CHAPTER – III

CONCEPTUAL FRAMEWORK

In this chapter an over view of banking services with reference to recent growth and development in the field of atomized way of providing customer services has been given. Similarly in order to understand the background of the establishment of the respective selected banks were given in a brief note.

Banking system plays an important role in growth of economy. The banking sector is the lifeline of any modern economy. It is one of the important pillars of financial system, which plays a vital role in the success or failure of an economy. It is a well-known fact that banks are one of the oldest financial intermediaries in the financial system. They play a crucial role in the mobilization of deposits from the disbursement of credit to various sectors of the economy. The banking system reflects the economic health of the country. The strength of the economy of any country basically hinges on the strength and efficiency of its financial system, which in turn depends on a sound and solvent banking system.

A banking sector performs three primary function in economy, the operation of the payment system, the mobilization of savings and the allocation of saving to investment products. Banking industry has been changed after reforms process. The government has taken this sector in a basic priority and this service sector has been changed according to the need of present days. Banking sector reforms in India strive to increase efficiency and profitability of the banking institutions as well as brought the existing banking institutions face to face with global competition in globalization process. Different type of banks differs from each other in terms of operations,
efficiency, productivity, profitability and credit efficiency. Indian banking sector is an important constituent of the Indian Financial System. The banking sector plays a vital role through promoting business in urban as well as rural area in recent year, without a sound and effective banking system, India cannot be considered as a healthy economy.

3.1 ORIGIN OF THE WORD “BANK”

There seems no uniformity amongst the economist about the origin of the word “Bank”. According to some authors the word “Bank”, itself is derived from the word “Bancus” or “Banque” that is a bench. The early bankers, the Jews in Lombardy, transacted their business on benches in the market place, when, a banker failed, his “Banco” was broken up by the people; it was called “Bankrupt”. This etymology is however, ridiculed by mcleod on the ground that “the Italian money changers as such were never called Banchier in the middle ages.” It is generally said that the word "BANK" has been originated in Italy. In the middle of 12th century there was a great financial crisis in Italy due to war. To meet the war expenses, the government of that period a forced subscribed loan on citizens of the country at the interest of 5 per cent per annum. Such loans were known as 'Compare', 'minto' etc. The most common name was "Monte'. In Germany the word 'Monte was named as 'Bank' or 'Banke'. According to some writers, the word 'Bank' has been derived from the word bank.

It is also said that the word 'bank' has been derived from the word 'Banco' which means a bench. The Jews money lenders in Italy used to transact their business sitting on benches at different market places. When any of them used to fail to meet his obligations, his 'Banco' or banch or bench would be broken by the angry creditors. The word 'Bankrupt' seems to be originated from broken Banco. Since, the banking system has been originated from money leading business; it is rightly argued that the word 'Bank' has been originated from the word "Banco".
Today the word bank is used as a comprehensive term for a number of institutions carrying on certain kinds of financial business. In practice, the word 'Bank' means which borrows money from one class of people and again lends money to another class of people for interest or profit.

Actually meaning of bank is not specifies in any regulation or act. In India, different people have different type of meaning for bank. Normal salary earner knows means of bank that it is a saving institution, for current account holder or businessman knows bank as a financial institutions and many other. Bank is not for profit making, it creates saving activity in salary earner.

A Bank is an institution which accepts deposits from the general public and extends loans to the households, the firms and the government. Banks are those institutions which operate in money. Thus, they are money traders, with the process of development functions of banks are also increasing and diversifying now, the banks are not nearly the traders of money, they also create credit. Their activities are increasing and diversifying. Hence it is very difficult to give a universally acceptable definition of bank.

3.2 HISTORY OF BANKING

The first banks were probably the religious temples of the ancient world, and were probably established sometime during the third millennium B.C. Banks probably predated the invention of money. Deposits initially consisted of grain and later other goods including cattle, agricultural implements, and eventually Precious metals such as gold, in the form of easy-to-carry compressed plates. Temples and palaces were the safest places to store gold as they were constantly attended and well built. As sacred
places, temples presented an extra deterrent to would-be thieves. There are extant records of loans from the 18th century BC in Babylon that were made by temple priests/monks to merchants. By the time of Hammurabi’s Code, banking was well enough developed to justify the promulgation of laws governing various banking operations.

The fourth century B.C. saw increased use of credit-based banking in the Mediterranean world. In Egypt, from early times, grain had been used as a form of money in addition to precious metals, and state granaries functioned as banks. When Egypt fell under the rule of a Greek dynasty, the Ptolemies (332-30 B.C.), the numerous scattered government granaries were transformed into a network of grain banks, centralized in Alexandria where the main accounts from all the state granary banks were recorded. This banking network functioned as a trade credit system in which payments were affected by transfer of fund from one account to another without money passing.

3.3 HISTORY OF BANKING SERVICES IN INDIA

3.3.1 Ancient India

The origin of banking in dates back to the Vedic period. There are repeated references in the Vedic literature to money lending which was quite common as a side business. Later, during the time of the Smritis, which followed the Vedic Period and the Epic age, banking became a full-time business and got diversified with bankers performing most of the functions of the present day. The Vaish community, who conducted banking business during this period. As far back as the second or third century Asian Development. Manu the great Hindu Jurist, devoted a section of his work to deposits and advances and laid down rules relating to rates of interest to be charged.
Still later, that is during the Buddhist period, banking business was decentralized and become a matter of volition. Consequently, Brahmins and Kshatriyas, who were earlier not permitted to take to banking as their profession except under exceptionally rare circumstances, also took to it as their business. During this period banking became more specific and systematic and bills of exchange came in wide use. “Shresthis” or bankers influential in society and very often acted as royal treasurers.

From the ancient periods in India, an indigenous banking system has prevailed. The businessmen called Shroffs, Seths, Sahukars, Mahajans, Chettis etc. had been carrying on the business of banking since ancient times. These indigenous bankers included very small money lenders to shroffs with huge businesses, who carried on the large and specialized business even greater than the business.

3.3.2 Mughal Period

Mughal dynasty started with Babur ascending the throne of Agra in 1526 A.D. During Mughal period the indigenous bankers played a very important role in lending money and financing of foreign trade and commerce. They were also engaged in the profitable business of money changing. Banking business was, however particularly during the secular and settled reign of Emperor Akbar was gave the much needed political stability to the country. Every city, big or small had a “Sheth” also known as a “Shah” or “Shroff”, who performed a number of banking functions. He was respected by all parts of people as an important citizen. In Principal cities, besides shroffs, there was a “Nagar Sheth” or “Town Banker”. They were instrumental in changing funds from place to place and doing collection business mainly through Hundis. The Hundis were accepted mode of change of money for commercial transactions.
3.3.3 British Period

The seventeenth century witnessed the arrival of English traders in India. The English traders established their own agency houses at the port towns of Bombay, Calcutta and Madras. These agency houses, apart from engaging in trade and commerce, also carried out on the banking business. The development of the means of transport and communication causing deflection of trade and commerce along new routes, changing the nature of trade activities in the country were the other factor which also contributed to the downfall of the indigenous bankers. Partly to fill the void caused by their downfall and partly to finance the growing financial requirements of English trade. The East India Company now came to favor the establishment of the banking institutions patterned after the Western style.

The first Joint Stock Bank established in the country was the Bank of Hindustan founded in 1770 by the famous English agency house of Messerss Alexander and Company. The Bengal Bank and The Central Bank of India were established in 1785. The Bank of Bengal, the first of the three Presidency Banks was established in Calcutta in 1806 under the name of bank of Calcutta. It was renamed in 1809 on the grant of the charter as a Bank of Bengal. The two other presidency banks, namely the bank of Bombay and the Bank of Madras, were established in 1840 and 1843 respectively. After the implementation of Paper Currency Act of 1862, however the right of the note issue was taken away from them. The Presidency Banks had branches in important towns of the country. The banking crisis of 1913 to 1917 however brought out the serious deficiencies in the existing banking system in the country showing the need for effective co-ordination through the establishment of the Central Bank. After repeated efforts, the three presidency bank was fused into a single bank under the name of the Imperial Bank of India in 1921.
The bank was authorized to hold government balances and manage public debt. It was not, however, given power to issue notes. The issuing of the currency continued to be close preserving of the Government of India. The branches of the bank were to work as clearing houses. It was mainly a commercial bank competing with other banks. The Imperial Bank of India was nationalized in 1955 by the State Bank of India Act.

In the wake of the Swadeshi Movement, a number of banks with Indian management were established in the country. The Punjab National Bank Limited were lending money discounting and collection bills and various agency services. They insist higher security for loans.

3.3.4 Old Private Banks

These banks all registered under Indian Companies Act, 1956. Basic difference between Co-operative banks and Private Banks is its objectives. The Co-operative banks work for its members and private banks are work for own profit.

3.3.5 New Private Banks

These banks lead the market of Indian banking business in very short period because of its variety of services and approach to handle customer and also because of long working hours and speed of services. This is also registered under the Company Act 1956. Between old and new private banks there is wide difference.

3.3.6 Foreign Banks

Foreign Banks mean multi-countries bank. In case of Indian foreign banks are such banks which open its branch office in India and their head office are outside of India. E.g. HSBC Bank, City Bank, Standard Chartered Bank etc.
3.3.7 Co-operative Banks

Co-operative Banks another component of the Indian bank with the enactment of the Co-operative Credit Societies were sated owing to the increasing demand of Co-operative Credit, a new Act of the 1994, which provide for the increasing demand of Co-operative Central banks by a union of primary credit societies or by a union of primary credit socialites and individuals.

Figure 3.1

3.4 INDIAN BANKING STRUCTURE

The structure of Indian banking system that developed during the pre-independence period was without any purposive control and direction. There were no comprehensive banking laws except the Bank Charter Act 1876 which regulated the three presiding bank and the Indian Companies Act 1913 provided some safe guards against bank failures.
In the recent changing scenario, the role of banks is very important for the growth and development economic conditions of the country. Banking Sector is offering traditional and other service as under:

- Regular Saving and current accounts
- Regular fixed deposits
- Asynchronous Transfer Mode (ATM) services
- Credit cards
- Demat cards
- Student banking
- Special Non Resident Indian (NRI) Services
- Home loan, Vehicle loan
- Tele and internet banking
- Online trading
- Business multiplies Accounts
- Insurance
- Relief bonds and mutual fund
- Loans against shares
- Retail banking
- Special deposit scheme
- Senior citizen – special deposit scheme
- Other facilities for customers.
3.5 RETAIL BANKING SERVICES

3.5.1 Credit Cards

A credit card is an instrument, which provides immediate credit facilities to its holder to avail variety of goods and services at the merchant outlets. It is made of plastic and hence popularly called as Plastic Money. Such cards are issued by bank to persons with minimum income ranging between Rs. 50000 and Rs. 100000 per annum and are accepted by a variety of business establishments which are notified by the card issuing bank. Some banks insist on the cardholder being their customers while others do not. Few banks do not charge any fee for issuing credit cards while others impose an initial enrolment fee and annual fee also. If the amount is not paid within the time duration the bank charges a flat interest of 2.5 per cent. Leading Indian Banks such as: SBI, Bank Of Baroda, Canara Bank, Industrial Credit Investment Corporation of India, Housing Development Finance Corporation and a few foreign banks like CITIBANK, Standard Chartered etc. are the important issuers of credit card in India.

3.5.2 Debit Cards

It is a new product introduced in India by Citibank a few years ago in association with MasterCard. A debit card facilitates purchases or payments by the cardholder. It debit the money from the account of the cardholder during each and every transaction. This implies that the cardholder can spend only if his account having sufficient balance.

3.5.3 Net Banking

This facilitates the customers to do all their banking transaction and operations from their home by using the internet facility. With Net Banking one can carry out all
banking and shopping transactions safely and with total confidentiality. With Net Banking one can easily perform various functions:

a. Check Account Balance
b. Download Account Statement
c. Request for a stop payment of a cheque.
e. Access demats account
f. Transfer funds.
g. Facilitate bill Payments.
h. Pay Credit Card dues instantly.

3.5.4 Mobile Banking and Phone Banking

Phone and mobile banking are a fairly recent phenomenon for the Indian banking industry. There exist operative guidelines and restrictions on the type and quantum of transactions that can be undertaken via this route. Phone banking channels function through an Interactive Voice Response System (IVRS) or telebanking executives of the banks. The transactions are limited to balance enquiries, transaction enquiries, stop payment instructions on cheques and funds transfers of small amounts in which per transaction limit is Rs. 2500. According to the draft guidelines on mobile banking, only banks which are licensed and supervised in India and have a physical presence in India are allowed to offer mobile banking services. Besides, only rupee based services can be offered. Mobile banking services are to be restricted to bank account and credit card account holders which are Know Your Customer (KYC) and AMC compliant.
With the rapidly growing mobile penetration in the country, mobile banking has the potential to become a mass banking channel, with very minimum investment required by the banks. However, more security issues need to be addressed before banking can be conducted more freely via this channel. While using the mobile banking facility a customer can enjoy the following services.

a. Check Balance
b. Check last three transactions.
c. Request for a statement
d. Request for a cheque book.
e. Enquire on a cheque status.
f. Instruct stock cheque payment.
g. View FD details.
h. Transfer funds.
i. Pay Utility Bills

Phone Banking helps to conduct a wide range of banking transactions from the comfort of one’s home or office. Using phone banking facility offers the following services.

3.5.5 Anywhere Banking

Anywhere Banking is a highly secure and convenient system for online, real-time inter branch transactions across the Bank. Anywhere banking offers you greater flexibility, transaction power, convenience and ease in banking. The benefits of anywhere banking come to light in the context that it is no longer practically possible to carry money everywhere we go and also to restrict banking to one branch or open
multiple bank accounts wherever we go. One can deposit or withdraw cash from any branch of a Particular bank all over the country up to a prescribed limit. One can also transfer funds.

3.5.6 Automated Teller Machines (ATM)

ATMs feature user-friendly graphic screens with easy to follow instructions. The ATMs Interact with customers in their local language for increased convenience. ICICI Bank’s ATM network is one of the largest and most widespread ATM network in India. Following are the features available on ATMs which can be accessed from any where at anytime:

a. Cash Withdrawal
b. Cash Deposit
c. Balance Enquiry
d. Cheque Book Request
e. Transaction at various merchant establishments

3.5.7 Smart Card

The smart card, a latest additional to the world of banking and information technology has emerged as the largest volume driven end-product in the world due to its data portability, security and convenience. Smart Card is similar in size to today’s plastic payment card; it has a memory chip embedded in it. The chip stores electronic data and programmers’ that are protected by advanced security features. When coupled with a reader, the smart card has the processing power to serve many different applications. As an access-control device, smart cards make personal and business data available only to appropriate users. To ensure the confidentiality of all banking service,
smart cards have mechanisms offering a high degree of security. These mechanisms are based on private and public key cryptography combined with a digital certificate, one of the most advanced security techniques currently available. In fact, it is possible to connect to the web banking service without a smart card.

### 3.5.8 Electronic Clearing Service (ECS)

The Electronic Clearing Service (ECS) introduced by the RBI in 1995, is akin to the Automated Clearing House system that is operational in certain other countries like the US. The ECS has two variants viz. ECS debit clearing and ECS credit clearing service. The ECS credit clearing operates on the principle of „single debit multiple credits and is used for transactions like payment of salary, dividend, pension, interest etc. The ECS debit clearing service operates on the principle of „single credit multiple debits and is used by utility service providers for collection of electricity bills, telephone bills and other charges and also by banks for collections of principal and interest repayments. Settlement under the ECS is undertaken on T+1 basis. Any ECS user can undertake the transactions by registering themselves with an approved clearing house.

### 3.5.9 Electronic Funds Transfer Systems (EFT)

The launch of the electronic funds transfer mechanisms was operationalised in 1995 covering 15 centres where the Reserve Bank managed the clearing houses. Special EFT (SEFT) scheme, a variant of the EFT system, was introduced with effect from April 1, 2003, in order to increase the coverage of the scheme and to provide for quicker funds transfers. It was made available across branches of banks that were computerised and connected via a network enabling transfer of electronic messages to the receiving
branch in a straight through manner (STP processing). In the case of EFT, all branches of banks in the 15 locations were part of the scheme, whether they are networked or not.

A new variant of the EFT called the National EFT (NEFT) was decided to be implemented during (November 2005) so as to broaden the facilities of EFT. This was a nationwide retail electronic funds transfer mechanism between the networked branches of banks. The NEFT provided for integration with the Structured Financial Messaging Solution (SFMS) of the Indian Financial Network (INFINET). The NEFT uses SFMS for EFT message creation and transmission from the branch to the bank’s gateway and to the NEFT Centre, thereby considerably enhancing the security in the transfer of funds. While Real Time Gross Settlement (RTGS) is a real time gross settlement funds transfer product, NEFT is a deferred net settlement funds transfer product. As the NEFT system stabilized over time, the number of settlements in NEFT was increased from the initial two to six. The NEFT now provides six settlement cycles a day and enables funds transfer to the beneficiaries account on T+0 basis, bringing it closer to real time settlement.

The commencement of NEFT led to discontinuation of SEFT, and EFT is now available only for government payments. With the SFMS facility, branches can participate in both the RTGS and the NEFT System. It is envisioned that all the RTG Senabled bank branches would be NEFT-enabled too, so that the customer would have a choice between RTGS or NEFT, based on time urgency, value of the transaction and different charges applicable on the two systems. Using the NEFT infrastructure, a one-way remittance facility from India to Nepal has also been implemented by the RBI since 15th May 2008.
In order to increase the coverage of NEFT to a wider section of bank customers in semi-urban and rural areas, an enhancement of the NEFT called the NEFT-X [National EFT (Extended)] is also proposed for phase wise implementation. This would facilitate non-networked branches of banks to transfer funds electronically by accessing NEFT-enabled branches for transfer of funds. The extended form of NEFT would work on a T+1 basis and would ensure wide rural coverage of the electronic funds transfer system.

3.5.10 Performance of Public Sector Banks in India

The information related to deposits, investments and loan and advances regarding to public sector banks India are presented in Table 3.1. The Table reveals that significant performance of selected public sector banks like Canara Bank (CB), State Bank of India (SBI) and Indian Overseas Bank (IOB). The deposit of the three selected banks are having increasing trend during the year from 2007-08 to 2011-12. The mean value of deposits of Canara Bank was Rs.239328.55 crores whereas State Bank of India got Rs.812234.69 crores and Indian Overseas Bank got Rs.123779.82 crores. The growth rates of the three selected banks are 16.25 percent, 14.20 percent and 16.17 percent respectively. The investment position of these three banks are marked an increasing trend and its mean value was Rs.72604.55 crores, Rs.271808.70 crores and Rs.40303.41 crores respectively. From the research study, among the three selected banks, State Bank of India has accounted the highest deposits, advances and Investment when compared to other two banks. The co-efficient of variation found high variation of deposits, advances and investment in Canara Bank and State Bank of India and resulted that State Bank of India accounts low variation among the three variables during the
study period. The CAGR of the three selected banks in three dimensions depicts that a significant growth in loans and advances of State Bank of India.

3.6 PROFILE OF THE SELECTED STUDY UNITS

3.6.1 Public Sector Banks

Nationalised banks dominate the banking system in India. The history of nationalised banks in India dates back to mid-20th century, when Imperial Bank of India was nationalised (under the SBI Act of 1955) and re-christened as State Bank of India (SBI) in July 1955. Then on 19th July 1960, its seven subsidiaries were also nationalised with deposits over 200 crores. These subsidiaries of SBI were State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Indore (SBIR), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Saurashtra (SBS), and State Bank of Travancore (SBT).

However, the major nationalization of banks happened in 1969 by the former Prime Minister of the counting Mrs. Indira Gandhi. The major objective behind nationalisation was to spread banking infrastructure in rural areas and make cheap finance available to Indian farmers. The nationalised14 major commercial banks were Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India, Bank of Maharashtra, Canara Bank, Central Bank of India, Corporation Bank, Dena Bank, Indian Bank, Indian Overseas Bank, Oriental Bank of Commerce (OBC), Punjab and Sind Bank, Punjab National Bank (PNB), Syndicate Bank, UCO Bank, Union Bank of India, United Bank of India (UBI), and Vijaya Bank.

In the year 1980, the second phase of nationalisation of Indian banks took place, in which seven more banks were nationalised with deposits over 200 crores. With this,
the Government of India held a control over 91 percent of the banking industry in India. After the nationalisation of banks there was a huge jump in the deposits and advances with the banks. At present, the State Bank of India is the largest commercial bank of India and is ranked one of the top five banks worldwide. It serves 90 million customers through a network of 9,000 branches.

3.7 STATE BANK OF INDIA

The origin of the State Bank of India goes back to the first decade of the nineteenth century with the establishment of the Bank of Calcutta in Calcutta on 2nd June 1806. Three years later the bank received its charter and was re-designed as the Bank of Bengal (2nd January 1809). A unique institution, it was the first joint-stock bank of British India sponsored by the government of Bengal. The Bank of Bombay (15th April 1840) and the Bank of Madras (1st July 1843) followed the Bank of Bengal. These three banks remained at the apex of modern banking in India till their amalgamation as the Imperial Bank of India on 27th January 1921.

Primarily Anglo-Indian creations, the three presidency banks came into existence either as a result of the compulsions of imperial finance or by the felt needs of local European commerce and were not imposed from outside in an arbitrary manner to modernise India's economy. Their evolution was, however, shaped by ideas called from similar developments in Europe and England, and was influenced by changes occurring in the structure of both the local trading environment and those in the relations of the Indian economy to the economy of Europe and the global economic framework.

3.7.1 History of the State Bank of India
State Bank of India is the largest state-owned banking and financial services sector in the country. The bank provides banking services to the customer. In addition to the banking services, the bank through their subsidiaries, provides a range of financial services, which include life insurance, merchant banking, mutual funds, credit card, factoring, security trading, pension fund management and primary dealership in the money market. The bank operates in four business segments, namely Treasury, Corporate/wholesale Banking, Retail Banking and Other Banking Business. The treasury segment includes the investment portfolio and trading in foreign exchange contracts and derivative contracts.

The Corporate/Wholesale Banking segment comprises the lending activities of Corporate Accounts Group, Mid Corporate Accounts Group and Stressed Assets Management Group. The Retail Banking segment consists of branches in National Banking Group, which primarily includes personal banking activities, including lending activities to corporate customers having banking relations with branches in the National Banking Group. The SBIprovides a range of banking products through their vast network of branches in India and overseas, including products aimed at NRIs. The State Bank Group, with over 16,000 branches, has the largest banking branch network in India.

The State bank of India is the 10th most reputed company in the world according to Forbes. The bank has 156 overseas branches spread over 32 countries. They have branches of the parent in Colombo, Dhaka, Frankfurt, Hong Kong, Johannesburg, London and environs, Los Angeles, Male in the Maldives, Muscat, New York, Osaka, Sydney, and Tokyo. They have offshore banking units in the Bahamas, Bahrain, and Singapore, and representative offices in Bhutan and Cape Town. It was incorporated in
the year 1955. The bank traces their ancestry to British India, through the Imperial Bank of India, to the founding in 1806 of the Bank of Calcutta, making them the oldest commercial bank in the Indian Sub-continent.

The government of India nationalized the Imperial Bank of India in the year 1955, with the Reserve Bank of India taking a 60 per cent stake, and name was changed to State Bank of India. In the year 2001, the SBI Life Insurance Company was started by the Bank. They are the only Bank that have been permitted 74 per cent stake in the insurance business. The Bank's insurance subsidiary 'SBI Life Insurance Company' is a joint venture with CardifS.A in which Cardif holds 26 per cent of the stake. During the year 2005-06, the bank introduced 'SBI e-tax' an online tax payments facility for direct and indirect tax payment. They also launched the centralized pension processing. The bank made a partnership with Tata Consultancy Services for setup C-Edg Technologies and consulting services to the banking, financial services and insurance industry.

The bank was noted as 'The most preferred bank' in a survey by TV 18 in association with AC Nielsen-ORG Marg. Also, the Bank was voted as 'The most preferred housing loan provider' in AWAAZ consumer awards for the year 2006. In the customer loyalty survey 2006-07 conducted by Business World', the SBI was ranked number one in all parameters of customer satisfaction, service orientation, customer care/ call center, customer loyalty and home loans. The SBI Funds was judged 'Mutual fund of the year' by CNBC/TV-18/CRISL.

The bank introduced new products and services such as web-based remittance, instant fund transfer, online-trading and comprehensive cash management. During the year 2007-08, the bank launched 965 branches all over the country. They inaugurated a new state-of-the art Dealing Room with online connectivity to all active forex intensive
branches at Corporate Centre in Mumbai. They launched a new product, Construction Equipment Loan to cater to construction Companies. Also, they introduced new products such as SBI Reverse Mortgage Loan and SBI Home Plus in the areas of Home Loans. During the year, the RBI transferred their entire shareholding in the Bank representing 59.73 per cent of the issued capital of the Bank to the Government of India. The Bank acquired 92.03 per cent of equity of Global Trade Finance Ltd. Consequently, GTFL became a subsidiary of the bank. They signed an Memorandum of Under standing with the Indian railways for installing ATMs at 682 railway stations.

In March 2008, it opened their 10,000th branch and became only the second bank in the world to have more than 10,000 branches after China's ICBC. During the year 2008-09, the company launched Import factoring, a new product in association with SBI Factors and Commercial Services Limited. They increased the number of branches for retail sale of gold coins from 250 to 518. Also, they re-launched Gold Deposit Scheme at 50 branches to mobilize gold from domestic market for deployment as metal loans to jewellers. During the year, the Bank opened their 11,111th Branch at Sonapur (Kamrup District) in Assam. They introduced three new products viz., SBI Special Home Loan, SBI Happy Home Loan and SBI Lifestyle in response to the stimulus package announced by the government of India. Also, they entered into an exclusive arrangement with TATA Motors for handling the booking process of TATA 'Nano' cars. During the year, the bank launched on their web-site an on-line application form for registering Auto Loan enquiries and expeditiously monitoring and converting these leads into Auto Loans. Also, they launched 'e-invest' for the ASBA (Applications Supported by Blocked Accounts) to aid investors for their equity subscriptions, IPO and Rights applications.
During the year, the bank set up a custodial services company namely SBI Custodial Services Private Limited in joint venture with Societe Generale, France. They signed letter of intent for setting up of joint venture Company for undertaking General Insurance Business. Also, they divested 10 per cent equity stake in its wholly owned subsidiary SBI Pension Fund Private Limited at cost in favour of its subsidiaries. In October 2008, the Bank signed an Memorandum of Understanding with State General Reserve Fund (SGRF) of Oman, for a general purpose private equity fund. During the year, State Bank of Saurashtra (SBS), a wholly owned subsidiary of the bank, amalgamated with the bank with effect from August 13, 2008. They signed a joint venture agreement with Insurance Australia Group for undertaking General Insurance business.

Also, they signed a joint venture agreement with Macquarie Capital Group, Australia and International Finance Corporation, Washington for setting up an Infrastructure fund of United States Dollar 3 billion for investing in various infrastructure projects in India. During the year 2009-10, the Bank opened 1,049 branches, out of which branches were opened in metro and urban areas with a view to increase the Bank's reach and be more accessible to customers. In July 2009, SBI introduced 'SBI Loan to Affluent Pensioners' enabling the government pensioners to avail personal loans upto Rs 3 lakh. During the year, the Bank designed a special package, the Defence Salary Package, for personnel of the three Armed Forces i.e. the Army, Navy and Air Force who maintain their Salary accounts with them. As of March 2010, the Bank had 12,496 branches and 21,485 Group ATMs. In June 2009, the company increased their shareholding in Nepal SBI Bank Ltd to 55.02 percent and thus Nepal SBI Bank Ltd became a subsidiary of the Bank with effect from 14th June, 2009.
In May 2010, the Bank selected consortium of Elavon Incorporation, USA and Visa International, USA as their Joint Venture (JV) partner for Merchant Acquiring Business. They set up a wholly owned subsidiary, namely SBI Payment Services Private Limited for conducting Merchant Acquiring Business. In August 2010, State Bank of Indore was amalgamated with the Bank as per the scheme of amalgamation approved by the Central Board. During the year 2010-11, the Bank introduced 2 new products, namely 'PushpaUllas' and 'Arthias Plus' on pilot basis. They made substantial progress in establishing itself as a leading Personal Expenditure fund player of the country. Also, they also signed a Joint Venture agreement with State General Reserve Fund (SGRF) of Sultanate of Oman, a sovereign entity, to set up a general purpose private equity fund with an initial corpus of United States Dollar 100 mn, expandable further to USD 1.5 billion. During the year, the Bank opened 576 new branches besides merger of 470 branches of erstwhile State Bank of Indore. Also, they opened 14 foreign offices during the year, taking the total to 156. In July 1, 2010, the bank launched their 'Green Channel Counter' at select branches across the country.

In General Insurance business, the bank launched limited operations in April 2010 for the Corporate and Mid Corporate customers based at Mumbai, and it was expanded to six other major locations in July 2010. In the Retail segment, the bank launched their Long Term Home Insurance business at Mumbai during October 2010, which was gradually extended to cover 56 Retail Assets Central Processing Centres (RACPC) and Retail Assets and Small and Medium Scale Enterprises Centralized Credit Cell (RASMECC). General Insurance SME business was launched on a pilot basis in Mumbai and Chennai in February 2011. During the first quarter of the financial year 2011-12, the government of India issued the 'Acquisition of State Bank of India Commercial and International Bank Limited. Vide notification dated 29th July, 2011.
Consequent to the said notification, the undertaking of State Bank of India Commercial and International stands transferred to and vest in State Bank of India with effect from 29th July 2011.

(i) **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 center of the bank's business.


### 3.8 ICICI BANK

ICICI Bank is India's second-largest bank with total assets of about Rs.1,67,659 crore at March 31, 2005 and profit after tax of Rs. 2,005 crore for the year ended March 31, 2005 (Rs. 1,637 crore in fiscal 2004). ICICI Bank has a network of about 560 branches and extension counters and over 1,900 ATMs. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management.

ICICI Bank set up its international banking group in fiscal 2002 to cater to the cross border needs of clients and leverage on its domestic banking strengths to offer products internationally. ICICI Bank currently has subsidiaries in the United Kingdom and Canada, branches in Singapore and Bahrain and representative offices in the United States, China, United Arab Emirates, Bangladesh and South Africa.
ICICI Bank's equity shares are listed in India on the Stock Exchange, Mumbai and the National Stock Exchange of India Limited and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange (NYSE). As required by the stock exchanges, ICICI Bank has formulated a Code of Business Conduct and Ethics for its directors and employees.

At April 4, 2005, ICICI Bank, with free float market capitalization of about Rs. 308.00 billion (US$ 7.00 billion) ranked third amongst all the companies listed on the Indian stock exchanges. ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46% through a public offering of shares in India in fiscal 1998, an equity offering in the form of ADRs listed on the NYSE in fiscal 2000, ICICI Bank's acquisition of Bank of Madura Limited in an all-stock amalgamation in fiscal 2001, and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002. ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry.

The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI become the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE.
After consideration of various corporate structuring alternatives in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking, the managements of ICICI and ICICI Bank formed the view that the merger of ICICI with ICICI Bank would be the optimal strategic alternative for both entities, and would create the optimal legal structure for the ICICI group's universal banking strategy.

The merger would enhance value for ICICI shareholders through the merged entity's access to low-cost deposits, greater opportunities for earning fee-based income and the ability to participate in the payments system and provide transaction-banking services. The merger would enhance value for ICICI Bank shareholders through a large capital base and scale of operations, seamless access to ICICI's strong corporate relationships built up over five decades, entry into new business segments, higher market share in various business segments, particularly fee-based services, and access to the vast talent pool of ICICI and its subsidiaries.

In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, have been integrated in a single entity.
3.9 SERVICE QUALITY DIMENSIONS

Service quality has found has one of the significant factored in distinguishing services and products. Service quality is an important tool to measure customer satisfaction. There is a close relationship between service quality and customer satisfaction. Customer satisfaction can be protected by providing E-services with high quality. One of the famous tools to assess customer satisfaction is SERVQUAL model. The SERVQUAL service quality model was developed by a group of American authors, 'Parasu' Parasuraman, Valarie Zeithaml and Len Berry, in 1988. It highlights the main components of high quality service. The SERVQUAL authors originally identified ten elements of service quality. The ten determinants that may influence the appearance of a gap are:

1. **Competence** is the possession of the required skills and knowledge to perform the service. For example, there may be competence in the knowledge and skill of contact personnel, knowledge and skill of operational support personnel and research capabilities of the organization.

2. **Courtesy** is the consideration for the customer's property and a clean and neat appearance of contact personnel, manifesting as politeness, respect, and friendliness.

3. **Credibility** includes factors such as trustworthiness, belief and honesty. It involves having the customer's best interests at prime position. It may be influenced by company name, company reputation and the personal characteristics of the contact personnel.

4. **Security** enables the customer to feel free from danger, risk or doubt including physical safety, financial security and confidentiality.
5. **Access** is approachability and ease of contact. For example, convenient office operation hours and locations.

6. **Communication** means both informing customers in a language they are able to understand and also listening to customers. A company may need to adjust its language to the varying needs of its customers. Information might includes, for example, explanation of the service and its cost, the relationship between services and costs and assurances as to the way any problems are effectively managed.

7. **Knowing the customer** means making an effort to understand the customer's individual needs, providing individualized attention, recognizing the customer when they arrive and so on. This in turn helps to delight the customers by rising above their expectations.

8. **Tangibles** are the physical evidence of the service, for instance, the appearance of the physical facilities, tools and equipment used to provide the service; the appearance of personnel and communication materials and the presence of other customers in the service facility.

9. **Reliability** is the ability to perform the promised service in a dependable and accurate manner. The service is performed correctly on the first occasion, the accounting is correct, records are up to date and schedules are kept.

10. **Responsiveness** is the readiness and willingness of employees to help customers by providing timely services, for example, mailing a transaction slip immediately or setting up appointments quickly.

Comparisons of customer perception with expectations provide the key measurement of customer satisfaction and service quality. Customer satisfaction compares consumer perceptions with what consumers would normally expect. Service
quality compares customer perception with what a consumer should expect from a service provider. Service quality, as can be seen from these definitions, refers to a higher standard of service delivery. SERVQUAL is a scale used frequently for measurement of service quality. By the early 1990s, the authors had refined the model to five factors that enable the acronym RATER. The simplified RATER model allows customer service experiences to be explored and assessed quantitatively and has been used widely by service delivery organizations.

1. **Reliability**: the ability to perform the promised service dependably and accurately

2. **Assurance**: the knowledge and courtesy of employees and their ability to convey trust and confidence

3. **Tangibles**: the appearance of physical facilities, equipment, personnel and communication materials

4. **Empathy**: the provision of caring, individualized attention to customers

5. **Responsiveness**: the willingness to help customers and to provide prompt service

Since the SERVQUAL was developed in 1988, various researchers have recognized that both the instrument itself and the conceptualization of service quality may benefit from further refinement (for example, Finn and Lamb 1991, Lee and Hing 1995). They have argued that the SERVQUAL instrument needs to be customized to the specific service area.

According Gupta, McDaniel and Herath (2005), believe that SERVQUAL is superior to many other perception only based tools, because it focuses on an
understanding of customer expectations. But Gupta et al. (2005), assert that understanding customer expectations is not easy, because customers often do not really know what they want, or do not say directly what they want. Gupta et al. (2005) advocate the use of an instrument such as SERVQUAL to capture the functional aspects of service quality.

3.10 VARIOUS DIMENSIONS OF SERVICE QUALITY FOR DRAFTING OF RESEARCH INSTRUMENT

Extensive research on traditional Service quality has been conducted during the past 20 years. In contrast, only a limited number of scholarly articles deal directly with how customers assess E-Service quality and its antecedents and consequences. In this section, the researcher overview the relevant aspects of traditional service quality and describe the reasons why that research needs to be repeated in the electronic context. The following dimensions are taken for the study to identify the customer satisfaction of E-banking customers.

3.10.1 Reliability

Reliability is defined as ability to perform the promised service dependably and accurately. In its broadest sense, reliability means that the bank delivers on its promise. Correct technical functioning of the site and the accuracy of service promises. Some of these features include: Information about transactions that is provided by the bank is accurate, the bank website is functioning properly and Information content and text are easy to read and understand
3.10.2 Responsiveness

Responsiveness is the willingness to help customers and to provide prompt service. This dimension emphasizes attentiveness and promptness in dealing with customer request, complaints and problems. Responsiveness are communicated to customers by the length of time they have to wait for assistance, answers to questions, or attention to problems. Responsiveness captures the notion of flexibility and ability to customize the service to customer needs.

3.10.3 Tangibility

Tangibles’ are defined as the appearance of physical facilities, equipment, personnel and communication material. Tangibles provide physical representation or images of the service that customers, particularly new customers, will be used to evaluate quality. Banking industries that emphasis tangibles’ in their strategies include bank has modern equipments, bank employees are appealing and material associated with the services such as plastic credit card or bank statement is visually attractive.

3.10.4 Assurance

Assurance is defined as employees’ knowledge and courtesy and the ability of the bank and its employees to inspire trust and confidence. This dimension is likely to be particularly important for services that customers perceive high-risk or for services of which they feel uncertain about their ability to evaluate outcomes, services offered by the bank are the banks are trustworthy, banks has got good reputation and bank employees are polite to customers.
3.10.5 Empathy

Empathy is defined as the caring, individualized attention that the bank provides customers. The essence of empathy is conveying through personalized service, those customers are unique and special and that needs are understood. Empathetic banks understand customer needs and make their service acceptable to their customers’. Empathy of the bank provides individual attention and gives convenient operating hours to all customers and banks understand specific needs.

3.10.6 Efficiency

The ability of customers to get to the website, find their desired product and information associated with it, and checkout with minimal effort. In fact, the level of service efficiency considerably affects customer's decision making. Some characteristics of E-service efficiency include: the bank website is simple to use, the bank website is accessible throughout the day and the speed the login or sign-off is fast.

3.10.7 Fulfillment

Execution or method of doing tasks via Electronic device is another dimension of E-service quality that is explained as: the quick confirmation of customer's desired operation and online execution of that operation, including money transfer and paying bills. Some of the features of online fulfillment include: The bank’s site fulfills the service request at the first instance and it provides a confirmation of the required services quickly

3.10.8 Privacy

The concerned for the secured environment for customers to use E-services without any fear, when the stored data pertains to financial transaction of individuals,
customers feel threatened about the inadequacy of privacy being maintained by the banks with regard to their transaction and look at the computerized system with suspicion. Customers of the banks expect that the bank confidentially collects and maintains personal information of customers, do not disseminate customer information to third parties and bank website is completely secure for credit card information.