

SBI – Follow the Customer

State Bank of India is committed to the best practices in the area of corporate governance, in letter and in spirit. The bank believes that good corporate governance is much more than complying with legal and regulatory requirements. Good governance facilities, effective management and control of business, maintaining a high level of business ethics and optimizing the value for all its stake holders.

State Bank of India

On the 27th of September 2007 Securities & Exchange Board of India (SEBI) raised mutual funds' overseas investment cap to \$300 million from \$200 million and stretched the list of instruments they can put money in. According to SEBI data, foreign investment has reached \$1.5 billion since last Thursday, bringing the total foreign investment in Indian stocks to a record \$11 billion so far this year. SEBI further dispensed with the norm that barred funds from investing more than 10% of their net assets abroad. Sanjay Sinha, Chief Investment Officer, SBI Funds Management Private Ltd, said *"The new norms would encourage investors to diversify funds in overseas markets, like China and South Korea, which have given much better returns than India in the last calendar year."*

SBI, India's largest commercial bank is also home to the country's biggest and most powerful Treasury, contributing to a major chunk of the total turnover in the money and forex markets. SBI's relationships with over 700 correspondent banks are also leveraged in extracting maximum value from treasury operations. The banks trading operations are unmatched in size and value in the domestic market and cover government securities, corporate bonds, call money and other instruments. State Bank of India consists of eight associate banks. The State Bank Group includes a network of eight banking subsidiaries and several non-banking subsidiaries offering merchant banking services, fund management, factoring services, primary dealership in government securities, credit cards and insurance.

The origins of State Bank of India date back to 1806 when the Bank of Calcutta (later called the Bank of Bengal) was established. In 1921, the Bank of Bengal and two other Presidency banks (Bank of Madras and Bank of Bombay) were amalgamated to form the Imperial Bank of India. The name SBI was formed in 1955 by an act of the parliament i.e. The State Bank of India Act, 1955 (Act).

In the year 2007, SBI increased the market share by 200 basis points (bps). The banks balance sheet crossed Rs 500, 000 crore, deposits crossed Rs 400, 000 crore and advances crossed 300, 000 crore. If we will look at the cost of deposit of the bank then there is an increase from 4.57% in 2005-06 to 4.79% in 2006-07. In Indian market SBI is recognized as the provider of highest number of ATMs (6473) in the market. The operating profit of the bank was increased from Rs 8, 249 crore to Rs 10, 000 crore from 2006 to 2007, which is an increase of 21.23%. In Indian market SBI has 14, 337 branches, which is also considered as the largest number of branches in the market. With this the associate banks of SBI also having 4820 branches in the Indian market. In the foreign market SBI is having 52 offices in 32 countries.

In the share holding list there are several investors. Among all the investors Reserve Bank of India (RBI) is holding 59.73% of the total share, where as The Bank of New York comes second with a holding of 7.88%. In the year 2007, the SBI share declared a dividend of 140%. Profit after tax of banks foreign offices and subsidiaries recorded a Year-on-Year (YOY) growth of 31% increasing from USD 77.11mn to USD 100.86mn in 2006-07. The net balance sheet size increased from UDS 10.75bn to USD 13.78bn in the year. With opening of 7 offices in the year 2006-07, the total number of foreign offices has gone up to 83 in 32 countries.

SBI is operating with an employee strength of 1, 85,388 out of which 29.99% belongs to the officers cadre where as 43.73% belongs to clerical grade and the rest 26.28% belongs to the sub-staff. SBI commercial and International Bank Limited (SBICI) is a wholly owned subsidiary bank of SBI and functions as a private sector bank with high quality standards. The bank has been awarded ISO-9002 quality systems certification for the

bank as a whole, covering all its products and services at all locations is considered as a unique distinction for any Indian bank.

Questions for Discussion

1. How has SBI expanded into the foreign markets?
2. What were the drivers of SBI to move to foreign markets?
3. What factors helped SBI to expand to foreign markets?
4. What have the hurdles in its international operations?
5. How have the company managed its international business?
6. What are the opportunities and challenges for SBI?
7. What have the key strength of SBI for its international expansion?
8. How have policies in the banking sector affected SBI?

References

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