The has facilitated the contains monitoring of the key financial parameters like ROA, ROE, AND COST-TO-INCOME ratios, helped mid-course corrections and thus the overall decision making process from the financial control angle. One of the more important activities of this process was the resources-raising operation through the issue of GDRs to international investors to boost the Bank's capital adequacy ratio.