A PROJECT REPORT ON

"A Conceptual Study on Universal Banking with respect to SBI Bank"

A Project Submitted to

University of Mumbai for Partial Completion of the Degree

of Bachelor in Commerce (Banking And Insurance)

Under the Faculty of Commerce

By

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Under the Guidance of

'ASST. PROF. DR. KISHOR CHAUHAN'

JNAN VIKAS MANDAL'S

Mohanlal Raichand Mehta College of Commerce

Diwali Maa College of Science

Amritlal Raichand Mehta College of Arts

Dr. R.T. Doshi College of Computer Science

NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)

Sector-19, Airoli, Navi Mumbai, Maharashtra 400708

FEBRUARY, 2024.

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CERTIFICATE

This is to certify that **MR.____**as worked and duly completed his Project work for the degree oF Bachelor in Commerce (Banking And Insurance) under the Faculty of Commerce in the subject of **Management control** and his project is entitled, "***A Conceptual Study on Universal Banking with respect to SBI Bank***". Under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and fact reported by her personal finding and investigations.

Guiding Teacher,

ASST. PROF. DR. KISHOR CHAUHAN.

Date of submission:

<u>DECLARATION</u>

I the undersigned **MR.SAISH MAHESH TIRLOTKAR** here by, declare that the work embodied in this project work titled **“A Conceptual Study on Universal Banking with respect to SBI Bank”**, forms my own contribution to the research work carried out by me under the guidance of **ASST.PROF. DR. KISHOR CHAUHAN** is a result of my own research work and has been previously submitted to any other University for any other Degree/ Diploma to this or any otherUniversity.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

(SAISH MAHESH TIRLOTKAR)

Certified by:

ASST. PROF. DR. KISHOR CHAUHAN.

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Executive Summery

In India, the commercial Banking sector has been the dominant element in the country's financial system and performed the key function of providing liquidity and payment services to the real sector, and has accounted for bulk of the financial intermediation process. Therefore, an attempt is made to universal banking framework their risk explore, opportunities and challenges confronted on this process of transaction and the regulatory system needed to monitor such entities.

Indian Banking Sector has gone through a series of reforms after the liberalization of the economy and introduction of financial sector reforms. In the last two decades of changes happening in the Indian Economy, the Banking Sector has played a pivotal role in giving a new direction to economy.

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This paper makes a modest attempt to explore whether the current structure and practices of the local financial environment in India contribute to this lengthy transformation from narrow to universal banking.

Chapter 1

1.1 Introduction of Bank

A bank is a financial institution that accepts deposits from the public and creates credit lending activities can be performed either directly or indirectly through capital markets. A bank is a financial institution that accepts deposits from the public and creates credit. Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial stability of a country, banks are highly regulated in most countries. Most nations have institutionalized a system known as fractional reserve banking under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Norms. A bank is a Financial Institution licensed to receive deposits and make loans. Banks may also provide financial services such as wealth management, currency exchange. There are several different kinds of banks including retail banks, commercial or corporate banks, and investment banks. In most countries, banks are regulated by the national government or central bank. Banking is defined as a financial institution that accepts deposits and channels the money into lending activities.

1.2 Types of Banks:

1. Commercial Banks:

These banks play the most important role in modern economic organization. Their business mainly consists of receiving deposits, giving loans and financing the trade of a country. They provide short-term credit, i.e., lend money for short periods. This is their special feature.

Commercial Banks in India may be classified into the following 3 broad categories:

1. Public Sector /Nationalized Banks,
2. Private Sector Banks (Indian)
3. Foreign-Commercial Banks in India.

2. Exchange Banks:

Exchange banks finance mostly the foreign trade of a country. Their main function is to discount, accept and collect foreign bills of exchange. They also buy and sell foreign currencies and help businessmen to convert their money into any foreign money they need. Their share in the internal trade of a country is usually small. In addition, they carry on ordinary banking business too. This are the exchange bank in India Central Bank of India, Centurion Bank Ltd., China trust Commercial Bank, Cho Hung Bank, Citibank N.A., City Union Bank Ltd., Corporation Bank Credit Lyonnais, Dena Bank, Deutsche Bank, Development Credit Bank Ltd., Dhanalakshmi Bank Ltd., Federal Bank Ltd., HDFC Bank Ltd., ICICI Banking Corporation Ltd., IDBI Bank Ltd. Indian Bank, Indian Overseas Bank.

3. Industrial Banks:

There are a few industrial banks in India. But in some other countries, notably Germany and Japan, these banks perform the function of advancing loans to industrial undertakings. Industries require capital for a long period for buying machinery and equipment. Industrial banks provide this type of Mock capital. Industrial banks have a large capital of their own. They also receive deposits for longer periods. They are thus in a position to advance long-term loans. In India, the Central Government set up an Industrial Finance Corporation of India (IFC1) in 1948. Its activities have since then been greatly enlarged. Further the States have also set up State Financial Corporations. The Central Government has also established the Industrial Credit and Investment Corporation of India (ICICI) and the National Industrial Development Corporation for the financing and promotion of industrial enterprises. In 1964 the Industrial Development Bank of India (1DBI) was established as the apex or top term-lending institution. These new institutions fill important gaps in our system of industrial finance.

4. Agricultural or Co-operative Banks:

The main business of agricultural banks is to provide funds to farmers. They are worked on the co-operative principle. Long-term capital is provided by land mortgage banks, nowadays called land-development banks, while short-term loans are given by cooperative societies and co-operative banks. Long-term loans are needed by the farmers for purchasing land or for permanent improvements on land, while short-period loans help them in purchasing implements, fertilizers and seeds. Such banks and societies are doing useful work in India. NABARD is the most important institution in the country which looks after the development of the cottage industry, small scale industry and village industry, and other rural industries. NABARD also reaches out to allied economies and supports and promotes integrated development.

- **Scheduled Urban Co-Operative Banks:-**In India, at present, there are total 53 scheduled Urban Co-Operative banks in India.
- **State Co-operative Banks**:-In India, at present, there are total 31 State Co-Operative banks

5. Savings Banks:

These banks (perform the useful service of collecting small savings. Commercial banks too run "savings departments" to mobilize the savings of men of small means. The idea is to encourage thrift and discourage hoarding. Post Office Saving Banks in India are doing this useful work. Types of Savings accounts.

- Jumbo savings accounts
- High interest savings accounts
- Rewards savings accounts
- Joint savings accounts
- Student savings accounts
- Certificates of deposit (CD)
- College savings accounts
- Individual retirement arrangements (IRAs)
- Health savings accounts

6. Central Banks:

Central banks have been in existence since the 1650s. The central bank is the apex institutions of the banking and monetary sector. It is the leader of the money market. Along with the traditional functions, modern central banks assume more and more responsibilities in the present day dynamic world. Central banking as an institution evolved I the 20th century. Central bank occupies a special place of significance in the monetary system of a country. As the apex authority, the central bank regulates and monitors the banking sector and other financial institutions. The organization and development of the banking sector is the main responsibility of the central bank. It formulates and implements the monetary policy and ensures price stability through various measures. Over and above the various types of banks mentioned above, there exists in almost all countries today a Central Bank. It is usually controlled and quite often owned by the government of the country. Central banks are inherently non-market-based or even anticompetitive institutions. The Reserve Bank of India (RBI) is India's central bank, which controls the issue and supply of the Indian rupee. RBI is the regulator of entire Banking in India. RBI plays an important part in the Development Strategy of the Government of India. Although some are nationalized, many central banks are not government agencies, and so are often touted as beingpolitically independent. However, even if a central bank is not legally owned by the government, its privileges are established and protected by law. The RBI has four regional representations: North in New Delhi, South in Chennai, East in Kolkata and West in Mumbai. The representations are formed by five members, appointed for four years by the central government and with the advice of the central board of directors serve as a forum for regional banks and to deal with delegated tasks from the Central Board. Along with the traditional functions modern central banks assume more and more responsibilities in the present day dynamic world.

Definition

- According to Economist R.C. Hawtrey defines a central bank as ‘lender of the last resort’.
- Paul Samuelsson considers central bank as a banker’s bank.

Some of the importance functions associated with central banks:-

- Issue of currency notes
- Bankers to the Government
- Bankers to the Bank
- Custodian of Foreign Exchange reserves
- Controller of Credit

7. Utility of Banks:

An efficient banking system is absolutely necessary for a country, if it is to progress economically. The services that an efficient banking system can render a country are indeed very valuable. Undeveloped banking system is not only an index of economic backwardness of a country; it is also an important cause of it. The banking system can be useful in the following ways, in addition to what has been mentioned in the functions of banks. By encouraging savings, the banks bring about accumulation of large amount of capital in the country from small individual savings. In this way, they make the resources of the country more productive, and thus contribute to the general prosperity and welfare, of the country. The banks increase the mobility of capital. They bring the borrowers and the lenders together. Thus, they help the movement of funds from place to place, and from person to person, in a very convenient and inexpensive manner.

1.3 General Introduction on Banking

India banking is the lifeline of the nation and its people. Todays, Indian banks can confidently complete with modern banks of the world. Before the 20^{th} century, usury, or lending money at a high rate of interest, was widely prevalent in rural India. A bank is an establishment which makes to individuals such advance of money as may be required and safely made and to which individuals entrust money when not required them for use. Banks are institutions whose debts usually referred to as bank deposits are commonly accepted in final settlement of other people debts. A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities. Either directly through the capital market. A bank connects customers with capital deficits to customers with capital surpluses.

Universal banking is a combination of commercial banking, investment banking, development banking, insurance and many other financial activities. It is a place where all financial products are available under one roof. Universal bank is a bank which offers commercial functions plus other functions such as Merchant Banking, Mutual Funds, Credit Cards, Housing Finance, Auto Loans, Retail Loans, Insurance, etc. Universal banking is done by very large banks. These banks provide a lot of finance to many companies. So, they take part in the corporate Governance (management) of these companies. These banks have a large network of branches all over the country and all over the world. They provide many different financial services to their clients. In India, two reports in 1998 mentioned the concept of universal banking. They are the Narasimham Committee Report and the S.H. Khan Committee Report. Both these report advised a combination of all banking and financial activities. That is, they suggested a universal banking.

Universal banking is a system in which bank provides a wide variety of financial services, including commercial bank and investment bank. Universal banking is a type of financial services that combines the aspects of investment, retail and wholesale banking. Universal banking is common in some European countries, including Switzerland. Basically Universal Banking is like a one stop shop where all financial products are available for customers. From core banking to asset management, wealth management to risk management, mutual funds to retailers, home loans and personal loans. Form an Indian perspective I would say SBI are India centered, would be considered as universal bank operating in India. A universal bank participates in many kinds of banking activities and is a commercial bank and an investment bank as well as providing other financial services such as Banking and Insurance sector. These are also called full-services financial firms, although there can also be full services investment banks which provides wealth and asset management, trading, underwriting, researching as well as financial advisory.

1.4 Introduction of traditional banking

Traditional banking is the financial institution that is dedicated to the administration of the money that its clients deposit in custody and, on the other hand, the bank uses that money to grant it as a loan to individuals or companies, charging them interest. This is essentially the commercial activity to which traditional banking has always been dedicated. Since the internet has become an essential part of anyone's life, this traditional banking has been displaced. It remains a major disadvantage of traditional banking, the slowness with which many officials operate when providing customer service since it always requires human resources to process transactions. Above all, when it comes to the end of the month, when most of the financial movements are made by the payrolls of the companies. Another factor is the time that transactions between banks can take, when it comes to different entities they can take even one business day.

In the traditional banking, it has perform the basic function such as depository institutions, maintain deposits, make loans, and control the checkable deposits portion of the economy's money In the comparison, modern banking has come out variety of services which fulfil the unsatisfactory in traditional banking. Traditional bank is the original banks which was the original financial intermediaries in offering checking accounts. It also plays an important role in the financial markets to manage the circular flow of the fund. However, there are some limitations on the traditional banking and thus lead to the innovation in modern banking. Traditional banking has a limited accessibility in which people only can conduct business at their brick-and-mortar locations. It makes customers inconvenience in doing their business. It also provides less efficient services to customers because customers can only do their transactions in the bank. Therefore, customers would need to spend more time to complete the transaction by heading to the banks.

Advantages of Traditional Banking

- In traditional banking transactions, you do not need any type of security.
- The only matters that you have to keep your bank papers of bank passbook safe.

- If you are having any problem related to the bank, you can immediately go to the bank and solve your doubts.
- You can get any information related to bank and still have any doubts, you can immediately ask.
- Do not worry about your bank papers till you yourself give it to anybody else.

Disadvantage of traditional banking

- In traditional banking, your work any remain uncompleted.
- If the papers of bank are lost, you also may lose the right of your bank properties.
- In traditional banking, sometimes your work may remain uncompleted which is wastage of time.
- In traditional banking, if employees are busy with their bank, it any possible that they may not give you the proper answer.
- Your bank papers are not secured through traditional banking.
- In case of having any problem, every time you have to rush to the bank.

Meaning of Traditional Concept:

Business is the production and distribution of products for personal gain. The profitoriented concept also knows as the traditional concept of business. Any human activity directed towards the acquisition of wealth or earning profit through production or exchange of goods was treated to be a business

1.5 Introduction of Modern Banking

Modern banking in India is to be developed during the British era. In the first half of the 19th centure, the British East India Company established three banks the Bank of Bangal in 1809, the Bank in 1840 and the Bank of Madras in 1843. But in the course of time these three banks were amalgamated to a new bank called Imperial bank and later it was taken over by the State Bank of India in 1995. Allahabad Bank was the first fully Indian owned bank. The Reserve Bank, of India was established in 1935 followed by other banks like Punjab National Bank, Bank of India, Canara Bank of Indian Bank. In 1969, 14 major banks were nationalized and in 1980, 6 major private sector banks were taken over by the government. Today, commercial banking system in India is divided into following categories. Banking industries is fast growing with the use of technology in the form of ATM on-line banking telephone banking Mobile banking est. Plastic card is one of the banking products that cater to the needs of retail segment has seen its number grow in geometric progress in recent years today the concept of core banking has made anywhere and anytime banking a reality along with technological service have also developed technological banking product are carried out through the medium of high technological at a fraction of the cost to the customer this focus on how the technological services in banking sector luring the sustainable development. In the comparison, modern banking has come out variety of services which fulfill the unsatisfactory in traditional banking. Nowadays, deposits have become an important source of funds for financial institution. Thus, the ways to attract depositing are important for the financial institution in getting funds. So, many strategies has implied such as adjust saving’s interest rate or providing different types of financial instruments to collect funds. In addition, with the technology development, modern banking has brought a great positive impact to the customers. With the development of Automatic Teller Machine (ATM), Credit and Debit Cards, Phone Banking and Online Banking, it able to reduce cost, save time for payment and also increase the competitive advantage in financial service industry.

1. Central Bank

The Reserve Bank of India is the central Bank that is fully owned by the Government. It is governed by a central board (headed by a Governor) appointed by the Central Government.

It issues guidelines for the functioning of all banks operating within the country. In the case of emerging economies like Singapore, Malaysia, Thailand etc. central banks are all the more important to regulate the growth of the financial sector, ensure price stability and control volatility in exchange rate of all the central banks, Bank if England is said to be the oldest one establishment in 1694. Central banks are known by different names in different countries. In USA is called as the Federal Reserve System, while in Australia, it is named as the Reserve bank of Australia and in Canada as the Bank of Canada, in England it is Bank of England etc. the central bank of India is the Reserve Bank of India.

2. Public Sector Banks

Public sector banks are those where majority of the stake in the bank is held by government. Public Sector Bank is the bank that is owned by the Government or is the major shareholder of more than 51% on the bank. RBI regulates the banking sector. The merger will help in increasing the productivity, efficiency and boosting the six year low economy along with reducing the number of bad loans and NPA's. Some of the public and government sector banks in the country include State Bank of India, Punjab National Bank, Bank of Baroda, Bank of India, Canara Bank, Andhra Bank, Syndicate Bank, Allahabad Bank, State Bank of Mysore, Bank of Maharashtra etc.

a. State Bank of associate banks

b. 20 nationalized banks

c. Regional rural banks mainly sponsored by public sector banks

3. Private Sector Banks

Where as in private sector bank, majority is held by shareholders of the bank. In these banks, most of the equity is owned by private bodies, corporations, institutions or individuals rather than government. These banks are managed and controlled by private promoters. In terms of the number of banks, there are 27 public sector banks whereas 22 private sector banks. In a private sector majority of the stake owned to private shareholders, including corporations and individuals. Private Sector Banks have made names in providing better service, however, they charge for the extra services provided by them. Whereas private sector bank in India target company employees, for their salary accounts, credit cards and net banking. Some of the larger private sector banks in the country include ICICI Bank, HDFC Bank, Yes Yank, IndusInd Bank, Kotak Mahindra Bank, Axis Bank and a host of others. There are also smaller private sector banks like Karnataka Bank, Karur Vysya Bank, IDFC First Bank etc.

a. Old generation private banks

b. New generation private banks

c. Foreign banks operating in India

d. Scheduled co-operative banks

e. Non-scheduled banks

4. Co-operative Sector

The co-operative sector is very much useful for rural people. The co-operative banking sector is divided into the following categories. The cooperative sector can be defined as that sector of the economy carried out by cooperatives, defined by the International Cooperative Alliance as “autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointlyowned and democratically-controlled enterprise.” The cooperative sector is distinguished from the state or public sector, which is carried out by the State and its instrumentalities including public corporations, and to the so-called private sector, which is carried out by private individuals and organizations. Peter Drucker sees a public or state sector as the first sector, all wealth-creating business organizations including cooperative enterprises as comprising the second sector, and all non-profit organizations whose common function is not wealth creation per se but “human services” – including volunteer organizations. Then there would also be entities that are usually labelled as non-government organizations (NGOs), including foundations and non-profit non-stock corporations. These entities are commonly not being considered as part of the “private sector.”

a. State co-operative Banks

b. Central co-operative banks

c. Primary Agriculture Credit Societies

Modern concept:

Consumer satisfaction is the focal point of the modern concept of business. The modern concept states that business earns profit through customer’s satisfaction. Business without consumers is not business. It develops long term relations with customers. The business should earn profit with social responsibility. It should care about the welfare of society and consumers. it must work within the law. Profits can be made by maintaining social accountability. It attempts to incorporate every aspect of human civilization. It sees modern business as a socio-economic institution that is always responsible to society.

Impact of Modern Banking Services: -

Technology has been one of the most important factors for the development of the nation. Information and communications are significant part in the field of technology which is used for accessing, processing, storage and dissemination of information electronically. Banking industry is growing rapidly with understanding the requirements of customer by offering technological services like ATMs online banking, telephone banking, and mobile banking and so on. This growth has been strongly supported by the development in the field of technology. With the development of information technology, the world has become a global village and it has brought a revolution in the banking industry. Bank customers are becoming very demanding and it is the extensive use of technology that enables banks to satisfy adequately the requirement of customers.

Today's Modern Banking System: -

Banking is today's flourishing industries Focus on technological innovation. Banks play an important role and active role in the economic development of country banking systems of any country needs to be effective efficient and disciplined because it brings about a rapid growth in the various sectors of economic liberalization brought several change to Indian services industries technology is revolutionizing all areas of human invidious and activity it has right now brought it E-banking which is gradually replacement the traditionally branch banking internet banking has emerging as the biggest focus and targetable area the customers are able to choice their banker from a number of bankers offering wide range of services and delivering quality services the commercial bank in India are now becoming more market oriented and customers friendly internet banking and is having a significant impact on the banking relationship Banking industries is fast growing with the use of technologically in the form of ATM, on line banking telephone banking Mobile banking this growth to understand the modern banking services and to know the impact of technological banking services to aware of the impact of modern banking services system to realize the benefits of modern banking services.

1.6 Technological Based Modern Banking Services

Use of advanced technology has led to the shift from traditional banking methods to modern banking methods. Currently, the most common and useful technology based banking methods are online banking Mobile Banking Video Banking Telephone banking, ATMs Plastic money and so on. IIFS

• Online Banking: -

It empowers customers to conduct financial banking transactions on a secure website which can be operated by retail, virtual bank, credit union or building society. It makes banking faster and easy. The Fallowing are transaction and non-transaction application of on line banking services. Remote video connection it can be performed over purpose built banking transaction machines (ATM)or through bank branches enable with video the fallowing bank activity: -

- Customer authentication
- Cash and cheque deposits
- Cash and coin withdrawals
- Account transfer and bill payments
- Processing new account and loans
- Bank consultations and enquires

• Telephone banking: -

It is a bank service Provide by financial institution allowing its customers to conduct banking transitions over the telephone institutions which over the telephone banking services exclusively over telephone are called phone bank. They use specially technology to modern the customers by providing bank and account related information over a telephone.

➢ Features of telephone banking: -

- Account balance information
- List of latest's transaction
- Electronic bill payment
- Fund transfer between one Accounts to another account
- Loan and account application
- Online account opening
- Debit or credit card replacement

• Mobile banking: -

Mobile banking is a system that allows customers of financial institutions to conduct a number of financial transactions through a mobile device such as mobile phone or personal digital assistance it is used for performance through mobile devise It is used for performing through mobile device such as a mobile phone or a Personal Digital.

➢ Assistant (PDA) banking activities such as:

- Balance checks
- Account details
- Portfolio management Account transactions
- Payments and investments

Credit applications and other transactions Mobile Banking enable connection with customers throughout the customer life cycle in a much better way than before.

• ATM (Automated Teller Machine): -

ATMs are electronic machines which are operated by a customer himself to deposit or to withdraw cash from bank. For using an ATM, a customer has to obtain an ATM card from his bank. The ATM card is a plastic card, which is magnetically coded. It can be easily read by the machine.

Advantages of ATMs: -

- ATM provides 24 hours' service
- It gives convenience to bank's customers
- It reduces the workload of bank's staff
- It provides service without any error
- It is very beneficial for travelers
- It may give customers new currency notes

Facilities of ATMs: -

- Cash withdrawals
- Cash deposits
- Balance enquiry or checking the balance in the bank account
- Request for statement of account
- Change of personal identification number (PIN)
- Cheque book request
- Transfer of funds from one account to another account
- Other facilities like bill payments.

➢ Plastic money: -

Plastic Money is a must need of our busy life. Today plastic money is the best alternative of the cash. It is also safer to traveling with a plastic money card than cash. Today it is very easy to carry money without having a lot of cash or gold. This is a new idea of present life-style which has made money transition so easy that anybody can carry it with him or her in a pocket. Benefits of Plastic Money: - Purchasing power, Time saving, additional Credit limits.

➢ Cyber cash: -

Cyber cash is pioneer in the electronic commerce industry and the leading provider of Internet payment technologies and services. It enables merchants to accept secure payments on the Internet with more ease, flexibility, reliability and cost-savings than any other solution.

1.7 Introduction of Universal Banking

The banking scenario in India has been changing at fast pace from being just the borrowers and lenders traditionally, the focus has shifted to more differentiated and customized product/service provider from regulation to liberalization in the year 1991, from planned economy to market.

The Indian banking has come a long way from being a sleepy business institution to a highly proactive and dynamic entity. This transformation has been largely brought about by the large dose of liberalization and economic reforms that allowed banks to explore new business opportunities rather than generating revenues from conventional streams (i.e. borrowing and lending).

The competition heated up with the entry of private and foreign banks deregulation and globalization resulted in increased competition that refined the traditional way of doing business. They have realized the importance of a customer centric approach, brand building and IT enabled solutions. Banking today has transformed into a technology intensive and customer friendly model with a focus on convenience. The companies have redoubled their efforts to woo the customers and establish themselves firmly in the market. It is no longer an option for a company to provide good customer service, it is expected.

Reforms are continuing as part of the overall structural reforms aimed at improving the productivity and efficiency of the economy. The sector is set to witness the emergence of financial supermarkets in the form of universal banks providing a suite of services from retail to corporate banking and industrial lending to investment banking. The financial services 10 market has become a battle ground with the marketers with the latest and the most sophisticated weapons.

The Indian banking industry is currently in a transition phase. On the one hand, the public sector banks, which are the mainstay of the Indian banking system, are in the process of consolidating their position by capitalizing on the strength of their huge networks and customer bases. On the other, the private sector banks are venturing into a whole new game of mergers and acquisitions to expand their bases. The use of technology has placed Indian banks at par with their global peers. It has also changed the way banking is done in India. ‘Anywhere banking’ and ‘Anytime banking’ have become a reality. The financial sector now operates in a more competitive environment than before and intermediates relatively large volume of international financial flows.

The entry of banks into the realm of financial services was followed very soon after the introduction of liberalization in the economy. Since the early 1990s structural changes of profound magnitude have been witnessed in global banking systems. Large scale mergers, amalgamations and acquisitions between the banks and financial institutions resulted in the growth in size and competitive strengths of the merged entities. Thus, emerged new financial conglomerates that could maximize economies of scale and scope by building the production of financial services organization called Universal Banking. Universal baking are financial institutions that may offer the entire range of financial services. They may sell insurance, underwrite securities, and carry out securities transactions on behalf of others. They may own equity interests in firms, including nonfinancial firms. They may vote the shares of companies they own and, if they are delegated as proxies for the owners, they may vote the shares of others. In fact, they may elect their employees as members of the boards of directors of those companies. Germany today's and before the Second World War offers the best example of universal banking most other countries (notably, Canada) allows banks to offer any financial service through bank-owned subsidiaries. By contrast, the United States is served only by specialized banking. Commercial banks are not permitted to offer full service securities transactions and underwriting. Banks may not underwrite insurance and, in most states and cities, they may not sell it either. Banks generally may not hold equities in nonfinancial companies and are restrained from taking an active role in disciplining poor managers of these companies. The primary laws that prohibit universal banking in the United States are the 1933 Glass-Steagall Act, which separates commercial and investment banking, and the Bank Holding Company Act and the National Banking Act, which generally prevent banks from offering insurance policies, real estate brokerage, and other financial products. The National Banking Act of 1864 and subsequent rulings by the Comptroller of the Currency prohibited most banks from directly offering securities and insurance products and services. However, insurance companies underwrote securities and owned banks and trust companies until 1906, when the New York state legislature banned this combination, thereby stopping the movement towards universal banking. In the 1920s, many banks developed into "financial department stores." Securities underwriting and transactions generally were provided through state chartered affiliates, in part to avoid the National Banking Act's restraint and in part to avoid state-enacted restrictions on interstate branching. Universal banks tend to be large, so large that failure of even one such bank could bring the entire system down or at least cause substantial distress. In addition, universal banks are said to be particularly vulnerable, because of their close ties to business, particularly their role in underwriting and distributing securities. Universal banks often lend to businesses in anticipation of their customers' repaying loans with the proceeds of stock issues that the banks underwrite. This procedure, they say, "did appear to make the recovery of their liquidity by the banks highly vulnerable to changes in the prevailing sentiment on the stock market and hence to the reception it would give to a flotation. This was even more the case if the bank retained substantial shareholding in the firm even after it has been successfully floated." In this scenario, universal banking might result in a variety of negative consequences for the economy. If one or several universal banks were to collapse, it might lead to a systematic financial crisis, possibly including a risk to the economy's payments system. There is concern that universal banks would be more difficult to regulate, because their ties to business would be more complex. Furthermore, these banks' officers would realize that their banks were too big to be allowed to fail. Hence, they might succumb to the temptation of taking excessive risks. Government regulators, recognizing this threat, would either have to regulate universal banks very tightly, thus hindering economic efficiency, or be faced with the possibility of a taxpayer bailout. From this point of view, specialized smaller banks have a number of advantages. Because their functions are limited, they can be monitored more efficiently by government agents. Consequently, government can allow specialized institutions to take more risks than it might allow universal banks to take, which is an advantage in two principal regards. Desirable experimentation can take place without endangering the entire financial system. Also, non-bank institutions that do not offer deposit services can be allowed to fail, as their failure does not endanger the payments system and the conduits through which the government carries out monetary policy. Under current financial regulations, for example, the government does not face political pressure to compensate stockbrokers' customers for losses in the value of their investments, as stockbrokers are known to deal in risky assets. However, the claim that universal banks are more risky than specialized banks, while plausible in some ways, is not borne out by experience. Most recently, specialized U.S. savings and loans failed in large numbers because their assets, liabilities, and operations were not well diversified. This $150 billion-plus disaster is due largely to the fact that these institutions specialized in fixed-interest long-term mortgages funded with short-term savings, a blend that took them into deep trouble when interest rates rose rapidly over the period of 1979–81. These risks are exacerbated by the U.S. prohibition against nationwide branching, which has made depository institutions vulnerable to unexpected declines in natural resource and farm-product prices, along with changes in regional real estate values Indeed, all except ten of the over 9,000 banks that failed during the Great Depression were unit (single office) banks, most of which were located in small towns. In addition, specialized depository institutions have been affected adversely by shifts in consumer preferences and advances in technology. In contrast to the fragility of many specialized banks, failures among the much better diversified universal banks are almost unknown. Even if, in a worst-case scenario, several very large universal financial firms failed, it need not cause a failure of the financial system. If the Federal Reserve maintains the money supply, there is no reason for the financial system to collapse, even though some banks or other financial firms fail. In fact, if the government wants to conduct economic policy through control of bank loans, such control is likely to be more effective if relatively fewer firms made the loans. For this purpose, specialized banking presents the government with a greater problem than universal banking. In short, both theory and evidence support the expectation that risks are more likely to be reduced than increased should banks be permitted to engage in securities, insurance, and other products and services. Any remaining concerns about the failure of large depository institutions should be dealt with not by restricting the size or scope of banks (whether universal or specialized), but by allowing greater diversification, higher required levels of capital, and explicit rules forcing banks to replace lost capital or be resolved (liquidated, sold or merged) by the authorities before their economic (rather than book) capital falls below zero. Such a policy should also reduce the required level of government monitoring of banks and eliminate legal and regulatory constraints on other banking activities.

Universal banking is a system of banking where banks undertake a blanket of financial services like investment banking, commercial banking development banking, insurance and other financial services including functions of merchant banking, mutual funds, factoring, housing finance, insurance etc.

In simple words, Universal banking means that financial institutions and banks are allowed to undertake all kinds of activity of banking, financing and related businesses. As per the World Bank, the definition of universal bank is as follows: in universal banking, the large banks operate extensive network of branches, provide many different services, hold several claims on firms (including equity and debt) and participate directly in the corporate governance of firms that rely on the banks for funding or as insurance underwriters. So we can say that universal bank is a financial supermarket which provides all financial products under one roof. A universal banking is a superstore for financial products under one roof. Corporate can get loans and avail of other handy services, while can deposit and borrow. It includes not only services related to savings and loans but also investment.

Universal banking is usually undertaken by large banks who can manage the cost of such widespread operations. The concept was culmination of reports submitted by Narasimham Committee and S.H. Khan Committee which had suggested consolidating the financial industry of India via medium of merging financial activities carried by different types of financial institutions.

- “Universal banking is a financial services combining investment, retail and wholesale banking services under one roof and reaping synergies between them.”

As per the World Bank, the definition of the Universal Bank is as follows:

- In Universal banking, the large banks operate extensive network of branches, provide many different services, hold several claims on firms (including equity and debt) and participate directly in the Corporate Governance of firms that rely on the banks for funding or as insurance underwriters.

The term universal bank refers to a financial institution that provides services offered by both commercial banks as well as investment banks. Universal banks can offer their customers deposit accounts in addition to investment advice. Universal banking is about to become a reality. As a financial intermediary, banks accepted deposits which they (from the borrowers) and that paid (on deposits) called the spread has traditionally formed the major part of their income. To fund their long-term lending activities, DFI’s looked to the government for cgeap funds and tax breaks. Parts of the SLR securities which banks have been compelled to buy were instruments issued by of the DFI’s. Universal banking, will offer a wide range of financial services, beyond solely commercial banking or investment banking. Universal banking is 'one-stop shop' and is a combination of commercial banking and investment banking. It seeks to provide the entire gamut of financial products under one roof and reflects the global convergence between commercial banks, investment banking and insurance companies. The convergence is an attempt by banks to fulfill the lifelong needs of the customer by following the cradle-to-grave concept. Universal Banking is not restricted by the boundary walls of its branches, but even extends to overseas as regards its operations. Universal Banking covers formal banking of receipt of deposits, advances, merchant banking, underwriting, investing and trading in all types of securities, advisory services on mergers and acquisitions by the corporate sector and so on. The wide range of services offered also includes insurance. By entering into insurance sector, the concept of Universal Banking has been further broadened. Global experience with Universal Banking has been varied. Universal banking has been prevalent 95 in different forms in many European countries, such as Germany, Switzerland, France, Italy etc. The main advantage is that it results in economy, efficiency, lower cost and higher output. But there is a fear that because of their sheer size they might gain a monopoly, which is undesirable for the economy. Also there can be conflict of interest because of the combination of all types of financial activities. Apart from savings and loans, the Universal banks provides services such as investing in securities, credit cards, project finance, remittances, payment systems, project counseling, merchant banking, forex operations, insurance and so on. In a nutshell, a Universal Banking is a superstore for financial products under one roof. Corporate can get loans and avail of other handy services, while can deposit and borrow. It includes not only services related to savings and loans but also investments. Universal Banking is usually undertaken by large banks who can manage the cost of such widespread operations. The concept was culmination of reports submitted by Narasimham Committee and S.H. Khan Committee which had suggested consolidating the financial industry of India via medium of merging financial activities carried by different types of financial institutions.

The practice of universal banking is common in European countries in which it is found in three forms:

- In-house universal banks.
- Universal banking through separate subsidiaries.
- Universal banking through holding companies.

1.8 Meaning of Universal Banking

In simple words, Universal Banking means that Financial Institutions (FIs) and Banks are allowed to undertake all kinds of activity of banking, financing and related businesses. The financial and banking sector as it existed in the pre-reform days was highly regulated over-administered and subject to discretionary control and direction. In this sense, financial sector reforms were designed to infuse, in the words of the terms of reference of the Narsimham Committee, greater competitive vitality in the system.

In the financial system, the players can be broadly classified into the following groups: public sector banks, private sector banks, foreign banks, co-operative banks, all- India financial institutions and non-banks.

A common element in all Development Financing Institution (DFI's) is that they focus on investment rather than on conventional commercial banking operations, i.e., on deposit taking and short-term credit. On the other hand, the commercial banks continue to concentrate on their traditional business of accepting deposits and advancing loans. With encouragement and sometimes pressure, they have broaden their activities to include term credit and a broad range of non-banking finance, including leasing, venture capital, housing and household finance, mutual fund management, credit-card sponsorship, etc. The term 'Universal Banking' in general refers to the combination of commercial banking and investment banking. The concept of universal banking is spreading fast among various types of banks.

It is a multipurpose and multi-functional financial supermarket providing both 'Banking and Financial Services' through a single window. As per the World Bank," In Universal Banking, large banks operate extensive network of branches, provide many different services, hold several claims on firms (including equity and debt) and participate directly in the Corporate Governance of firms that rely on the banks for funding or as insurance underwriters."

In a nutshell, a Universal Banking is a superstore for financial products, under one roof. Corporates can get loans and avail of other handy services, while individuals can bank and borrow. It includes not only services related to savings and loans but also investment.

However in practice the term 'Universal Banking' refers to those banks that offer wide range of financial services beyond the commercial banking functions like Mutual Funds, Merchant Banking, Factoring, Insurance, Credit Cards, Retail loans, Housing Finance, Auto Loans, etc.

However, Universal Banking does not mean that every institution conducts every type of business with every type of customer. In the spectrum of banking, specialized banking is on the one end and the Universal Banking on the other. Universal banking is a system of banking where banks undertake a blanket of financial services like investment banking, commercial banking, development banking, insurance and other financial services including functions of merchant banking, mutual funds, factoring, housing finance, insurance etc.

Sachin Bansal's Chaitanya India applies for universal banking license. Within four months of Flip kart co-founder Sachin Bansal acquiring majority stake in Chaitanya India Fin Credit, the micro lender on Friday said it has applied to RBI for universal bank license. Chaitanya was founded in 2009 and operates 40 branches in Karnataka, Bihar, Maharashtra, Rajasthan and Jharkhand, an official statement said. The Reserve Bank, which is very selective about who enters the banking fray, had earlier made universal bank licenses available on tap. If given a license, Chaitanya will be the second micro lender after the West Bengal-focused Bandhan to be granted a universal banking license.

1.9 Empirical Background of Universal Banking:

The entry of banks into the realm of financial services was followed very soon after Liberalization in the economy. Since the early 1990s, structural changes of profound magnitude came to be witnessed in global banking systems. Large scale mergers, amalgamations and acquisitions among the banks and financial institutions resulted in the growth in size and competitive strengths of the merged entities. There thus emerged new financial conglomerates that could maximize Economies of Scale and Scope by building the production of financial services organization called Universal Banking.

By the mid-1990s, all the restrictions on Project Financing were removed and banks were allowed to undertake several activities in house. Reforms in the insurance sector in the late 1990s, and opening up of this field to private and foreign players also resulted in permitting banks to undertake sale of Insurance products. At present, only an 'arm’s length' relationship between a bank and insurance entity has been allowed by the regulatory authority, i.e.-IRDA (Insurance Regulatory & Development Authority).

The phenomenon of Universal Banking as a distinct concept, as different from Narrow Banking came to the forefront in the Indian context with II Narsimham Committee (1998) and later the Khan Committee (1998) reports recommending consolidation of the banking industry through mergers and integration of financial activities.

1.10 Universal Banking replacing DFI's in India.

Development Financial Institutions are specialized institutions set up primarily to provide development/ Project finance especially in developing countries. These development banks are usually majority-owned by national governments. The source of capital of these banks is national or international development funds. This ensures their creditworthiness and their ability to provide project finance in a very competitive rate. At present the line between the role of DFIs and commercial banks have blurred due to overlapping of their functions. Nowadays, the commercial banks are actively involved in developmental financing similar to that of the DFIs, especially after the merger of ICICI and IDBI within the banking system. So, nowadays the commercial banks are often called as the universal banks as it provides all types of financial services. The DFIs role of industrialization and the developmental finance till the onset of liberalization cannot be denied. They were crucial to realize the larger developmental goals as prescribed by the Five Year Plans. Though, as of now, the commercial banks have largely taken the place of DFIs in developmental financing, they are unlikely to emphasize environmental and social concerns while making investment decisions and lending, especially if they result in reduction in profitability. In India, it has been observed that the greater private participation in developmental banking has often resulted in accumulation of private profit rather than social benefit. Hence, it would be wise to revive the concept of DFI if the government wishes to keep societal, cultural, regional, rural and environmental concerns intact while financing long term developmental projects. In India, the role of DFIs is to support long term infrastructures of industry and agriculture. The DFIs were set up under the full control of both Central and State Governments. These institutions were used by the government for spurring economic growth and aid social development. The DFIs provide finance to all those entities which are not adequately served by the banks and capital markets like households, SMEs, and private corporations.

The Development Finance Institutions can be classified into four categories:

- National Development Banks Ex: IDBI, SIDBI, ICICI, IFCI, IRBI, IDFC
- Sector specific financial institutions Ex: TFCI, EXIM Bank, NABARD, HDFC, NHB
- Investment Institutions Ex: LIC, GIC and UTI
- State level institutions Ex: State Finance Corporations and SIDCs.

In India, the first DFI was operationalized in 1948 with the setting up of the Industrial Finance Corporation (IFCI). After the passage of State Financial corporations (SFCs) Act, 1951, state level small and medium-sized financial corporations were established. It was succeeded by the establishment of industrial Finance Corporation of India (IFCI). In 1955, the first DFI in private sector, the Industrial Credit and Investment Corporation of India (ICICI), was set up with the backing of the World Bank. In 1958, Refinance Corporation for Industry, which was taken over by the Industrial Development Bank of India (IDBI), was established. In 1963, Agriculture Refinance Corporation was established.

The major development in the institution building was the establishment of IDBI as an apex term-lending institution, and that of the Unit Trust of India (UTI), as subsidiaries of the Reserve Bank of India (RBI) in 1964. Similarly, in 1960s, State Industrial Development Corporations (SIDCs) were developed in the states.

The following are some of the major institutions set up after 1974:

- 1981: NABARD
- 1982: EXIM Bank
- 1986: Shipping Credit and Investment Company of India (SCICI)
- 1987: Indian Renewable Energy Development Agency (IREDA)
- 1988: ICICI Venture Funds Management Ltd.
- 1988: National Housing Bank (NHB)

- 1989: Tourism Finance Corporation of India (TFCI)
- 1990: Small Industries Development Bank of India (SIDBI)

Industrial Finance Corporation of India (IFCI), Industrial Development Bank of India (IDBI), National Bank for Agriculture and Rural Development (NABARD), National Housing Board (NHB) and Small Industry Development Bank of India (SIDBI) were all launched with majority ownership of the Reserve Bank of India (RBI).

List of Universal Bank

Union Bank of Switzerland	Deutsche Bank	ING BANK
CREDIT SUISSE	HSBC	BARCLAYS
BANK OF AMERICA	WELLS FARGO	JPMorganChase
SBI	ICICI Bank	

Universal bank services

Universal banks offer three main services:

1) Retail Banking

Retail banking services members of the public and small and medium-size business. It focuses on looking after customers' money as well as offering loans and mortgages. Retail banking includes the following services: saving accounts, checking accounts (UK: Current Account), Overdrafts, Personal loans, and mortgages. It also includes the provision of credit/ debit cards, traveler's checks, safe deposits boxes, and certificates of deposit.

2) Wholesale banking

Wholesale banking involves borrowing and lending money on a very large scale. Retail banks deal with relatively small amounts per customers. Wholesale banks, on the other hand, deal with massive amounts.

Wholesale banks' customer includes pension funds, giant companies, governments, and other financial institutions.

3) Investment banking.

Investment banks focus on services for major investors and companies. They specialize, for example, in the investment requirements of pension funds. The main activities of investment banks are asset management, Mergers and Acquisitions (M&A) raising capital, securities trading, and securities underwriting.

Advantages of Universal Banking

The benefits or advantages of universal banking are:-

1) **Investor's Trust**: universal bank hold stakes (equity shares) of many companies. These companies can easily get other investors to invest in their business. This because other investors have full confidence and faith in the Universal Banks. They know that the universal bank will closely watch all the activities of the companies in which they hold a stake.

2) **Economic Scale**: universal banks use result in economic efficiency. That is, it results in lower costs, higher output and better product and services. In India, RBI is in favor of universal baking because it results in economic scale.
3) **Resource Utilization**: universal banks use their client's resources as per the client's ability to take a risk. If the client has a high risk taking capacity then the universal bank will advise him to make risky investment and not safe investments. Similarly, clients with a low risk taking capacity are advised to make investments. They also do equity research. So, they can also manage their client's portfolios profitably.
4) **Profitable Diversification**: Universal banks diversify their activities. So they can use same financial experts to provide different financial services. This saves cost for the universal bank. Even the day-day to expenses will be saved because all financial services are provided less than one roof, i.e. in the same office.
5) **Easy Marketing**: the universal bank can easily market all their financial product and services through their many branches. They can ask their existing clients to buy their other products and services. This requires less marketing efforts because of their well established brand name. This is done very easily because they use one brand name (ICICI) for all their financial products and services.

Disadvantages of Universal Banking

The limitations or disadvantages of universal banking are:-

1) **Different Rules and Regulations:** universal banking offers all financial products and services under one roof. However, all these products and services have to follow different rules and regulations. This creates many problems. For e.g. Mutual Funds, Insurance, Home Loans, etc. have to follow different sets of rules and regulations, but they are provided by the same bank.

2) **Effect of failure on Banking System:** Universal bank is done by very large banks. If these huge banks fail, then it will have a very big and bad effect on the banking system and the confidence of the public. For e.g. Recently, Lehman Brothers a very large universal bank the failed. It had effect in the USA, Europe and even in India.
3) **Monopoly:** Universal banks are very large. So, they can easily get monopoly power in the market this will have many harmful effects on the other bank and the public. This is also harmful to economic development of the country.
4) **Conflict of Interest:** Combining commercial and investment banking can result in conflict of interest. That is, commercial banking versus investment banking. Some banks may give more importance to one type of banking and give less importance to the other type of banking. However, this does not make commercial sense.

1.11 Objective of Universal Banking

Universal banking is a term related to banks providing both investment services and savings and loan option to their customers. Many of the banks in Europe function on the basis of the universal banking model. The main objectives of such a model are an increase participation in investment strategies, securing clients through saving and loan schemes, development of private sectors and cutting costs for financial services.

1. To secure the financial interests of companies that have receive direct investment and to protect the future development of such institutions.
2. To directly participate on the investment market, universal banks in any wants to ensure that the companies that have invest the funds would deal with them properly and will not undertake unreasonable financial decisions.
3. To study the potential of universal banking in India through selected public sector and private sector banks.

4. To give suggestion regarding the improvement of Universal Banking Service.

1.12 Limitations of Universal Banking

- An important reason for limiting combinations of activities has been the fear that such institutions, by virtue of the sheer size, would gain monopoly power in the market, which can have significant undesirable consequences for economic efficiency.
- Universal banking results in greater economic efficiency in the form of lower cost, higher output and better product mix, on the other side if one universal bank collapses it leads to systematic financial risk.
- The bank may start new activity for which expertise is not available, which may even results in failure of the banks.
- Under the universal banking system the organizational structures are big and become overly bureaucratic, which may create problems in attracting top quality employees.
- The system of providing all services under one roof may prevent the universal bank from developing the highly specialized expertise needed to compete in today’s financial market.
- Combining commercial and investment banking give rise to conflict if interest as universal banks may not objectively advise their clients on optimal means of financing or they may have an interest in securities because of underwriting activities.
- Conflict of interest was one of the major reasons for introduction of Glass-Steagall Act. Three well-defined evils were found to flow from the combinations of investment and commercial banking as detailed below:

- Banks were deploying their own assets in the securities with consequent risk to commercial and saving deposits.
- Unsound loans were made in other to shore up the price of securities or the financial position of the companies in which a bank had invested its own assets.
- A commercial bank's financial interest in the ownership, price or distribution of securities inevitably tempted bank officials to press their banking customers to invest insecurities which the bank itself was under pressure to sell because of its own pecuniary stake in the transaction. 4) It is agreed that universal banks are more difficult to regulate because their ties to the business world are more complex. In the case of specialized institutions, government/supervisory agencies could effectively monitor them because their functions are limited.

1.13 Universal Banking in India

In India Development financial institutions (DFIs) and refinancing institutions (RFIs) were meeting specific sectorial needs and also providing long-term resources at concessional terms, while the commercial banks in general, by and large, confined themselves to the core banking functions of accepting deposits and providing working capital finance to industry, trade and agriculture. Consequent to the liberalization and deregulation of financial sector, there has been blurring of distinction between the commercial banking and investment banking.

Reserve Bank of India constituted on December 8, 1997, a Working Group under the Chairmanship of Shri. S.H. Khan to bring about greater clarity in the respective roles of banks and financial institutions for greater harmonization of facilities and obligations. Also report of the Committee on Banking Sector Reforms or Narsimham Committee (NC) has major bearing on the issues considered by the Khan Working Group. The issue of universal banking resurfaced in Year 2000, when ICICI gave a presentation to RBI to discuss the time frame and possible options for transforming itself into a universal bank. Reserve Bank of India also spelt out to Parliamentary Standing Committee on Finance, its proposed policy for universal banking, including a case-by case approach towards allowing domestic financial institutions to become universal banks.

Now RBI has asked FIs, which are interested to convert itself into a universal bank, to submit their plans for transition to a universal bank for consideration and further discussions. FIs need to formulate a road map for the transition path and strategy for smooth conversion into a universal bank over a specified time frame. The plan should specifically provide for full compliance with prudential norms as applicable to banks over the proposed period.

The Narasimham Committee's Report (1998) recommended the conversion of Development Financial Institutions (DFIs), into Universal Banks. Further, the Working Group under the Chairmanship of S H Khan on "Harmonizing the Role and Operations of Development Financial Institutions and Banks" (December 1997) has also made it more explicit by recommending for a progressive movement towards Universal Banking for the DFIs. Taking a cue, ICIC1 an erstwhile DFI took the lead and became a Universal Bank by merging itself with its own subsidiary ICICI Bank Ltd in 2002. IDBI also decided to become Universal Bank and the Government has already ardiounced that IDBI would be merged with its own subsidiary IDBI Bank Ltd. Universal Banking has its own set of problems from the regulatory and supervisory point of views. The success of Universal Banking depends upon coordination among all the existing supervisory and regulatory authorities, viz., SEB1, RBI and IRDA including regulatory wings in the Central Government supported by necessary legislations. The concept of Universal Banking emerged in the year 2002, when ICICI gave a presentation to RBI to discuss the time frame and possible options for transforming itself into a universal bank. The RBI also spelt out 96 to the Parliamentary Standing Committee on Finance, its proposed policy to enable domestic financial institutions to become universal banks.

The following Development Financial Institutions have started converting themselves into universal banks.

- Industrial Credit and Investment Corporation of India (ICICI)
- Industrial Development Bank of India (IDBI)
- Export Import Bank (EXIM Bank)
- Industrial Finance Corporation of India (IFCI)
- Industrial Investment Bank of India (IIBI)

DFIs which have traditionally been engaged in the medium to long term financing have recently started undertaking short term lending including working capital finance. They have also been allowed to accept short to medi16-term deposits in the form of term deposits and CDs, within limits. DFIs have also set up subsidiaries for undertaking banking and various other activities. For instance, IDBI and ICICI have already set up banking subsidiaries and mutual funds, besides setting up subsidiaries in the field of investor services, stock broking registrars' services. IFCI has also set up a commercial bank.

1.14 Issues & Challenges in Universal Banking

1. Challenges in Universal Banking

There are certain challenges, which need to be effectively met by the universal banks. Such challenges need to build effective supervisory infrastructure, volatility of prices in the stock market, comprehending the nature and complexity of new financial instruments, complex financial structures, determining the precise nature of risks associated with the use of particular financial structure and transactions, increased risk resulting from asymmetrical information sharing between banks and regulators among others. Moreover norms stipulated by RBI treat DFIs at par with the existing commercial banks. Thus all Universal banks have to maintain the CRR and the SLR requirement on the same lines as the commercial banks. Also they have to fulfill the priority sector lending norms applicable to the commercial banks. These are the major hurdles as perceived by the institutions, as it is very difficult to fulfill such norms without hurting the bottom-line. There are certain challenges, which need to be effectively met by the universal banks. Such challenges include weak supervisory infrastructure, volatility of prices in the stock market, comprehending the nature and complexity of new financial instruments, complex financial structures, determining the precise nature of risks associated with the use of particular financial structure and transactions, increased risk resulting from asymmetrical information sharing between banks and regulators among others.

2. Issues of concern for Universal Banking:

- **Deployment of capital:**

If a bank were to own a full range of classes of both the firm's debt and equity the bank could gain the control necessary to effect reorganization much more economically. The bank will have greater authority to intercede in the management of the firm as dividend and interest payment performance deteriorates.

- **Unhealthy concentration of power:**

In many countries such a risk prevails in specialized institutions, particularly when they are government sponsored. Indeed public choice theory suggests that because Universal Banks serve diverse interest, they may find it difficult to combine as a political coalition – even this is difficult when number of members in a coalition is large.

- **Impartial Investment Advice:**

There is a lengthy list of problems, involving potential conflicts between the bank's commercial and investment banking roles. For example there may be possible conflict between the investment banker's promotional role and commercial banker's obligation to provide disinterested advice or where a Universal Bank's securities department advises a bank customer to issue new securities to repay its bank loans. But a specialized bank that wants an unprofitable loan repaid also can suggest that the customer issues securities to do so.

1.15 Impact of Universal Banking

Since the early 1990s, banking systems worldwide have been going through a rapid transformation. Mergers, amalgamations and acquisitions have been undertaken on a large scale in order to gain size and to focus more sharply on competitive strengths. This consolidation has produced financial conglomerates that are expected to maximize economies of scale and scope by ‘bundling’ the production of financial services. The general trend has been towards downstream universal banking where banks have undertaken traditionally non-banking activities such as investment banking, insurance, mortgage financing, securitization, and particularly, insurance. Upstream linkages, where non-banks undertake banking business, are also on the increase. The global experience can be segregated into broadly three models. There is the Swedish or Hong Kong type model in which the banking corporate engages in in-house activities associated with banking. In Germany and the UK, certain types of activities are required to be carried out by separate subsidiaries. In the US type model, there is a holding company structure and separately capitalized subsidiaries.

In India, the first impulses for a more diversified financial intermediation were witnessed in the 1980s and 1990s when banks were allowed to undertake leasing, investment banking, mutual funds, factoring, hire-purchase activities through separate subsidiaries. By the mid-1990s, all restrictions on project financing were removed and banks were allowed to undertake several activities in-house. In the recent period, the focus is on Development Financial Institutions (DFIs), which have been allowed to setup banking subsidiaries and to enter the insurance business along with banks. DFIs were also allowed to undertake working capital financing and to raise short-term funds within limits. The purpose of prudential system of recognition of income, classification of assets and provisioning of bad debts is to ensure that the books of the commercial banks reflect their financial position more accurately and in accordance with internationally accepted accounting practices. These help in more effective supervision of banks. Prudential Norms required banks to make 100 percent provision for all nonperforming assets (NPAs).

1.16 Universal Banking and Insurance

Banks and insurance companies have shown common interest for a number of reasons. Commercial banks can use their distribution network to sell all types of insurance, particularly life insurance, to their traditional customers. Most importantly, the combining of banking and insurance activities raises the serious problem of the dual regulation to which they are subject and this requires close coordination between the agencies regulating them. At present, Indian banks (newly converted DFIs and existing commercial banks) are regulated by both RBI and IRDA. The need should have arisen for the user to look out for an external help, such need could be a more reliable and comprehensive information concerning universal banking system. Ever since creation, there has been a continuous quest for man to improve his wellbeing through his relations to the problems and challenges posed by his environment. Tools upon tools have been fashioned and defined by man to aid him in conquering these problems and challenges posed by his overcrowded and pressurized work and leisure environment.

In the developed countries of the world, the Universal Banking system has been operating for almost a decade now. The full impact of Universal Banking on insurance remains a matter of conjecture since the policy has just been newly introduced in Nigeria. Scarcity of detailed information on Universal Banking has not really helped matters. However, a report on universal banking has to do with the dismantling of functional barriers in the financial service delivery thereby granting each bank the right to decide to engage in any financial service from a wide range of service such as accepting deposit, lending, trading in financial instruments, foreign exchange transactions, underwriting of debts, equity issues brokerage, investment management and insurance. In order words, a bank can be a jack of all trade (financial services) whatever effect this will have on the banking industryis up to bankers to appraise. What bothers the researcher and warranted this write up is theneed for us to be told what impact Universal Banking will have on the insurance professionand industry. Bankers have boasted that their huge capital base will boost public confidencein insurance. No insurance literate person will wait for bankers to engage in insurance before having confidence in the efficacy of insurance products. It has often been said that Universal Banking is the only way by which the huge capital investment of the banks could be justified.

1.17 Recent Trends in Universal Banking

Financial reforms were central to India's economic liberalization program initiated in the early 1990s. After more than a decade of reforms since 1991, India's financial sector – including markets, institutions and products – has changed, in some respects, beyond recognition. Capital markets are deeper, more liquid and much more open. While the banking sector continues to dominate the financial system and remains overwhelmingly government-owned, competition has increased. Private entry has also been progressively allowed into mutual funds and, more recently, insurance.

These reforms have led to financial integration at two levels. At level one, the trends towards universal banking and mergers between financial institutions have led to integration between different segments of the domestic financial system. Traditional frontiers between banking, capital markets and insurance have become less distinct. At another level, India's financial system has become much more integrated with the global financial system 23

The effect of the recommendations of the Khan Working Group and Narasimhan Committee – 11 reports regarding harmonization of role of banks and DFIs were seen when major banking organizations like ICICI, SBI, IDBI etc. started proposing plans for taking the coveted status of a universal bank. ICICI merged with ICICI bank in 2001. Many public sector banks set up subsidiaries for providing various financial services.

Deregulation opened up new opportunities for banks to increase revenues by diversifying into investment banking, insurance, credit cards, depository services, mortgage financing, securitization, etc. Interest rates have been deregulated over a period of time, branchlicensing procedures have been liberalized and Statutory Liquidity Ratio(SLR) and Cash Reserve Ration(CRR) have been reduced. The entry barriers for foreign banks and new private sector banks have been lowered as part of the medium term strategy to improve the financial and operational health of the banking system by introducing an element of competition into it. There has been a paradigm shift in Indian banking with the absorption of the latest technology and the need to meet the client's expectations in a customized manner. The regulatory system today is far more conscious and better equipped, institutionally and legally, to demand and enforce necessary disclosures and compliance with laid norms for protection of the users of the system as well as the credibility and efficacy of the system itself. Corporate governance in banks and financial institutions assumed great importance in India.

The benefits of a liberalized financial system are well-known. At the same time, a series of financial crises- in East Asia in 1997, Turkey in 2000 and, more recently, in Argentina- have alerted policy makers and regulators to the potential fragility of financial intermediaries in a deregulated environment. These crises resulted from the interaction of a variety of mutually reinforcing macroeconomic, structural, and political events. Whatever the trigger, the weaker the financial system, the greater have been the fireworks of collapse and the depth and duration of post-crisis distress.

So if there is one lesson above all others from the recent financial crises, it is importance of a sound and well-regulated financial sector. This means better disclosure, better supervisory norms and their proper enforcement. And it means having a financial regulatory structure that makes the regulator properly accountable, and ensures that regulators are properly equipped to anticipate problems in complex and integrated financial systems detect fragilities, take prompt corrective action to deal with distressed institutions, and minimize opportunities for regulatory arbitrage by financial intermediaries.

India's financial system has shown a great deal of resilience. India appears to be sheltered from crisis triggered by an external macroeconomic shock of the type suffered by the East Asian countries, because India's exchange rate regime is flexible, foreign exchange reserves are high, the capital account is not vet fully convertible, and banks and their customers have limited foreign exchange exposures. It should also be noted that, in recent years, India has gone a considerable way in improving financial sector regulations. Prudential norms have been tightened, bank capital bolstered, and the supervisory systems strengthened.

But important weaknesses remain, and need to be addressed. Stock market scams, the UTI story and problems with cooperative banks, underline the importance of enhancing supervision and governance. Moreover, as the financial sector becomes more open, the challenge facing India's regulators will become ever greater.

1.18 Universal Banking Services

Banking covers so many services that it is difficult to define it. However, these basic services have always been recognized as the hallmark of the genuine banker.

There are other various types of banking services like:

- Advances – Overdraft, Cash Credit, etc.
- Deposits – Saving Account, Current Account, etc.
- Financial Services – Bill discounting etc.
- Foreign Services – Providing foreign currency, travelers cheques, etc.
- Money Transmission – Funds transfer etc.
- Savings – Fixed deposits, etc.
- Services of place or time – ATM Services.
- Status – Debit Cards, Credit Cards, etc.

1.19 Need of Universal Banking in India as Per Committees

1. The phenomenon of universal banking—as different from narrow banking is suddenly in the news. With the second Narsimham Committee (1998) and the Khan Committee (1998) reports recommending consolidation of the banking industry through mergers and integration of financial activities, the stage seems to be set for a debate on the entire issue.

2. A universal bank is a 'one-stop' supplier for all financial products and activities, like deposits, short-term and long-term loans, insurance, investment etc.

3. The benefits to banks from universal banking are the standard argument given everywhere also by the various Reserve Bank committees and reports—in favors of universal banking is that it enables banks to exploit economies of scale and scope.

4. So that a bank can reduce average costs and thereby improves spreads if it expands its scale of operations and diversifies its activities.

5. The bank can diversify its existing expertise in one type of financial service in providing the other types. So, it entails less cost in performing all the functions by one entity instead of separate specialized bodies.

6. A bank has an existing network of branches, which can act as shops for selling products like insurance. This way a big bank can reach the remotest client without having to take recourse to any agent.

7. Many financial services are inter-linked activities, e.g. insurance and lending. A bank can use its instruments in one activity to exploit the other, e.g., in the case of project lending to the same firm, which has purchased insurance from banking

8. The idea of 'one-stop-shopping' saves a lot of transaction costs and increases the speed of economic activity. Another manifestation of universal banking is a bank holding stakes in a firm.

9. In India, too, a lot of opportunities are there to be exploited. Banks, especially the financial institutions, are aware of it. And most of the groups have plans to diversify in a big way.

10. At present, only an' arms-length' relationship between a bank and an insurance entity has been allowed by the regulatory authority, i.e. the Insurance Regulatory and Development Authority (IRDA). This means that commercial banks can enter insurance

business either by acting as agents or by setting up joint ventures with insurance companies.

11. Development financial institutions (DFIs) can turn themselves into banks, but have to adhere to the statutory liquidity ratio and cash reserve requirements meant for banks, which they are lobbying to avoid.

All these can be seen as steps towards an ultimate culmination of financial intermediation in India into universal banking.

1.20 RBI Guidelines on Universal Banking

Some of the guidelines are as follows.

- Once the FI becomes a universal bank, it would be compliant with their CRR and SLR requirements of the RBI.
- The activity which is permissible for the FI but not permissible for bank would have to be stopped
- Any immovable property acquired by the FI would have to be disposed of in 7 years' time.
- Banks cannot hold shares in the companies in excess of 30% of the paid up share capital of that company or 30 per cent of its own paid-up share capital and reserves as per the Banking Regulations act so, th FI after becomes a Universal Bank shall divert the excess of the equity.
- The FI would require obtaining a license from RBI to carry business of banking in India and has to comply with the applicable conditions.
- The FI would need to comply with the existing branches licensing policy of RBI which requires allotting at least 25 per cent of their total number of branches in semi-urban and rural areas.
- Publishing annual financial reports as per requirements of the banking regulation act.

1.21 Relevance of Universal Banking

The relevance and importance of these institutions can be gauged from the host of economic functions they cater to. They share high value of investors' trust as they generally have equity stakes in many firms which gives a boost to investors to invest in these firms. RBI favors the system as it is able to reach economies of scale as all services are provided under one roof and handled by financial experts who can deal with different products. Even though there is a range of financial services available but each of these have to satisfy a unique set of regulations which often makes the operations cumbersome. Also, as universal banking is a ball-game of the big players in banking, it thus is always open to fears of monopolizing the markets. While some feel that such banking helps in diversifying risk; others are of the view that separately handling of different banking services is less risky.

1.22 Introduction State Bank of India

People **Dinesh Kumar Khara**
(Chairman)

Products Retail banking, corporate banking, universal banking, investment banking, mortgage loans, private banking, wealth management, credit cards, finance and insurance

SBI provides a range of banking products through its network of branches in India and overseas, including products aimed at non-resident Indians (NRIs). SBI has 16 regional hubs and 57 zonal offices that are located at important cities throughout India.

Domestic presence

Samriddhi Bhavan, Kolkata

SBI has over 24000 branches in India.]In the financial year 2012–13, its revenue was ₹2.005 trillion (US$28 billion), out of which domestic operations contributed to 95.35% of revenue. Similarly, domestic operations contributed to 88.37% of total profits for the same financial year.

Under the Pradhan Mantri Jan Dhan Yojana of financial inclusion launched by Government in August 2014, SBI held 11,300 camps and opened over 3 million accounts by September, which included 2.1 million accounts in rural areas and 1.57 million accounts in urban areas.

International presence

The State Bank of India branch located in Ramat Gan, Israel

As of 2014–15, the bank had 191 overseas offices spread over 36 countries having the largest presence in foreign markets among Indian banks.

SBI operates several foreign subsidiaries or affiliates.

In 1989, SBI established an offshore bank, State Bank of India International (Mauritius) Ltd. This then amalgamated with The Indian Ocean International Bank (which had been doing retail banking in Mauritius since 1979) to form SBI (Mauritius) Ltd. Today, SBI (Mauritius) Ltd has 14 branches – 13 retail branches and 1 global business branch at Ebene in Mauritius. SBI Sri Lanka now has three branches located in Colombo, Kandy and Jaffna. The Jaffna branch was opened on 9 September 2013. SBI Sri Lanka is the oldest bank in Sri Lanka; it was founded in 1864.

State Bank of India branch at Southall, United Kingdom

In 1982, the bank established a subsidiary, State Bank of India, which now has ten branches nine branches in the state of California and one in Washington, D.C. The 10th branch was opened in Fremont, California on 28 March 2011.

As per the World Bank, ―In Universal Banking, large banks operate extensive network of branches, provide many different services, hold several claims on firms (including equity and debt) and participate directly in the Corporate Governance of firms that rely on the banks for funding or as insurance underwriters‖. In anutshell, the term 'Universal Banking' refers to those banks that offer a wide range of financial services, beyond the commercial banking functions like Mutual Funds, Merchant Banking, Factoring, Credit Cards, Retail loans, Housing Finance, Auto loans, Investment banking, Insurance etc. This is most common in European countries. It is a place where all financial products are available under one roof. So, a universal bank is a bank which offers commercial bank functions plus other functions. The issue of universal banking resurfaced in Year 2000, when ICICIgave a presentation to RBI to discuss the time frame and possible options for transformingitself into a universal bank.

State Bank of India (SBI), with a 200 year history, is the greatest business bank in India the extent that assets, stores, advantages, appendages, customers and delegates. The

Government of India is the single greatest shareholder of this Fortune 500 component with 61.58% proprietorship. SBI is situated 60th in the rundown of Top 1000 Banks on the planet by "The Banker" in July 2012.
The SBI social occasion includes SBI and five accomplice banks. The social occasion has a broad framework, with more than 20000 or more appendages in India and an interchange 186 work puts in 34 countries over the world. Beginning 31st March 2013, the social event had assets worth USD 392 billion, stores of USD 299 billion and capital & spares in excess of USD 23.03 billion. The get-together requests more than 23% offer of the family unit Indian keeping currency market.
SBI's non- sparing cash reinforcements/joint meanders are business division pioneers in their different zones and give vast organizations, which fuse life scope, merchant dealing with a record, imparted trusts, Mastercards, considering organizations, security trading and fundamental dealership, making the SBI Group a truly far reaching fiscal general store and India's budgetary image. SBI has plans with more than 1500 diverse around the world/ neighborhood banks to exchange cash related messages through SWIFT in all business centers of the world to support trade related dealing with a record business, invigorated by dedicated and exceedingly skilled gatherings of masters.' Standard Chartered Bank has been working in India since 1858. It appreciates the pride of being one of the biggest universal banks of India moreover. The bank's prevalence and its development in India is because of its worldwide vicinity. The bank makes a cooperative energy of these capacities with its neighborhood information and gives different creative items/ administrations to its customers.

CHENNAI: India's largest commercial bank, State Bank of India (SBI) is now planning to position itself as a "Universal Bank" catering to the diverse needs of the society. Addressing a press conference here on Tuesday, A K Purwar, Chairman of SBI said, "We are now aspiring to becoming an universal bank". The bank wants to be present in every financial aspect of funds, be it banking, credit cards or insurance. SBI and its associates together manage in excess of 14,000 branches. As a prelude to this, loose integration of the operations is also being carried out. For instance, all the banks within the SBI fold operate on a single technology platform. A constant review is being conducted which aims at better co-ordination between various branches of SBI and its associate banks, he added. He, however, ruled out merger of SBI's associates with itself in the near term. Computerization of all the operations is going on full swing. "By September 2004 operations at all the 9,000 branches of SBI and4,000 odd branches of its associates will be computerized," purwar added. There will also be an increased presence in retail banking segment. Roughly 18 per cent of SBI"s business comes from retail banking.

"over the next couple of years this will be stepped up to 30 per cent," he said. SBI is also planning substantial increases in international operations. The Bangladesh operations of SBI were kicked off just a couple of weeks back. Next months will see the entry of SBI into the Middle East and opening operations in Israel is also on cards. A joint sector bank in Moscow is slated to become operational by November/December this year, purwar said and added that the Californian and Canadian operation will bow pushed further for better business. Roughly six per cent of the bank's profits last year came from international operations. We feel that there is scope for considerable increases to this number. Our international operations will be centered on increasing the bottom-line of

SBI," he added. SBI will also revisit he the lending rate cut and deposit rate cut "shortly". If there is any change in rates, it will be immediately intimated. I do not foresee a cut in lending rates," he added.

Credit Cards •

Mark Credit Card

Deal with your SBI Signature Card account & online bill installments at the click of a mouse. Check your month to month proclamations on the web, key in your change of location or discover the State Bank ATM closest to you. A FREE administration that guarantees your service bills (power, portable, protection and phone) are paid on time. Gain Reward Points on installments made. Your SBI Signature Card guarantees you appreciate high investment funds with low premium rates. Simply exchange the parities from your other Bank Credit Card to your SBI Card and appreciate Visa Balance Transfer Plans as suited to your monetary needs. This card offers you the accommodation of booking your route tickets online and getting them conveyed at your doorstep.

- **Platinum Credit Card**

Get your Platinum Card supplanted anyplace on the planet. Simply Call 24×7 Visa Helpline Toll Free Number while voyaging abroad for Emergency Card Replacement. With your SBI Card you have moment access at 1 million Visa ATM's worldwide for charge card money withdrawal including more than 18,000 Visa ATM's in India and more than 10,000 State Bank ATM's spread crosswise over more than 100 urban communities in India. 2.5% fuel extra charge waiver for every exchange between Rs.500 & Rs.4000 (selective of GST, wherever pertinent, & all different charges). Most extreme additional charge waiver of Rs 250 every announcement cycle, every Visa account. Make installments through your SBI Card at the installment entryways that acknowledge a visa credit card.

Loans

Difference in personal loan services:

State Bank of India, the biggest open part bank in the nation is a standout amongst the most favored banks in India in the matter of individual credits. SBI offers individual credits for both salaried and independently employed people to counter any kind of quick budgetary prerequisites. State Bank of India does not look for any security or guarantee prerequisites for individual credits. The bank does not look for certifications or guarantees of any structures for individual advances. The cash made accessible to the borrower through SBI individual advance can be utilized according to the individual necessities for the single person without any limitations and the bank is not having any criteria for this. SBI individual advances can be helpful to counter for any of the accompanying monetary necessities:

marriage related costs in the gang, foreign travel, health or therapeutic treatment related costs, personal money related prerequisites, other different costs

State Bank of India offers individual credits at low premium rates and with regular offers now and again, making it a standout amongst the most prominent decisions for borrowers. Low transforming expense with zero prepayment punishments and no concealed charges make SBI individual advances a prominent decision with both salaried, independently employed and working experts.

State Bank of India offers individual advance up to 12 times the net month to month salary for salaried people and beneficiaries subject to a roof of Rs.10 Lakhs with reimbursement residency of 48 months. SBI has started a brisk credit support framework verifying that all individual advance solicitations are endorsed in a most extreme time of 3-4 days of accommodation of complete documentation.

About Standard Chartered Personal Loan

Standard Chartered bank, which is India's biggest universal bank, has been working here since 1858. Energizing plans, benevolent reimbursement procurements and focused premium rates are motivations to apply from Standard Chartered Bank, wherein your individual advance application will be easily transformed. There is no requirement for insurance, security or underwriters to be accommodated unsecured individual advances from Standard Chartered Bank. Advance top-up office is additionally accessible. Standard Chartered Loan Details

Interest Rate (Monthly lessening balance) 12.99% to 16.00% processing Fees Zero Processing Fees loan Tenure 1 year to 5 years guarantor Requirement No underwriter needed.

1.23 Narasimhan Committee

The second Narasimham Committee of 1998 gave an introductory remark on the concept of the Universal banking, as a different concept that the Narrow banking. Narsimham Committee II suggested that Development Financial Institutions (DFIs) should convert ultimately into either commercial banks or non-bank finance companies. The Narasimham Committee was established under former RBI Governor M.

Narasimham in August 1991 to look into all aspects of the financial system in India. The report of this committee had comprehensive recommendations for financial sector reforms including the banking sector and capital markets. In broad acceptance to this committee, the government announced slew of reforms.

The Narsimham Committee II suggested that Development Financial Institutions (DFIs) should convert ultimately into either commercial banks or non-bank finance companies. The Khan Working Group held the view that DFIS should be allowed to become banks at the earliest. The RBI released a 'Discussion Paper' (DP) in January 1999 for wider public debate. The feedback on the discussion paper indicated that while the universal banking is desirable from the point of view of efficiency of resource use, there is need for caution in moving towards such a system by banks and DFIs.

The principle of "Universal Banking" is a desirable goal and some progress has already been made by permitting banks to diversify into investments and long-term financing and the DFIs to lend for working capital, etc. However, banks have certain special characteristics and as such any dilution of RBI's prudential and supervisory norms for conduct of banking business would be inadvisable.

Though the DFIs would continue to have a special role in the Indian financial System, until the debt market demonstrates substantial improvements in terms of liquidity and depth, any DFI, which wishes to do so, should have the option to transform into bank (which it can exercise), provided the prudential norms as applicable to banks are fully satisfied. To this end, a DFI would need to prepare a transition path in order to fully comply with the regulatory requirement of a bank. The DFI concerned may consult RBI for such transition arrangements. Reserve Bank will consider such requests on a case-bycase basis. Financing requirements, which is necessary. In due course, and in the light of evolution of the financial system, Narsimham Committee's recommendation that, ultimately there should be only banks and Restructured NBFCs can be operationalized.

Chapter 2 Research Methodology

2.1 Introduction

Research is a scientific study which involves a dedicated effort with a purposeful aim. They are various words which are related to research. Discovery, Invention, Innovation, Enquiry, Inquiry, Survey, Search, and Research Etc. Research is a permutation and combination of all the above words. The word research is composed of two syllables, re and search. Re is a prefix meaning again, or over again search is a verb meaning to examine closely and carefully, to test and try, or to probe. Together they form a noun describing a careful, systematic, patient study and investigation in some field or knowledge, undertaken to establish facts or principle. Research is undertaken within most professions. More than a set of skills, it is a way of thinking: examining critically the various aspects of your professional work.

Research is an academic activity and as such the term should be used in a technical sense. Research in common parlance refers to a search for knowledge. One can also consider research as a scientific and systematic search for pertinent information on a specific topic. In fact, research is an art of scientific investigation. Research is a process of finding facts and arranging them in such a manner that information is obtained regarding any fact, figure or phenomenon. Research process has been conducted from the time since human being was first created and it is a never ending process. Research is done with the help of study, experiment, observation, analysis, comparison and reasoning. Research is in fact ubiquitous.

2.2 Meaning

Universal banking is a combination of commercial banking, investment banking, development banking, insurance and many other financial activities. It is a place where all financial products are available under one roof. Universal bank is a bank which offers commercial functions plus other functions such as Merchant Banking, Mutual Funds, Credit Cards, Housing Finance, Auto Loans, Retail Loans, Insurance, etc. Universal banking is done by very large banks.

"Universal banking is a financial services combining investment, retail and wholesale banking services under one roof and reaping synergies between them."

2.3 Significance/Importance of the study

-To study the potential of universal banking in India through selected public sector and private sector banks.

-To examine the risk exposure of banks.

-To critically examine the existing debate on Universal banking in the context of the samples studied.

-To give suggestion regarding the improvement of Universal Banking Services.

2.4 Social Relevance

The relevance and importance of these institutions can be gauged from the host of economic functions they cater to. RBI favor the system as it is able to reach economies of scale as all services are provided less than one roof and handled by financial experts who can deal with different products. If these banks fail, it will be a severe jolt to the banking system and the investor confidence. While some feel that such banking helps in diversifying risk, other are of the view that separately handling of different banking services is less risky.

2.5 Objective of the study

This research highlights the comparative position of two universal banking with the selected private sector banks and public sector banks –Bank and State Bank of India. (SBI)

1. To understand the difference between both the working of universal banking and its concept.
2. The research would bring light in the perception of customers towards the awareness about all kinds of products and services which are available in their respective banks.
3. The study of customer perception was done through primary data by providing questionnaire.
4. To give suggestion regarding the improvement of Universal Banking Services.

2.6 Data Collection Method

The date serves as the bases or raw materials for analysis. Without an analysis of factual data, no specific inferences can be drawn on the questions under study. The relevance, adequacy and reliability of data determine the quality of the findings of a study. Data form the basis for testing the hypothesis formulated in a study. Data also provide the facts and figure required for constructing measurement scales and tables, which are analyzed with statistical techniques. Inferences on the results of statistical analysis and tests of significance provide the answers to research questions. Thus, the scientific process of measurements, analysis, testing and inferences depends on the availability of relevant data and their accuracy. For performing research on the literacy levels among families, the primary and secondary sources of data can be used very effectively. This study is based on secondary and primary data. The required data have been collected from various sources i.e. the primary data were obtained through questionnaires and were complemented with oral interviews of experts of IT section and managers of banks involved in the study. More specifically the primary sources of data collection are suggested in this regard. Because personal data or data related to human beings consist of:

- Demographic and socio-economics characteristics of individuals: Age, sex, race, socio class, religions, marital status, education, occupations income, family size, location of the household life style etc.
- Behavioral variables: Attitudes, opinions, awareness, knowledge, practice, intentions, etc.
- Organizational data consist of data relating to an organizations origin, ownership, objectives, resources, functions, performance and growth.

1) Methods of Collecting Primary Data

Primary data are directly collected by the researcher from their original sources. In this case, the researcher can collect the required date precisely according to his research needs, he can collect them when he wants them and in the form he needs them. But the collection of primary data is costly and time consuming. Yet, for several types of social science research required data are not available from secondary sources and they have to be directly gathered from the primary sources. Primary data are obtained by a study specifically designed to fulfill the data needs of the problem at hand. Such data are original in character and are generated in large number of surveys conducted mostly by government and also by some individuals, institutions and research bodies.

Primary sources are original sources from which the researcher directly collects data that have not been previously collected e.g. collection of data directly by the researcher on brand awareness, brand preference, brand loyalty and other aspects of consumers behavior from a sample of consumers by interviewing them, primary data are firsthand information collected through various methods such as observation, interviewing, mailings etc. there are various methods of data collection. A ‘Method’ is different from a ‘Tool’ while a method refers to the way or mode of gatherings data, a tool is an instruments used for the method. Observation, interviewing, mail survey, experimentation, simulation and projective technique. Each of these methods is discussed in detail in the subsequent sections in later modules.

2) Methods of Collecting Secondary Data

These are sources containing data which have been collected and complied for another purpose. The secondary sources consist of reliability compendia and already compiled statistical statements and reports whose data may be used by researchers for their studies e.g., census reports, annual reports and financial statements of companies, statistical statements, reports of Government Departments annual reports of currency and finance published by the reserve bank of India, statistical statements relating to Co-Operatives and Regional Banks published by the NABARD, Reports of trade associations, publications of international organizations such as UNO, IMF, World Bank, ILO, WHO, etc., Trade and Financial Journals newspapers etc. Secondary sources of data consist of not only published records and reports, but also unpublished records. The latter category includes various records, and registers maintained by the firms and organizations. Trade and financial journals newspapers. Though secondary sources are diverse and consist of all sorts of materials, they have certain common characteristics.

2.7 Hypothesis

Meaning

The foundation of hypothesis formulated. Minute attention is needed for this. The term hypothesis has several meanings. It may be taken to mean a possibility, a supposition or an assumption. In general it is taken as a proposal to accept something as true. It may prove to be correct or incorrect. It is tentative and is likely to be accepted as a scientific truth. Thus we can define hypothesis as tentative suggestions expressed as proposition to explain an event. Hypothesis may be defined as a proposition or a set of proposition set forth as an explanation for the occurrence of some specified group. Quite often a research hypothesis is a predictive statement, capable of being tested by scientific methods, that relates an independent variable to some dependent variable. A proposal intended to explain certain facts or observations. A hypothesis is a precise testable statements prediction of what the researcher expects to find or prove. It is a tentative answer to a researcher questions. A hypothesis is a tentative proposition formulated for empirical testing. It is a declarative statement combining concept. A hypothesis if verified becomes a theory. A hypothesis is not the same as story though it is very closely related to theory. Thus theory itself in its early stages forms a hypothesis and the two an interdependent upon each other.

Definition

- Goode and Hatt have defined a hypothesis, “a proposition which can be put to test to determine validity.”
- According to George A. Lundberg “a hypothesis is a tentative generalization, the validity of which remains to be tested”.
- Mill has defined hypothesis as, “any supposition which we make in order to deduce conclusions in accordance with facts which are known to be real”.

From these above definitions we can enumerate the three characters of hypothesis.

- Every hypothesis is an attempt at obtaining facts.
- No hypothesis is a final explanation of facts.
- Being an explanation of facts hypothesis is an organic principle.

They are 10 types of hypothesis.

1. Descriptive hypothesis
2. Relational hypothesis
3. Causal hypothesis
4. Working hypothesis
5. Null hypothesis
6. Alternative hypothesis
7. Statistical hypothesis
8. Common sense hypothesis
9. Complex hypothesis
10. Analytical hypothesis

They are using 2 types of hypothesis are as follows.

1) Null Hypothesis (H_0)

These are hypothetical statements denying what are explicitly indicated in working hypothesis. They are formed in the negative statement. Null hypothesis are formulated for testing statistical significance. Since this form is a convenient approach to statistical analysis. As the test would nullify the null hypothesis, they are so called. There is some justification for using null hypothesis. They confirm to the qualities of detachment and objectively to be possessed by a researcher. The problem does not arise when he uses null hypothesis. Moreover, null hypotheses are more exact. It is easier to reject the contrary of hypothesis than to confirm it which complete certainty. Hence the concept of null hypothesis is found to be very useful.

2) Alternative Hypothesis (H_1)

It is a statement, which is accepted, after a null hypothesis is rejected based on the test result. The alternative hypothesis is the opposite of the Null Hypothesis and vice versa. We use the symbol (H_1) to represent the alternative hypothesis. This is the research Hypothesis stated very precisely. It is called experimental when an experiment is being carried out. If the alternative hypothesis does not predict the direction of the results and just says that there will be a difference then it is a non-directional or a two-tailed hypothesis. In statistics, alternative hypothesis is often denoted as H_a or H_1.

2.8 Hypothesis of the study

- Null Hypothesis (H_0)

  Respondents are not much using and are not satisfied with the universal banking services.

- Alternative Hypothesis (H_1)

  Respondents are using and are satisfied with universal banking services.

2.9 Hypothesis Testing

After data analyzing and interpretation and presentation the testing of hypothesis is done. Testing of hypothesis means to find out whether our assumption is true or false. In this, sometimes Null hypothesis gets selected or Alternative hypothesis. Only one will get select not both of them. If one is select then other has to reject. If null is select then alternative has to reject or vice versa.

H_0= respondents do not preferred and satisfied with the universal banking services.

H_1= Respondent are much using and satisfied with the universal banking services.

For example

As per the table 4.5, it is has observed that many bank account opening in a 2 years, 2.5 years, more than 5 years. The maximum respondents are operating in bank account in last 2-5 years (43.48%) because governments are opening a bank account in every poor person.

As per the table 4.6 it has observed that the traditional and modern services are used in the both ways the maximum number of respondent are operating in Bothe type of services 60.87%

As per the 4.8 table observed that the modern services are use the banking level in net banking, modern banking, mobile banking, ATM/ Debit Card and maximum people are using the all types of services the bank give to the customers. And minimum respondent are known about the Net banking services 4.35%.

As per the table 4.9 are show the banks are providing 86.96% services to the customer. And other respondent are not aware about the banking services.

As per the table 4.11 has observed that the satisfied with banking services the maximum respondent are satisfied with 41%. And less than the not answered and not satisfied with the banking services.

2.10 Test applied

Researcher are not used any test but has used Percentage Analysis and Graphical representation.

Chapter 3

3.1 Review of Literature

1) CHOWDHARY (2017) [1]

Specified that Universal bank would be contingent on the perceptual experience and complex mental state involvancy belief and feeling, value of disposition to Act in certain ways of bank manager towards universal banking general idea interested or derived from specific instance as well being contingent of what their customer anticipates in terms of banking and financial services.

2) ZAFAR (2012)[2]

Said that universal banking emerged as a new mechanism to perform this function as financial supermarket with diversified range of financial product under one roof the universal banking can provide services to the loan, deposit fund can avail other hand services farm these multipurpose financial institutions.

3) POPLI & KUMARA (2013)[3]

Suggested that Narsihaman Committee and Khan Committee for consolidation of banking in India through merger and amalgamation (M&A) has change in commercial bank and marching them toward the concept.

4) ANYA (2005)[4]

Described the concept of universal banking it emergence merit and related issue. The present paper focuses on understanding the concept of universal banking in India to explain the regulatory role, regulatory requirements, key duration and maturity distinction and lastly the optimal transaction path.

5) SENASARRMA (2001)[5]

Said that universal banking lead to less in economics of specialization again diversification of banking activities need not always result in economics of scale and scope especially.

6) KHAN (1998)[6]

He claim that commercial bank were already permitted to entire diversified area of financial system of financial business activates. There for diversification in the banking sector the acceptance of universal banking concept.

7) KAMMATH K.U (2012)[7]

Say's ICICI Bank eavisage a time frame 12 to 18 months in converting itself into universal bank. ICICI has received favorable response from Indian investors and fill on its move to merge with ICICI Bank and become a universal bank.

8) SENGIA RENU (2013)[8]

Claim that universal banking sector as a whole is facing a lot competition ever since financial country reforms were started in the country. Business is a thing of past and future banks are now on their loose to capture business market.

9)BERGER (2008)

Were with the opinion that universal bank they may reduce the supply of credit to small business borrowers. We investigate the empirical association of loan price and quantity with bank size and complexity using a data set with over 90,000 banks loans. Banks may be reduce the supply of small business lending, although other financial institutions may replace many of these loans.

10) BOYD (1998)

Said that claims have been made about the potential benefits and the potential costs of adopting a system of universal banking in the United States we evaluate these claims using models where there is a moral hazard problem between banks and borrowers and deposit insurer.

11) JOHN (2002)

Analyzed the welfare implication of banks taking equity stakes in firms under condition of imperfect information and moral hazard. Two case of bank control over the investment decisions.

1) Bank does not control over the investment decision of the firm.
2) Investment efficiency in higher and bank risk is lower of optimal positive level of bank equity holding.

12) SAUDERS (1999)

Said that banks in the US have been competing with investment banks through newly created "Section 20" subsidiaries. The evidence of date suggests that banks entry into securities activities via these subsidiaries has been procompetitive.

13) WALTER (1997)

Mentioned that Universal banks are multi-product firms in the financial services sector whose complexity is difficult to manage. The author move from book value to market value of equity by adjusting for value increase such as economies of scale and scope and better management.

14) CALOMIRIS (1995)

Specified that the observation are commonplace other unusual aspects of American Financial history have received less attention. Including the relative lack of bank involvement in industrial finance, as a means of finance, the high costs of securities underwriting and the high cost of capital in American Industry.

15) GEYFMAN (2009)

Explored on whether an economically significant differential exists in market based risk measure between Universal bank and traditional banks, increased participation in investment banking was associated with higher total and unsystematic risks and no significant change in systematic risk.

16) JOHNSON (2009)

Examines institutions that underwriter IPO's and have asset management divisions from 1993 through 1998, we provide evidence that these firms use asset management funds as vehicles to help them earn more equity underwriting business.

17) SINGH (2011)

Said that the factors have an impact on customer satisfaction as regards the working of select Indian Universal Banks.

18) KHANDELWAL (2006)

Faced with pressures of international financial liberalization, it is natural that Indian-Policy Makers want intermediaries to consolidate and improve their competitive position in both domestic and global market places. Acquisition of a "Universal Banking" structure could be perceived as a strategic reaction of certain players, to these changed circumstances.

19) CHAITANYA (2005)

Said that the financial sector reforms were introduced in early 90's the banking sector saw the emergence of the new generation of private sector banks. This bank gained at most popularity as they have technology edge and better business model's when compared to public sector banks and the most important things is they are able to attract more volume's simply they meet their customers' requirements under one roof.

20) SARITA (2012)

Described the importance of financial institutions in industrialization. The organization of financial institution partly determines the extent of competition among financial intermediaries, the choice between Universal and specialized banking may affects interest rates, underwriting costs and efficiency of secondary markets in securities. Further efforts have been made to highlight and rank the challenges of Universal Banking in India.

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Chapter 4 Data Analysis & Interpretation

4.1 Data Analysis

Data processing is a crucial stage in research. After collecting the data from the field, the researcher has to process and analyze them in order to arrive ate certain conclusions which may confirm or invalidate the hypothesis which he had formulated towards the beginning of his research worth. The mass if data collected during the fieldwork is to be processed with a view to reducing them to manageable proportions. Only by such a careful and systematic processing, the data was will lend itself for statistical treatment and meaningful interpretation and conclusion. Data processing consists of editing, coding and tabulation. It is an intermediary stage between the collection of data and their analysis and interpretation. Tabulation if data us a common tool in social sciences research used for summarizing the data so that they are amenable for interpretation. When data is collected in numerical form than through descriptive statistics findings can be summarized. This includes measure of central tendency like finding is y graphs and charts. In any of the research study there is experimental hypothesis or null hypothesis. One the basis of data of both hypothesis, various test have been devised to take decision. There is always issue related to the validity of our findings of the study. The purposes of analysis are primarily determined by the objectives of the trial.

4.2 Interpretation of Data

Interpretation refers to the task of drawing inferences from the collected facts after an analytical and/ or experimental study. In fact, it is a search for broader meaning of research findings. The task of interpretation has two major aspects viz. Interpretation is essential of the simple reason that the usefulness and utility of research findings lie in proper Interpretation.

According to C. William Emory, “Interpretation has two major aspects namely establishing continuity in the research through linking the results of a given study with those of another and the establishment of some relationship with the collected data. Interpretation can be defined as the device through which the factors, which seem to explain what has been observed by the researcher in the course of the study, can be better understood. Interpretation provides a theoretical conception which can serve as guide for the further researcher work.”

Interpretation of the data has become a very important process, mainly because of some of the following factors.

- Enable the researcher to have an in – depth knowledge about the abstract principle behind his own findings.
- The researcher is able to understand his findings and the reasons behind their existence.
- More understandings and knowledge can be obtained with the help of the further research.
- Proves a very good guidance in the studies relating to the research work.
- Sometimes may result in the formation of the hypothesis.

Editing: -

Editing is the first and foremost stage in data processing. It is the process of examining the data collected in a survey to detect errors and omission sand to see that they are corrected and the schedules prepared for tabulation.

Coding: -

Coding is considered as the classification process. It is an operation by which data are organized into classes and number on symbol is given to each item according to the class in which it falls.

Tabulation:-

Tabulation is one of the most important methods of presenting the classified data in a meaningful and systematic fashion. It is a process of logical listing of the classified data in the form of a table containing horizontal rows and vertical columns with all the necessary descriptions.

4.3 Information of Charts and Diagrams

Charts:-

A chart is a logical representation of data in which the data is represented by symbols, such as bars in a bar chart, lines in a line chart or slices in a pie chart.

Diagram:-

A diagram is a symbolic representation of information using visualization techniques. Diagrams sometimes use three dimensional visualization techniques which are projected on two dimensional surfaces.

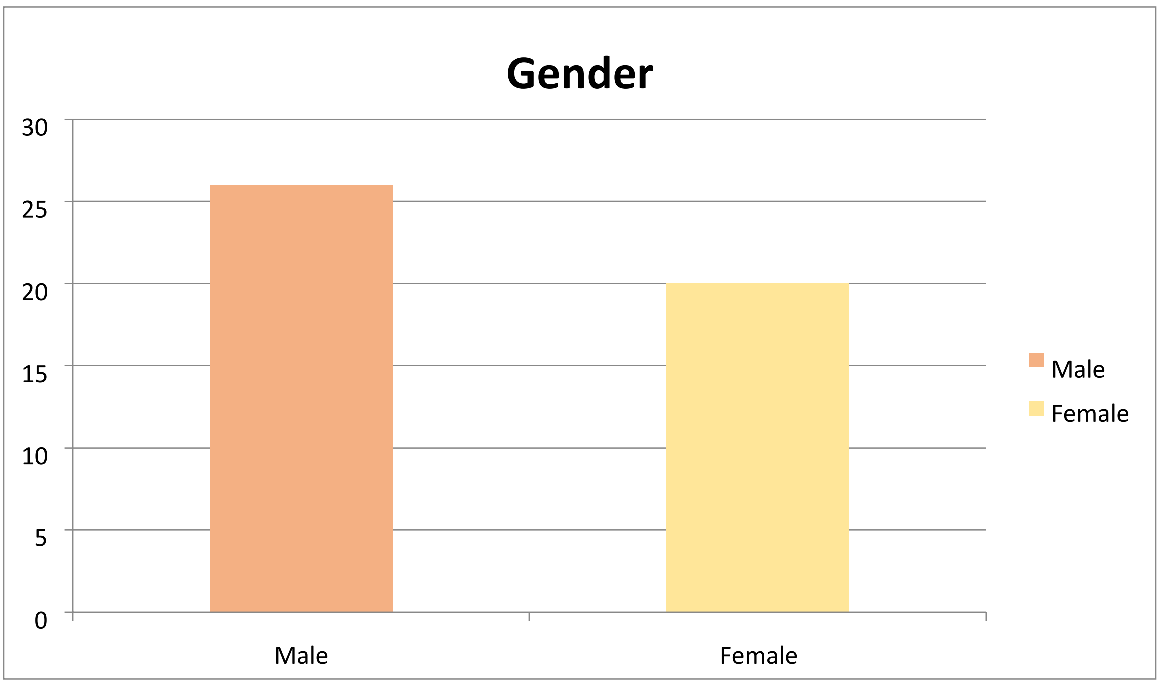
4.4 Data collected from respondent

Q1) Gender

Table No: - 4.1

Parameters	Variable	Frequency	Percentage (%)
Gender	Male	26	56.53%
	Female	20	43.48%

Fig: - 4.1



Source: Primary Data

Interpretation

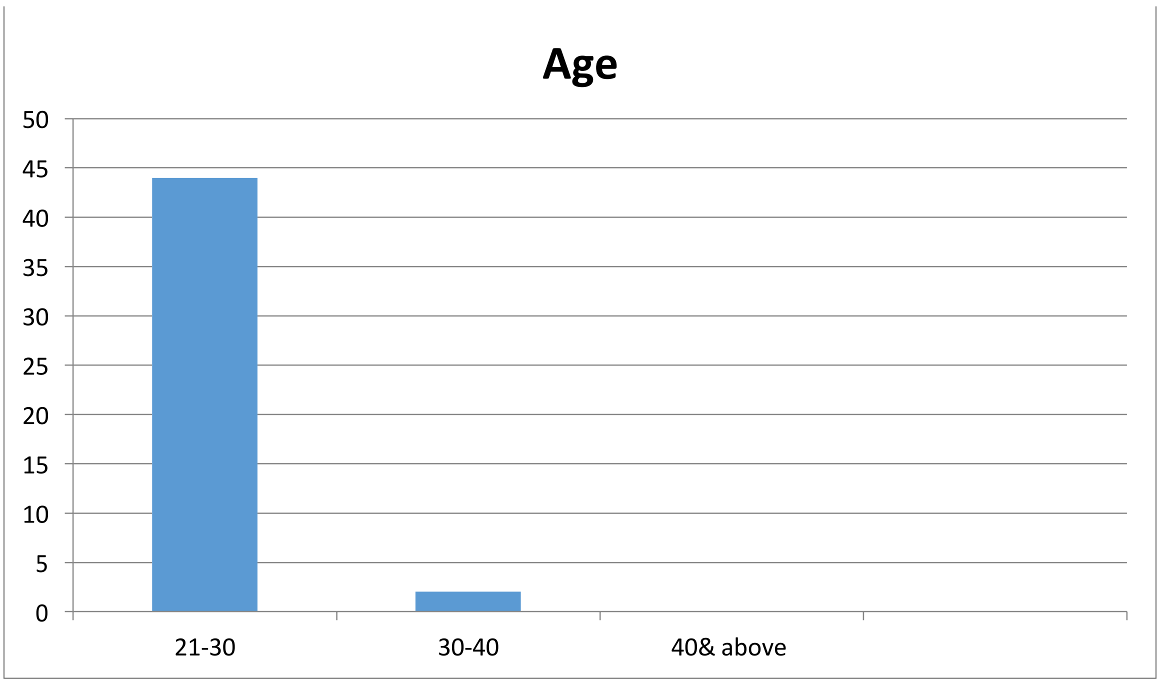
Gender of the respondent were recorded and it was observed that maximum respondent (56.53%) belonged to the Male Categories and minimum respondent were from the female categories less than (43.48%)

Q2) Age

Table No: - 4.2

Parameters	Variable	Frequency	Percentage (%)
Age	21-30	44	95.65
	30-40	2	4.35
	40 & above	0	0.00

Fig: - 4.2



Source: Primary Data

Interpretation

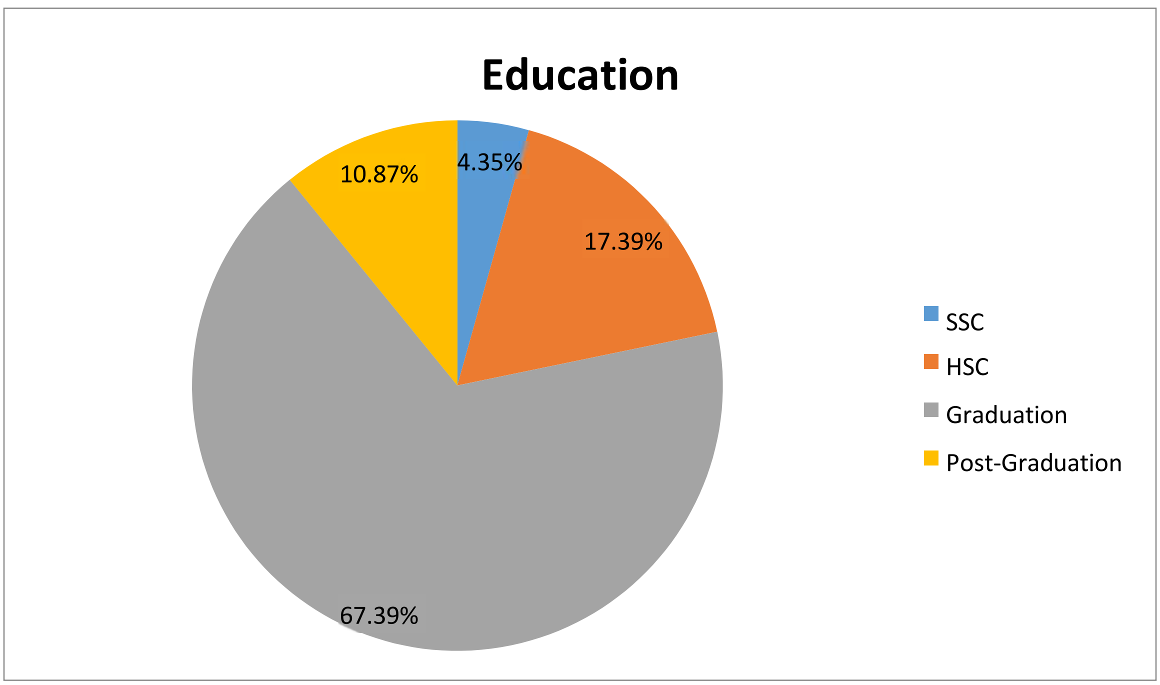
Age of the respondent were recorded and it was observed that maximum respondent (95.65%) belonged to the age group of 21-30 years, and the age between 30-40 was respondent (4.35%) and minimum respondent were from the age groups of less than 40 & above (0%).

Q3) Education

Table No: - 4.3

Parameters	Frequency	Percentage (%)
SSC	2	4.35
HSC	8	17.39
Graduation	31	67.39
Post-Graduation	5	10.87

Fig: - 4.3



Source: Primary Data

Interpretation

This above data shows the how many respondents are qualified and aware about the banking sector.

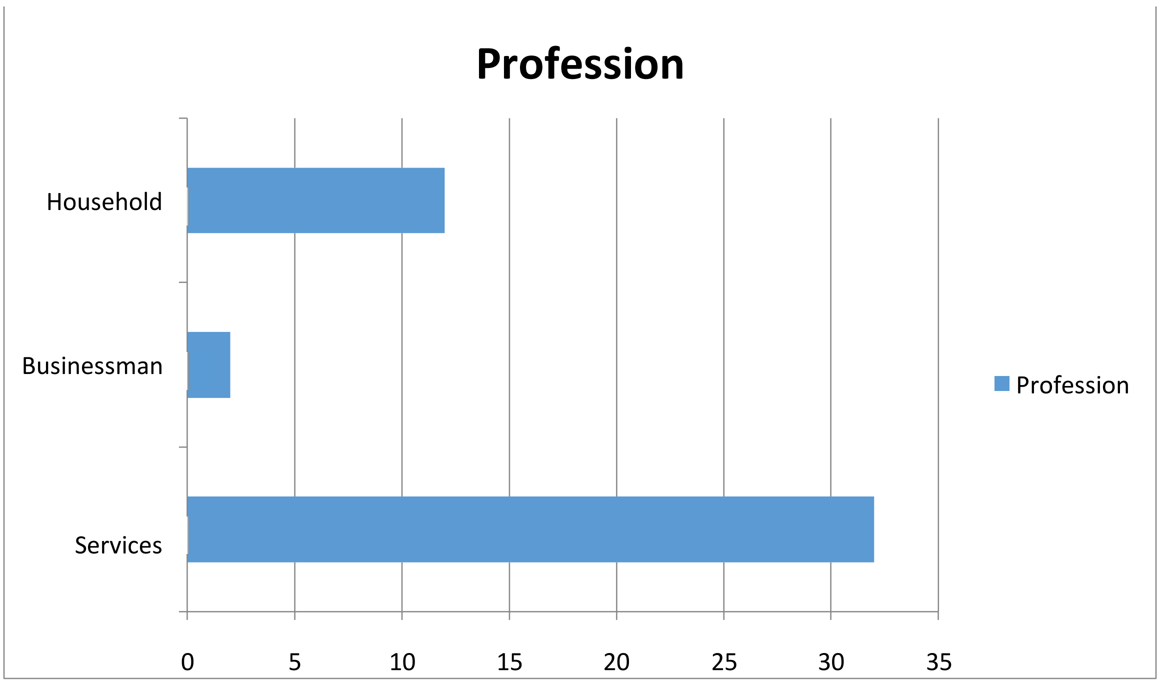
They are SSC student minimum know about the banking industry, (4.35%) student are aware. And HSC also (17.39%) aware. And Graduation people are maximum aware and educated in banking sector they are (67.39%) highly aware. And remaining PostGraduation are known the (10.87%).

Q4) Profession

Table No: - 4.4

Parameters	Frequency	Percentage (%)
Services	32	69.57
Businessman	2	4.35
Household	12	26.09

Fig: - 4.4



Source: Primary Data

Interpretation

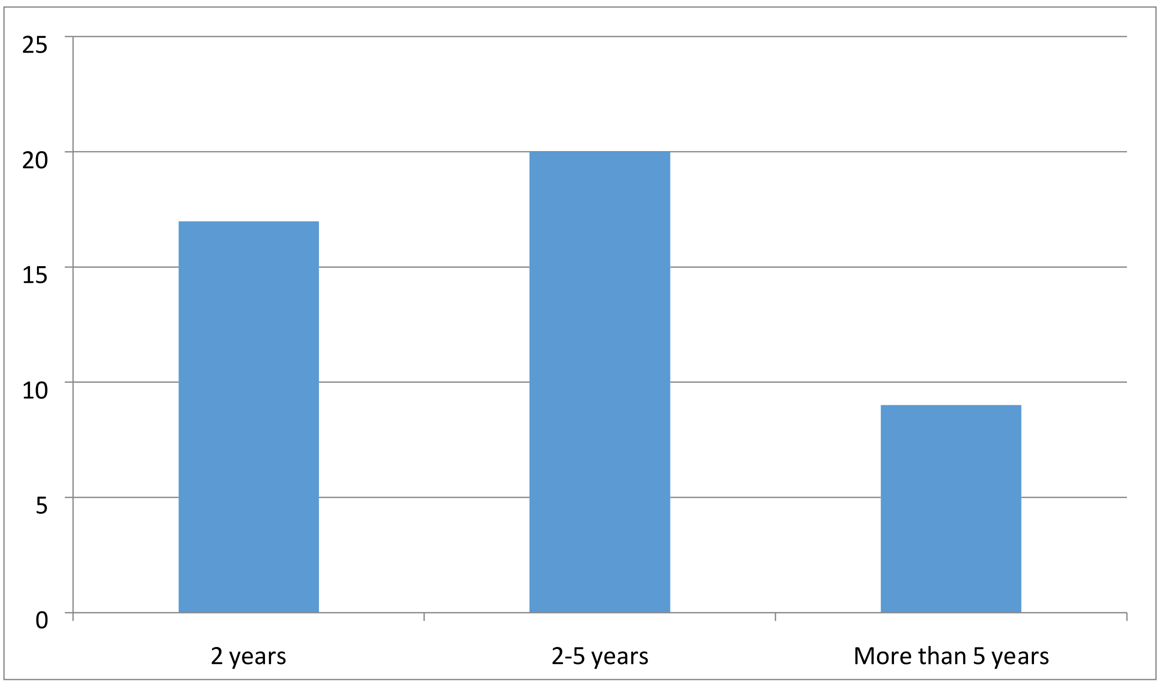
The above diagram are shows the how many people are work in the profession sector. They are Maximum (69.57%) respondent are work in Service sector. And minimum categories of the respondent are Businessman person is (4.35%). And household sector (26.09%) are work.

Q5) Since how many years you have Bank A/C?

Table No: - 4.5

Parameters	Frequency	Percentage (%)
2 years	17	36.96
2-5 years	20	43.48
More than 5 years	9	19.57

Fig: - 4.5



Source: Primary Data

Interpretation

From the above figure it is interpreted that respondent between the years of 2 years are (36.96%) respondent are using the bank accounts. But maximum respondent are used the (43.48%) banking accounts. And minimum respondent are having less bank account.

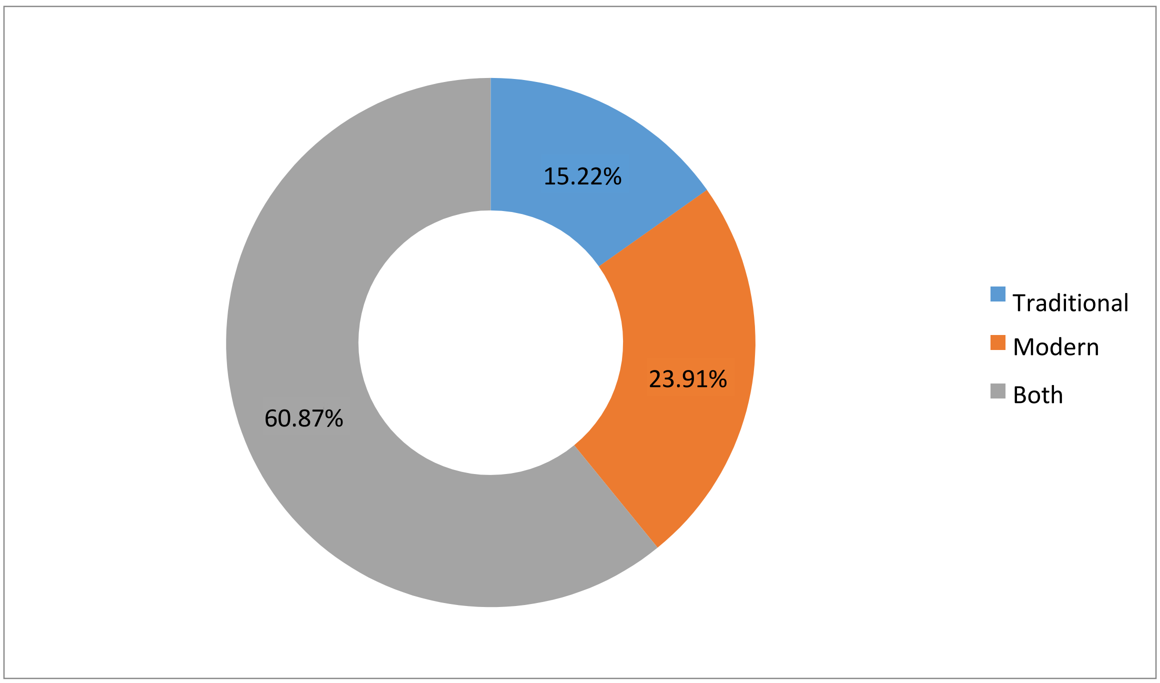
More than 5 years are (19.57%).

Q6) What type of banking services you use?

Table No: - 4.6

Parameters	Frequency	Percentage (%)
Traditional	7	15.22
Modern	11	23.91
Both	28	60.87

Fig: - 4.6



Source: Primary Data

Interpretation

Now a day's most of the people use Modern banking because it available throughout the years, 24 hours a day which is easy to handle therefore, (23.91%) is used. And modern banking services are easy to use and understand. The traditional banking are less than modern banking users (15.22%). Traditional banking is all transaction is written ways.

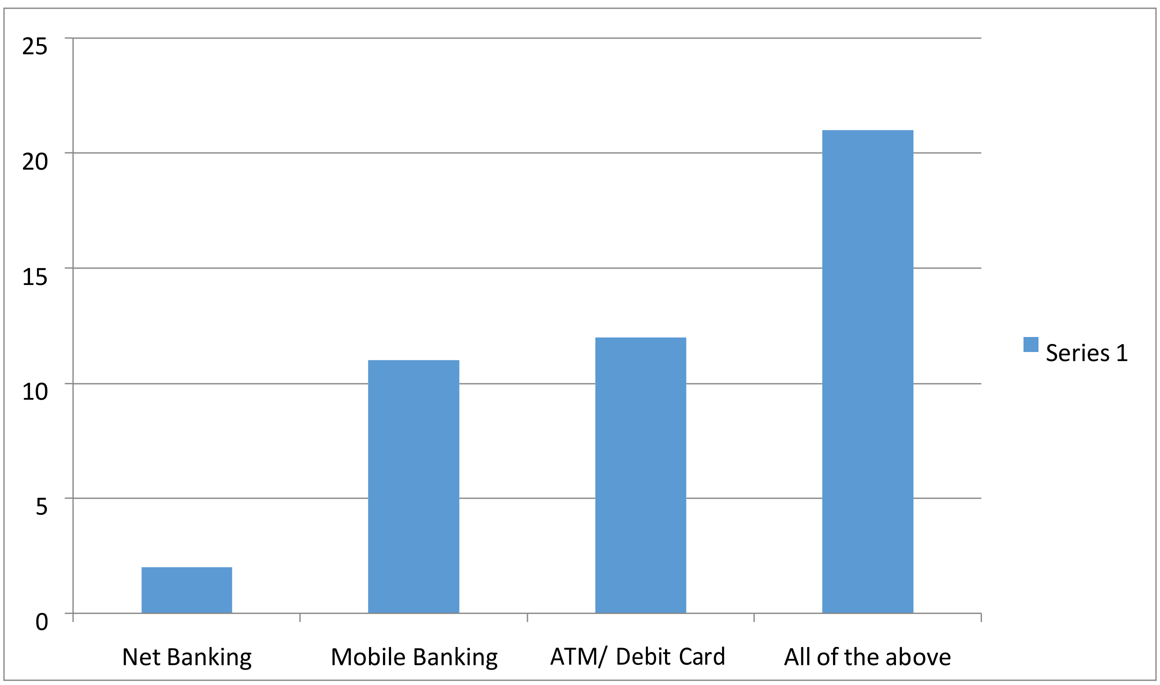
This are more time consuming process. But they are traditional and modern banking are respondent are used in the both categories are maximum people handle

Q7) What type of Traditional Services you use?

Table No: - 4.7

Parameters	Frequency	Percentage (%)
Deposit	19	41.30
Loan	3	6.52
Other	6	13.04
All of the above	18	39.13

Fig: - 4.7



Source: Primary Dat

Interpretation

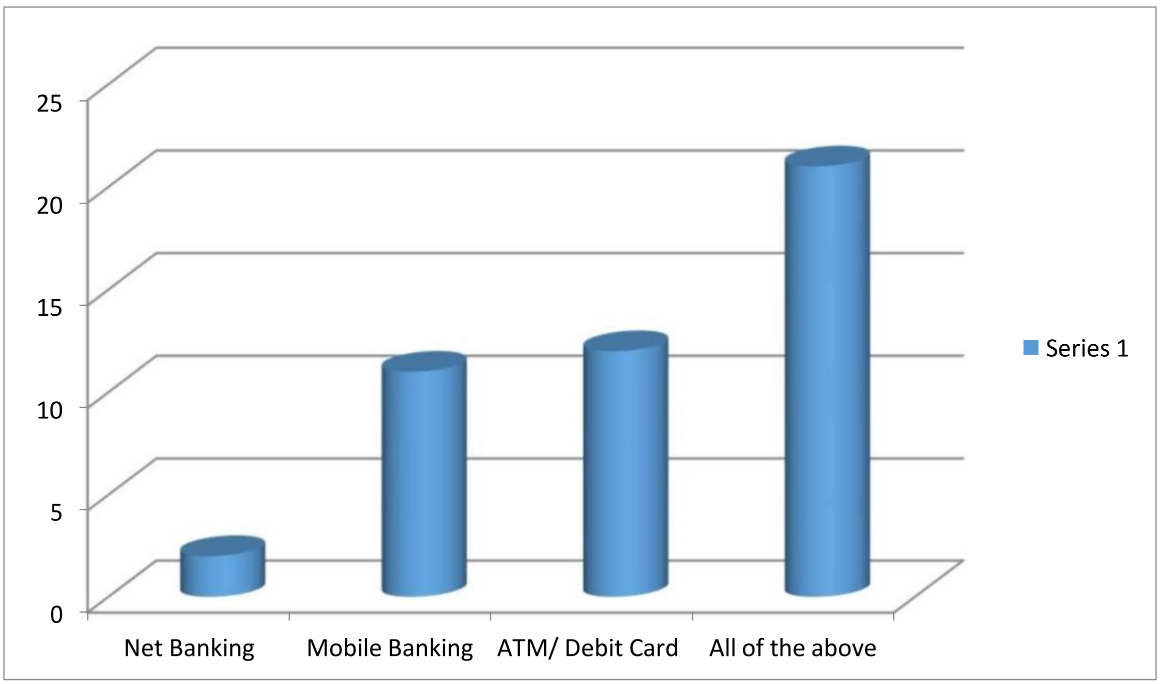
The banks provide various kinds of facilities for their customer, from the above table it shows that (41.30%) respondent currently enjoyed in Loan facilities, (6.52%) and other facilities like payment bills, online payment, or Digital India are used the (13.04%)

Q8) What type of Modern Services you use?

Table No: - 4.8

Parameters	Frequency	Percentage (%)
Net Banking	2	4.35
Mobile Banking	11	23.91
ATM/ Debit Card	12	26.09
All of the above	21	45.65

Fig: - 4.8



Source: Primary Data

Interpretation

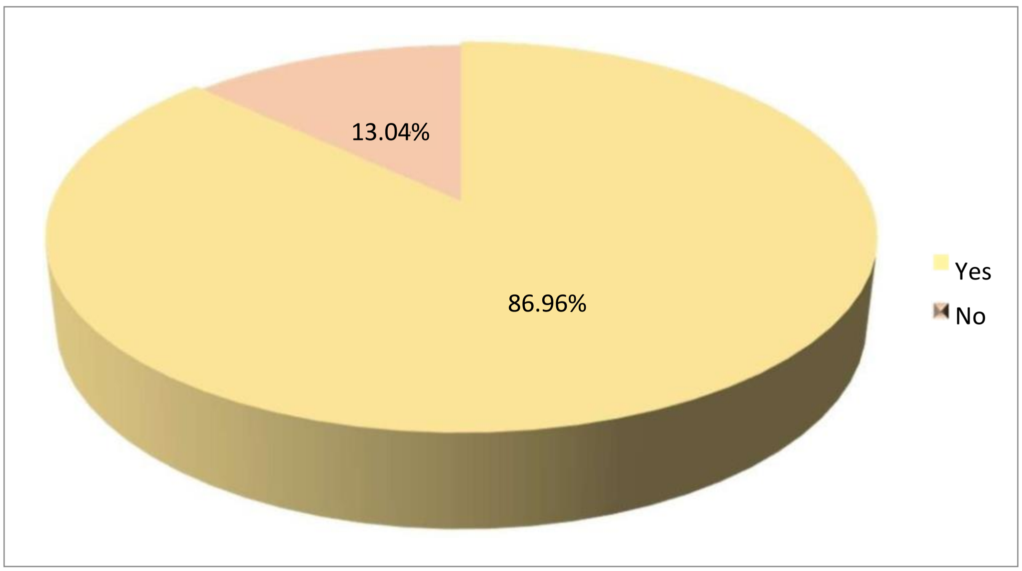
From the above data it is analyzed that the respondents were asked for different types of services has been offered by bank. The maximum responses was all of the above (45.65%)

which means most of the respondent have taken Net Banking (4.35%) respondent are using Mobile Banking (23.91%) and ATM/ Debit Card users (26.09%) Q9) Do you fill your bank is providing most of the services?

Table No: - 4.9

Parameters	Frequency	Percentage (%)
Yes	40	86.96
No	6	13.04

Fig: - 4.9



Source: Primary Data

Interpretation

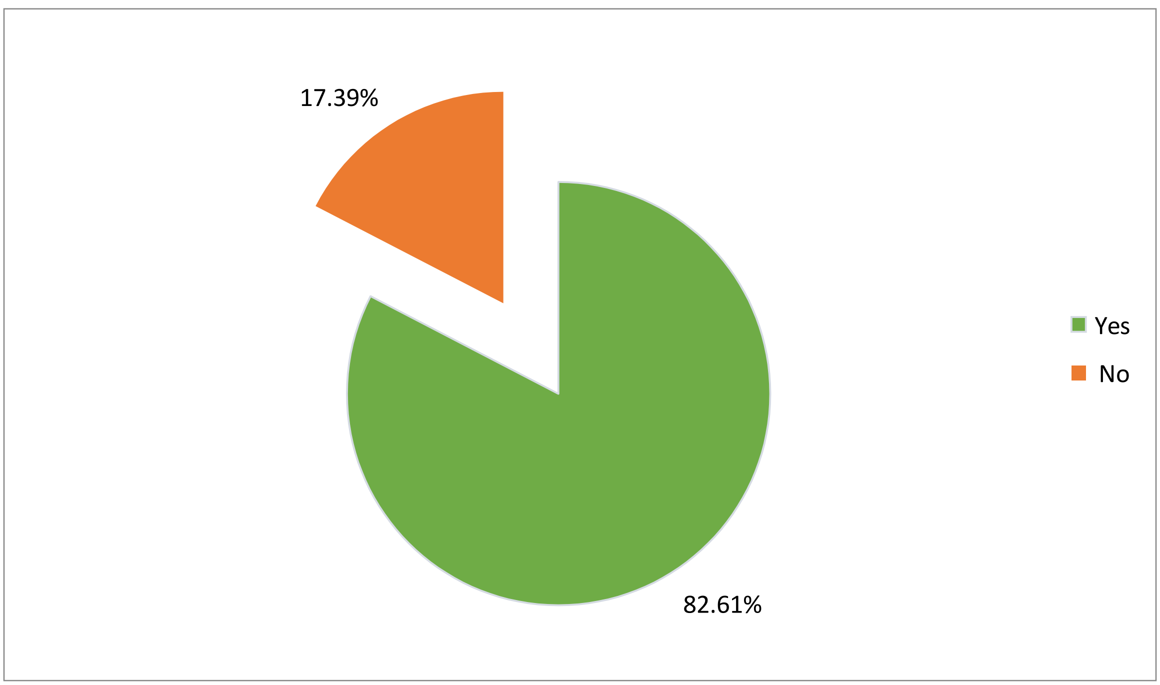
From the above table, (86.96%) respondent were used the banking services and (13.04%) are not used the banking services like a Online banking and other banking Policy.

Q10) Are they quick in delivery of services?

Table No: - 4.10

Parameters	Frequency	Percentage (%)
Yes	38	82.61
No	8	17.39

Fig: - 4.10



Source: Primary Data

Interpretation

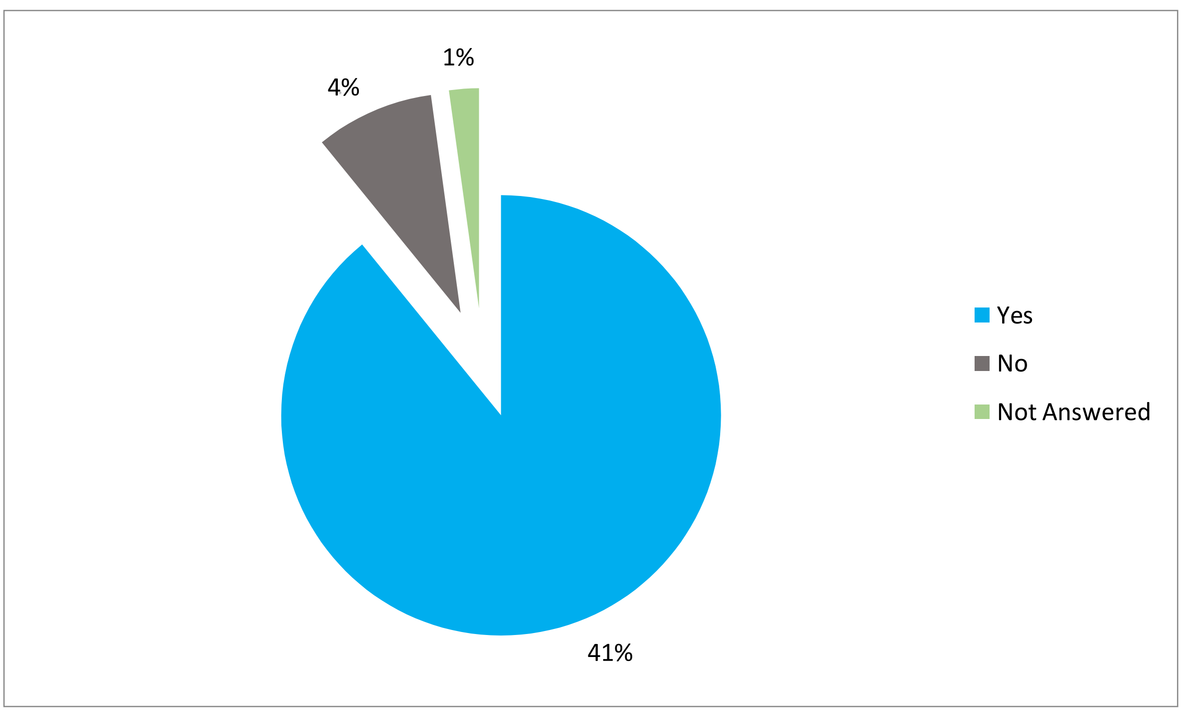
From the above table shows the banking delivery services are quick or slow, the (82.61%) are quick services provide by the people & satisfied. They less and slow banking services are (17.39%) are not satisfied the banking service.

Q11) Are you satisfied with your banking services?

Table No: - 4.11

Parameters	Frequency	Percentage (%)
Yes	89.13	41
No	8.70	4
Not Answered	2.17	1

Fig: - 4.11



Source: Primary Data

Interpretation

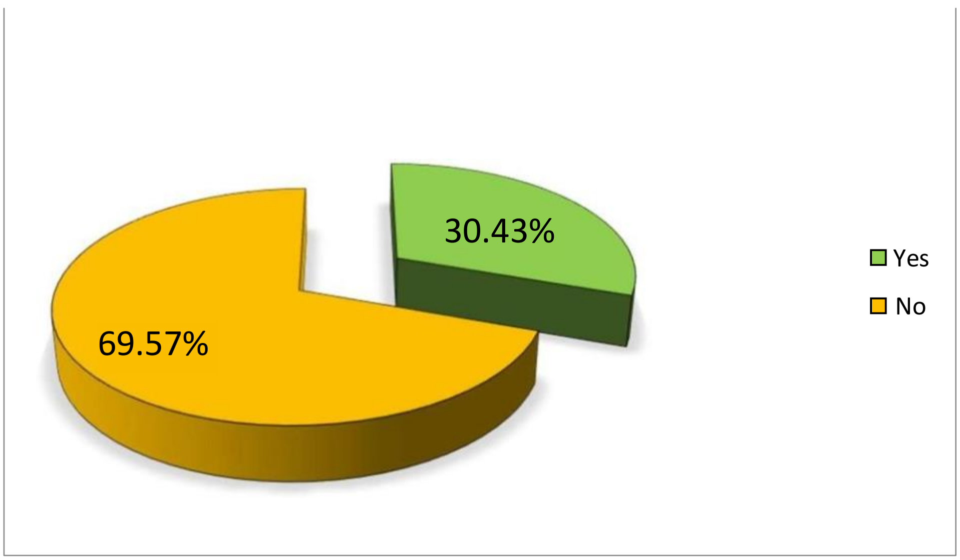
The above data represent that the banking industry are provide many types of many services are provide to the people. The above figure are shows the customer or respondent are satisfied in the (89.13%). And (4%) respondent is not satisfied to the banking service

Q12) Will you like to change your bank if given a choice?

Table No: - 4.12

Parameters	Frequency	Percentage (%)
Yes	14	30.43
No	32	69.57

Fig: - 4.12



Source: Primary Data

Interpretation

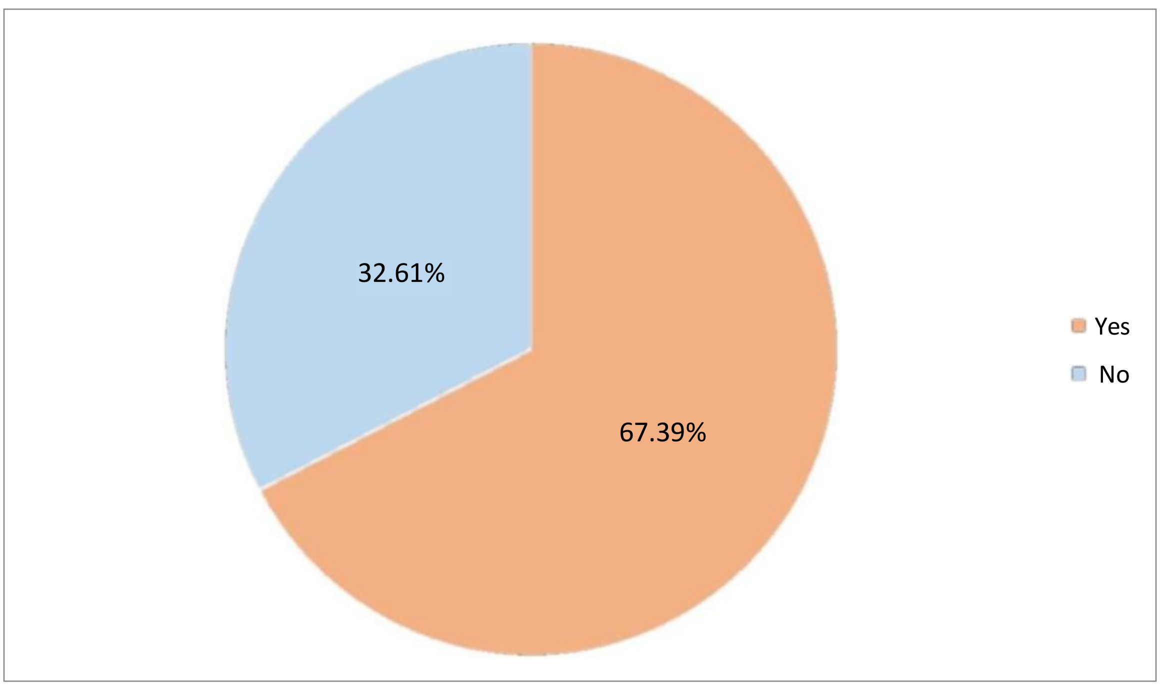
From the above table the (69.57%) respondent said that the bank provide good quality of products and better services and also fulfill their demand satisfactorily, therefore recommend their bank to other. This people are not change the bank because this bank are provide the quick services to the people. While (30.43%) respondent are not satisfied with the services which has been provide by banks, therefore they cannot recommend the fast and security to the bank customers.

Q13) Would you recommend your bank to other?

Table No: - 4.13

Parameters	Frequency	Percentage (%)
Yes	31	67.39
No	15	32.61

Fig: - 4.13



Source: Primary Data

Interpretation

From the above data, where respondent were asked “Do you recommend other bank”? respondent feel that banking is the base of the financial sector, they are positive response maximum (67.39%) and minimum respondent are (32.61%).

Chapter 5 Finding, Suggestion & Conclusion

5.1 Finding & Suggestion

- In the bank the customer has his first introduction with bank at front desk. The person who is presenting the services to the customers is identified with the services offered so the banker or the professional who is offering the banking services to the customers should be good in his appearance, his attitude which should be appealing to the customers. Proper dress code, perfect surroundings, attractive interiors, ambience and courteous staff at the counters are must to attract the customers. The personnel at front desk also need to be developed to deliver service quality.
- The bank should attract best talent and retain that talent by right kind of policies in respect of salary, incentives, etc.
- Develop service oriented internal processes. Include employees in the banksvision.
- Right kind of reward to be provided to strong service provider.
- There is a need for banking staff to have training in the areas of technology and interactive skills.
- In the case of higher debt, profitability will tend to decline. The reason behind this may be due to the high interest bearing securities engaged in the total debt.
- Banks should concern much on internal sources of financing in order to increase their profitability.
- The banks required hiring right kind of people, with adequate knowledge of banking especially at banks call centers.

- Develop service oriented internal processes.
- Include employees in the banks vision.
- Right kind of reward to be provided to strong service provider.

5.2 Conclusion

India's financial sector is relatively bank-oriented, and banks are the primary supplier of financial services. With the regulatory allowance for universal banking, Indian banks continue to expand its coverage of financial services in response to customer demand and profitability concerns.

In countries with universal banking system, banks usually serve as an important source of external finance for enterprises. India's banking sector follows closely the global trend of financial developments.

RBI has stated that the movement towards universal banking should foster stability and efficiency of the financial system, but by itself it cannot provide a viable or sustainable solution to the operational problems of individual institutions arising from low capitalization, high level of NPAs, large asset-liability mismatches, liquidity, etc.

However, in a market driven economy, to face the competition, one factor is the size and hence, the entry of Universal Banks is inevitable for the overall economic development of our country. No doubt it is clear that we are slowly but surely moving from a regime of 'large number of small banks' to 'small number of large banks'.

This paradigm is achieved with the concept of Universal Banking which certainly strengthens the banking sector. The processes of modernization and innovations in banks have enabled the globalization of Indian economy.

The importance of sophisticated or high technology for improving the customer service, productivity and operational efficiency of banks in well-recognized.

The banking scenario has changed drastically. The changes which have taken place in the last ten years are more than the changes took place in last fifty years because of the institutionalization, liberalization, globalization and automation in the banking industry.

Universal banking is the fastest growing sector of the banking industry with the key success by attending directly the needs of the end customers is having glorious future in coming years.

Universal banking sector as a whole is facing a lot of competition ever since financial sector reforms were started in the country. Walk-in business is a thing of past and banks are now on their toes to capture business. Banks therefore, are now competing for increasing their business.

There is a need for constant innovation in universal banking. This requires product development and differentiation, micro-planning, marketing, prudent pricing, customization, technological up gradation, home / electronic / mobile banking, effective risk management and asset liability management techniques.

However, the kind of technology used and the efficiency of operations would provide the much needed competitive edge for success in universal banking business.
Furthermore, in all these customer interest is of chief importance.

Chapter 6

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Chapter 7 Annexure

1) Gender
    - ☐ Male
    - ☐ Female

2) Age
    - ☐ 21-30
    - ☐ 31-40
    - ☐ 40 & above

3) Education
    - ☐ SSC
    - ☐ HSC
    - ☐ Graduation
    - ☐ Post-Graduation

4) Profession
    - ☐ Services
    - ☐ Businessman
    - ☐ Household

5) Since how many years you have bank account?
    - ☐ 2 year
    - ☐ 2-5 year
    - ☐ More than 5 year

6) What type of banking services you use

- Traditional
- Modern
- Both

7) What type of traditional services you use?

- Deposit
- Loan
- Other
- All of the above

8) What type of modern services you use?

- Net banking
- Mobile banking
- ATM/ Debit Card
- All of the above

9) Do you fill your bank is providing most of the services?

- Yes
- No

10) Are they quick in delivery of services?

- Yes
- No

11) Are you satisfied with your banking services?

- Yes
- No

12) Will you like to change your bank if given a choice?
    - Yes
    - No

13) Would you recommend your bank to other?
    - Yes
    - No