

INNOVATIVE MANAGEMENT PRACTICES OF SBI BANK

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ABSTRACT

Gone are the days when banking industry used to operate in a protected environment. Liberalization, Privatization and Globalization have opened floodgates of competition. Opening of modern banks has also given banking industry new taste in competition. Bankers can no more bank on walk-in-business and relax in cozy offices. Information technology has not only enhanced customer's awareness level but has made them demanding. Their expectation level is galloping. Demands and priorities are changing every day. The influence of the Internet upon the choice and delivery of products and services has made the situation acerbic. Customers no more want age-old banking products; they cannot be fooled and taken for a ride by changing the wrapper of the product. Never in the history of banking has the power so firmly been in the hands of customers as it is today. The struggle for survival in the cut throat competitive market is the biggest challenge of the time. For facing competition there has to be determination and skill of innovation. This has led to the embracing innovative business practices by various banks in India. The present paper highlights the historical backdrop, evolution of banking industry and recent innovative practices in this sector in India.

Keyword: Bank sector, management, innovative practices

1.1 INTRODUCTION

Banking is as old as civilization itself. As early 2000 B.C. banking had developed a system of leading and borrowing and holding money on deposits. During 13th and 14th centuries and grew quickly in importance and size. According to modern concept, banking is a business, which not only deals with borrowing, lending and remittance of funds, but also important instruments for fostering economic growth. The Indian money market however is characterized by the existence of both unorganized and organized credit agencies that meets the credit needs of various sectors of economy. The moneylenders and indigenous bankers constitute the money market. The organized sector of money consists of reserve bank of India, commercial bank and cooperative banks. Indian banking industry is standing on three major pillars – nationalized, private and foreign banks. All the three are not only competing in financial matters but also in providing best customers services. In terms of sheer size and reach public sector banks i.e. nationalized banks stills domination our banking system, but in terms of services and facilities, private and foreign banks are having the upper hand. The important function of a bank is accepting of deposits. The bank accepts the deposits on the following types as such Current accounts, Saving accounts, Fixed deposit accounts and Recurring deposits accounts. The bank also provides loans and advances of worthy borrowers. Bank provided following loans and advance as such Cash credit, Overdrafts, Loans and advances for car, home, education equipments and personals etc. and discounting of bill of exchange.

1.2 SBI BANK

State Bank of India (SBI), with a 200 year history, is the largest commercial bank in India in terms of assets, deposits, profits, branches, customers and employees. The Government of India is the single largest shareholder of this Fortune 500 entity with 61.58% ownership. SBI is ranked 60th in the list of Top 1000 Banks in the world by "The Banker" in July 2012.

The SBI group consists of SBI and five associate banks. The group has an extensive network, with over 20000 plus branches in India and another 186 offices in 34 countries across the world. As of 31st March 2013, the group had assets worth USD 392 billion, deposits of USD 299 billion and capital & reserves in excess of USD 23.03 billion. The group commands over 23% share of the domestic Indian banking market.

SBI's non- banking subsidiaries/joint ventures are market leaders in their respective areas and provide wide ranging services, which include life insurance, merchant banking, mutual funds, credit cards, factoring services, security trading and primary dealership.

Recent Innovative Practices in banking sector

During the recent past the retail character of banking operation has become more predominant especially among the new private sector and foreign banks. Retail banking of mobilizing deposits from individuals and providing loan facilities to them in the form of home loans, auto loans, credit cards etc. is becoming popular. Banks with vision and insight are trying to woo this market although a series of innovative addition to their products, services, technology and marketing methods.

1.3 New Product & services

- Credit cards
- Global card
- Debit card
- Smart card
- ATMs
- Inter city banking
- Net banking
- Mobile banking
- Demat account
- Online banking services

Credit cards

In the credit card scheme, the holder buys goods or avails of services anywhere without the worry of carrying hard cash in his pocket. The payment is made to the card issuing bank. A credit limit is fixed for individual card holder with an option of a revolution facility as may be permissible by the bank r required by the card holder. Either one makes the full payment or pays the minimum stipulated amount on receipt of the monthly stipulated of accounts or bill from the issuers. Deferring the payments attracts a credit card. There are cards termed as GOLD, SILVER and CLASSIC/ EXECUTIVE CARD. Naturally the gold card offers better features, high insurance covers and more facilities. Gold card have the highest fees and services charges associated with them. In the rural market some special credit cards are provided for the development of small scale business and farmers.

Global card

This is the latest in the market, which enables the card holders to use the card in any country including the country where the card has been issued. One can spend in any foreign currency and settle the due in medium of local currency. The credit limit is based on the BTQ (basic travel quota).

Debit card

All purchases are debited on line from the card holder account on these cards. This concept is infant stage in India. Who have the on-line connection with in their own network with merchants sits, only those issues are issued such cards. It works as a replacement of cash for the card holders.

Smart card

It is a prepaid card. It is similar to the VCC (virtual calling cards) and cash or SIM cards issued by cellular phone companies. In this system, the card holder purchases a card and get exhausted on use till it become nil. The card operates with a secret PIN number given to the cardholder. This card can be recharged.

ATMs

Several public sector banks and almost all the private banks have installed ATMs (Automatic Tellers Machines) at licensed branches and extension counters where clients can withdraw cash 24 hours upon a certain limit. Besides cash withdrawals, ATMs allow depositing cash and cheques, dividend warrants and other instruments. One can even change the PIN (personal identification number) directly on ATM. Now some banks have put up drive in ATMs and off sites ATMs for added customers convenience.

Inter city banking

Now private sector banks provided its account holders the facilities to operate their accounts from any of its branches. It means the account holder has no need to suffer a long distance. The account holder operates his accounts, loan payments etc on a near most branch.

Net Banking

Net banking means banking on internet. It is made banking easier. Private Banks provides net banking free of cost. You can now bank from the comfort of your bedroom or from a hotel room while on vacation. You can check your balances, make and stop your payments, make cheques status inquiry, make a cheque book request and access to your demat account on internet.

Mobile Banking

Now time while be change, mobiles take a strong place in market. Everyone has a mobile in his pocket. Different mobile companies offered you the different schemes and facilities. Now you can access your bank accounts on your mobile phone screen, anytime, anywhere. You can do your all banking transactions sitting in a restaurant, in your home or even in your car. You can make just one SMS and do your banking activities.

Demat account

If you are a share holder or interested in share market or think about purchasing or selling the shares. Banks helps you for all these works. Now banks purchased or sale your share as your order or request. You can only inform about your decisions. Now you can avoid multiplications, duplications and pilferage of share certificates. By opening a demat account, you can protect your securities from damage, loss and theft. Demat account stands from dematerialization of accounts.

On-line banking services

In on line banking services you did your work at home. You can make your payment at home. There is no need to go market. There are many on line services which were provided by on line as such On line tax payments, On line bill payments of phone or electricity, On line reservations in railway or airway and On line shopping's.

2. Future of banking in India

The Indian banking has come of age in the past few years. Overall, it has been a period when banks have thrived. We have seen the growth of some Indian banks to phenomenal levels. But there's still a fair way to go before an Indian bank can truly announce its global arrival. Landscape due to mergers and acquisitions being undertaken across the industry. The emerging Indian rural market is playing a big role in charting out a trend for the growth of banks. With the economy surging, the income levels have increased in rural areas. Agricultural income is on the rise. Rural market is not just for micro credit, it also possess tremendous potential for commercial banking. Till now rural banking was the forte of public sector banks, which was more of an obligation than a well thought out banking initiative for the same.

With the growth in the Indian economy expected to be strong for quite some time -especially in the Services sector, the demand for banking services, especially retail banking, mortgages and investment services is expected to be strong. Mergers & Acquisitions, Takeovers, Asset sales and much more action is expected to happen on this front in India. Banking in India is considered as fairly mature in terms of supply, product range and reach - even though reach in rural India still remains a challenge for the private sector and foreign banks. Even in terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets - as compared to other banks in comparable economies in its region.

The Reserve Bank of India is an autonomous body, with minimal pressure from the government. The stated policy of the Bank on the Indian Rupee is to manage volatility without any stated exchange rate - and this has mostly been true. Bank credit growth has marginally slowed down to 26 percent recently, after growing at around 30 percent for three years in a row. This is the most enticing factor for foreign players. Witnessing huge foreign capital inflows lined up for the Indian markets, Indian banks too have geared themselves to infuse more money in the banking business.

2. CONCLUSION

To sum up, the coming years for Indian industry will be a transition not only towards the 21st century, but marked by a major shift from a seller's to a buyer's market and even more importantly from local area to global operations. These changes will compel a major re-engineering of the market forces and players. We shall be witnessing a large number of Indian companies embarking on restructuring. This will lead to number of mergers, acquisitions, takeovers, disinvestments and buy-backs. To conclude new concepts, new benchmarks, new forces, are now transforming Indian industry. The rewards are getting higher but so are the risks. The future focus should be: Growth based on calculated risks.

