



Role of SBI in Indian Banking System: A Review

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ABSTRACT

Banks are the foundation of any economy. The effective industry promotes a secure pillar of economic development. Maharashtra is the recently formed developing state in India having all the desired potentialities for fast economic development and growth. The India's largest bank, the State Bank of India is the main pillar and contributes to their optimum to the economic development of the state within the roads of development and welfare. It absolutely was taken for study to spot the role of State Bank of India with special insistence on the broader national goals of development of urbanization.

This research paper tried to cover the operations and functions of State Bank of India. SBI banks and its various branches and comparison with other bank that are actively working in India and rendering their services post Independence period. The Indian banking system consists of 12 public sector banks, 22 private sectors banks, 46 foreign banks, 56 regional rural banks and 1485 urban cooperative banks. In financial year 2020, more than 98 banking outlets were available per 100,000 population in India. It was a significant increase compared to the figures recorded a year before. The State Bank of India in the Public sector, along with HDFC in the Private sector were popular brands in the sector.

KEYWORDS: banks, loans, public, private, schemes.

1. INTRODUCTION

State Bank of India is an Indian multinational public sector bank and financial services statutory body headquartered in Mumbai, Maharashtra. SBI is the 43rd largest bank in the world and ranked 221st in the Fortune Global 500 list of the world's biggest corporations of 2020, being the only Indian bank on the list.

The topic deals with the financial growth of society's that the bank will play a prime role that fosters the upliftment of the people with that of Indian banking system and the economic structure as well.

2. RELATED WORK

Many researchers under different title have published papers on SBI its roles and functions,

objectives post independence era which has witnessed tremendous growth in India. SBI has been the backbone of Indian banking system in terms of employment generation, development of industrialization, eradication of poverty, upliftment of rural area, infrastructure development etc. [8]

Manish kumar (2018) in his research have mentioned about the contribution of SBI that has led towards the development in the field of economic upgradation, social responsibilities, poverty eradication, infrastructure, balanced regional development, industrial and commercial development and development of backward agricultural areas as well.

3. PRIOR TO INDEPENDENCE

In 1786 the first General Bank of India was organised with as joint stock. After that Bank of Bengal and Bank of Hindustan was started till 1906 and the three banks are started by the East India Company, i. e Bank of Bengal in 1809, Bank of Bombay in 1840, and Bank of Madras in 1843. And they are the Presidency Banks and Independent units and well operated. After, these three Banks with India management these are namely, Bank of India Ltd, Canara Bank Ltd, Punjab commercial Bank Ltd.[2]

In 1949 the Reserve Bank of India was established as the country's central bank. RBI got the powers and authorities to control the Indian Banks and supervision and licensing powers and also inspection powers.

4. AFTER INDEPENDENCE

Within the year 1955, Imperial Bank of India was nationalized and renamed as "State Bank of India". It absolutely was established under SBI Act 1955. Afterward RBI was empowered to force the compulsory merger of the weak banks with the strong banks. And it reduces the number of Banks from 566 in 1951 to about 89 in 1969. In 1969, 14 major banks were nationalized and it became 20 in number of total Nationalized banks in India. And for the advice of Narasimham Committee, the Banking Regulation Act was amended in 1933 and for these new Private sector banks are opened. Many individuals apply for home loans to induce support to acquiring their property. SBI levies an interest rate between 8.65% to 9.30% for people. When it involves women applicants, the speed of interest varies between 8.60% to 9.20%. The interest rates are set by the bank in accordance to the quantity applied for, tenure and also the applicant

5. VARIOUS LOANS PROVIDED BY SBI [3]

A. Personal loans

These loans are used at the discretion of the borrower. SBI inflicts charge per unit of between 12.50% - 15.50% per year on such sort of loans. When it involves defence, military or the Indian coast guard individuals, then the charge of interest varies between 12%-13% p.a. The maximum loan amount here is Rs.15 lakh, with repayment upto 5 years.

B. Education Loans

For the aim of higher education and college, SBI provides with education loans, with interest rates falling between 8.70% to 10.75%. female students enjoy a 0.50% concession on the charge per unit. The interest rates are subject to the course the applicant is pursuing, the institute that the loan is required and also the amount applied for. SBI also has special schemes under its hat for educational activity and college funding overseas.[1]

C. Auto Loans[4]

Buying a vehicle could be a once during a lifetime investment that individuals make and SBI caters for the similar thing. SBI includes a loan tenure up to 7 years for both the new and used auto loans. The interest rates fall between the range of 9.25% to 10.75%, counting on the scheme under which the applicant is acquiring a loan.

6. OBJECTIVES AND FUNCTIONS OF SBI

The banking concern of India has been established to control on the traditional commercial principles, with the sole difference that, unlike other commercial banks within the country, it takes into consideration and responds in a very progressively liberal manner the financial requirements of cooperative institutions and mini scale industries, particularly within the rural areas of the country.

- (i) To act in compliance with the broad economic policies of the government;
- (ii) To spice up and mobilize savings by opening branches in rural and semi-urban areas and to stimulate rural credit;
- (iii) To determine government partnership within the provision of cooperative credit;
- (iv) To proffer financial help for the establishment of licensed warehouses and cooperative marketing societies;
- (v) To extend financial help to the mini scale and cottage industries;
- (vi) To supply requital facilities to the banking institutions.

The banking company of India acts as an agent of the Reserve Bank all together those places where the latter doesn't have its branches.

A. As an agent of the Reserve Bank, the State Bank performs the subsequent functions

- i. It operates because of the government's bank, i.e., it collects money and makes payments on behalf of the Govt. and manages debt.
- ii. It acts as because the bankers' bank. It receives deposits from and provides loans to commercial banks. It also acts because the financial organizations for the commercial banks, rediscounts the bills of exchange of the commercial banks and provides compensation facilities to the commercial banks.

B. Ordinary Banking Functions

The State Bank of India performs all sort of economic banking functions:

- (i) It receives deposits from the general public.
- (ii) It gives loans and advances against eligible securities including goods, bills of exchange, promissory notes, fully paid shares of companies, immovable property or documents of title, debentures, etc.
- (iii) It invests its surplus funds in government securities, railway securities and securities of corporations and treasury bills.

C. Other Functions[5]

The Bank of India also performs the subsequent other functions:

- (i) It buys and sells gold and silver.
- (ii) It acts as an agent of cooperative banks.
- (iii) It endorses issues of stocks, shares, debentures, and other securities in which it is authorised to invest funds.
- (iv) It conducts, singly or jointly, estates for any purpose as executor, trustee or otherwise.
- (v) It draws bills of exchange and grants letters of credit payable out of India.
- (vi) It purchases bills of exchange payable out of India with the approval of the Reserve Bank; it advocates buys, acquires, holds and sells shares in the capital of banking companies.

D. Prohibited Functions

The depository financial institution of India has been prohibited from doing certain businesses by the State Bank of India Act:

- i. The State Bank cannot grant loans against stocks and shares for a period more than six months.
- ii. It can buy no immovable property other than its own offices.
- iii. It can neither rediscount nor offer loans against the safety of exchange bills whose maturity period exceeds six months.
- iv. It cannot rediscount bills which don't carry a minimum of two good signatures
- v. It can neither discount bills nor grant credit to individuals or firms above the sanctioned limit.

Bank's performance during FY-2021[6]

Cust omers	Marke t share	BC Outlets	Total bran ches	Shar e of trasa ctio ns on alter n ate chan nels	Mark et share in Debit card Spen ds	Financi al Includi on Transa ction Amou nt	Pan-Indi a ATMs & ADW Ms
45.92 cr	23.29 % Depos its	22,21 9	71,9 68	93%	29.2 3%	2,52,47 0 cr.	62,617

	Six months ended September 30,2020	Six months ended September 30,2021
Revenue	228,165	334,283
Profit before income tax expense	54,512	109,276
Profit for the period	38,164	88,938
Profit attributable to owners of the Company	33,104	76,765

Comparison between SBI bank vs HDFC bank Home loan[7]

Category	SBI loan	HDFC Home loan
Purpose	SBI home loans cater to both salaried and self-employed applicants.	HDFC bank offers loans that assist people from different walks of life to shop for or construct a home
Loan amount	Rs. 5 lakh- Rs. 10 crores	Up to Rs.10 crores

Rate of Interest	6.80% p.a. onwards	6.75% p.a. onwards
Loan tenure	Up to 30 years	Up to 30 years
Eligibility	Applicant must be at least 18 years old and less	Applicants must be at least 18 years old and fewer than 65 years old
Prepayment charges	NIL	i. No prepayment charges for individual applicants with variable rate loans ii. b.2% prepayment charges for fixed rate loans and non-individual borrowers
Pros	i. Competitive interest rates ii. No prepayment tenure iii. Long repayment tenure	i. Long repayment tenure ii. Low interest rates iii. Lower EMIs for girls under special promotional campaign
Cons	The maximum loan amount in comparison to HDFC bank	Higher interest rates than depository financial institution of India
Documentation	i. Proof of identity ii. Proof of residence iii. Property papers like permission for construction, occupancy certificate, etc. iv. Bank account statement for the last 6 months	i. Proof of identity ii. Proof of residence iii. Bank account statement for the last 6 months iv. Proof of educational qualification
Processing fee	0.35% of the loan amount + applicable service tax, minimum of Rs.5,000	Up to 0.50% of the loan amount or Rs.3,000 (whichever is higher)
Application process	Applications for SBI home loans is made online or by visiting their branch	Applications for SBI home loans are often made online or by visiting their branch

6. FUTURE SCOPE AND CONCLUSION

The following are the main achievements of the depository financial institution in several fields. The State Bank of India has made a tremendous progress since its inception in 1955.

i. Deposit Mobilisation- There has been an increasing trend with reference to mobilisation of deposits by

the State Bank of India. Total deposits and other accounts which were Rs. 226 crores at the end of 1955, increased to Rs.1227 crore at top of 1969 and further to Rs. 242828 crores at the end of March 2001. Thus, there has been about 1075 times increase in Banks's deposits during 1955 to 2001.

ii. Credit Expansion- The progress within the field of credit expansion has also been considerable over the years. At the top of 1955, total advances made by the financial banking were Rs. 106 crores. These advances increased to Rs. 841 crores in 1969 and Rs. 113590 crores in March 2001. This indicates that there has been 1072 times increase in advances during 1955 to 2001 [8].

iii. Branch Expansion- The number of branches of Banking company of India has also grown remarkably since its establishment. In 1955, the Bank had 497 offices, in 1969 and 2001, the number increased to 1673 and 9078 respectively.

iv. Present Position of State Bank Group- By the end of March 2001, total deposits of the depository financial institution (i.e., State Bank of India and its seven associates) had reached Rs. 312117 crore, total advances granted by the group were Rs. 150390 crore, and total number of branches of the Group was 13509. Thus, the State Bank of India Group accounted for about 41 per cent of deposits, 35 per cent of advances and about 21 percent of the offices of all scheduled commercial banks in India. The paid-up capital and reserves of the Group were Rs. 4751 crores at the end of March 1994. Net profits of the group were Rs. 2222 crore (Rs. 1604 crore of the SBI and Rs. 618 crore of the associate branches) during 2000-01.

v. Profits, Efficiency and Capital Adequacy- Over the years, the SBI continued to point out better performance in terms of profits, efficiency and capital adequacy. It recorded a net income of Rs. 1604 crore for the year 2000-01 against Rs. 832 crores for 1995-96, indicating a rise of 48%. The major contributing factors for improved net profits were higher interest income from advances also as investment operations, lower operating expense and better performance of foreign offices. The Bank's capital to risk-weighted assets ratio was 12.79% during 2000-01. This is often well above the

internationally accepted ratio of 8%. Net NPA of the Bank was 6.03% in March 2001 against 6.41% in March 2000.

vi. *International Banking*- At present (March 2001), the SBI features a network of 52 overseas offices with their operations adjoin 31 countries. These foreign offices mainly cater to the necessities of the country's foreign trade and provide foreign currency resources to the Indian corporate. During 2000-01, the foreign offices of the SBI earned a profit of Rs. 248 crores. The deposits and advances of the Bank's foreign offices were Rs.7932 crore and Rs.14797 crore respectively at the highest of March 2001.

vii. *Technology Upgradation and Consumer Services*:

- 2555 computerized branches operating in 620 centres and covering 76% of the Bank's domestic business;
- Network of 100 ATMs in 8 cities;
- Internet banking covering 35 branches by March 2002;
- 360 VSATs (Very Small Aperture Terminal) linking 130 centres;
- Tele-banking;
- Remote banking for corporates;
- State Bank electronic payment system (STEPS) to facilitate instantaneous electronic transfer of funds;
- Electronic Data Interchange projects for handling customer transactions at airports and seaports;
- Introduction of computerized printing of drafts;
- Electronic Nostra Account Reconciliation (ELENOR) enabling online reporting of forex transactions from 444 forex intensive branches;
- Extended business hours (7 to 12 hours) and 7 days banking.

viii. *SBI-Cards*- SBI Cards and Payment services Ltd. previously known as SBI Cards and Payment services Private limited, is a payment solutions provider in India. SBI card was launched in October 1998 by State Bank of India, India's largest bank, and GE Capital. In December 2017, State Bank of India and The Carlyle Group.

ix. *Best Covid Response- Towards Customers, Towards Employees, Towards Communities*- SBI Life Insurance has won the award for 'Best Covid Response- Towards Customers, Towards Employees, Towards Communities' category at ASSOCHAM 13th Global E-Summit & Awards 2020.

7. FUTURE SCOPE AND CONCLUSION

The State Bank of India has been progressing well in the right direction. It has made remarkable achievements in the sphere of expanding banking facilities in the rural and semi-urban areas, and providing financial help to agriculture, cooperative institutions and small scale industries. As it is made clear through this study that SBI functions and working are more convenient and easy to access the facilities as compared to other bank's offerings. Today the need of online banking has gained tremendous success over traditional banking so as to facilitate its customers in that SBI is doing a great job in this field to cater services on their finger tips through applications like Yono app. Hence to conclude this research paper is a satisfactory analysis done on the basis of recent trends which could prove to be a good reference for other researchers also.

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