INTRODUCTORY

0.0 General

Financial institutions have become an indispensable part of modern human life. Though several studies have been made on general management and management of industrial sector, not much work has been done in respect of studies of "Management Pattern of Financial Institutions" with special reference to the Nationalised Banks.

On 19th July 1969, fourteen big banks in the country were nationalised. It can be regarded as a landmark in the history of Indian economy. While nationalising these big banks the main objectives put forth were to have control over the commanding heights of the country, to give finance to agriculture and other high-priority sectors and to correct the regional imbalances by spreading banking activities in the rural areas. It is interesting to study whether nationalisation has achieved these desired results. Nationalisation has created many administrative and other problems regarding personnel policies, profitability, efficiency, credit policy, etc. The most important point is, whether with the present organisational structure, the nationalised banks can
fulfil the objectives or tasks before them and whether within this organisational framework, they are able to shoulder the social responsibility thrust upon them after nationalisation. The present effort is in this direction to study all these and other allied problems. It is proposed to study in details the management pattern of about 14 institutions in this sector. A questionnaire was formulated to collect the data from these institutions and their heads/executive officers/employees. While formulating a questionnaire stress was given on the points like, pre-nationalisation and post-nationalisation management pattern, social responsibility and profitability of financial institutions, policies regarding recruitment, training, transfer, etc. The questionnaire was then sent to all the financial institutions under study. The overall response for the same was good. All the fourteen institutions submitted their questionnaires duly filled in, and from about 12 institutions data was collected personally by taking appointments of the Chairman, Personnel Officers and other officers of the institutions. Various other publications and other research articles in journals were also consulted while discussing data in interviews.

In this work following important aspects of the management problem and management pattern of the financial institutions have been examined with special
reference to fourteen nationalised banks:

(1) Organisational Structures
(2) Personnel Policies
(3) Top and Middle Management
(4) Employee efficiency and participation
(5) Regional Distribution and Branch Expansion Programme
(6) Profitability and Productivity
(7) Management Pattern
(8) Deposit Mobilisation
(9) Credit Policy
(10) Labour Management Relations
(11) Management Development
(12) Women Banking

0.1 Organisational Structure

The first chapter refers to the organisational structure of the financial institutions. With the rapid increase in their business these institutions are facing serious problems of organisation. The problems are not only of providing required technical skills, but also of co-ordination and control. Most of the institutions have made schemes for restructuring their organisations. The old highly centralised control can no longer deliver the goods. The process of decentralisation and delegation has been very gradual. However, the Branch and Regional
Managers have yet to learn to exercise the powers delegated to them. In some banks three new levels of management -- Regional Managers, Development Managers and Group Managers have been introduced. At the head office level various Committees and Sub-committees are formed to investigate into the different aspects. In some banks, various departments are formed to investigate into some special matters, e.g. credit department, statistical department, etc. Members of the senior management are made responsible for functioning of that department and are made directly responsible and accountable to the Chairman and Managing Director. Banks are trying to make more and more compact regions. The regional office is a complete unit of banking operations. The Regional Manager is responsible for the banking activities in his region. In some banks, at Regional Level, the branches are classified into A, B, C, etc. The Branch Manager/Agent is made responsible for the working of his Branch. While reorganising their organisational structure the Banks have changed the designations of various officers, e.g. Chairman and Managing Director. On the recommendations of Gadgil Group and Nariman Committee, the Reserve Bank of India has formulated the Lead Bank Scheme. It is expected that each Bank will devote attention to the districts and provide leadership for quickening the process of development. Thus, the structure of and
organisation of the banking industry has undergone a significant change. However, the question to be answered is, whether decentralised or centralised branch system is better to meet the challenge of the future.

The role of banks in promoting banking development has been changed considerably since nationalisation. With the rapid increase in banking offices the important change that has taken place is more and more decentralisation. Consequently, the Branch and the Regional Managers have acquired great importance. However, in most of the Institutions either they hesitate to take decisions and in some institutions powers have not been delegated. The bank managements have yet to learn the technique of managing an industry through so many establishments or the technique of management by exception.

One of the responsibilities of Bank Managements is that of development of future executive leadership. This can only be achieved by greater delegation. One of the most serious problems faced with greater expansion and decentralisation by the financial Institution is delay in decision-making. The Branch and Regional Managers await the orders of Head Office for taking decisions either because of the lack of proper authority or their reluctance to exercise the authority delegated to them.
Recruitment, Promotion and Training

Since 1969, there is a considerable expansion of banking facilities. Banks are finding it difficult to get adequate trained staff to meet their requirements. Moreover, the problem is more acute in rural and backward areas. In majority Institutions, 75 per cent of the recruitment of Officers is from the clerical staff. The procedure for recruitment of clerical and supervisory staff is to conduct examinations. In some Institutions interview is the only criterion. However, as most of the vacancies at higher level are filled in from within, in most of the Institutions, it is essential to draft such a recruitment policy, that would attract the most suitable talent in the industry. In order to meet their needs for qualified and trained staff, efficient and effective training programmes have been set up in most of the Institutions. Some Institutions are sending their executives to the training programmes, conducted by various training institutions, like the All India Management Association, the National Institute of Bank Management, the National Productivity Council, etc. In some institutions, new specialised courses for financing agriculture and small-scale industries have been introduced for senior personnel. In many Institutions Regional Training Centres have been established. Though most of the Institutions have done good in this respect, the speed with which they
are opening branches, may make them face the problem of trained staff in future.

0.3 Top and Middle Management

The banking today, besides, being a commercial business organisation, accepting deposits and lending in traditional manner is at once a professionalised Institution. There is a marked change in composition and functioning of the top management. However, any observer of industrial relations and personnel policies of Financial Institutions in our economy could find out the plight of the middle management. They have completely lost in the tussle between the employees' union and the top management. However, it must be remembered that the cream of the banking talent in our country lies in the middle management level from which the future professional management is going to develop. The principal problems of the middle management are that their talent, knowledge and experience are not utilised to their fullest extent. Further, they have been reduced to such subordinate position that they are unable to make substantial and significant contribution to the formulation of policies. This has increased frustration among the middle management. They have lost their interest in jobs and the entire range and structure of middle management has broken down in most of the Institutions. The top managements
too have many complaints about quality, ability, and competence of the middle management. In any Institution sound management is absolutely essential to its success which is also true about the Financial Institutions. Therefore, this problem of internal management needs immediate attention. There is also change in the composition of the Board of Directors. In new Boards various interests - employees, depositors, farmers, small-scale industries, etc., have been given representation. The intention of such representation is that they should bring in their knowledge and expertise in their field.

0.4 Employee Efficiency and Participation

With the expanding business it is necessary to ensure that the productivity per employee increases. The major charge made against the Financial Institutions is that after 1969, there has been a marked decline in their efficiency. It is often said that banking is a service organisation and it is difficult to measure its efficiency. However, if costs are to be properly controlled and also reduced, it is necessary that productivity per worker increases so that banks can operate profitably. Therefore, some norms are to be laid down for measuring the efficiency of the bank employees and the organisation as a whole. It is believed that participative management leads to higher degree of involvement of employees with
the enterprise. An innovation of far reaching significance is the appointment of workers and officers on the Boards of Directors of Banks. Employee participation in Management has been introduced in Banks immediately after 1969. Banking industry has relatively young and qualified work-force. Therefore it is regarded as the most ideally suited industry to the development of a participation programme. The problem created by this participation is that whether these representatives of employees appointed as directors will be able to look at all the matters from the point of view of the health and progress of the Institution, rather than from safeguarding their own interest.

0.5 Regional distribution and Branch expansion Programme

Balanced regional economic development depends to a large extent on balanced regional distribution of banking facilities. Vigorous branch expansion programme in general and its rural orientation are the outstanding features of financial institutions since 1969. In this regard the banks have made tremendous progress. During the last 6 years branches of public sector banks have almost doubled. However, many problems are created with this expansion.

The most important of which is whether it will be
possible for the Head Office to control effectively and efficiently so many branches. Then there is a problem of getting trained staff for their newly opened branches especially for rural areas.

0.6 **Profitability and Productivity**

The performance of the bank in its normal operations can be best judged by its profitability. Banking being a service industry a question is raised whether a service industry should function for profit or it should function on no profit no loss basis. Though a service industry bank is a commercial institution also.

Further, fall in profits may be due to inefficient management which may be attributed to uneconomic operation undertaken on the grounds of public policy. The Banks are criticised on the grounds of neglect of cost and productivity, which in turn has led to decline in profitability. Banks, in their zeal of expansion, by opening new branches especially in rural areas, have neglected the cost factor. Every branch must be self-sufficient in at least two years. However, many branches opened at rural areas are still looking to the Head Office for their expenses, which is a burden on the Head Office. Further, the overhead costs are increasing to a large extent since 1969. The another important reason for low profitability is that in the recent years the banks have undertaken
development tasks like finances to industrial workers, finances to agriculture and small scale industries, etc. However, the banks are facing the problem of recovery of such loans. Whatever be the reason, it is a fact that profits of banks have declined. But profit must be increased.

0.7 Management Pattern

With the commercial banks spreading their activities in the rural area, there is a possibility of duplication of activities and wasteful competition between the commercial banks and the co-operative banks. Efforts must be made for proper co-ordination of their activities through co-ordination committees at the national, state and district levels. Commercial banks till recently showed shyness in undertaking financing to these sectors. They, therefore, do not have knowledge and experience in agricultural financing. They also do not have the staff of right aptitude for working among villages and in rural areas. Nevertheless they have got large financial resources. Co-operative banks on the other hand have got the knowledge, experience and the right staff for undertaking agricultural financing. However, from financial point of view, they are considered weaker than the commercial banks. The proper co-ordination is, therefore, necessary as advocated by the Banking Commission to get
the advantages of both the types of institutions.

The most important difference in the management of public sector banks and private sector banks is that in the former case directors are nominated by the Government while in the latter they are elected. Very little is heard about the performance of private banks. The private sector banks are expanding their network of branches, equally as fast as their public sector counterparts. In the field of deposit mobilisation also they are not lagging behind the public sector banks. It is generally admitted that service in private sector scheduled commercial banks is of a very high order. They are successful in maintaining personnel touch with their clients at the local level right up to the top management which helps them to attract more business. The Reserve Bank of India exercises a complete control over their operations and sometimes even in the matter of major appointments. These banks are providing a healthy competition to the banks in public sector.

0.6 Deposit Mobilisation

Banks since 1969 are thinking of new ways and techniques for augmenting their deposits. In deposit mobilisation, the record of public sector is encouraging. There is ceiling on the interest rates which organised banking sector can pay to its depositors. While in un-
organised sector, interest rates are higher. Especially in rural areas the farmers are keeping their surplus income with the commission agents. The main reasons for keeping such deposits are confidence, expectation of getting more in times of need and the most important, the age-old ties between the farmers and the commission agents. If banks have to mobilise resources of rural areas they must create such unbreakable ties with the farmers. The banks are using various marketing aids to mobilise deposits like, symbols, slogans, etc. However, most of the banks have not properly designed their symbols, either they are outdated or they do not convey any message to be customers. The continuous process of branch expansion of the banks, the competition among them and more especially the need due to change in modern mass advertisement, necessitates banks to design symbols and slogans which can readily be identified by their customers.

It is necessary to provide a strong link between public sector enterprises and community at large. The view that the responsibility of Public Relations would be undertaken by the Government, is not correct. The public enterprise will have to meet their obligations in respect of Public Relations. If they are freed from this responsibility it will lead to avoidable concentration. Maintaining good relations with the public and fostering public goodwill for the Institution is a specialised and at the
same time non-specialised job. Everyone in the organisation does a public relations job when he comes in contact with public. But it is the duty of public relations department to create the right temperament and approach among others in the organisation, in view of their responsibilities to the public. Though in some institutions public relations departments have been established, Public Relation is not considered something distinct from the total functioning of the institution.

0.9 Credit Policy

A new concept of Innovative Banking has been introduced since 1969. Banks, in recent years, are providing loans to the prisoners for undertaking some productive works, to industrial workers and to the priority sectors - agriculture and small scale industries. However, banks are not taking precautions while advancing loans to these neglected sectors. Indiscriminate issue of loans to small scale industries and to agriculture has resulted in significant fall in recoveries. Their bad and doubtful debts have sharply increased in recent years. Organisational difficulties are primarily responsible for this. Banks operate with depositor's money and safety and liquidity should be their guiding principles. In some Institutions "Credit Investigation Department" is established. Still recovery of loans especially agricultural loans have been
the major problem faced by many banks. Greater supervision can only help them to have in check. But the commercial banks do not have their own machinery and are unfamiliar with this line of business so the risk of overdues is greater and must be guarded against.

0.10 **Labour Management Relations**

One of the important factors governing employee efficiency is Labour Management Relations. An important step in this direction is the adoption of the principle of Participative Management. Bank, being a service industry, 'customer service' is the most important area which is neglected in many Institutions and which requires the attention of the bank management. An important charge made against the bank employees is that their behaviour is not polite and mannerly with the customers. This may be either due to indifferences between the employees and the management or because now they have become government servant and they do not regard customers as their owners. The trade unions in some institutions are responsible for the spread of indiscipline among the employees. The differences between the trade unions and the management should not be at the cost of service to the public which is the fundamental duty of the bank employees. It falls upon the management that social responsibility of the institution is fulfilled and in
fulfilling this social responsibility by the management the co-operation of all staff and workers is required. The workers' social responsibility of business includes a good day's work, co-operation in increasing productivity and submitting to the discipline of the business. A genuine trade union movement, with membership confined to the workers and the real trade union leadership also are the other aspects of the workers' social responsibilities towards the business. There is no dialogue between the unions and the managements on the future of the industry, its growth and its national obligations. Inter-union rivalries are slowly raising their ugly heads in the banking field. In some institutions, however, joint consultancy machinery and grievance producers have been evolved and there are frequent meetings and conferences between the managements and the unions.

0.11 Management Development

Besides deposit mobilisation and innovative banking, banks also have to act as a growth centre. Banks must be able to develop the required talent by training and vigorous management development programmes. In some banks management development processes have already been started. The following five are the areas to which attention may be given while drafting Management Development Programme:
(1) Manpower Planning.

(2) Executive Inventory.

(3) Appraisal.

(4) Recruitment and training.

(5) Evaluation of management development programme.

In order to meet the challenges of future the banks will have to develop managerial skill through a well designed Management Development Programme. In some banks a new department designated as 'Planning and Systems Development' is being set up. The specialised nature of business undertaken after nationalisation has compelled many progressive banks to plan and organise various courses for clerks and assistants as well as for managers. The Reserve Bank of India, through various centres, is playing an important role in this respect. The State Bank of India and the National Institute Bank Management are also helping the banks in this respect.

0.12 Women Banking

In modern times dealing with banks has become a path of the day-to-day life of women too. Banking in India uptill now was regarded as a privileged sector for few only and women participation was negligible. There was not a single bank fully managed by women and for women. In modern times, however, being one of the bread earner in the family, woman emerges as the earner of the family.
With the intention of spreading banking habits among women and tapping their saving potential 'Women Banks' are established in modern times.

In Maharashtra particularly, as many as fourteen Women Banks have been registered. All these banks are in the co-operative sector. In this chapter an effort is made to study the management pattern and the problems faced by these banks. All these banks are managed by the women who are interested in social work and they are managing these banks enthusiastically. They are making maximum efforts to tap the household saving and meet the credit needs of women. Especially these banks are of great help to the weaker sections, i.e. women selling vegetables, fruits, etc., women working in bidi factories, etc. However, being new in this specialised field, these banks are facing many problems like well trained and qualified management as well as staff, staff turnover overdues, etc. A few suggestions are made in this chapter to overcome these problems.

0.13 Epilogue

After analysing and studying the problems of the management and the management pattern of Financial Institutions in the light of above aspects, certain broad conclusions under each head are summarised in the last chapter. These findings, it is hoped, will be useful for efficient performance of this sector in all the developing economies.
at the time of the submission of work one feels including some if not all such things. Maximum efforts have been made to bring the statistical data up-to-date. In the last chapter a few paras have been added which pertain to the changes even after December, 1975. But that does not in any way invalidate the findings made on the basis of data collected earlier. The research work is submitted for the Ph.D. degree of the University of Poona under the Faculty of Commerce.