CHAPTER I

INTRODUCTION

BANKING INSTITUTIONS AND ECONOMIC GROWTH

Financial institutions in a country have a crucial role to play in the process of its economic development. Roy\(^1\) states:

It was Schumpeter, the great economist, who first established an explicit linkage between financial institutions (of which banks are a sub-set) and economic development in a financial sense.

Among these financial institutions, banks occupy a unique place and their importance has been acknowledged by a large number of financial experts. Sarkar\(^2\) tells that commercial banks in almost all the countries of the world have assisted the growth of their economy by financing trade and commerce. He states that while initially banks were concerned with financing of domestic as well as foreign trade, with the growth of manufacturing industry, they entered the field of financing the working capital requirements of production.

---


\(^2\)H.C. Sarkar, "Role of Commercial Banks as a Development Agency," Indian Banking Today and Tomorrow, pp. 3-5, June 1978.
units. In his paper read in the International Seminar on "Banking and Development" held in 1970, Jha, the then Governor of Reserve Bank of India (R.B.I.), observed the fact that banking in the broadest sense and development are and ought to be closely related. Desai has summed up the views of many authors on the subject and writes that a historical study of economically advanced countries shows that a well-developed banking structure is an essential prerequisite for development. According to him, the absence of such a structure has often impeded the growth of an economy. Sarkar brought out that although the precise role of banks in promoting economic development differed widely from country to country and varied from one stage of development to another stage of development, yet they had made definite contributions to it. All these and many more observations prompted Sarkar to remark that banks in India today hold a key position in


the economic development of the country as also in the sound monetary management conducive to accelerated economic growth.

It is well-known that the economic development of a country depends, among other things, primarily on the extent of the mobilisation of its resources (both internal and external), investment and operational efficiency of economic discipline displayed by various segments of its economy. But keeping in view the constraints of foreign aid and assistance, one has to rely more upon the internal resources for economic growth. This would require colossal savings and their mobilisation for investment and economic growth. The draft of the Fourth Plan (1969-74) of India also envisaged that a sustained growth rate of national income would require a substantial increase in the saving rate of India's economy. In the words of Planning Commission:

Given the object of dispensing with net aid after 1980-81, the volume of domestic savings will have to increase from rupees 2,200 crores in 1967-68 to approximately rupees 8,800 crores in 1978-79 and to rupees 10,500 crores in 1980-81. This means diverting approximately 28 per

---

cent of increase in total income for savings throughout the next twelve years. The average rate of savings will rise from eight per cent in 1967-68 to nearly 12.6 per cent in 1973-74 and eighteen per cent in 1980-81.

A network of commercial banks in the country can make a substantial contribution in this direction. Desai\textsuperscript{8} remarks that commercial banks play a positive role in the economic development of a country as repositories of community savings and as purveyors of credit. Hazari,\textsuperscript{9} the then Deputy Governor of Reserve Bank of India, had also stressed upon the need for aggressive mobilisation of savings and advocated that commercial banks are an ideal agency for fulfilling this aim. These institutions, apart from mobilising the country's savings, have the capacity to enhance the purchasing power in the economy by creating credit money. Desai\textsuperscript{10} also recognises this aspect of commercial banking. According to him, commercial banks have the ability (under the control of Reserve Bank of India) to create credit money and to add to the money supply of the nation and thus generate additional purchasing power in the economy. In another study,

\begin{itemize}
\item \textsuperscript{8}Vasant Desai, \textit{Indian Banking}, Bombay: Himalaya Publishing House, 1979, p. 9.
\item \textsuperscript{10}Vasant Desai, \textit{loc. cit.}
\end{itemize}
Hazari\textsuperscript{11} is of the same opinion. He refers to the need for basing credit on bills and other commercial papers. This, in his opinion, would create more credit money which would make liquid money work more and reduce the dependence upon the monetary authority.

In view of the above discussions, the vital role of banking institutions in economic development is self-evident.

**BANKING IN INDIA**

In India, the banking system has made substantial progress, both functionally and locationally, particularly after independence. But people at large are still dissatisfied with the working of these banks. The dissatisfaction arose from the concentration of economic power and misutilisation of resources by the directors and their concerns. They were predominantly confined to urban and metropolitan towns. Priority sectors like agriculture and small industries were ignored and anti-social activities like hoarding, speculation, etc., were encouraged. Briefly, it can be said that the commercial banks in India, were out of tune with the broad objective of rapid economic growth and they did not care for the socio-economic

\textsuperscript{11}R.K. Hazari, \textit{loc. cit.}
interests of the nation at large. The government thought of removing these evils and improving the banking system so that it could help achieve the basic social and economic objectives laid down under its economic policy. Thus, the government tried to make its banking policy compatible with its economic policy. Hazari\textsuperscript{12} confirms this by saying that the banking policy has been made an integral part of the overall economic policy which aims, among other things, at maximising resource mobilisation and assisting wider diffusion of the benefits of economic growth. With the socio-economic interests of the nation in mind, the government hoped that public control of commercial banks would facilitate an all-round development of these institutions and the growth of neglected and priority sectors of economy, not served by them till then. Today a major part of Indian banking is under public control. The number of public sector banks is twenty-eight which includes State Bank of India (S.B.I.), its seven associates and twenty nationalised banks (for a complete list of public sector commercial banks, see Annexure I). Thus the public sector banks control ninety-seven per cent of banking industry in the country, and of the total deposits and total credits the share of public

\textsuperscript{12}Ibid., p. 71.
sector is 90.8 per cent and 90.7 per cent respectively.\textsuperscript{13}

After the nationalisation of major commercial banks the banking scene in India has changed. There has been massive branch expansion. New schemes and new policies are being introduced. New challenges are being accepted. All these have resulted in the diversification of services particularly in the credit area. Aggarwal\textsuperscript{14} confirms these views. According to him, the two measures, viz., social control over banks and nationalisation of major Indian scheduled commercial banks increased the dimensions of the role of these institutions in the country. As viewed by him, nationalisation of these institutions was taken with the purpose of achieving certain social objectives of banking. He further points out that these measures have aroused many expectations in the society particularly from nationalised banks. Talwar\textsuperscript{15} has also expressed some similar views. He says that there has been a sea-change in the demands placed on

\textsuperscript{13}Report on Trends and Progresses of Banking in India, Reserve Bank of India, 1979-80, p. 51.


the banking system and the goals set before it. Morse, the Executive Director of the Bank of England, has referred to the policies and challenges which the Indian banking in its new role is going to experience. He has emphasised that security-oriented money-lending is distinct from banking. According to him banks should look at a borrowing customer as a going concern rather than as a winding up concern whose assets are the only guarantee for getting repayment. It should, therefore, assess the borrowing concern on its capacity to repay out of its income. On this point, the view in the international seminar on "Banking and Development" conducted by the Reserve Bank of India was that the banks should be prepared to take a higher degree of risk and expand the concept of security beyond the mere acceptance of assets which could be pledged as collateral. It was of the opinion that the prospective earning capacity of the borrower, his repaying capacity and the viability of project to be financed should be taken as collateral security. The banks today are, therefore, expected to view themselves as development agencies rather than keepers of moneys and mere disbursers of funds.

---

It was hoped that this sector of economy would improve its working significantly. More balanced expansion of banking facilities would be effected and it would serve the areas which had not been served till then. It was also hoped that priority and neglected sectors would be adequately developed, increased employment opportunities would be generated and overall socio-economic objectives of nationalisation would be achieved.

As expected, public control of the major part of Indian banking has expanded the parameters of growth. Sarkar furnished some statistics in this direction. According to him, the number of offices of scheduled commercial banks went up by 21,940 between June 1969 and June 1979. Of the total, offices opened in rural areas numbered 11,501. Of the new offices, over half (11,476) were opened in centres where there had previously been no commercial bank. The average population per bank office declined from 65,000 in June 1969 to 18,000 in June 1979. The aggregate deposits rose by 26,180 crores going from Rs. 4,646 crores in June 1969 to Rs. 30,836 crores in December 1979. This indicates that per capita deposits

rose from Rs. 88 in June 1969 to Rs. 568 in June 1979. The aggregate advances also rose by Rs. 17,260 crores from Rs. 3,599 crores in June 1969 to Rs. 20,859 crores in December 1979. Per capita credit increased from Rs. 68 in June 1969 to Rs. 338 in June 1979. But this expansion of quantitative parameters would by itself not attain the social and economic objectives of nationalisation. Kashirsagar 18 has written that along with quantitative parameters of the growth of banks the qualitative parameters are equally or perhaps even more important. Mere branch expansion is not sufficient, the quality of services rendered must also improve. Mehta 19 points out that banking is essentially a service industry and its success depends largely on the range and quality of services rendered by it.

It is perhaps due to the lack of qualitative parameters of growth in Indian banking that in spite of so much of expansion and introduction of so many new schemes it is not yielding the expected results. Dissatisfaction with the quality of services and amount


of care received at bank offices prevails among the people in general and customers in particular. The development of priority and neglected sector remains more or less on paper. Aggarwal criticises the working of nationalised banks and draws the following conclusions which support the observations made above:

a) Efforts of nationalised banks for the satisfactory mobilisation of saving deposits, which are a real challenge to them, have failed.

b) One of the objectives of bringing the major portion of banking industry under the public control is the financing of the priority and neglected sectors, generating employment opportunities and promoting entrepreneurial skills. The author finds that all steps, schemes and methods of financing adopted for the purpose are in the right direction. But these have benefitted the big and large borrowers only. The really needy and marginal farmer and the small borrowers virtually remain where they were.

c) The declining productivity of bank employees is found to be one of the important causes of operational inefficiency and low productivity in the banks.

d) Under the changing structure of bank deposits the banks do not show satisfactory performance in making medium-term advances.

e) Aggarwal finds that despite wide publicity and advertisement, the nationalised banks have failed to remove false notions and ignorance of the common man about nationalisation. These banks are not acting as catalytic agents in the lead districts wherein their responsibility is, indeed, challenging. They have not achieved the targets set even for D.I.R. advances.

20H.N. Aggarwal, loc. cit.
Desai holds similar views. According to him, the experience since nationalisations is not only unsatisfactory but also frustrating. The initial enthusiasm generated by the idea of public ownership and control as a means of achieving social justice has waned in the light of the absence of qualitative change in the pattern and nature of credit. He further adds that availability of credit to marginal and small farmers is meagre and their access to these institutions is still a far cry. According to him (Desai), the number of poor people has increased, which is obvious from the increasing percentage of persons below the poverty line.

HUMAN FACTOR IN INDIAN BANKING

The above discussions suggest that the quality of services rendered at the branches has to be improved if the quantitative growth made in the banking sector is to be made meaningful. It is here that the present research is trying to find out as to how the working of banking institutions can be improved for the attainment of socio-economic objectives of nationalisation by taking certain qualitative variables and examining its relationship with effectiveness.

It will not be wrong to say that qualitative parameters of growth are an imperative necessity for the successful performance of any sector of economy. Structural, technological and environmental changes in the economy do influence the working of an organisation. But, perhaps, the most direct contribution to its success results from the behaviour of its employees. It is the employee who constitutes an organisation's structure and makes use of its technology. Moreover, it is the employee who responds to environmental variations and pressures. In fact, it becomes readily apparent that the key to organisational success lies in the manner in which the members of an organisation work together or fail to work together for goal attainment. Rogers, in his significant field research entitled "Managers - Personality and Performance," has examined factors influencing success and failures in industrial concerns. The main lesson is "Next to external factors, it is men and their motivations, conscious or unconscious, which help to shape the development of a company or an industry." Indian banking is no exception to the above observation. Banks in India have grown phenomenally in recent years. They are handling a much larger volume of business through a widely dispersed network

of branches. But they have not made any significant dent in the socio-economic life of the nation. All policies and schemes remain merely on paper for want of the functionaries' orientation for these policies and schemes. Kshirsagar\textsuperscript{23} has suggested that unless the orientation is forthcoming from functionaries, the banks would perform their new role as "developmental banking" only haltingly or not at all. According to him, banking is a service industry. Of the total expenses of a bank nearly 38 per cent are accounted for by direct expenses on the staff. In a manufacturing industry it is the material which is important but in the banking industry it is the personnel factor which is important. So in this industry, much more than in a capital intensive industry, the crucial determinant of efficient performance is the personnel employed by it. Mehta\textsuperscript{24} and Aggarwal\textsuperscript{25} have also opined that the success of Indian banking would largely be dependent on the type of personnel it employs. According to the former author, the range and quality of service in the new developmental and catalytic roles of banks is inextricably linked with the type of personnel working in

\textsuperscript{23}S.S. Kshirsagar, \textit{loc. cit.}

\textsuperscript{24}N.C. Mehta, \textit{loc. cit.}

\textsuperscript{25}H.N. Aggarwal, \textit{loc. cit.}
these institutions, while according to Aggarwal, one of the main causes of low productivity and operational inefficiency of Indian banking is the declining productivity of bank employees. It is, therefore, beyond dispute that the success of banking in India rests with the working of the personnel employed by it.

As in any other organisation, the personnel working in a banking unit are functionally classified into two categories - Managerial personnel and operative force or rank and file. It is true that the latter category accounts for a larger number of bank personnel and it is this category of employees in the bank which bears the bulk of the burden of routine and voluminous operation. But it is all the more true that responsibility for the accuracy, efficiency and the speed of their work rests with the managerial staff. In fact, in a developing country like ours where the operative force needs lot of motivation and guidance, managerial personnel are needed to accelerate the growth by utilising the under-developed resources - material, machinery and men - effectively and efficiently. In this process, the role and responsibilities of the individual managers can hardly be over-emphasised. Management, today, has come to be recognised as a part of the economic system of a society. Of late, there has been a lot of talk about the necessity of effective
management. Swamy et al. pointed out that ineffective managements do survive — they muddle through — but the organisations close their doors. There is less interest and pride in work. Therefore, the need of the hour is effective management. However, ingenious or superior a product may be, it is management skills which are necessary to develop it profitably and successfully. Various authors have accepted the need of effective management for the overall organisational success. Bijlani states that an organisation achieves its objectives only when its management is effective and motivated. Aggarwal, while criticising the working of nationalised banks, has attributed their failure to attain socio-economic objectives of nationalisation to the lack of creative and effective management. Bijlani also remarks that no skill or effort or technology or machine can attain much without vision, enterprise and planning which a motivated management alone can provide. He says that it is the executive and officers of an organisation


28 H.N. Aggarwal, loc. cit.

29 S.K. Bijlani, loc. cit.
who are both the cause and effect of organisational success or failure. Managerial effectiveness of any organisation is dependent, among other factors, largely on the effectiveness of individual managers. Swamy et al.\textsuperscript{30} and Reddin\textsuperscript{31} have expressed a similar opinion. According to Swamy, managerial effectiveness of an enterprise is the result of organisational effectiveness and individual manager's effectiveness, while Reddin states that the quality of individual manager alone would determine the accomplishments of the organisation.

In view of all these assertions, it may be concluded that though organisational effectiveness also matters yet the quality of individual managers of a bank would ultimately determine its success to a great extent.

**BRANCH MANAGER: THE KEYMAN**

The organisational structure of Indian banking is branch banking type. The customers visit branches and all banking policies and schemes are ultimately translated into results at branches. The variety of functions, the quality of management and the type of treatment given to

\textsuperscript{30} R.C. Swamy et al., *loc. cit.*

the customers and public at large at the branch matter
most in the ultimate achievement of the objectives of
banking. Ramaswamy\textsuperscript{32} observes that a scheme to be
successful requires, besides proper plans, proper execution
also. The working of these branch offices, therefore,
becomes a crucial factor responsible for the success of
banking industry in India, and the role of branch manager,
as a leader of his work group, can hardly be over-
emphasised. He is, in fact, a key man in the
organisational set up of a bank. He is to interpret the
banking policies and to carry the various banking schemes
to the masses. He is a mobile link between the bank and
the people around. The branch manager of a bank today is
different from what he was before nationalisation. In the
past, he was expected to go wherever profitable business
had already developed. But now he is to assume the
responsibility for the development of banking facilities
in an area with a view to stimulating elements of growth
by looking for needy persons, helping them in preparing
viable projects, financing these projects and helping them
in implementing such schemes or projects in a business-like
manner. Above all, he is also expected to maintain an
effective line of communication with the concerned

\textsuperscript{32}M. Ramaswamy, "Role of Branch Managers in Indian
Banks," \textit{Journal of Indian Institute of Bankers}, 49(4):163,
October/December 1978.
constituents and to motivate his men for their effective working at the branch. Importance of the branch manager's job has also been recognised in the report on Customer Service in Banks. As stated in the report:

The leadership provided by the branch manager, in particular, is often a determining factor as regards the quality of service offered. It is the job of the branch manager to stimulate and motivate his subordinates.

In addition to these multifarious responsibilities and challenges the branch managers have to work under various types of stresses, pressures, pulls and constraints. The situation becomes all the more difficult particularly because of the indiscipline among the bank workers and their easy-going ways in their day-to-day work. The bank workers, with the help of militant staff unions, are in a position to prevent the bank managements from enforcing even a modicum of discipline and the line of communication between the management and workers in this industry remains disrupted. It is true that unrest and indiscipline are not unique to or exclusively present in, this industry but are present in other fields too, which is a reflection of the country wide frustration and misgivings. The genuineness or otherwise of the stands taken by the workers and the

---

management is not a relevant point here. What is to be emphasised here is that the impact of these disturbances on the working of branch offices of banks is more direct and pronounced. It is so perhaps because of the fact that unlike many other industrial units, a unit in the banking industry does not employ all its workers under the same roof. Thousands of bank workers are spread over hundreds of places and many of them do not have direct contact with the management. For many of these workers, local agents (managers), officers and supervisory staff are the management or its representatives. But all these officers, who largely represent the middle and junior management, are no more than a cadre of employees, though somewhat different, in the eyes of the management. But evidently the peculiar feature of the structure and administration of the units in banking industry is that these officers, particularly the branch managers, represent the management in the eyes of the staff. As a result of the constant tussle between the top management and the workers they are sandwiched between the two and have to struggle against overwhelming odds. The top management does not realise the gravity of inefficiency, insubordination and misdemeanour of the lower staff which the branch managers have to face. Instead it accuses them (managerial personnel at branches) of inefficiency, lack of supervision, absence of tact, etc. The branch manager
as head of his work group finds himself in an unenviable position. He is not sure whether he will receive the support of the top management in maintaining discipline and decorum. On the other hand if a manager takes a firm stand or insists on the work being done efficiently, accurately and in time, he has to face disruption of work, resulting in deliberate errors and delays, piling up of pending cases. Sometimes, he has to face a revengeful and mischief-bent staff. Worse still he has at times, to undergo the humiliation of isolation from the workers, the top management and even from his shrewder peers who somehow manage to carry on by turning a blind eye to the slackness, inefficiency, irregularities and other acts of misdemeanour on the part of rank and file. The inadequate staff strength, erratic supply of stationery from head office and the plethora of returns which a branch office is required to submit are some of the more common and regular constraints under which a branch manager functions.

These discussions suggest the need for a branch manager who can get ahead in spite of all these impediments and not use them as an alibi to shield his poor performance.

Every industry, every organisation has its peculiar travails that continuously shadow its working. But we find that there are some organisations which grow in spite
of all these travails while some others collapse. In growing organisations too, some units function effectively while others do not. One of the distinguishing features in these units is the role of the head of the work group. Sen has recognised the creative genius of the leader’s personality and cohesive strength of his managerial grip on every changing situation in the modern managerial environment as the important causes of organisational effectiveness. Jain has also drawn a similar conclusion. According to him, a supervisor has the closest contact with the individual employees, and how well they do their work will largely depend upon how effectively he deals with them. Dass Prasanta and Sen Gupta have also emphasised the role of first line supervisor in promoting productivity and human relations in organisations.

It is, therefore, concluded that the performance of a bank branch office depends largely on the quality of its branch manager and all bank officers may not be equally


effective branch managers.

The reason why some branches do not function as well as some others do is, perhaps, the quality of its branch manager. Campbell et al. 38 have pointed out that there are people who are most likely to be effective managers and there are people who tend to fail as managers. Dwivedi 39 also makes similar observations. According to him, some managers fail while others succeed in handling executive function even though all of them have almost the same opportunities available to them in organisations. He further adds that some of the managers overcome the most adverse circumstances while others fail though they have more favourable factors at their disposal.

In view of the discussions above, it is evident that there are managers who perform more effectively as heads of branches while others do not even when the factors at their disposal and opportunities available to them are almost the same or even more favourable. It is, therefore, an interesting study to find out who are the more and who


are less effective branch managers and to study the correlates of their performance.

PERSONAL FACTOR IN BRANCH MANAGER'S PERFORMANCE

It cannot, perhaps, be denied that an amalgam of organisational, situational and personal factors determine the quality of an individual's performance. Although the impact of organisational and situational factors upon the individual's performance cannot be under-assessed, yet in the present context of Indian commercial banking, it is the personal factor that is, perhaps, the most prominent determinant of individual branch manager's performance. On account of public control, most of the branches of commercial banks are similar in nature, in matters of classification, function and geographical location. But the distinguishing feature of these branches is the personal factor. To a very large extent the performance of branch manager depends upon the quality and attributes that he can muster in managing the branch. It will, therefore, be not wrong to say that personal factors like ability, intelligence, knowledge, attitude towards work and organisation, personality traits; satisfaction derived from the job, adjustability and many others differentiate the more from the less effective branch managers. There are a number of research studies which have explored a similar
relationship. Campbell et al.\textsuperscript{40} while narrating the determiners of the individual manager's effectiveness laid down various personal qualities like emotional stability and extraversion which contribute to his performance. Richard\textsuperscript{41} had also recognised the role of personal factors like abilities, traits, interests, and motivational level in the individual's job performance. Dwivedi\textsuperscript{42} and Singh\textsuperscript{43} have brought out the importance of personality traits of individuals in their performance. Tiffen and Ernest\textsuperscript{44} also point out that employment managers universally recognise the importance of personality traits in employees they hire. He further clarifies that an applicant might be very high in mental ability or in manipulative dexterity and yet have a personality that would not only render him unfit him for the job but would also make him an undesirable individual for employment in

\textsuperscript{40}Campbell et al., \textit{loc. cit.}


\textsuperscript{42}R.S. Dwivedi, \textit{loc. cit.}

\textsuperscript{43}Prabhakar Singh, \textquote{Productivity and Morale in Relation to Personality Patterns of Industrial Workers}, \textit{Research Abstracts, ICSSR Quarterly}, I:44, April 1972.

any capacity. Bhatia, Mehar and Rai, Badrinathan and Joga Rao have revealed the association between job satisfaction and performance. While Natha has found out a positive relationship between job satisfaction and job involvement.

However, no significant empirical research study establishing an association or a lack of it, between job satisfaction and performance in banking industry, could be traced out. Sharma has studied the causes of job satisfaction among the bank employees.

No significant empirical research work is available on adjustment and performance but theoretical studies


indicate that these two variables are associated. Coleman\textsuperscript{50} has highlighted the role of adjustment in one's occupational life. George and Lehner\textsuperscript{51} and Gilmer\textsuperscript{52} have also stressed the need of adjustment for success in life.

These researches suggest an association between an individual's performance on the one hand and his personality, job satisfaction and adjustment on the other.

In the light of the above discussions, the present research attempts to identify the more and less effective branch managers and the association, if any, between the effectiveness on one hand, personality, job-satisfaction and adjustment on the other. Thus the present research project is designed and stated as below:

\textbf{STATEMENT OF THE RESEARCH PROBLEM}

\textit{A Study of Commercial Bank Branch Manager's Effectiveness in Relation to Personality, Job-satisfaction and Adjustment}


NEED FOR THE STUDY

"Survival of the fittest" is a genetic proposition commonly used in almost all walks of life. But until the advent of industrial psychology and rise of social sciences, industrial selection problems were seldom recognised and nearly never tackled seriously. As a result thereof there is a lack of sufficient number of studies in this field. However, some efforts have been made abroad to identify the characteristics which make an executive successful. In attempting to do so, many tests and personal history variables have been explored, often with very little success (Hicks and Stone\textsuperscript{53} and Poe and Berg\textsuperscript{54}). Lawshe\textsuperscript{55} noted that "... greater emphasis has been placed upon the training of supervisors but relatively little has been done about their selection." According to Guion,\textsuperscript{56} "The psychologist's role in managerial selection has not been

\begin{itemize}
\end{itemize}
characterised by vigorous validation efforts." The reasons are fairly obvious: (i) unusually difficult criterion problems; (2) tiny numbers in unique managerial positions; and (3) difficulties in determining predictor traits.

It is clear that the test validation efforts in field of managerial selection have not received adequate attention. So there is a need to take interest in this field and make some efforts to solve some of the problems.

Guion\textsuperscript{57} observed that although the relationship between personality and executive effectiveness has been established in various studies yet predictive studies are so rare that few generalisations can be offered about specific predictors. Secondly, even the few studies conducted do not show consistent results. The studies, however, reveal that executives with good performance differ in personality make up from those with poor performance. Some of the studies like those by Porter,\textsuperscript{58}

\begin{itemize}
  \item \textsuperscript{57}Ibid.
\end{itemize}
Hunt and Bixler, conducted in western countries to determine the relationship between psychological variables and executive performance do indicate some significant results in this direction.

It hardly requires any evidence to remark that the Indian set up is different from the Western with the result that the results obtained there, cannot be applied here, unless cross-validated in the Indian set up. One has to be very cautious in applying these results in India. Sinha says:

However, the work in this country is still in the initial stage and lot of our concepts and ideas have to be derived from investigations made abroad, of course, with due caution as to their applicability to the Indian situation.

Guion and Gottier, in their research study entitled


"Validity of Personality Measures in Personnel Selection" recommended that personality measures should not be used for selection decisions unless their validity has been specifically and competently determined for the specific situation. It is, therefore, understandable that conclusions of studies conducted in western countries cannot be generalised for the Indian set up.

A few studies have, no doubt, been conducted in India. Khan et al.\textsuperscript{63} Muthayya,\textsuperscript{64} Dwivedi,\textsuperscript{65} again Dwivedi,\textsuperscript{66} Muthayya,\textsuperscript{67} Singh,\textsuperscript{68} Bijlani,\textsuperscript{69} Chohan,\textsuperscript{70}

\begin{itemize}
\item \textsuperscript{64}B.C. Muthayya, "Some Personal and Personality Factors of Administrative Officers," Behavioural Sciences and Community Development, 3(2):71-72, 1969.
\item \textsuperscript{65}R.S. Dwivedi, \textit{loc. cit}.
\item \textsuperscript{66}A Psychological Attempt to Diagnose Personality Difficulties Among Indian Managers," Indian Management, 15-18, 44, May 1969.
\item \textsuperscript{68}Prabakar Singh, \textit{loc. cit}.
\item \textsuperscript{69}S.K. Bijlani, \textit{loc. cit}.
\item \textsuperscript{70}P.S. Chohan, "What it Takes to be a Manager," Lokudyog, 27-30, May 1974.
\end{itemize}
have revealed the impact of personality traits on performance of supervisory and managerial personnel. Sharma\textsuperscript{71} Mehar,\textsuperscript{72} and Hans\textsuperscript{73} have studied the causes and importance of job-satisfaction. Coleman\textsuperscript{74} Gilmer\textsuperscript{75} and Rogers\textsuperscript{76} have stressed the need for adjustment and regard for other persons. Thus the present study, which seeks to throw light on the relationship of branch managers' effectiveness with their personality, job-satisfaction and adjustment, is of considerable importance in behavioural sciences. If the conclusions drawn in the study are in line with those drawn in the West, it may be inferred that theories on the relationship between psychological variables and performance measures as developed in the West are also tenable in the Indian set up. However, in instances of contradictions, the validity of these theories would be questionable in India particularly in banking

\textsuperscript{71}B.R. Sharma, \textit{loc. cit.}
\textsuperscript{72}M.R. Mehar, \textit{loc. cit.}
\textsuperscript{74}James C. Coleman, \textit{loc. cit.}
\textsuperscript{75}B. Von Haller Gilmer, \textit{loc. cit.}
\textsuperscript{76}K. Rogers, \textit{loc. cit.}
industry, and this would pave the way for new theories which may develop alternatively.

As stated earlier, the branch manager occupies a key position in the Indian banking system. He is the officer responsible for the conduct and supervision of the working of the operational unit of a banking institution. In fact, the branch manager is the immediate contact with the customers and the staff who matter for customer service and the commercial banking activities of a banking unit. He is to carry the various banking schemes to the masses and assume the responsibilities for the development of banking facilities in the area to stimulate the elements of growth. The observations made about the role of the branch manager, by the working group on customer service in its final report, also support the view that branch manager in Indian banking set up occupies the key position in a bank. This shows that effective branch managers are an imperative need for effective functioning of the operational units of a bank. Various studies (referred to earlier) have shown that some managers are more effective than the others, which implies that there are individual differences in the

managerial effectiveness. Dwivedi\textsuperscript{78} has stated "to sum up there are substantial variations in supervisory performance which are related to factors as yet largely unspecified." It is, therefore, necessary to select candidates who will prove to be effective branch managers. Selection Committees must be aware of the combinations of personal characteristics which will make one an effective manager. It is here that an effort is being made in the present study. Personality traits, job-satisfaction and adjustment patterns will be measured and the extent of their association with managerial effectiveness will be explored. The conclusions of the study depicting the characteristics required for effective branch managers should be of great help to top management in the following ways. Once the personal characteristics of more effective and less effective branch managers are understood, it is easier for the management to select the officers with desired characteristics from among the contenders for the manager's job.

Systematic programmes are needed to select officers fit to be posted as branch managers. The eligible candidates should have the faith that officers who have desirable traits, aptitude, resourcefulness and talent would only be selected for the job of a branch manager. This faith will be generated only if the selection

committees comprise men of ability and experience who can separate wheat from chaff on the basis of predetermined programmes. It may help to dispel the feelings that family and friendship ties count more than ability in the selection of branch managers and thereby reduce discontent and frustration among the staff. A valid test battery to make an open choice, therefore, would achieve the desired results.

To select and classify candidates for managerial training, either to prepare them for different jobs or to improve upon the deficiencies in their present skills, such studies can form the basis of managerial training programmes highlighting the areas to be given weightage or priority. Thus it will go a long way in making the best use of the resources of the training department of the organisation.

The results obtained in the study may be useful in reducing frustration of employees, the wastage of resources of recruitment, placement and training departments of the organisation and in increasing the morale of the bank personnel. This will improve industrial relations as well.

The results and methodology of this study would be an incentive for young researchers to explore the problem further to have more reliable findings or to support the relationship established in this study.
One can conclude with the remarks by Dwivedi\textsuperscript{79} regarding the executive effectiveness in industry, "Since research in industrial psychology is yet in an infant stage in this country, there is a wide scope for future research."

**OBJECTIVES OF THE STUDY**

The objectives of the present study are given below:

1. To measure managerial effectiveness of branch managers in commercial banks.

2. To study the personality traits - extraversion, neuroticism and psychoticism of branch managers and its association with effectiveness.

3. To measure their job-satisfaction and know its association with their effectiveness.

4. To study the adjustment pattern of branch managers and its relationship with effectiveness.

**REVIEW OF LITERATURE**

**Personality and effectiveness**

Considerable literature exists regarding individual's personality and his performance. Attempts to measure specific personality traits and to ascertain their

\textsuperscript{79}\text{\textit{i}}b\text{\textit{id}}\text{.}
significance for performance and productivity have been made. Hunt\textsuperscript{80} stated, in his article entitled "Why People Lose Their Jobs or Are Not Promoted?" that personality problems are most common cause of discharge from employment. In the different areas of employment when the causes of discharge from the job were rated, job inefficiency was found less significant in comparison with personality traits. Bixler,\textsuperscript{81} in his study, shows that in reasons given for the discharge of even clerical employees, personality and character traits are eight times more important than lack of specific skill. Rogers,\textsuperscript{82} in his book entitled "Managers: Personality and Performance" has examined the factors influencing success and failure in industrial concerns. The major conclusion is "next to external factors, it is men and their motivations, conscious and unconscious, which help to shape the development of a company or industry." Khan et al.\textsuperscript{83} state that a consideration of personality differences of focal persons is important for at least three reasons; first, personality

\begin{itemize}
\item \textsuperscript{80}H.C. Hunt, \textit{loc. cit.}
\item \textsuperscript{81}H.R. Bixler, \textit{loc. cit.}
\item \textsuperscript{82}K. Rogers, \textit{loc. cit.}
\item \textsuperscript{83}R.L. Khan et al., \textit{loc. cit.}
\end{itemize}
traits elicit specific responses. Some people arouse hostility and aggression from their associates while others give rise to sympathy and supportive responses. Likewise, some people encourage and others discourage free and open communication. Second, personality characteristics tend to produce differential emotional reactions to stress. Some people tolerate stress situations, while others are overwhelmed with tension and anxieties when exposed to similar situations. Third, personality factors also lead to individual differences in styles of coping with stress, that is, some people are problem-oriented and eliminate the determinants of stress while others deal with the consequences of stress and still some others willfully create counter-problems to cope with stress. Muthayya, in his work entitled "Some Personal and Personality Factors of Administrative Officers," finds that the officers showing a progressive trend in their assessment of their occupational achievement and satisfaction and a decreasing trend in their occupational problems from the past to the present and to the future were having a specific type of personality traits - they were introvert. Dwivedi, in his


research study entitled "The Relative Importance of Personality Traits Among Indian Managers" finds that the personality difficulties of managers are often the cause of undesirable tensions and worries in an organisation. He also finds that these tensions and worries are enormous from the point of view of employee-employer relationship, peer-relationship, superior-subordinate relationship, and cause strikes and gheraos etc. Again, Dwivedi, in his research work entitled "The Relative Importance of Personality Traits Among Indian Managers" finds that two factors perhaps contribute most to the standard of performance of a manager; the environment in which he is placed and his own personality traits in a given organisational climate. It is essential to select managers with essential traits suitable to achieve expected results. Muthayya, again, by using EPI, finds that extraversion-introversion and neuroticism influence one's assessment of occupational achievement, occupational satisfaction, and occupational problems and hopes for the future of the country. Campbell et al. tries to explain the varieties

---

86 Ibid.


88 Campbell et al., op. cit., chapter 5.
or combinations of organisational circumstances, personal characteristics and behaviour patterns that are likely to be perceived as effective management. The authors while listing the personal qualities said to be necessary for managerial effectiveness also include some specific personality traits like extraversion. Another study conducted by Singh finds that high and low producers, irrespective of the differences in the nature of their jobs, were found to have two entirely different combinations of personality. The need for studying personality characteristics in leadership has often been emphasised. Lobo conceded that there were certain personality traits and abilities which contributed more to effective management. Bijlani, while discussing the impact of organisations on managerial effectiveness, comes to the conclusion that the individual manager's personality is, to a large extent, responsible for his effectiveness. Chohan in his article entitled "What it Makes to be a Manager" emphasises the building up of a specific

89Prabhakar Singh, loc. cit.


91S.K. Bijlani, loc. cit.

92P.S. Chohan, loc. cit.
personality make-up in managers who take the best out of their men. Reddin, while discussing what would bring about managerial effectiveness in future and suggesting how to design organisations for effectiveness, how to motivate personnel for effectiveness, how to train them for effectiveness, and so on, states that job behaviour is a function of personality and situation. He further states that by 1980's the qualities that will differentiate the effective manager will be those of intellect and behaviour flexibility.

From the above, it can be concluded that job performance of an individual is significantly related to his personality and is significantly influenced by it. But in all the studies referred to above, a very few cases and those too of a different category of personnel were studied; the tools and techniques used in those studies may or may not have been highly valid or reliable. Moreover, as far as is known to this researcher, no such study was conducted in the banking industry. To apply the researches and findings from other industries to the banking industry would be rather unscientific unless there are incontrovertible proofs of their applicability to banking system/industry. It is

---

because of this reason the present researcher has decided to make a humble effort to explore this field.

**Job-Satisfaction and Effectiveness**

While scanning the literature on job-satisfaction and working performance, this researcher found that considerable interest has been developed recently in this area. Regarding job-satisfaction and job-performance, Wanous\(^4\) writes:

Prior to the Hawthorne research (Roethlisberger and Dickson, 1939) job performance probably was the major dependent variable studied by industrial researchers. During the human relations era following Hawthorne, the concept of work environment expanded to include employee attitudes, especially job-satisfaction. It was during this period that a causal relationship between job-satisfaction and job-performance was assumed, that is, high satisfaction leading to better performance.

But literature reviews in mid fifties, Brayfield and Crocket,\(^5\) and Herzberg et al.\(^6\) cast doubts on the form


strength and causal direction of the satisfaction and performance relationship. Although Brayfield and Crockett were more pessimistic than Herzberg et al., both the reviews gave conflicting results of empirical research. The net effect of these reviews, especially that of Brayfield and Crockett resulted in what Schwab\textsuperscript{97} and Cumming have called, "The development of uncertainty" or "Satisfaction - ? - performance." Uncertainty was not the last phase in this research. According to another review by Porter and Lawler\textsuperscript{98} performance leads to satisfaction, whereas performance results from the joint effect of effort, ability and role perceptions. In early seventies both theoretical statements as analysed by Locke\textsuperscript{99} and empirical research conducted by Seigel and Brown\textsuperscript{100} were published, attesting to continued interest in this topic. Locke has suggested that satisfaction


\textsuperscript{98}L.W. Porter and E.E. Lawler, Managerial Attitudes and Performance, Homewood, Ill., Richard, Olrwin, 1968.


is primarily a result of performance and only indirectly a cause of performance. He found that emotions such as satisfaction do not usually determine behaviour, because job-behaviour results from an individual's task goals. Porter and Lawler proposed a model in which successful performance of a task led to satisfaction. According to their model, performance is linked to satisfaction and the nature of this linkage is determined by rewards (intrinsic or extrinsic).

Thus, theoretical propositions of Porter and Lawler and of Locke are all in agreement, that is, satisfaction springs from performance and not vice versa.

Thus performance, according to these discussions, leads to job satisfaction.

But on a closer examination of current literature on motivations for job performance, it has been observed that the role of motivational process in determining a person's level of performance is now widely recognised by industrial psychologists like Viteles,\textsuperscript{101} Maier,\textsuperscript{102}

\begin{itemize}
\item[\textsuperscript{101}] M.S. Viteles, \textit{Motivation and Morale in Industries}, New Delhi: Norton, 1932.
\end{itemize}
McGregor and Likert. Regarding the differences in the level of performance of people, Vroom comments:

Attempts by industrial psychologists to predict or explain differences in levels of performances among employees on the same task have been based either on one's abilities and their relevance to the task or in terms of his motives and conditions for their satisfaction in the work situation.

The motivational variables and satisfaction, therefore, have an impact on the performance of individual employees, and the preferences of the employees regarding motivational variables and satisfaction derived are bound to differ. The significance of individual differences in motivational variables has been emphasised by several writers like Morse, Schaffer and Vroom. The rationale

commonly associated with such predictions is the need fulfilment model, which states that job-satisfaction is a function of the degree to which needs are met (fulfilled) by work environment. According to this model two individuals with different sets of needs, even though working in the same jobs, with similar working conditions and similar compensations, would not necessarily exhibit the same level of job-satisfaction. Need fulfilment theories of job-satisfaction generally assume that individuals differ in the outcomes they prefer (needs) to obtain from their jobs. Moreover, these theories hypothesize that the relationship between the outcomes received on the job and the satisfaction is dependent upon these preferences (needs).

It can, therefore, be concluded that the satisfaction an individual employee derives from his job has a bearing upon his performance on the job. Deivasenapathy, after a review of relevant literature on the subject, observed that the importance of job-satisfaction and its impact on job performance was realised from the times of Mayo and quoted Homan's work (1941) in which employees' attitude

was found to be related to their output. Mehar had observed:

Although pay ranks high among the motivating factors but job-satisfaction was also an equally important factor for motivation and raising productivity of the more educated people.

Hans has also uncovered a similar relationship. Many other researchers, Herzberg et al., Ganguly, Sinha and Nair, and Desai, to name a few, have reported that employee's job performance has been positively associated with their job satisfaction.


112 H.J. Hans, loc. cit.

113 Herzberg et al., loc. cit.


It can, therefore, be concluded that satisfaction an individual derives from his job has a bearing on his job performance.

Thus, on the basis of the review of literature, it can be said that double character is attributed to performance in relation to job satisfaction - performance as experience is a possible cause of job satisfaction, performance as outcome is a possible consequences. A study of current literature on the latter variant reveals that the spectrum of opinion on the relationship between job-satisfaction and job performance is even broader. The research studies undertaken by Herzberg et al., Ganguly, Sinha and Nair, and Desai have discovered a positive association between job-satisfaction and job-performance. In contradiction to the results of these studies, the research investigation by Katz and his colleagues have traced out a negative relationship between these two

117 Herzberg et al., loc. cit.
118 T. Ganguly, loc. cit.
119 Sinha and Nair, loc. cit.
120 Desai, loc. cit.
variables whereas Brayfield and Crockett\textsuperscript{122} had established no relationship between the satisfaction an employee derives from his job and his performance. Hans\textsuperscript{123} in his study quotes Herzberg and Vroom, looking at twenty-six studies, found that fourteen registered "a positive relationship, three registered a negative relationship while nine registered 'no' relationship between job-satisfaction and performance." Giving somewhat similar views, Vroom,\textsuperscript{124} comparing twenty quantitative oriented contributions, found that coefficients of correlation between job-satisfaction and work performance were varying between (+) 0.86 to (-) 0.31.

Regarding positive relationship between job-satisfaction and job-performance, Hans\textsuperscript{125} observed that this kind of relationship it revealed in common sense remarks "We believe that the happier . . . . * We are the better we work; the man who is happy at work, works better."

\textsuperscript{122} Brayfield and Crockett, \textit{loc. cit.}
\textsuperscript{123} Hans, \textit{loc. cit.}
\textsuperscript{124} Vroom, \textit{loc. cit.}
\textsuperscript{125} Hans, \textit{loc. cit.}
A negative relationship revealed by Katz et al. This type of relationship is derived from the theory that job-satisfaction makes people lazy and less willing to work.

The literature review has also revealed that most of the research work done on job-satisfaction is either in the industry other than banking industry or is upon a different class of respondents or on different aspects of the problem. In view of the literature reviewed above and the scanty research work available in this direction in India and particularly in banking industry, an attempt is being made here to explore the relationship between job satisfaction and work performance (effectiveness) of branch managers of commercial banks.

Adjustment and Effectiveness

Adjustability in individuals as a factor responsible for the quality of their performance at the job is of recent origin. No significant empirical research work is available which reveals any type of association or lack of it between the adjustability and performance of industrial personnel. But some theoretical literature does indicate

126 Katz, et al., loc. cit.
the need for adjustment for harmonious running of family, occupational and social life. Coleman, accepting the presence of physical and social obstacles in every man's life, stresses the need for making adjustments for the smoother running of life. According to the author, the political, social, economic and technological complexities of modern world have put a premium on the ability of disparate people to understand one another and work in harmony. Gilmer also stresses the need for making adjustments. According to him physiological and intellectual adjustments are more or less automatic but social adjustment is more complicated and social contacts of groups of people require subtle and delicate adjustments. Rogers has emphasised the crucial importance of "Unconditional positive regard" for the other person in healthy interpersonal relationship. This, according to the author, means that people should take an attitude of acceptance and respect for the other person as a unique individual.

In view of the dearth of empirical literature and the discussions referred to, it appears that the work

1 27 C.J. Coleman, loc. cit.

128 B. Von Haller Gilmer, loc. cit.

regarding the effect of adjustment on performance of an individual is exploratory in nature. So nothing definite can be concluded at this stage.

It is precisely for this reason that an attempt is being made in the present study to find out at the empirical level the relationship between adjustment and job-effectiveness.

Thus, the present research study was undertaken to confirm or to reject the following hypotheses:

HYPOTHESES FOR THE STUDY

On the basis of the review of literature, following hypotheses have been framed:

1. a) Branch managers who score high on effectiveness scale would obtain high scores on extroversion.
   b) Branch managers who score high on effectiveness scale would obtain low scores on neuroticism.
   c) Branch managers who score high on effectiveness scale would obtain low scores on psychoticism.

2. Branch managers scoring high on job-satisfaction would be more effective than those scoring low on job-satisfaction.
3. Branch managers who are better adjusted socially would be more effective in their performance and vice versa.

Thus, the present chapter was devoted to make a brief study of the role of commercial banks in the economic development of a country. The growth and development of commercial banks in India was traced and its performance in the attainment of national objectives was analysed. The responsibilities and importance of human factor, particularly the branch managers, in the successful working of commercial banks was discussed. After reviewing the various factors responsible for effectiveness of the branch managers, the problem of the study was stated in this chapter. In the light of all these observations, the need for the present research project was explained and the objectives of the study were enlisted. A brief review of the relevant literature was made in this chapter on the basis of which hypotheses were framed for the present research study.