CHAPTER - VIII

PERSPECTIVE PLANNING OF THE NATIONALISED COMMERCIAL BANKING IN BANDA ECONOMY

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CHAPTER VIII

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8.1 BANKS AND CUSTOMER SERVICES:

Public opinion as is voiced through various media clearly indicates that there is growing dissatisfaction on the service rendered by banks. On the contrary, there are claims supported by statistical data that banks have fulfilled one of the important objectives of nationalisation, i.e. need based spread of banking activities in rural and unbanked areas. It is true that quantitatively banks have done a lot but for an individual customer it hardly matters. He is rather more concerned about the service rendered to him. He is bothered about the qualitative aspects rather than quantitative. As the customer is interested in personalised service, every banker should keep this point in mind. The following patterns deserve special consideration with regards to indispensibility of customer service.

(a) There has been trends towards intensification of competition. The emergence of oligopolistic market structure in the banking world encourages high level of competitive interdependence. As the interest rates fixed by the Reserve bank of India, the scope of price competition disappears. This also bring uniformity in various schemes offered by various banks. It is like the same material wrapped up in different coloured paper. The customers can be lured and fortunately, since there cannot be any uniformity in quality of service. Banks shall have to work hard to win the customers.
b) It is more expensive to develop new customers than it is to maintain the current customers. In a study made by Drake Sheahn and Stewart Oongal, USA it has been shown that on an average it is six times more expensive to develop a new customer than it is to keep current customers. Financial experts also feel that the resources invested in customer service activities provide a substantially higher return than resources invested in promotion and other customer development activities.

c) Customer service has become indispensable on account of change in thinking of the general management. A shift is viable from product orientation to market or customer orientation.

d) The deterioration in the quality of service as perceived by the dissatisfied public could be due to the increased public expectation from the nationalisation of commercial banks and the phenomenal growth of banking in recent years.

According to impressionistic survey conducted by the Department of Banking operations and service of the Reserve Bank of India, opening and closing of bank counters in time, time taken for encashment of cheques and drafts, as also issue of cheque books and drafts, collection of instruments drawn on outstation centres, delay in credit of telephonic transfer remittances and postings of passbooks are some of the areas which needed careful attention by the banks.

One of the steps recently taken by banks to provide improved customer service has been the introduction of MICR cheques which will be a long way in speedier clearance of local and custodian cheques.
Initially, the scheme was implemented in four metropolitan centres of Bombay, Calcutta, Delhi and Madras. Proposals were formulated to extend the schemes at other centres. There are numerous complaints regarding delays and other procedural difficulties in the disposal of balances in deceased accounts in the single names. Therefore, prospective and existing account holders should be told about the implications of having accounts in joint names and they should be persuaded to keep their accounts in joint names (either or survivor type). This will enable the successor(s) to overcome the difficulties faced in obtaining the balance in deceased accounts in single names. The customers are still unaware of this facility. For payment of balance in a deceased accounts to survivor(s) claimant(s) without production of succession certificate, the branches can exercise its discretion and can make payment on the basis of dual local enquiry and adequate indemnity.

Banks have formed special teams of senior officers to visit selected branches to make spot assessment of the state of customers service at these branches. The branches which were poor in extending proper customer service were identified for further study and improvement. Efforts are being made to provide guidance to the staff at branch level after on the spot study. Many banks have conducted customer meets in several of their branches. Apart from the regular customer meets, fifteenth of every month (if that happens to be holiday, the next working day) is being observed by the banks as customers day. Customers are invited, the problems posed are analysed and action taken. The State Bank established a customer Service Centre in Bombay from 1st October 1985.
Complaints relating to all public sector banks in Bombay are received at this centre and their disposal is satisfactory. The complaints emanated from a small fraction of the Bank's number of accounts. In order to strengthen and tune up the banks machinery to handle customer's grievances, complaints-cum-suggestion boxes placed at the branches and offices. A comprehensive analysis of the complaints received has been made.

There is tremendous scope for improvement in customer service rendered by commercial banks. Efforts are being made at all levels to improve these services. A few suggestions are made hereunder to tune up the customer service in banks:

i) Banking being the service industry, the attitude of bank staff towards customers is important, and unless these undergoes a change any amount of coercive methods may not achieve the desired results.

ii) Along with the bank staff, there is need for educating bank customers. Several customers are not aware of banking practices and hardly a few are aware of their rights. All India Bank Depositors Association is trying to educate the public. However, it is able to cover only minuscule percentage of the total depositors.

iii) Removing officials may be stationed to assist and guide customers to complete their banking transactions expeditiously and give first class customer service.

iv) Analysing individual customer behaviour and needs in another aspect which produces a reasonably good customer service.
v) Customer service must match with marketing efforts otherwise the customer would remain a dissatisfied soul and all marketing efforts will go down the drain. If possible, the branch manager should involve members of this staff in marketing planning. This will create an atmosphere where the bank staff may appreciate the problems of customers and render appropriate service unhesitatingly.

vi) Besides, motivation, it is necessary to provide the top managements in banks with powers to impose discipline among the bank staff. No doubt, decisions of the management should be based on well enunciated guidelines and norms in respect of transfers, placements, promotions, sanction of staff and punishment.

vii) The application form should be drastically simplified and standardised. The beneficiaries should be advised to fix his recent passport size photograph on the application form which can help in identifying the borrowers. The borrowers should be issued a small loan pass book in which all important particulars in regional language should be entered particularly terms and conditions on which the loan is sanctioned, disbursement, interest, repayments, subsidy particulars.

viii) The borrowers/beneficiaries should be invariably explained in detail, the need for introducing this same aspects of lending, role and responsibilities of the borrowers and banks, what borrowers should do in the event of failure of activity, non-generation of income etc.

ix) There is also need for an effective follow up plan for the beneficiaries, which should largely be concerned with the way the
scheme is functioning whether the loan provided under the scheme is properly maintained to what extent the commercial banks are provided other assistance to the beneficiaries, like the ‘know-how’ moral support etc. the banks’ role as an instrument of change not only lies to the extent to which they provide financial support to the beneficiaries. The beneficiaries should be adequately trained to make the best use of the resources, to realise the importance of credit, their, their timely repayment, etc.

x) Under the present scheme the Bank officials will have to identify the right type of beneficiaries as per the eligibility criteria, collect the applications, interview them, conduct pre-sanction appraisal, post disbursement follow-up and supervision, asset verification, recovery of loans etc. Now banks can’t blame any other for corruption, wrong identification, bunching of applications, late release of subsidy etc. Thus all the formalities will have to be completed by banks right from the selection of the beneficiaries and suggesting best suited activities which could be implemented by them under a given situation of existing infrastructural facilities, upto recovery of loans.

xi) The Department should enjoy experienced, commitment and trained officers and other staff. Adequacy of the staff will have to be carefully decided taking into consideration one officer exclusively to take care of 300 live borrowal accounts involves herculean labour which perhaps the agricultural officers (field officers) implementing the IRDP know very well.
xii) The officials should have a planned programme of contracting these borrowers at their place of work/occupation. As they will not be expected to visit branch for repaying loans and paying interest amount since it amounts to loss of time and work, accordingly repayments alongwith interest may have to be collected at their places of work.

xiii) The bank officials should maintain locality wise books/diaries in which details of their contact with the borrowers and discussion as well as income earned and expenses incurred by borrowers under the activity as well as for their consumption purpose should be recorded. This diary is a very useful record from which bank can prepare a case study based on factual data and use for their training establishments. Besides, this can serve as a basis for conducting monitoring-cum-concurrent evaluation studies which can also help to analyse the working of the scheme and re-design the planning and implementation process.

8.2 STRATEGIES OF OVERDUES:

Overdues in respect of rural and industrial bank loans have been on the increase. Inadequate recovery of loans impairs the banking system’s ability to recycle funds, prevents optimum use of resources and erodes profitability. Some suggestion could be made for preventing emergence of overdues and improving flow of repayments to the financing banks. These are -

i) Area approach to project financing would ensure effective supervision
over the end use of credit and would eventually reduce cost of loading scattered leading without reference to needs of integration have been responsible for overdues.

ii) Adequacy and timeliness of credit have been emphasized from time to time in the context of their contribution to recoveries, yet in reality, this does not appear to have been fully understood by the institution. This factor helps to ensure proper utilisation of loans because such loans would take care of costs, scales of finance and estimates of incremental income on a more realistic basis.

iii) The mode of disbursement could be essentially in kind. Thus payment could be made to the suppliers against borrowers acknowledgement of receipt of materials. Within certain limits, borrowers may be allowed freedom to select inputs. At the same time it may be necessary to put a check on the likely malpractices by the suppliers in regard to quality price etc.

iv) The repayment programme should be carefully drawn so as to make it convenient for the borrowers drawn to repay the installments during the period when the funds are available with them.

v) Since the recoveries have to come essentially from increased agricultural income and since Indian agriculture is prone to risks of drought, floods etc. provision have to be made for rescheduling some of instalments at some stage so that the farmers are not declared unfairly defaulters.

vi) Supervision and follow-up arrangement to ensure proper end use of credit is very necessary. the lending organisation can thereby
know unforeseen problems, if any, obstructing the development process.

vii) Borrowing from multigencies leading to incurring of debts beyond capacities or for inter agency adjustments, without any productive purpose in view, needs to be checked. Sometimes it is also noticed that a charge is created over assets not secured by the bank and without its knowledge.

viii) There is equally urgent need for the financing banks to strengthen their own organisational machinery and to streamline the procedures relating to sanctioning the loans and their follow-ups. The development banks could be reasonably expected to pay proper attention to arranging supportive facilities and services in co-ordination with the concerned government agencies, department and other organisations.

8.3 CREDIT PLANNING:

The objective of the district plans formulated under the 'Lead Bank Scheme' is to guide the credit institutions in the districts to deploy their credit in "such manner that they will have the maximum impact on the development of the district and at the same time, benefit on increasing proportion of the weaker sections of the society. The credit plan, thus, mainly seeks to indicate the scope for the development of various types of economic activities which can be financed by credit institutions, in a given time schedule, with an emphasis on increasing the opportunities for the weaker sections to participate in the process of development. Basically the credit plan is an exercise in indicating the lines on which
credit can be extended in a given area in a given period of time, on the basis of the anticipated demand for credit, from existing or development induced economic activities. Estimation of credit demand is an essential step in the formulation of credit plant to facilitate setting of realistic goals by banks. Credit estimation is in terms of standard schemes included in the credit plans, prepared on the basis of a study of cost benefit of the activities and their needs for credit. District credit plan constitutes the framework for credit extension in the district under viable banking schemes, which are expected to constitute allround and integrated development of the district economy and reduction of regional imbalances. In the process of the formulation of the district credit plans, schemes prepared under Integrated Rural Development Programme, where it was in operation and other beneficiary oriented or area development programmes were studied and bankable schemes aligned with those programmes were included in the district credit plan.

The committee felt that the present system of cash credit of commercial banks has certain drawbacks and recommended that it should be substituted mainly by loans and bill financing mechanism. In this connection, the committee has proposed that the working capital limits should consist of (a) Cash Credit I (b) Cash Credit II and (c) Normal Working Capital Limit. The committee has further suggested that Cash Credit I should be composed of (i) Loan portion (ii) Bill finance limits, and (iii) Cash credit portion. The committee's recommendation also envisage a multiple interest rate structure attracting a different lending rate. There is no gain saying that the cash credit system of lending has
slowed down the growth of bills financing, and that the predominance of cash credit should be substantially reduced. The forum may consider whether it would be feasible to adopt multiplicity of credit limits carrying different interest rates suggested by the committee. If not are these other preferable alternatives or variants?

8.4 PROFIT PLANNING:

In the context of increasing profitability of banks, operation; profit planning assumed crucial importance in any efforts towards efficiency improvement\(^2\). Profit planning is based on fund management, work management and cost management techniques. It necessitates locating profit and cost centres; identifying elements that determine income and cost structure of each centres and the organisation as a whole; finding out the extent to which these factors can be influenced by policy and planning; evolving means to widen spread between cost and returns; and developing supplementary/alternative source of income or profit. There is growing realisation to control increasing operational costs due to expansion of unremunerative branches in rural areas, growth in employment, rise in the wage bill due to pay revision and cost of living indices and a general increase in overheads and other costs. Cost increases through rational system of pricing financial services and revision of service changes, rationalising lending and investment policies and realistic rate structure.

In evolving a programme of profitability improvement, concentrated attention has to be given to costs of staffing patterns, operational work flow, wastage removal analysis, well developed management information
system, social obligation accounting, cost and performance control, decentralised supervision and cost-benefit analysis.

8.5 OVERCOME THE PROBLEMS OF NON PERFORMING ASSETS:

Banks have been addressing the burden of non-performing assets through all the available remedies. At the end of the year 2000, 2001 and 2002, the total non-performing assets of Allahabad Bank was Rs. 1002.78 crores, Rs. 1074.65 crores and Rs. 1160.16 crores respectively. However, given the inadequate environment for enforcement of securities, the progress in recoveries has been slow. Besides restoring to legal remedies to recover their dues, banks have also utilised the services of the DRTs. In addition, where desirable, they have adopted the route of negotiated settlements/compromise with borrowers, in the process, sacrificing some revenue and gaining in terms of time value of money. For the purpose, banks have established Settlement Advisory Committees, for certain categories of borrowers which are expected to approach the process of negotiated settlements in a simple and transparent manner. Where the chances of collecting the dues are ascertained to be bleak, write offs have been made and such loss booked to banks’ revenue. But as banks are accountable to their ultimate owner viz. Government and the Parliament, such write-offs have been done selectively and as far as possible where the incollectible nature of debt is beyond doubt. I’m not sure whether the Narsimham Committee II (1998) had visualised such a situation while prescribing further tightening of the prudential accounting norms, which is being implemented gradually. No debt, the committee has
voiced its concerns about the lack of quick remedial measures for resolution of bad debts of banks. In the event of the borrower taking refuge under Section 22 of the SICA 1985 which forbids enforcement of securities without the consent of the BIFR or the Appellate Authority, the recovery of bank dues becomes further delayed, more so when the BIFR takes a very long time to decide the case for either winding up or for a debt work out. The delays in amending the SICA to trigger off the remedial mechanisms at the incipient sickness stage itself has increased the difficulties of banks1. On the suggestion of the Narsimhan Committee I the Debt Recovery Tribunals have been set up and at present 10 such Tribunals have been established. But their record in resolution of bad debts of banks has been lacklustre of the total amount of more than Rs. 8,900 crore transferred by banks to these DRTs at the end of March 97, only Rs. 178 crore has been recovered.

In essence what I would like to highlight is that the Indian Banking system suffers from the structural infirmity of lack of proper legal foundation for enforcement of controls and recovery of bank dues. Having described the available methods of bad debts resolution in the Indian context. I would proceed to discuss the one another suggested means of remedying the situation viz., Assets Reconstruction Companies (ARCs). The Narsimham Committee in 1992 had proposed such a remedy to overcome the problem of repeated and costly recapitalisation of banks. In its second report in 1998, the Narsimham Committee expressed its anguish over the non-implementation of its earlier suggestion. It is not surprising that the suggestion could not find takers at the policy level
because it is a question of "loss allocation". Banks being derivative institutions, there well being or otherwise is inextricably linked to the other sectors of the economy. Therefore, bank losses have to be ultimately borne somewhere in the economy and such loss allocation has politico-economic connotations. If we take the amount of recapitalisation of banks which is of the order of over Rs. 20,000 crore from budgetary sources, then the loss allocation has been mainly on tax payers. It may be satisfying that such loss allocation through the budget has not disturbed macro economic stability and led to excessive money creation. However, the huge backlog of NPAs needs resolution at the earlier as otherwise, it can weaker the foundation of the entire financial system. Experience in some other countries has amply demonstrated that postponement of addressing the bad debt problem of banks has been one of the main causes for banking crisis.

The Narsimham Committee (1998) has reiterated its suggestion for ARCs and has made a strong case against further bank recapitalisation. While it is true that recapitalisation is a costly and in the long run unsustainable, can we see the ARCs as an effective panacea to the bad debt problem of banks? What the Narsimham Committee has suggested is that the hardcore NPAs of most banks be carved out and transferred to an ARC which could be funded and manned by banks themselves so as to maintain "institutional memory" on NPA to effect recoveries. Suggestions for securitisation of such loans and establishment of ARCs by banks and DFIs have also been made. Appropriate changes in the legal system and provision of tax incentives have also been recommended.
I feel that the issues involved in adopting what is essentially a "carve-out" of the bad debts of banks is far more complex than is understood.

The Narsimham Committee (1991) has suggested that after having off the Non Performing Assets portfolio of banks, there should be operational restructuring covering aspects like revamping management, staff and branch rationalisation. It further suggests that simultaneous steps be taken to prevent re-emergence of Non Performing Assets by stricter application of prudential norms I wonder whether such prescription could really prove effective till the fundamentals problems relating to enterprise restructuring are addressed. This is essentially a matter of sequencing of reforms which I emphasised earlier. While upgrading the managerial abilities in banks, including credit skills is vital, reforming the recovery environment is a pre-requisite for reduction of Non Performing Assets. Delays in reforming the enterprise sector are themselves a contributory factor to the weakness of the financial sectors are mutually reinforcing.

As globalisation gains speed, Indian corporate sector will be exposed to the on slough of competition. Some of the traditional industries, which have been earning profits consistently, have shown losses in the recent period. Since I see the reform process "irreversible" you can’t set the clock back adjustment to the new environment will have to come about. As in the case of financial reforms where one of the objectives is achieving allocative efficiency, the enterprise sector will have to address issues of efficiency in resource use and spruce up internal management. While accounting norms will have to match international standards, there will
be need for better disclosures and effective corporate governance.

8.6 TRAINING FOR BANKING SECTOR PERFORMANCE:

Information technology and the internet revolution have already made domestic banks look beyond national boundaries for business with some domestic private sector banks already busy looking for alliances in the Middle-East. These private sector banks hold an advantage vis-a-vis public sector bank/schedule commercial banks in terms of application of technology, recruitment policies and lower administrative costs. These banks have outsourced the technology and related applications without indulging much in such non-core areas, leaving it to the vendors to deliver the goods. The entry of new breed of private sector banks has really made the domestic banking sector more competitive breaking the near monopoly enjoyed by the scheduled commercial banks and foreign banks to rethink their strategies too. Some foreign banks have already sold their businesses and some others are busy concentrating on certain activities and existing from the retail banking business. The vibrant performance of the new private sector banks together with aggressive marketing and investor friendly services has really free the Scheduled Commercial Banks to seriously rethink their strategies.

Organisation around the world are fast realizing that by exposing their manpower resources to the best training inputs they could achieve highest sales/profits and attract and retain the best people. Organisation with second best training would get second best people.

Human Resource professionals and training managers across the
globe and now realizing that training needs of the workforce, which is increasingly becoming heterogenous, cannot be met by traditional methods alone. The number of employees of the bank as on 31.3.1999 was 22345 comprising 6858 officers, 10620 clerical staff and 4867 subordinate staff as against 22606 with 6904 officers, 10759 clerical staff and 4945 subordinate staff as on 31.3.1998.

Banks are realizing that money in additional class-room training and additional travel is not going to close the training gap adequately and therefore are increasingly inclined to use technology to close the gap quicker and make training more accessible to more people right at the front line. Moreover, training manager do not want their staff to spend valuable time away from their clients to enhance skills. Therefore, onsite learning would result in less time away from the office and reduced employee travel costs and make available more time for customized learning. This resource harnessing helps employees in their current job as well as enhances their overall skills for future employability.

Taking a cue from the aforesaid trends, HR professionals and training managers of domestic banks in India need to invest in modern techniques of training like computer based training web based training, self training and self development to enable employees learn the skills without being away from the customers. In this regard, Allahabad Bank increased its thrust on information technology and enhanced its utility towards increasing banks competitive strength. The Bank in its '5 point fitness' has given top slot to 'Adoption Technology for Growth'. In the process of implementing the plan under Modernisation and Institutional
Development Loan of World Bank, the Bank utilised a loan amount of Rs. 20.40 crores. In order to render better service to the customers and bringing desired efficiency in operation, the bank has increased its thrust on partial as well as total mechanisation. The bank has made computer necessary for its employees, it has also made computer as a minimum qualification for its recruitment. The bank has 136 partial and 38 total mechanised branches. Additionally, 122 branches were provided 488 pcs. 488 printers and 122 Passbook printers. Total Branch Mechanisation was effected in 13 branches including 5 International Branches, during 1998-99, taking the total branches covered under TBM category to 38. Under Forex computerisation, 3 of our 4 dealing rooms. Mumbai, Delhi and Chennai are live while the dealing room in calcutta is under implementation.

Local Area Network facility has been installed in 4 of the 14 service branches which 9 of the remaining 10 service branches have been provided with PC based solution for their operation.

During the year 1999, the bank has procured 15 ATMs in addition to 2 already installed under Shared Payment Network System. Out of these 17 ATMs, 5 are live, 3 are installed and ready and rest of the ATMs are under various stages of installation.

EFT services have been introduced in 208 branches in 4 metro cities under Reserve Bank of India’s EFT Scheme. The software, provided by RBI for Electronic Clearing Service, has been implemented in 4 metros. Society for World Inter Bank Financial Telecommunication has been extended to 5 more branches taking the total to 11. As on 31.3.1999, 5 currency chests have been connected to RBI NET through 19 nodes.
The Bank’s home page www/allahabadbank.com is active and customers can have access to all the schemes, launched by the bank. The bank provided 48 additional internet connections taking the total to 79 in the bank. The bank has since installed 19 VSAT under the INFINET. Thirteen VSATS are tested of which 6 are operational. The Reserve Bank of India has installed the main Hub at Hyderabad. The Bank’s hardware and Software in use have been made Y2k complaint. The mainframe at Head Office is running smoothly and large volume of computerised jobs like inter-branch reconciliation, provident fund are being processed. Mainframe programmes that are running in proprietary system are being converted for running in open system on Intel and Sco-Unix Platform.

During 1998-99, a consultant has been engaged to prepare frame work and manuals for proper EDP audit function and to implement the recommendation of Jilani Committee Report. Instruction Manual for ATM operation was prepared and circulated. In fulfillment of Central Vigilance Commissioner’s directives we have covered 26.33 percent of our actual business. Volume through computerisation and during the next fiscal year it is planned to cover 63 percent. Besides, there is a strong case for domestic banks to seriously consider retraining and self training techniques by encouraging their employees to upgrade their skills because the requirement of multi-skilled employees, especially in the financial sector, is increasing as players in the financial sector are looking for diversification of their activities to enhance their profit margins and overall growth. It also helps the employees in improving their employability at a time when jobs are no longer secure as in the past with many banks planning very
seriously. To reduce their workforce. Self training techniques would in the long run help banks to locate/find multiple talents within the bank rather than look outside.

Retraining forces on the basic competencies needed in a new or redesigned job and addresses advanced level technical skills. It helps banks in redirecting their human resources to address skill imbalances or projected skill shortages resulting from internal and external factors. It helps banks to expand knowledge and skills of employee through multi-skilling and cross training and helps stabilize the work environment. It can also build employee morale which was adversely affected by the exodus of several skilled personnel from the scene in the work of VRS.

An effective retraining programme in any bank should have the following elements:

1) Top management support;
2) Retraining programme goals linked to the strategic goals of the bank;
3) Good communication and information sharing;
4) Better placement opportunities for retrainees;
5) Conduct of needs assessment to determine what competencies are needed for new occupations;
6) Development of a retaining curriculum;
7) Counselling to help employees cope with psychological consequences of change in job content; and
8) Technical, interpersonal, and analytical skills training as well as activities that help individual adjust to other work culture.
or environments.

Bank need to consider retraining of employees very seriously because the way banking is being done is changing fast and would continue to change in future too. To increase profit margins, banks would continue to look for new areas of operations. Retraining programmes goals linked to the strategic goals of the banks would help them to find the skills required within the bank rather than recruit a fresh from the market.

8.7 MODERNISATION:

Modernisation does not mean only the adoption of innovative methods and methodology by the regular, market participant and institution, but in the true sense, also modernisation in the thinking process of the personnel and institutions of the financial markets, product markets and its various constituents. Therefore, the adoption of change in technology would only be relevant in the personnel are properly training and equipped with the latest methods to tackle various frauds and manipulations emerging out of technological advancement.

Legally speaking, section 17 of Indian Contract Act explains the act of fraud. As per this section, fraud means and includes any of the following acts committed by a party to a contract or by his agent with his connivance with an intent to deceive or to induce a person to enter into a contract.

i) The suggestion as fact of that which is not true by anyone who does not believe it to be true.

ii) The active concealment of a fact by one having knowledge
or belief of the fact.

iii) A promise made without any intention of performing it.

iv) Any other act fitted to deceive.

v) Any such act or omission as the law specially declares to be fraudulent.

Section 25 of Indian Penal Code explains the act of fraud, i.e. A person is said to do a thing fraudulently if he does that thing with intent to defraud, but not otherwise, so deceit + injury = fraud. In frauds, the important components are intention, motive and opportunity, where intention is subjective and opportunity objective. The overall knowledge of the concept of dishonesty, wrongful gains, wrongful loss, misappropriation, cheating, public servant, constitution and legal remedy and natural justice would also prove to be fruitful in dealing with frauds.

8.8 PREVENTIVE MEASURES:

Now a days, a matter of great concern for the financial market is growing, alarming figure of non-performing assets in the banking sector. The basic factor which could be identified as the major contributor for this increase in the mismatch of laid down policies and the decision process/authorities and also the laziness/intentional non-performance of functional staff. Had the vigilance department of the organisation performed their preventive vigilance role ahead, including the role of market intelligence aspect this increasing figure of non-performing and in consequence decline profitability and erosion of capital could have been checked in time.
The following could be the guiding steps in the adoption of preventive measures by the organisations.

# Identification of weak areas (observations which must be based on unbiased judicious application of mind).
# Establishments of sensitive areas and alarming signals.
# Setting up of full proof procedures and their uninterrupted, equal application and enforcement along with consistency in decision making.
# Monitoring of rules and procedures
# Proper inspection and monitoring.

Constitution of a surveillance committee would prove to be fruitful. The committee inter-alia must look into the gray areas of discretionary actions and examine clear cut evidence. Therefore, the provision of proprietary audit in certain circumstances could yield some leading information which could be helpful in deciding the future course of action in dealing with matters. Under discretionary powers (i.e. whether any set uniform policy has been laid down for the use of discretion, whether the law of natural justice, judicious application of mind has been observed while dealing in a case-to-case basis, as there must be the broader basic parameters in reaching a conclusion in a discretionary matter). In order to avoid improper use, mismanagement, misutilisation etc. of such discretionary powers, the concept of joint decisions/committee decisions could be adopted. Otherwise, joint committee could decide/provide for a broader and parameters of such discretionary areas.

The Financial Service Sector will face considerable risk in using
computers networked by telecommunication. The potentialities of information technology will lead to computer based decision making and large transfer of money. The most destabilising threat which the industry will face in the near future will be threat of computer security.
NOTES & REFERENCES


