

History of state bank of india marketing essay

[Finance](#), [Banks](#)



A strategic planning and implementation is the process of deciding the future of the organisation. The strategy will help the organisation through out the business to achieve its goals and sustain in the industry. Since it is a long and time consuming process, the strategist has to plan it very carefully and efficiently.

Task 1

(a) State Bank of India (SBI) is the largest commercial bank in India in terms of assets, profits, deposits, number of branches and employees. The slogans of SBI are “ With you all the way” and “ Pure banking nothing else.” State Bank of India was founded on 1806 at Calcutta as Bank of Calcutta. The bank has a network of 17000 branches including 4607 branches of its six associate banks dominates the banking industry in India. The bank has almost 21000 ATMs and a total workforce of 221000. Also the bank has more than 140 offices in overseas which are spread across more than 30 countries. The bank became the banker to all class of people and it has Indian’s cultural and ethical values. This is the reason for selecting State Bank of India as my assignment topic.

History of State Bank of India

Imperial Bank of India was founded in 1921 and then State Bank of India was constituted on 1st July, 1955 under the State Bank of India Act. On October 1959 State Bank of Hyderabad founded under the State Bank of India (Subsidiary Bank) Act and it becomes the first subsidiary of SBI. In 1960s State Bank of Jaipur, State Bank of Bilaner, State Bank of Indore, State Bank of Travancore, State Bank of Mysore, State Bank of Patiala, and State Bank of

Saurashtra became the subsidiaries of SBI. In 1963 October, SBI branch in London become bankers to the Indian High Commission. Bank of Behar Ltd amalgamated with State Bank of India on November 1969. In the year 1982, the non-resident investment cell was founded and in 1983 SBI launched self employment scheme for providing self-employment to educated unemployed youth. The Bank of Cochin Ltd with its 108 branches amalgamated with State Bank of India. SBICAP launched two scheme viz., Magnum Monthly Income Scheme and Magnum Tax Service Scheme in the year 1989 and 1990 respectively. In the same year State Bank of India launched India Magnum Fund with the association of Morgan Stanley Asset Management Inc. of USA.

State Bank of India has personal banking services like SBI Term Deposits, SBI Loan for Pensioners, SBI Recurring Deposits, Loan against Mortgage of Property, SBI Housing Loan, Loan against Shares & Debentures, SBI Car Loan, SBI Educational Loan, and Medi-Plus Scheme. And other services of the bank are; Agriculture/Rural Banking, NRI Services, ATM Services, Demat Services, Corporate Banking, Internet Banking, Mobile Banking, International Banking, Safe Deposit Locker, RBIEFT, E-Pay, E-Rail, SBI Vishwa Yatra Foreign Travel Card, Broking Services, Gift Cheque etc. By July 2008 all the branches of SBI achieved full core banking status. This is one of the most important achievements of the bank the group became the largest banking network in the World to have gone on centralised data base system (Core Banking).

Apart from banking the group provides a whole range of services such as financial services, Life and General Insurances, Merchant Banking, Pension Fund Management, Primary Dealership in the money market. State Bank of

India has seven associate banks and State Bank of Saurashtra merged into SBI on August 2008 and now the bank has six associate banks. They are;

State Bank of Bikaner and Jaipur

State Bank of Hyderabad

State Bank of Indore

State Bank of Mysore

State Bank of Patiala

State Bank of Travancore

Government of India having 59.41% of share in State Bank of India and thus the bank requires approval from the government for any kind of expansions and the merger of its associate banks. SBI holds 100% stake in State Bank of Hyderabad, State Bank of Patiala, and in between 75% to 98% in State Bank of Bikaner and Jaipur, State Bank of Indore, State Bank of Travancore, and State Bank of Mysore. Recently the government sanctioned to merge its small associate, State Bank of Indore into SBI where State Bank of India has 98% stake. In addition to banking operations, SBI has established the following subsidiaries such as

SBI Capital Markets Ltd

SBI Mutual Fund (A Trust)

SBI Factors and Commercial Services Ltd

SBI DFHI Ltd

SBI Cards and Payment Services Pvt Ltd

SBI Life Insurance Co. Ltd – Bancassurance (Life Insurance)

SBI Funds Management Pvt Ltd

SBI Canada

Board of Directors headed with Chairman O. P. Bhatt, S. K. Bhattacharyya (MD, CC & RO), R. Sridharan (MD & GE (A&S)), Dr. Ashok Jhunjunwala, Dileep C. Choksi, S. Venkatachalam, D. Sundaram, Dr. Deva Nand Balodhi, Prof. Mohd. Salhuddin Ansari, Dr. (Mrs.) Vasantha Bharucha, (Dr. Rajiv Kumar, Ashok Chawla, and Shvamala Gopinath.

(b) Strategic planning is a process which needs more resources including human efforts, and necessary changes in the organisation. The strategist has to scan the organisation's environment before selecting a strategy. The strategic planning has mainly four steps such as; (i) Environmental Analysis, (ii) Development of Vision and Mission Statement, (iii) Setting up of goals and objectives, and (iv) Identify strategy and tactics. The organisation has two types of environments such as internal environment and external environment. The environmental scanning can be done by SWOT analysis, PEST analysis, Porter's five force analysis etc. Then the organisation has to develop its vision, mission, objectives and values. All these factors will help the strategist to make a good strategy.

(c) The State Bank of India has to frame a strategy which will focus on customer service quality, maintaining profitability, using system technologies, credit portfolio management and productivity improvements. When the bank provides a high quality customer service will give a competitive advantage over other banks and it will help to attract the existing and new customers. Merger of associate banks into SBI will help the bank to expand its network so that people are able to bank anywhere without any trouble. An institution for advanced learning will help the employees to get trained. The bank has to focus on restructuring of its branches according to the industry standards.

(d) There are many ranges of tools, techniques, and models available for the development of marketing planning. Application of these tools may be differing from industry to industry even though there are some common tools. The first step of strategic planning is Environmental analysis. Mainly used tools for environmental analysis are SWOT analysis, Porter's Five Forces analysis, PEST analysis etc. Here we can discuss about Five Forces analysis, and SWOT analysis.

Five forces analysis will help to identify the external environment of State Bank of India and internal environment can be identified by SWOT analysis.

Michael Porter's Five Forces Analysis:

Michael Porter's Five Forces Analysis deals with the five forces such as;

The threat of new competitors entry

The intensity of competitive rivalry

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The bargaining power of customers

The bargaining power of suppliers

The threat of substitute products

The threat of entry of new competitors: Global economy and financial situations are under crisis but the banking industry is under booming. This situation attracted many multinational companies into Indian banking industry. Even many domestic non banking financial companies (NBFC) are also eagerly waiting to receive banking license from RBI. This situation is critical for existing banks including SBI and the competition will become high. SBI's 200 plus years experience in the industry and reputation will help the bank to overcome these threats of new entrants.

The intensity of competitive rivalry: The main competitors of State Bank of India in India are Bank of India, ICICI Bank, and Union Bank of India. ICICI bank is the second largest private sector bank in India and has well reputation over the industry. Increase in the number of banks will increase the rivalry since all these banks compete for the same customers and resources. State Bank of India has to face a competitive rivalry from all these banks and thus to plan its activities accordingly.

The bargaining power of customers: Customers are very much attracted by the bank and bank's core value is customer services and their satisfaction. But the same customer will come with arguments and comparison of other banks financial products in order to bargaining. The bank has to make satisfy such customers with its financial products and services since they are able to

get same services from the competitors and switching costs from one bank to another is very low.

The bargaining power of suppliers: State Bank of India has suppliers who supply stationeries, computers and peripherals to the bank. The switching cost of one supplier to another is time consuming and costly process. The bank has to get support from cash filling agencies to fill its ATMs through out the country. Since these things are very important to the bank suppliers are getting a bargaining power.

The threat of substitute products: Indian banking industry is high growth and profitable position and thus many foreign banks are entered into the market. All of these banks have similar financial products and services and this will lead to get a choice to the customers. The main similar products offered by the banks are savings and current accounts, internet banking, debit card services, mobile banking, different kinds of loans and deposits, insurance services (life and general), and investment & trading services. Whenever a customer feels that the service offered by SBI is not satisfying their needs, they can easily go for substitute with a low switching cost.

SWOT Analysis: It is the powerful tool used to analysis strength, weaknesses, opportunities, and threats of the bank. The following are the SWOT analysis of State Bank of India.

Strengths:

Brand Name: SBI has a powerful brand name over the country and overseas. SBI became the synonymous for banking in the rural areas.

SBI is a public sector bank and government of India has 60% of share. This is a competitive advantage over other banks in India.

Market share: SBI is the market leader in Indian banking industry.

Product Mix: SBI has a portfolio of products and services. It succeeded in the cross selling of its products and services.

All the branches of SBI has core banking and it enables the customer to bank anywhere same as local bank.

Weaknesses:

80% of SBI's employees are above 40 years of age. SBI is fully computerized, but the lack of computer efficiency made the banking very slow.

Non performing assets in credit cards is high

Resistance from employees and trade unions against merger of associate banks

Opportunities:

Merger of associate banks with SBI will increase the size of SBI and its market share.

Scope of investments in the emerging countries and Europe.

Threats:

Increase in non performing assets and bad debts.

Cyber security and customer data protection

New entrance of emerging private sector banks

Task 2

(a) State Bank of India is the number one bank in India in terms of assets, network and workforce. SBI has to formulate its strategy at different levels such as corporate level, business level, and functional level. Now the bank is going with a general strategy of expanding its business and network further. Now SBI focusing on merger of its associate banks with it and gain an unbeaten position in the industry. SBI has advanced learning institutions which aims to give financial product knowledge to middle and senior level executives. The bank applies an old but very effective tool of feedback collection from the customers and employees regarding their products and services. SBI's corporate strategy is to enter into new business such as Pension Fund Management, Private Equity, Custodial Services, General Insurance, Payment Solutions (Mobile Banking Services, Real Time Gross Settlement (RTGS)& National Electronic Fund Transfer (NEFT), Debit Cards), Financial Planning & Advisory Services, Depository Participant Services, and online trading. SBI's another strategy is focusing on agricultural areas and for this bank reduced the interest rate of agri loans and increased the amount of loans. The backbone of India economy is agriculture and irrigation and focusing on these areas gives the bank a competitive advantage over other public and private sector banks. The banks strategy includes expansion of its International Operations into Singapore and China. During this global financial recession, its foreign offices maintained comfortable liquidity position indicates its opportunities in this area. The bank's increasing NRI business shows that its strategies are up to the mark. The banks strategy for

domestic operation is to concentrate on Merchant banking, Export credit, and global link services such as inward and outward remittances.

(b) State Bank of India is a government owned commercial bank in India and thus the major stakeholder of the bank is Central Government of India. Employees, management, customers, trade unions and shareholders are also the stakeholders of SBI.

Government of India: India government has interest on State Bank of India not only for the taxes revenue and legal matters but also to make Indian banking industry stable. Since SBI is the largest and oldest commercial bank in India and the government having 59.41% shares of the bank, it is very easy to monitor banking industry.

Management: This body of SBI has only one aim that is the performance and growth of the bank. They are investing their knowledge and experience for the growth of SBI and they are proud to be there in that position.

Employees: It is very proud to the employees of SBI to say that they are working in State Bank of India. So it is clear that their interest is on the performance and growth of the bank. Changed face of State Bank of India in both its structure and operations are the result of the hard work of its employees.

Customers: SBI's reputation and brand value among the citizens of India is very high and they are treating SBI as their own bank. In the village areas of India, people believe that bank means State Bank of India and they are

thinking that SBI is another name of bank. According to them, when their bank is growing they are also growing.

Shareholders: Shareholders are the real owners of the bank and their interest on the bank for the growth and profitability. The following table gives the shareholding pattern of SBI.

Description (As On December 2009)

No of Shares

% of Share

Promoter

Indian Promoter (Govt. of India)

377207200

59. 41

Total Promoter

377207200

59. 41

Non Promoter

Institutions

Mutual Funds / UTI

26211596

4. 13

FI/Bank/Insurance

73155013

11. 52

Govt

122728

0. 02

FII

72198556

11. 37

Other

73324319

11. 55

Total Institutions

172813656

27. 22

Non-Institution

Bodies Corporate

22525379

3. 55

NRIs/OCBs

512277

0. 08

Others

38558174

6. 07

Total Non-Institution

61595830

9. 7

Total Non Promoter

234409486

36. 92

Depository Receipts

23263536

3. 66

Grand Total

634880222

100

(c) The participation of its stakeholders is very important to every organisation in order to continue in the winning path. At State Bank of India, the management looks keen to get the full support and help from the part of stakeholders to ensure that bank is going through right way. It is the chance for the management to give information to the shareholders about their plans and the new financial products and services which are going to implement. A healthy relationship with the stakeholders will help the bank to perform well and such a bank will be acceptable to everyone.

(d) Stakeholders of SBI can be a feedback agent about its products and services. The financial decisions are taken at various level by different officials depending upon their position should consider the opinions of stakeholders too. Doing so the stakeholders are also become the part of its strategic decisions and aware about the process. This will help to get commitments from the stakeholders for the planning and implementation of the strategy.

Task 3

(a) Vision of an organisation defines what they want to do in the future and mission statement defines all about fundamental objectives of the organisation. Both vision and mission statement of an organisation is an inspiration to its employees. Vision statement defined as “ an inspirational description of what an organization would like to achieve or accomplish in

the mid-term or long-term future. It is intended to serve as a clear guide for choosing current and future courses of action.” The characteristics of a good vision are; it should be developed through sharing across an organisation, it requires changes in the organisation and it should convince others about it. Mission statement defined as “ a written declaration of a firm’s core purpose and focus which normally remain unchanged, whereas business strategies and practices may frequently be altered to adapt to the changing circumstances.” Values of an organisation defined as the “ acceptable standards and behaviors of individuals within the organisation.” Values and business ethics are very important factors to any organisation.

(b)

Vision:

My SBI

My Customer first

My SBI: First in customer satisfaction

Mission:

We will be prompt, polite and proactive with our customer.

We will speak the language of Young India.

We will create products and services that help our customer achieve their goals.

We will go beyond the call of duty to make our customers feel valued.

We will be of service even in the remotest part of our country.

We will offer excellence in services to those abroad as much as we do to those in India.

We will imbibe state-of-the-art technology to drive excellence.

Values:

We will always be honest, transparent, and ethical.

We will respect our customers and fellow associates.

We will be knowledge driven.

We will learn and we will show our learning.

We will never take the easy way out.

We will do everything we can to contribute to this community we work in.

We will nurture pride in India.

(c) A good business ethics can lead to frame a good strategy to the organisation. State Bank of India has a vision, mission, and values which mainly focused on customer services and their satisfaction. Since SBI is India's number one bank, it has to consider the culture of different states while developing its vision, mission and strategy. The people of India have different lifestyle, taste, attitude, leaderships, passion, interest, and income. Also they are divided by communities and religions and thus the bank has to

understand cultural and ethical values for the development of its strategy in India.

(d) The quality services to the customers and their satisfaction are the core competencies to the success of SBI's vision, mission, and strategy. The attitude of the employees, financial strength, implementation of latest technologies, preventing of cyber threats are also critical factors to the success of SBI.

Task 4

(a) The global financial crisis and economic slowdown affected Indian economy, which is one of the emerging economies in the world. But its proactive policies and its regulation, financial supervision helped India to manage the global financial slowdown. Indian banking sector is functioning perfect during this time since it has no direct exposure to US and other developed countries mortgage assets or to the institutions which are shut down. Decline in forex reserves, less demand for products and services, depreciation of Indian Rupee against most of major currencies are the threat to Indian economy. Agriculture and allied sectors are became the strength of India economy during this recession and State Bank of India mainly focused on these areas. This helped the bank to book a growth rate of 36. 68% in operating profit and 35. 55% in net profit for the last financial year.

(b) State Bank of India responded to the changes in its environment by implementing core banking system to all of its branches and thus provides quality services to the customers. The bank achieved this by July 2008 and it was a successful step. Now the bank launched a new service, State Bank

Group Fund Transfer which enables the customers to transfer fund from any one of its associate bank to another through internet banking in any day at any time. The bank merged its associate bank, State Bank of Saurashtra to SBI which helped to sustain number one position in all terms.

(c) The State Bank of India's major functional areas includes; personal banking, corporate banking and international banking services. The personal banking services include savings, term deposits, current accounts, loans such as educational, housing, agricultural, and automobiles. The corporate banking services include term loans, project financing, cash credit, and current deposits. International banking includes foreign exchange transaction, and merchant banking. Since people are aware about the global financial crisis and it is not the time to spend more, the savings and term deposits are very important. Also the customers are looking for loans such as education, housing and automobile to make their dream true. The bank's insurance and investment services are also attracted by the customers.

(d) The financial products and services of SBI got a competitive advantage by implementing core banking systems to all of its branches. This helped the bank to provide 24 x 7 services from anywhere. The number of branches, ATMs, internet banking, and mobile banking provided the customers an easy access to the bank. Internet banking and mobile banking are highly secured and this helped the customers to avoid going to the branches and queues.

Task 5

(a) A timetable is very important for the implementation of an organisations strategy. The implementation of strategy is a long process and requires

changes in the organisation. A Business Process Re-engineering (BPR) has to apply in the organisation. The total structure and process of the organisation was structured for the suitability of its earlier strategy. Since the organisation is going to implement its new strategy, the organisation has to take necessary changes in its structure and processes. The timetable starts from making the necessary changes in the organisational structure, and employees training in order to make them capable for the changes.

(b) SBI's one of the strategy is merger of its associate banks with the bank. So far State Bank of Saurashtra merged into State Bank of India. Now the bank focused to merge State Bank of Indore which is the smallest subsidiary of the bank into SBI. The following are the sample timetable for the merger of State Bank of Indore into State Bank of India.

Task

Methods

Participants

Time

Result

Identify associate bank to merger

Market Analysis and Financial analysis

External and internal organisations

4 months

State Bank of Indore

Convince the employees and trade unions

Through discussions and training

Management and HRD

3 months

Employees and trade unions are ready

Convince the shareholders

Allotting shares

Board of Directors and legal department

1 month

Shareholders getting shares in SBI

Give a complete report to the government

Submitting of documents and reports

Board of Directors

2 months

Approval from the government

Get the approval from Reserve Bank of India

Submitting approval and documents

Management and Legal department

3 months

Approval from Reserve Bank of India (RBI)

Restructure the organisation

Business Process Re-engineering

Management, employees, and Strategist

6 months

The structure and business operations become similar to SBI

Merging

Changing the name and issuing orders

Management, government, and employees

1 month

Become one body ' State Bank of India'

(c) Strategic implementation is a long process and it requires several changes in the organisation. Moreover the environment of the organisation undergoes continuous changes. In each and every step of strategic implementation, we have to evaluate the result of that step in the organisation. Doing so will help to make necessary changes in the strategic

process and organisation. This evaluation can be done by comparing the result of each step with organisation's earlier status.

(d) No strategy can guarantee 100 % success and there is a chance for deviation in the result. We can not compare one strategy to another since no strategy is perfect and it is different to one company to another. But it is very important to monitor the effectiveness of newly implemented strategy. For example while going with the merger of State Bank of Indore with SBI, there is a chance for duplication. There is a chance for having more branches in the same town with less than 1 km distance which will not provide any advantages to the bank. Monitoring the effectiveness of the strategy will help the bank to take necessary actions.