Chapter 3

BANKING INDUSTRY – AN OVERVIEW

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3.1. Introduction

Banking sector is an important component of financial sector for proper management of financial resources across the globe (Ahmad Ashfaq, 2010). Banking sector acts as an important pillar in the economic development of the country. Banking sector in India is growing with a remarkable pace since independence. They are racing with multinational banks and are touching the lives of millions of people every day. The total assets of the Indian banks contribute about 65% of the GDP of the country.

In present era, there have been significant reductions to the barriers of global expansion in the banking industry. Banks are extending their branches all over the world by the increased usage of telecommunications and other technologies enabling finance handling, as they no longer have to be near customers to manage their finances and risks. Banks in India are also performing remarkably like the banks of developed countries and this can be analyzed with an expansion of their credits, profitability, productivity etc. It is also noted that banks have expanded to rural areas and as a result, banking sector has shown a great advancement from transactional to customer-oriented services. However, there are more intricacies in private banking between employees and management. So, losing an unsatisfied employee of an organization can mean the loss of valuable customer relationship. Thus, Banks are very much keen to retain their talented employees. The choice of employees have increased tremendously due to more open economy, advent of IT and media resolution. Banks have also realized the fact and started giving an edge to the demands of employees even at the ground level. If banks will not pay much attention to the demands of employees then they may end up in losing their trust and commitment to the organisation and shifting to the competitors. So, in order to fulfil the requirement of the skilled employees, banks have started paying attention by introducing HR Practices. Thus, implementation of good HR Practices can keep employees satisfied in this competitive world. Also, banks in earlier days, gave
more preference to capital and technology but now the long term vision of banking sector is to expand their branches from domestic to international excellence. To achieve this, banks require combination of new technologies, better processes of credit and risk appraisal, treasury management, product diversification, internal control, external regulations and human resources with foremost preference. All these would lead to retain the skilled employees satisfied with their job and produce high level of commitment and trust to the organisation.

3.2. Origin of Banks

The word Bank is derived from Italian word “banco” or “banca” which means accumulation of either stock or money. A bank is a financial institution or a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. Banks connect customers that have capital deficits and customers with capital surpluses. A brief review of the origination of the concept of bank is discussed below:-

The history of banks began with the prototypes of money lenders who lend money to farmers and traders. Greece and Rome are famous for money lending but later archeology from India and China also shows evidences for this activity. It is evident that the most famous bank is Medici bank and Monte deiPaschii di Saiena are the oldest bank that still exists.

The real history of banks started with the availability of money. In olden days, the wealth was deposited in temples called as thesaurus. The earliest record found were for the Babylon temples, which lend gold and silver and had been left with them for safe keeping at high interest rate. Later on, the evidences of Greek temples were found. Also, for the regulation of banking activity clay tablets called as Code of Hammurabi were used.
The method of discounting of interest was started in medieval trade fairs where money changers issue documents in support of the hard money to be redeemable at other fair. These would often be redeemed by the amount with the interest rate. In the year 1156, two brothers had started the concept of foreign exchange when they borrowed 115 Genoese pounds and agreed to reimburse the banks agents in Constantinople the sum of 460 bezants one month after their arrival in the city.

The first bank was established in 1157 in Venice, provided loans on discounting exchanges and also provides receipts. Later came the concept of Goldsmith in England where London merchants deposited their gold and in return goldsmith issued those receipts for their deposits. These receipts were later used for the settlement of debts and act as forerunner of modern bank notes.

Modern banking was started in 1609, called as Bank of Amsterdam. The bank accepted deposits, lending money, money changes, transferring of fund, issuance of bank debt as a substitute of gold and silver. Later, the Bank of Amsterdam started the functioning for the Central bank and SverigesRiks bank, established in 1668 was the first Central bank. Also, Central bank was established in European country as well in Colombia, Mexico, Chile, Canada, New Zealand etc. The first mutual savings bank was introduced in 1810 in Scotland. The issuance of bank notes started in 17th century and the Bank of England was the first bank to issue bank notes in 1695. Standardized print notes from £20 to £1,000 were printed for the first time in 1745. Fully printed notes that did not require the name of the payee and the signature of the cashier were first appeared in 1855. In 18th century, different clearing securities, cheques, overdrafts etc. were introduced.

During 1929, banks also faced great depression as a result nearly 744 US banks failed and banks started built up their capital reserves by making fewer
loans. After Second World War, two organizations were created, World Bank and International Monetary Fund. World Bank is headquartered in Washington, DC and headed by President and board of director that includes President and 25 executive directors. There are two Executive Vice Presidents, three Senior Vice Presidents, and 24 Vice Presidents. World Bank provides loan to developing countries for their capital progress. The main aim of World Bank is to reduce poverty from the world. The first bank to avail the facility of loan was France beating other two applicants namely Poland and Chile. By 1968, the loans of World Bank were earmarked for the construction of income-producing infrastructure, such as seaports, highway systems, and power plants, that would generate enough income to enable a borrower country to repay the loan but later on they shifted to meet the basic needs of people. By 1989, bank has started giving loans to environmental friendly groups and NGOs. It also promoted the programmes against AIDS, Tuberculosis, malaria etc. to promote the public health. World Bank has already targeted various plans to achieve by 2015 mainly eradicating poverty, achieving universal primary education, promoting gender equality, reducing child mortality. Along with, it has taken various steps for improving the climate of earth because global warming may lead to destruction of earth and also to provide food security in developing countries of the world.

However, the investment on advanced technology started in 1959 by the banks mainly in retail banking that includes the establishment of machine readable characters for the use with cheques. ATM machines were also established in 1960s, later on in 1970, the electronic payment system was established for both international and national systems.

In early 2000, many new players entered the market and offers competition to existing players. The main services offered by the modern banks include insurances, pension, mutual, money market and hedge funds, loans and credits and securities. In the late 2000, banks suffered from financial crises. As a result,
Govt. started nationalizing their banks. Today, the 21st century banks are shifting from traditional banking and offering the customers online banking.

3.3. Banking in India

In India, from Vedic period loans were granted. The Manusmriti speaks of loans, deposits and interest rate. Later in Mayura destiny (321 BC to 185 BC), an instrument called Adesha was in use which was an order of a banker desiring him to pay the money of the note to a third person. These instruments were used during the Buddhist period. The concept of commercial banking originated in India in 19th century and 20th century when European Agency houses act as bankers. In 1770, agency houses started gaining popularity, as a result they started their own banks and Bank of Hindustan was established but it failed and closed down in 1832. In 1829, during British rule, Union Bank of Calcutta was established by the owners of Commercial Bank (1819) and the Calcutta Bank (1824). But in 1840, the Bank revealed that it had been the subject of a fraud by the bank's accountant. In 1865, Allahabad bank was established and is functioning till date. This was the oldest joint stock bank. Later on, Calcutta started becoming banking sector for various banks due to the trading port of Britishers. As a result, foreign banks started appearing in Calcutta. In 1860, the Comptoird'Escompte de Paris opened a branch in Calcutta and another branch in Bombay in 1862; followed by branches in Madras and Pondicherry, then a French possession, followed. In 1869, HSBC was established in Bengal.

In 1881, in Faizabad, the first joint stock was established as the Oudh Commercial Bank but failed in 1958. In 1895, one of the largest banks named as Punjab National Bank was established and the bank exist till date. In the 20th century, Indian economy was stable but there were generally European banks that dominated the market, Indian joint stock banks were very few and lacked in maturity. As a result, there was Swadeshi movements from 1906- 1911 for motivating local business man and political figures to open their banks. Many banks opened and survive till date namely Bank of India, Corporation Bank,
Indian Bank, Bank of Baroda, Canara Bank and Central Bank of India. In 1921, three presidency banks amalgamated in Imperial Bank of India. Imperial Bank was working as central bank by performing all banking functions except the issuance of notes. It also functioned as banker for both Government and Banks.

By the Second World War, the condition of Indian economy was very critical and it was found that nearly 94 banks in India collapsed. The situation was same even after the Independence. The Government of India then took some measures to play an active role in the economic life of the country, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy. This resulted into greater involvement of the state in different segments of the economy including banking and finance.

The Govt. of India introduced central banking system in 1935 and established Reserve Bank of India but nationalized it in 1949. RBI has the power to regulate, control, and inspect the banks in India. Also, no new bank or branch of an existing bank could be opened without a license from RBI.

In 1955, the State Bank of India took over all the assets and liabilities of Imperial bank of India. By 1960, Indian banking industry started playing a big role in country’s economy. In 1969, Govt. of India nationalized 16 Banks except State Bank of India which is continued to be owned by private persons with a stake 60% holded by RBI. All these banks contained 85 percent of bank deposits of the country (rbi.org.in, 2010). The main objective behind nationalization of banks was to break the ownership and control of banks which was owned by few families and also to prevent the concentration of wealth and economic power of the country.

In 1990’s, Government was introduced the policy of liberalization and provided license to private banks. As a result, New Generation tech-savvy banks that included Global Trust Bank (the first of such new generation banks to be set up), which later on amalgamated with Oriental Bank of Commerce, UTI Bank
(renamed now as Axis Bank), ICICI Bank and HDFC Bank were opened. This move revitalized the economy and banking industry of the country. Banking industry is then divided into three sectors namely Public banks, Private Banks and Foreign banks.

![Figure 3.1. Hierarchy of Indian Banking system](image)

The RBI plays an important part in the development strategy of the Government of India as well. India’s central banking authority has also been granted with the power that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors. Reserve Bank of India is a member bank of the Asian Clearing Union.
RBI is entrusted, directed and superintend by the 21-members with strong Central Board of Directors, this includes the Governor, four Deputy Governors, two Finance Ministry representative, ten government-nominated directors to represent important elements from India's economy and four directors to represent local boards headquartered at Mumbai, Kolkata, Chennai and New Delhi. Each of these local boards consists of five members representing regional interests as well as the interests of co-operative and indigenous banks. RBI, under section- 22 has the whole right to issue bank note and formulates the monetary policies of the country. The Bank also denotes issues or regulates the currency coins and notes that are not fit for circulation. All these efforts are made in order to improve or maintain GDP of the country. RBI has also the power to regulate the Bank rate, CRR and SLR.

By the introduction of various committees by RBI there is advancement in banking service process namely the introduction of MICR for the use of standardized cheque forms and encoders, computerization of branches for increasing connectivity among branches, implementing the online system by introducing the EFT system (Electronic Fund Transfer). All these steps have made Banking industry more attractive for the customers as well as employees. Also, with the amendments in the Banking law, it is likely that RBI may issue 3-4 licenses within next 12 months, as a result there are possibilities of price-based competition on deposits, loans etc. in the market.

The banking system of India comprises commercial and co-operative banks, of which the commercial bank accounts for more than 90 per cent of banking system’s assets. Commercial Banks refer to both scheduled and non-scheduled commercial banks which are regulated under Banking Regulation Act 1949. Scheduled Commercial Banks are grouped under following categories:

a) State Bank of India and its Associates  
b) Nationalised Banks
c) Foreign Banks

d) Regional Rural Banks and

e) Other Scheduled Commercial Banks.

State Bank of India and its Associates and Nationalised Banks constitute the public sector banks whereas, other scheduled commercial banks are known as private sector banks. Among the commercial banks, old generation private sector banks and new generation private banks were considered for this study which is briefed below;

3.4. Scheduled Commercial Banks

3.4.1. Private Sector Banks

In private sector banks, most of the capital is in private hands. There are two types of private sector banks in India viz. Old Private Sector Banks and New Private Sector Banks.

3.4.1.1. Old Private Banks

There are 13 old private sector banks as follows: Catholic Syrian Bank, City Union Bank, Dhanlaxmi Bank, Federal Bank, ING Vysya Bank, Jammu and Kashmir Bank, Karnataka Bank, KarurVysya Bank, Lakshmi Vilas Bank, Nainital Bank, Ratnakar Bank, South Indian Bank, and Tamilnad Mercantile Bank. Out of the above banks, the Nainital Bank is a subsidiary of the Bank of Baroda, which has 98.57% stake in it. Some other old generation private sector banks in India have merged with other banks. For example, Lord Krishna Bank merged with Centurion Bank of Punjab in 2007; Sangli Bank merged with ICICI Bank in 2006; Centurion Bank of Punjab merged with HDFC in 2008.

3.4.1.2. New Private banks

The new private sector banks were incorporated as per the revised guidelines issued by the RBI regarding the entry of private sector banks in 1993. At present, there are seven new private sector banks as follows: Axis Bank,
Development Credit Bank (DCB Bank Ltd.), HDFC Bank, ICICI Bank, IndusInd Bank, Kotak Mahindra Bank and Yes Bank.

Private Banks are growing at a fast speed due to their advanced technology and better plans than public banks, also they are trying to provide all the facilities to their customers under one roof. They have already signalled Public banks that they will have to face tough time in future. Along with automation, modern banks should also concentrate on internal premises, furniture and other amenities for employees as well as customers.

There are certain criteria to be followed by Private Banks, which is mentioned under:

a) The bank should have a minimum net worth of ₹200 crore.

b) The promoters holding should be a minimum of 25% of the paid-up capital.

c) Within 3 years of the starting of the operations, the bank should offer shares to public and their net worth must be increased to 300 crore.

Indian Banks are performing better than Asian counterparts. As on 31st March 2012, the total assets of the bank are ₹ 8,299,500 crore, most of which is dominated by Public sector banks (73%), followed by Private Sector banks (20%) and then Foreign banks (7%). Also, Public sector banks show the strongest deposit funding which accounts in comparison to Private sector banks and foreign banks.

The Indian banking industry is a very important tool to facilitate the development of the Indian economy. At the same time, banking sector has also emerged as a large employer. The introduction of IT had a great impact in the Indian banking system as well because the use of Computers has led the invention to Online Banking, Mobile banking, SMS alerts which has made the banking services of employers to the customers very easy. The demand of retail
banking service in India is very strong as compared to wholesale banking and treasury banking. In India, various banks have launched their services of ATM, which is the major innovation of IT sector. Till date the total no. of ATMS’s in the country were 99,218 (Chronology of Events) The New Private Sector Banks in India are showing the largest numbers of ATMs off-site followed by the ATMs belonging to SBI and its subsidiaries and then it is followed by Nationalized banks and Foreign banks. While on site, Nationalised banks show the highest number of ATM’s.

In this study, the researcher has selected 6 Private sector Banks of which 3 from the old generation banks and 3 from the new generation banks respectively. They are as follows;

3.5. New Generation Private Sector Banks

3.5.1. AXIS Bank

Axis Bank is an Indian financial service firm headquartered in Mumbai, Maharashtra and opened its registered office in Ahmedabad. It began its operations in 1994. Axis Bank owes operating revenue of 13,437 crore and a net profit of 4,242 crore. The Bank is a SEBI registered category I merchant banker and advise Indian companies to raise equity through IPOs, QIPs, and Rights Issues etc. It is first Indian Bank to have TCDC cards in 11 currencies.

The Axis Bank was promoted by the joint efforts of Administrator of the Specified Undertaking of the Unit Trust of India (UTI-I), Life Insurance Corporation of India (LIC), General Insurance Corporation Ltd., National Insurance Company Ltd., The New India Assurance Company, The Oriental Insurance Corporation and United India Insurance Company. UTI-I have promoted many leading financial institutions in the country and hold a special position in the Indian capital markets. Axis Bank has a vision of ‘To be the preferred financial solutions provider excelling in customer delivery through insight, empowered employees and smart use of technology’. Axis Bank
business has a mission of: Customer Centricity, Ethics, Transparency, Teamwork and Ownership.

Axis Bank has the largest ATM branches among Private sector banks. The Bank has a network of more than 11,245 ATM branches and the bank also operates the world’s highest ATM sites at Thegu in Sikkim. The Bank shows an extensive network of about 1947 branches in India. Axis Bank also shows their network in overseas with a major hub in Asia. The overseas branches are in Singapore, Hong Kong, Dubai, Shanghai, Abu-Dhabi, Colombo and London.

Axis Bank operates in the following segments: treasury operation, retail banking and corporate /wholesale banking. Treasury operation services include investments in sovereign and corporate debt, equity and mutual funds, trading operations, derivative trading and foreign exchange operations on the account for customers and central funding. Retail Banking deals with lending the money to small scale firms/ individuals, issue of credit cards, facility of net banking, ATM’s etc. The bank is one of the largest debit card issuer and sixth largest credit card issuer in the country. Banks also offer corporate related services including project appraisals, capital market related services, cash management related services etc. Saving accounts deposits of Axis bank has grown to 23.44% and Retail loan grew to 43.62% as on 31st March. Axis Bank is not only providing agriculture loan to farmers but has also extended its branches in the foreign country as well. Axis Bank also provides services related to NRIs. For this, bank has opened 49 authorized branches for the NRI’s interested to invest in secondary market of India. The bank has also issued a toll-free 24 × 7 helpdesk for NRI’s. Bank issue foreign currency notes, travel currency cards, traveller’s cheque etc. The banks also offers third party products like mutual funds, online trading, gold coins, life and general insurances etc. Corporate Wholesale Banking ensures loans for working capital and draw down sanctions of the projects to be implemented. The portfolio is comprised of large and medium corporates.
The bank has offered a wide range of lending solutions to the farmers or task related to agriculture and has found it as an area of potential growth. Axis bank has also coordinated with NABARD and participates in awareness campaigns. Economically active weaker sections of the society are offered with Micro Loans with a name of Axis Sahyog.

3.5.2. ICICI Bank

ICICI Bank Limited is an Indian multinational bank with its presence in 19 countries. It is a financial services company headquartered in Mumbai, Maharashtra. It stands as the second largest bank in India by assets and was allotted as third largest by market capitalization. ICICI was founded by Industrial Credit and Investment Corporation of India, an Indian financial Institution with a joint venture of World Bank to provide parent financing to Indian Banking Industry. ICICI proves its ranking in big four banks of India including SBI, PNB and Canara Bank. ICICI Bank works with a vision of ‘To be the leading provider of financial services in India and a major global bank’ and has a mission of:

- Be the banker of first choice for our customers by delivering high quality, world-class products and services.
- Expand the frontiers of our business globally.
- Play a proactive role in the full realisation of India’s potential.
- Maintain a healthy financial profile and diversify our earnings across businesses and geographies.
- Maintain high standards of governance and ethics.
- Contribute positively to the various countries and markets in which we operate.
- Create value for our stakeholders.
The Bank has a wide network of 3514 branches and 11063 ATM's in India. ICICI Bank's equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited. ICICI Bank was the first Indian Bank to be listed in New York Stock exchange. ICICI Bank has acquired Bank of Madura Limited in 2001 and Bank of Rajasthan in 2010 as well.

It offers a wide range of banking products and financial services in the areas of investment banking, life and non-life insurance, venture capital and asset management. Products like ‘My saving rewards’ and ‘i-wish’ are the famous products of ICICI bank. ‘My saving rewards’ include the reward point being allotted to every customer for the transaction done online or online shopping done from saving account. ‘i-wish’ is the recurring account mainly for youths. This account can be opened anytime with a minimum balance of ₹500. In this scheme, the flexibility is given to youth as they are not charged for missing of any monthly instalment till six months. Along with the contribution of UTI, ICICI opened a credit rating agency CRISIL. It was opened for the first time in India and offers different forms of products including credit rating, industry analysis and capital market information. ICICI has also contributed efforts in opening of EDII, NEDFI etc. EDII is an autonomous and non-profit society which is fulfilling the task of entrepreneurship development, education, training etc. NEFDI is opened for the promotion of the development of industries, infrastructure, animal husbandry, agri-horticulture plantation, medicinal plants, sericulture, aquaculture and poultry. ICICI has also established efforts for CIBIL and provided information to its members in the form of credit information reports. ARCIL was also established to recover the non-performing assets for the maximization of the recovery.

ICICI is offering its subsidiaries to foreign countries as well like United Kingdom, Russia, and Canada; branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre; and representative offices in United Arab Emirates, China, South Africa, Bangladesh,
Thailand, Malaysia and Indonesia. ICICI Bank is also contributing to Corporate Social Responsibility by facilitating elementary education to underprivileged children in the age group of 3-14 years in about 14 States, the programme is named as Read to Lead Phase I. The bank has also established libraries for providing the books to children and comes under Read to Lead Phase II. ICICI bank is also involved in making the people of our society and nation aware about the environment.

3.5.3. HDFC Bank

HDFC is incorporated in 1994 by Housing Development Finance Corporation Limited. The Bank has its registered office in Mumbai, Maharashtra. HDFC Bank was the first bank to take an approval from Reserve Bank of India for opening Private sector bank in India. The Bank has started its scheduled commercial operations in 1995. HDFC Bank works with a vision of ‘The most successful and admired life insurance company, which means that we are the most trusted company, the easiest to deal with, offer the best value for money and set the standards in the industry’.

HDFC Bank has one important mission of ‘World Class Indian Bank’ and for incorporating the same; bank has used best technology for building a high classed infrastructure. The bank also wants to maintain all Ethical Standards. The main objective of the bank is to build sound customer franchise so as to be the preferred banks of the customers. HDFC Bank is the fifth largest bank in India by assets. It is also the largest bank in India by market capitalization. HDFC Bank operates with highly automated machines due to the introduction of Information Technology. As a result, all the branches of bank have online connectivity and they can provide fast services to their customers. As on March 2013, HDFC Bank has 3,062 branches and 10,743 ATMs in 1,845 cities in India and all branches of the bank are linked on an online real-time basis. The net revenue of the bank was INR 60.989 billion and profit of INR 18.89 billion was earned by the bank. Over the last 17 years,
bank has maintained healthy profit and asset quality by maintaining good market share.

HDFC Bank has its first merger in 2000, with Times Bank Limited, which is also quoted as first merger among private banks. In 2008, HDFC Bank also acquired Centurian Bank of Punjab. HDFC Bank deals in three business segments mainly Treasury, Retail Banking and Wholesale Banking. Treasury Bank include the following main products: Foreign Exchange and Derivatives, Local Currency Money Market & Debt Securities, and Equities. The treasury business involves managing the return and market risk on Investment Portfolio. For maintaining treasury, the bank is required to hold 25% of its deposits in government securities. HDFC Bank is growing at a very fast rate in Retail banking and is offering various products and services to its customers. HDFC Bank was the first bank in India to launch an International Debit Card in association with VISA and also offers Master card Maestro debit card. The bank has also launched its credit cards in 2001. The Bank offers various Internet Banking services like Fixed Deposits, Loans, Bill Payments, etc. The bank provides a wide range of commercial banking services to small and medium-sized corporate and agri-based business. It also provides wide range of services including working capital finance, trade services, cash management etc.

In all of its business, the Bank has succeeded in leveraging its market position, expertise and technology for creating a competitive advantage over other banks and build market share. It is also providing sophisticated product structures in the areas of foreign exchange and derivatives, money markets, debt trading and equity.

3.6. Old Generation Private Sector Banks

3.6.1. Dhanlaxmi Bank Limited

Dhanlaxmi Bank Ltd was incorporated on 14 November 1927 at Thrissur city, Kerala with a capital of ₹11,000 and 7 employees. It became a Scheduled
Commercial Bank in the year 1977. Today it has 280 branches and 396 ATMs spread over the states of Kerala, Tamil Nadu, Karnataka, Andhra Pradesh, Maharashtra, Gujarat, Delhi, West Bengal, Madhya Pradesh, Punjab, Uttar Pradesh, Rajasthan, Chandigarh, Goa, and Haryana.

Dhanlaxmi Bank has reported an 11.8 per cent rise in net profit at ₹ 26.06 crore in the 12 months ended 31 March 2011, against ₹ 23.3 crore, a growth of 11.8 per cent. Total income rose to ₹ 1,053.19 crore from ₹ 625.56 crore. The financial year 2011 was a year for consolidation for the Bank. On all parameters, including important ones such as business growth, net interest margin and NPA control, it was a good year. Net interest margin for the year was around 2.7 per cent. The bank's loan-book witnessed a sharp growth largely on account of a greater thrust on the retail segment and diversification across regions, the release said. The bank's total income increased from ₹ 182.4 crore in the quarter ended 31 March 2010 to ₹ 342.2 crore, recording a growth of 87.6 per cent. Non-interest income rose from ₹ 31.9 to ₹ 46.1 crore as a result of a focused thrust on fee-based business.

Dhanlaxmi Bank has deployed Centralised Banking Solution (CBS) on the Flexcube platform at all its branches for extending anywhere/anytime/anyhow banking to its clientele through multiple delivery channels. The bank has set up a data centre in Bangalore, to keep the networked system operational round the clock. A disaster recovery centre is also operational at Thrissur for meeting various contingencies. The bank has changed its name from Dhanalakshmi Bank to Dhanlaxmi Bank on 10 August 2010.

The bank is a depository participant of NSDL (National Security Depository Limited) offering Demat services through select branches. Bank is offering online trading in association with Destimoney securities. It has partnered AGS InfoTech for installation of ATMs. It offers VISA-branded debit and credit cards to customers. It is also offering insurance services through Bajaj
Allianz Life Insurance Company as their bancassurance partner. In March, 2010, the bank launched Dhanlaxmi Bank Platinum and Gold Credit cards.

3.6.2. Federal Bank Limited

Federal Bank Limited is a major Indian commercial bank in the private sector, headquartered at Aluva, Kochi, Kerala. It is the fourth largest bank in India in terms of capital base. As of 29 October 2014, Federal Bank has 1216 branches spread across 24 states and 1449 ATMs across the country. Its balance-sheet stood at ₹ 1.03 trillion as of end March 2014 and its net profit stood at ₹ 839 crore for the full fiscal year.

In 1931, Travancore Federal Bank began operations at Pattamukkil Varattisseril house near Nedumpuram, near Thiruvalla, Kerala. The home functioned as the bank office for nearly 15 years. The 14 founders included Pattamukkil Varattisseril Oommen Varghese, his brothers Oommen Chacko, Oommen Kurian, and Oommen George, and Kavumbhagam Mundapallil Lukose. Oommen Varghese was the chairman and Oommen Chacko was the manager. After the bank had functioned for nearly 10 years, the bank's day-to-day operations had to be stopped due to Oomen Chacko's ill-health. A lawyer from Perumbavoor named K. P. Hormis, and his acquaintances, bought the bank and took over the management. In 1945 they moved the bank's registered office to Aluva and Hormis became the Managing Director. In 1947, the bank's name was shortened from Travancore Federal Bank to Federal Bank.

In January 2008, Federal Bank opened its first overseas representative office in Abu Dhabi. In August 2013, Federal Bank introduced FedBook, the first electronic passbook launched by any bank in India. FedBook is a mobile app through which customers can view their passbook details.

### 3.6.3. South Indian Bank

South Indian Bank was registered as a private Limited Company under the companies Act of 1913 and commenced business on 29-01-1929 at Round South, Thrissur. The South Indian Bank Ltd., was formed by a group of 44 enterprising men of Thrissur who contributed ₹500/- each to the initial paid up capital of ₹22,000/-. Their main objective was to serve the merchant community of Thrissur by freeing them from the clutches of the money lenders who charged exorbitant rates of interest. The bank received very good support from the public at large. Initially the growth was slow but steady. The number of branches opened each year testified its stability and popularity. It was included in the second schedule of the Reserve Bank of India and became a scheduled Bank on 07-08-1946. SIB was the first scheduled Bank in the private sector in Kerala to get the licence under section 22 of the Banking Regulation Act 1949 from RBI on 17-06-1957. In the 85 years of its service the Bank had survived many crises. It could survive the Kerala Banking crisis of 1960 when the Palai Central Bank was closed down. A turbulent environment was experienced by banks in Kerala. It was a period of merger, amalgamations and takeovers. South Indian Bank ventured to extend its helping hand to take over the assets and liabilities of 15 small banks in Kerala in 1964. It was based on the general policy of consolidation formulated by RBI.

ING Life has a tie-up with SIB to collect insurance policy renewal payments for ING Life customers. SIB also has bancassurance arrangements with both Bajaj Allianz General Insurance Company Ltd for distribution of non-life insurance products and the Export Credit Guarantee Corporation of India for distribution of export risk cover. It has also tied up with ICICI Prudential AMC,
Franklin Templeton, TATA Mutual Fund, Sundaram BNP Paribas, UTI Mutual Funds, Reliance Mutual Fund, HSBC Investments, HDFC Mutual Fund, Fidelity Fund Management Pvt. Ltd., Principal Mutual Funds, Fortis Investments, Birla Sun Life Asset Management Company Ltd. and DSP BlackRock Mutual Funds, all mutual fund houses, for distribution of their mutual fund products. In March, 2010, the bank signed an agreement with Sri Lanka’s Hatton National Bank (HNB) for exchange of services and expertise between them. The MoU set out a framework between the two banks to enter into mutually beneficial arrangements to offer banking services to their respective customers. The tie-up was expected to foster trade-related cross border business like advising and confirming Letter of credit, negotiating and discounting of export-import bills and providing credit report of customers between the two countries. It would also enable the customers of HNB to utilise the services of Hadi Express Exchange, for which management support is provided by SIB. The Kerala Government had given permission to SIB to accept commercial taxes. The bank has been appointed as the largest service provider (point of sale) for the New Pension Scheme (India) launched by the Government of India.

**Milestones**

- First among the private sector banks in Kerala to become a scheduled bank in 1946.
- First bank in the private sector in India to open a Currency Chest in April 1992.
- First private sector bank to open a NRI branch in November 1992.
- First bank in the private sector to start an Industrial Finance Branch in March 1993.
- First among the private sector banks in Kerala to open an overseas branch in June 1993.
First bank in Kerala to develop in-house, fully integrated branch automation software.

First Kerala based bank to implement Core Banking System.

Third largest branch network among private sector banks in India.

3.7. Conclusion

Liberalisation, privatization and globalization have resulted in increased competition, introduction of new technology and downsizing of employees of banking sector of the country. This has significantly led to undergo rapid changes including policy changes of the banking industry. To have a competitive edge to cope with multinational environment, the banking sector and their conventional pattern were compelled to change. Due to these changes, the employees in the banking sector are experiencing a high level of volatility in their trust and commitment. The HR practices in the banking sector are also one of the factors that influence the social and psychological domain of the employees working in banking sector. The existing literature also reveals the same. It is in this context, the study of linkage between HR practices, organizational trust, and personal value on organizational commitment among bank employees is relevant.

The next chapter discusses the conceptual frame work of the study.

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