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# Customer Centric Banking Services by State Bank of India

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***Abstract: The services sector is the most important sector, which contributes largely to the national economy. In India, the banking sector is an important component of this sector. The phenomenal changes taking place in the banking industry indicate that the new variety of services of SBI have gradually won the market with their customer-centric approach. .in this paper an attempt is made to show consumer oriented philosophy of State bank of India .with reference to this the role of banks in Indian economy in past as well present is considered as one of the important parameter. Further it also focuses on various types of services offered by SBI to customers. Finally the performance and growth in credit and deposits after economic reforms are also considered. Awards won by the bank also explains its popularity as a prompt, polite and proactive bank for customers.***

## I. INTRODUCTION

India economy, the third largest economy in the world, in terms of purchasing power, is going to touch new heights in coming years. As predicted by Goldman Sachs, the Global Investment Bank, by 2035 India would be the third largest economy of the world just after US and China. It will grow to 60% of size of the US economy. This booming economy of today has to pass through many phases before it can achieve the current milestone of 9% GDP. The history of three phases are,

**Pre Colonial:** The economic history of India since Indus Valley Civilization to 1700 AD can be categorized under this phase. During Indus Valley Civilization Indian economy was very well developed. It had very good trade relations with other parts of world, which is evident from the coins of various civilizations found at the site of Indus valley.

Then came the phase of Colonization. The arrival of East India Company in India ruined the Indian economy. There was a two-way depletion of resources. British used to buy raw materials from India at cheaper rates and finished goods were sold at higher than normal price in Indian markets. During this phase India's share of world income declined from 22.3% in 1700 AD to 3.8% in 1952.

After India got independence from this colonial rule in 1947, the process of rebuilding the economy started. For this various policies and schemes were formulated. First five year plan for the development of Indian economy came into implementation in 1952. These Five Year Plans, started by Indian government, focused on the needs of Indian economy.

If on one hand agriculture received the immediate attention on the other side industrial sector was developed at a fast pace to provide employment opportunities to the growing population and to keep pace with the developments in the world. Since then Indian economy has come a long way. The Gross Domestic Product (GDP) at factor cost, which was 2.3 % in 1951-52 reached 9% in financial year 2005-06 Trade liberalization, financial liberalization, tax reforms and opening up to foreign investments were some of the important steps, which helped Indian economy to gain momentum. The Economic Liberalization

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introduced by Man Mohan Singh in 1991, then Finance Minister in the government of P V Narsimha Rao, proved to be the stepping-stone for Indian economic reform movements.

To maintain its current status and to achieve the target GDP of 10% for financial year 2006-07, Indian economy has to overcome many challenges.

## II. Challenges before Indian Economy

- Population explosion: This monster is eating up into the success of India. According to 2001 census of India, population of India in 2001 was 1,028,610,328, growing at a rate of 2.11% approx. Such a vast population puts lots of stress on economic infrastructure of the nation. Thus India has to control its burgeoning population.
- Poverty: As per records of National Planning Commission, 36% of the Indian population was living Below Poverty Line in 1993-94. Though this figure has decreased in recent times but some major steps are needed to be taken to eliminate poverty from India.
- Unemployment: The increasing population is pressing hard on economic resources as well as job opportunities. Indian government has started various schemes such as Jawahar Rozgar Yojna, and Self Employment Scheme for Educated Unemployed Youth (SEEUY). But these are proving to be a drop in an ocean.
- Rural urban divide: It is said that India lies in villages, even today when there is lots of talk going about migration to cities, 70% of the Indian population still lives in villages. There is a very stark difference in pace of rural and urban growth. Unless there isn't a balanced development Indian economy cannot grow.

These challenges can be overcome by the sustained and planned economic reforms. To solve the above banking industry can contribute to good extent.

## III. Economic Reforms of the Banking Sector in India

Indian banking sector has undergone major changes and reforms during economic reforms. Though it was a part of overall economic reforms, it has changed the very functioning of Indian banks. This reform has not only influenced the productivity and efficiency of many of the Indian Banks, but has left everlasting footprints on the working of the banking sector in India. Let us get acquainted with some of the important reforms in the banking sector in India below with a graph.

1. Reduced CRR and SLR: The Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) are gradually reduced during the economic reforms period in India. By Law in India the CRR remains between 3-15% of the Net Demand and Time Liabilities. It is reduced from the earlier high level of 15% plus incremental CRR of 10% to current 4% level. Similarly, the SLR Is also reduced from early 38.5% to current minimum of 25% level. This has left more loanable funds with commercial banks, solving the liquidity problem.
2. Deregulation of Interest Rate: During the economics reforms period, interest rates of commercial banks were deregulated. Banks now enjoy freedom of fixing the lower and upper limit of interest on deposits. Interest rate slabs are reduced from Rs.20 Lakhs to just Rs. 2 Lakhs. Interest rates on the bank loans above Rs.2 lakhs are full decontrolled. These measures have resulted in more freedom to commercial banks in interest rate regime.
3. Fixing prudential Norms: In order to induce professionalism in its operations, the RBI fixed prudential norms for commercial banks. It includes recognition of income sources. Classification of assets, provisions for bad debts, maintaining international standards in accounting practices, etc. It helped banks in reducing and restructuring Non-performing assets (NPAs).

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4. Introduction of CRAR: Capital to Risk Weighted Asset Ratio (CRAR) was introduced in 1992. It resulted in an improvement in the capital position of commercial banks, all most all the banks in India has reached the Capital Adequacy Ratio (CAR) above the statutory level of 9%.

5. Operational Autonomy: During the reforms period commercial banks enjoyed the operational freedom. If a bank satisfies the CAR then it gets freedom in opening new branches, upgrading the extension counters, closing down existing branches and they get liberal lending norms.

6. Banking Diversification: The Indian banking sector was well diversified, during the economic reforms period. Many of the banks have stared new services and new products. Some of them have established subsidiaries in merchant banking, mutual funds, insurance, venture capital, etc which has led to diversified sources of income of them.

7. New Generation Banks: During the reforms period many new generation banks have successfully emerged on the financial horizon. Banks such as ICICI Bank, HDFC Bank, UTI Bank have given a big challenge to the public sector banks leading to a greater degree of competition.

8. Improved Profitability and Efficiency: During the reform period, the productivity and efficiency of many commercial banks has improved. It has happened due to the reduced Non-performing loans, increased use of technology, more computerization and some other relevant measures adopted by the government.

- Prior to the economic reforms, the financial sector of India was on the crossroads. To improve the performance of the Indian commercial banks, first phase of banking sector reforms were introduced in 1991 and after its success; government gave much importance to the second phase of the reforms in 1998. Uppal (2011) analyzes the ongoing banking sector reforms and their efficacy with the help of some ratios and concludes the efficacy of all the bank groups have increased but new private sector and foreign banks have edge over our public sector bank. The efficient, dynamic and effective banking sector plays a decisive role in accelerating the rate of economic growth in any economy. In the wake of contemporary economic changes in the world economy and other domestic crises like adverse balance of payments problem, increasing fiscal deficits etc., our country too embarked upon economic reforms. The govt. of India introduced economic and financial sector reforms in 1991 and banking sector reforms were part and parcel of financial sector reforms. These were initiated in 1991 to make Indian banking sector more efficient, strong and dynamic.

***TABLE – 1 Growth in Credit & Deposits during 1991 to 2011***

| Banks | As on 1991.03.31<br>Rs.crore | As on 2011.03.31<br>Rs.crore | CAGR (1991-2011)<br>% |
|---|---|---|---|
| Credit by SBI and its associates | 34716 | 892260.7 | 17.62 |
| Credit by nationalised banks | 71402.4 | 2159802.7 | 18.59 |
| Credit by foreign banks | 9358.9 | 199553.6 | 16.53 |
| Credit by regional rural banks | 3750.6 | 98118.8 | 17.73 |
| Credit by private sector banks | 4975.1 | 725911.2 | 28.29 |
| Credit by all scheduled commercial banks | 124203 | 4075647 | 19.07 |

| Banks | As on 1991.03.31 Rs.crore | As on 2011.03.31 Rs.crore | CAGR (1991-2011) % |
|---|---|---|---|
| Deposits of SBI and its associates | 53314.4 | 1154020.8 | 16.62 |
| Deposits of nationalised banks | 122283.8 | 2864924 | 17.08 |
| Deposits of foreign banks | 11387.9 | 234760.5 | 16.33 |
| Deposits of regional rural banks | 4849.7 | 163694.5 | 19.24 |
| Deposits of private sector banks | 8732.6 | 972151.4 | 26.57 |
| Deposits of all scheduled commercial banks | 200568.4 | 5389551.3 | 17.89 |

## IV. Structure of Indian Banking Sector

Banking Industry in India functions under the sunshade of Reserve Bank of India - the regulatory, central bank. Banking Industry mainly consists of:

1. Commercial Banks:

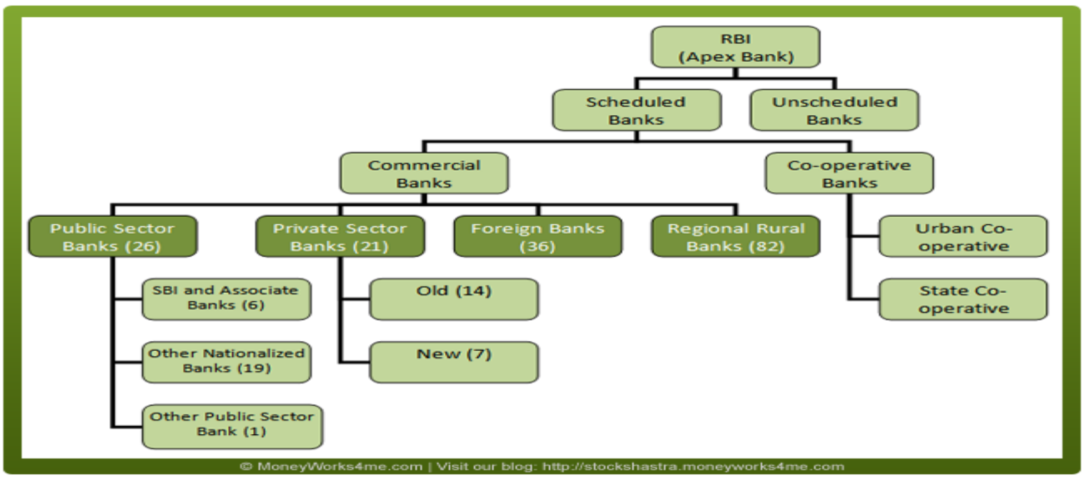
   A financial institution that provides services, such as accepting deposits, giving business loans and auto loans, mortgage lending, and basic investment products like savings accounts and certificates of deposit. The traditional commercial bank is a brick and mortar institution with tellers, safe deposit boxes, vaults and ATMs. However, some commercial banks do not have any physical branches and require consumers to complete all transactions by phone or Internet. In exchange, they generally pay higher interest rates on investments and deposits, and charge lower fees.

2. Co-operative Banks:

   The commercial banking structure in India consists of: Scheduled Commercial Banks

3. Unscheduled Bank:

   Scheduled commercial Banks constitute those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934.

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Organised banking in India is more than two centuries old. Till 1935 all the banks were in private sector and were set up by individuals and/or industrial houses which collected deposits from individuals and used them for their own purposes. In the absence of any regulatory framework, these private owners of banks were at liberty to use the funds in any manner, they deemed appropriate and resultantly, the bank failures were frequent.

Move towards State ownership of banks started with the nationalisation of RBI and passing of Banking Companies Act 1949. On the recommendations of All India Rural Credit Survey Committee, SBI Act was enacted in 1955 and Imperial Bank of India was transferred to SBI. Similarly, the conversion of 8 State-owned banks (State Bank of Bikaner and State Bank of Jaipur were two separate banks earlier and merged) into subsidiaries (now associates) of SBI during 1959 took place. During 1968 the scheme of 'social control' was introduced, which was closely followed by nationalisation of 14 major banks in 1969 and another six in 1980.

Keeping in view the objectives of nationalisation, PSBs undertook expansion of reach and services. Resultantly the number of branches increased 7 fold (from 8321 to more than 60000 out of which 58% in rural areas) and no. of people served per branch office came down from 65000 in 1969 to 10000. Much of this expansion has taken place in rural and semi-urban areas. The expansion is significant in terms of geographical distribution. States neglected by private banks before 1969 have a vast network of public sector banks. The PSBs including RRBs, account for 93% of bank offices and 87% of banking system deposits.

In india today many banks are there.I have taken the leading bank STATE BANK OF INDIA which is famous as common man's bank.followings are various services provided by the bank.

E.G

| **Personal; banking** | **Agricultural** | NRI SERVICES | **International** | Corporate banking | Services | Govt business |
|---|---|---|---|---|---|---|
| Deposits | **Agriculture banking** | Loans and deposits | **Trade finance** | Mid corporate accounts | Internet banking | Govt accounts |
| Personal finance | Micro credit | Remittances | Merchandise banking | Project finance | Mobile banking | PPF account |
| Car loan | Regional rural bankl others | Loans | Correspondent banking | Working capital finance | ATM services | SBI e tax |
| Cards | | investments | Others | Dealer finance | Demat services | |
| | | | | Equipment finance | | |

*Many other services are provided by SBI apart from the above to different sectors.*
*Further the following awards won by SBI in the year 2013-14.*

| | |
|---|---|
| **The BANKER** | Innovation in Customer Data Management (DWP) |
| **IDRBT (3)** | Financial Inclusion (IT-RB), Electronic Payment (INB, MB W, ATM, PSG) and CRM&BI (DWP) |
| **SKOCH CORPORATE EXCELLENCE** | BEST IT Team, CSR and Corporate Excellence |
| **PC Quest** | AWARD for change management for managing high scale IT projects. |
| **EDGE AWARD** | HRMS and RISK ANALYSIS (DWP) |

**List of Awards won by Corporate Communication & Change Department, Corporate Centre, Mumbai**

**(2013-14)**

1. State Bank of India also improved its ranking in “Fortune” 500 Global List, “Forbes” list of 2000 largest companies in the world, “Banker” list of top 1000 world banks, Brand Finance – Global 500 Financial Brand recognition, to name a few. “Most Admired Infrastructure Financier” Award by KPMG, “Top Public Sector Bank under SME Financing” by Dun and Bradstreet.
2. The Bank was voted, for the third year in a row, as the “Most Preferred Housing Loan” and “Most Preferred Bank” in the CNBC AWAAZ Consumer Awards in a survey conducted by CNBC TV18 in association with AG Nielsen & Company. The Bank was also awarded the “Best Home Loan Provider” as well as “The Best Bank” – by Outlook Money Awards, 2008.
3. SBI has been rated as the Best Public Sector Bank for Rural Reach by Dun & Bradstreet.The Bank has won awards for topping SHG-Bank Credit linkage in Orissa, Jharkhand, Maharashtra, Uttarakhand, Tamil Nadu and Uttar Pradesh.
4. The Bank was awarded Reader’s Digest “Pegasus Corporate Social Responsibility Award 2007” in recognition of its contribution towards Rural Community Development.
5. The Bank was conferred the following National awards by the Government of India (GOI), Ministry of Micro Small and Medium Enterprises for the FY 2007.
6. State Bank of India Voted THE BEST BANK in Cash Management Services in local currency by AsiaMoney.
7. State Bank of India wins 2 awards for Best Rural Banking Initiative and Best IT Architectureards to state bank of india.
8. First under "National Awards for excellence in lending to Micro Enterprises".Second under "National Awards for Excellence in MSE Lending". The Bank was also presented an award for outstanding performance in the area of finance to SMEs by Dun & Bradstreet.
9. Best bank of the year 2009 by business india(august 2009).
10. SBI ranked no 1 bank in the 4os b&m icmr survey on india”s.
11. Sri Omprakash Bhatt declared as one of the 25 most valuable Indians by the week magazine in august 2009.
12. Readers Digest Awards 2011 For Trusted Brand in Fund Management Category ICRA Mutual Fund Awards 2011 For Magnum Income Fund - Floating Rate Plan - Long Term Plan.
13. The State Bank of India (SBI) was adjudged as the most preferred bank of North East at the second Northeast Consumer Awards, presented here in November 2011.
14. Best Online Banking Award, Best Customer Initiative Award & Best Risk Management Award (Runner Up) by IBA Banking Technology Awards 2010.

## V. Conclusion

On the basis of the above analysis it is easy to derive that compare to other banks SBI is doing well with reference to services. SBI also offers innovative banking products as well insurance to customers.Besides this; The Bank is actively involved since 1973 in non-profit activity called Community Services Banking. All branches and administrative offices throughout the country sponsor and participate in large number of welfare activities and social causes .so its proper to say that the bank have adopted consumer centric philosophy touching requirements of all class of people.

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