CHAPTER VI

SUMMARY AND CONCLUSION

Today banks have become a part and parcel of our life. There was a time when the dwellers of city alone could enjoy their services. Now banks offer access to even a common man and their activities extend to areas hitherto untouched. Apart from their traditional business oriented functions, they have now come out to fulfil national responsibilities. Banks cater to the needs of agriculturists, industrialists, traders and to all other sections of the society. Thus they accelerate the economic growth of a country and steer the wheels of economy towards its goal of self reliance in all fields.

Tamilnad mercantile Bank Ltd., was incorporated in 1921 under the Indian Companies Act, 1913 in the name of the Nadar Bank Ltd., When the Nadar community people developed their business, they felt the necessity of a bank. As a result, the Bank was started on 11.11.1921 in Tuticorin. The statutory meeting was held on 19.4.1922 and the directors appealed to the Nadar public to take shares and
pass all their banking business to the Bank. The first general meeting of the shareholders was held on 26.2.1923. The Bank became a scheduled bank on 11.5.1935 and was also admitted as a member of the clearing house at Madras.

The Bank changed the caste name and assumed its present name on 26th November 1962 to clear possible misunderstanding that might arise that the Bank's sphere of service was narrow. The objects of the Bank was given in Memorandum of Association.

The authorised capital of the Bank was rupees ten lakhs at the time of inception. It was increased to rupees sixty lakhs on 31.3.1990. The paid up capital was Rs. 1.77 lakhs at the time of its formation. At present the paid up capital of the Bank is Rs. 28,44,540.

Ever since the opening of the Bank, its business has been carried on under direct and immediate control of the Board of Directors. The first set consisted of nine directors. The routine work was entrusted to the Agent who acted as representative of the Board. The system of direct management by the Board through the Agent was found to be
not quite suitable and it was abolished. Later on, the scheme of management by director in charge was introduced. It was also found unsuccessful.

The organisation structure of the Bank was changed since 1988. The Chairman is appointed by the Board of Directors. Under the Chairman, two General Managers (Administration and Operation) are appointed. Under General Managers, there are different Assistant General Managers to look after various departments. Three regional managers who are in equal cadre of Assistant General Managers come under the direct control of General Managers. The regional managers have the control over the branches situated in their respective regions.

In first twenty five years of inception there were 125 employees employed in the Bank. The number of employees increased to 1599 on 31.3.1991. The personnel department of the Bank is responsible for recruiting and selecting the qualified personnel for the jobs. The Bank recruits its employees through advertisements in leading newspapers. The Bank conducts written tests and the candidates who come out successfully will be called for an
The successful candidates in the interview have to undergo medical test and produce medical fitness certificate at the time of joining the Bank.

The Bank opened a training institute at Nagercoil in 1978 to provide training for the staff. The Institute conducts two weeks induction programme for newly recruited clerks and two weeks programme for the clerks who have completed five years of service. For officers, it conducts induction programme for a period of three weeks and orientation in foreign exchange for one week.

Promotion in the Bank is based on seniority and merit. The Bank conducts written tests for promotion and successful candidates will be called for interview and selection will be made out of successful candidates in the interview. There is no hard and fast rule for transfer in case of clerical cadre employees. For officers, there is a strict policy of transfer after a period of three years.

The Bank revises its scales of pay once in three years. The pay revision is effected through the settlement between the management and employees. Recently, the scales of pay are revised for all cadres of employees and it is
valid for a period of five years. In addition to the pay, the staff are entitled to receive dearness allowance, city compensatory allowance, house rent allowance, hill station allowance, medical aid and overtime allowance. The Bank contributes 10% of the pay and dearness allowance towards provident fund for its employees. It is also paying 20% of the pay as bonus for the last twenty years. The employees drawing a salary above Rs. 2500 per month are being paid one month pay as ex gratia payment. The Bank is also providing housing loan to its employees 95% of the cost of the vehicle is given as vehicle loan to the employees.

The Bank was opened on 11.11.1921 at Tuticorin. In the first twenty five years, the Bank had only four branches in Madurai, Virudhunagar, Dindugal and Sivakasi. Since 1968, more branches were opened in rural areas. At present there are 117 branches throughout India.

Productivity refers to the relationship between the result and the means employed. It can be considered higher if the same product is obtained with more limited means. It will be the maximum when the highest output is obtained with the minimum expense of resources. In the Bank, it refers to
utilisation of maximum work with the minimum number of employees. In the industry, it is the ratio between the output of goods and services and the input of resources consumed in the process of production.

In the Bank economy of time, smoothness of work speedy methods and speed of every aspect of work are essential. Higher productivity leads the work easier to employees and they will get increased salaries. Merit rating and job evaluation helps them as basis for promotion. The management will earn higher profits. It can plough back profits and give scope for opening of more branches or expand the existing branches. Additional employment opportunities will be created.

Productivity analysis helps the Government in many ways. It enables the Government in comparing individual banks with the Bank as a whole. It helps to compare the progress of banks in our country with the progress of banks in other countries. It also enables the Government to evaluate the achievements made by the Bank as a whole. The management besides getting higher profits can evaluate the policies and schemes depending upon the productivity indices with in the Bank.
Technological development and employees' job performance are the two main factors affecting productivity. Of these, employees' job performance depends on the ability of individual employees, the motivation of employees, and physical conditions of work. The willingness of the employee to work in the Bank is related to his productivity. The motivation of bank employees will depend upon organisation structure, administration and management and the influence of associations.

Time study, merit rating, employees' participation in management and job enrichment are considered some of the effective tools for improving productivity. In time study, the time taken by an employee at an average speed is taken into account. Merit rating assists employee and guides him to improve his capacity to work better. Employees' participation facilitates in developing mutual understanding and co-operation between management and employees. Job enrichment helps to improve job satisfaction, motivation and morale of employees.

It is often believed that productivity will increase the profits of the management. The management by
introducing various mechanical devices can improve productivity. Even though the customers are directly connected with the bank, the whole economy is benefited through the increase of productivity. There is always a fear among bank employees that introduction of computers will lead to retrenchment. Hence the management must provide adequate training for their employees to deal with computers.

In India, there is a tremendous expansion of banking in terms of number of branches, deposits, advances, number of accounts and number of employees. Because of mass recruitment there is considerable deterioration in the quality of service and productivity of the staff. The Reserve Bank appointed a committee to provide guidelines in relation to the services rendered to the customers and suggest internal systems and procedures to control banking costs, improve operational efficiency, productivity and profitability of banks. In banks, productivity may be evaluated in qualitative terms of customer service, quality of lending and recovery of loans.

The productivity in the Bank is measured with the help of deposit per employee, advance per employee and
income per employee. The deposit per employee increased from Rs. 1.46 lakhs in 1971 to Rs 14.15 lakhs in March 1990. The advance per employee raised from Rs. 1.01 lakhs in 1971 to Rs. 7.77 lakhs in March 1990. Income per employee is also moved from Rs. 0.04 lakhs in 1971 to Rs. 0.14 lakhs in March 1990.

The Bank is accepting various kinds of deposits from the public for the purpose of lending. To compete with other banks, it has to innovate various novel schemes of deposits. With the help of various kinds of deposits, the Bank is able to attract different customers of different tastes. Accepting deposits is essential for mobilising savings, stabilising money market and using the available resources in a productive manner.

The productivity efficiency of the Bank is judged on the basis of two important functions like mobilisation of deposits and lending of money. Traditionally the Bank accepts four kinds of deposits - fixed, savings, recurring and current accounts. In addition to the above, the Bank has innovated novel schemes of deposits - Navarathinamala and Muthukuviyal deposits.
Usually, fixed deposits range from 45 to 50% of the total deposits of the Bank. Out of total deposits of Rs 226 crores, fixed deposit amounts to Rs 114 crores on 31.3.‘90. It is observed from the Balance Sheet that there is an increase of 33.5% of fixed deposits. Savings deposits contributes a range of 20% of its total deposits. There is a growth of 17% of savings accounts every year. Current account varies from 27 to 34% of the total deposits of the Bank on 31.3.90, current account amounts to Rs 63 crores out of its total deposits of Rs 226 crores.

Navarathinamala deposit is a novel scheme of deposit comprising features of recurring and fixed deposits. It can be opened in the names of individuals, firms, clubs, associations, educational institutions and such other societies. A depositor is required to pay a certain sum of money for a certain period. After the payment of monthly instalments, the Bank will issue a certificate after the surrender of the pass book by the depositor. The certificate holder is eligible to avail of 75% of the deposit amount as loan. Interest is charged as per the directions of the Reserve Bank of India. When he wants to close the deposit before the due date, one percent interest
below the applicable rate is paid. At the time of maturity date, the certificate must be presented for payment.

Muthukuviyal deposit is an ideal scheme for children's education, marriage or future requirements. It is just like fixed deposit and the amount can be deposited for a minimum period of twenty four months. The depositor earns interest not only on deposits but also on interest compounded at quarterly instalments. Amounts in multiples of one thousand rupees are accepted.

In mini muthukuviyal deposit, a person can invest a minimum of one hundred rupees for a period of twelve months to twenty one months. The Bank issues cash certificates that the depositors will get a rounded sum of money after a certain period. They are similar to muthukuviyal deposits in the sense that they are issued for a minimum period of twenty four months.

The Bank lends what it receives deposits from the public. It makes advances mainly to manufacturers, traders and small scale industrialists. Advances are given on the basis of personal security or on the security of some asset. In either case, the Bank runs the risk of default in
repayment. To minimise such risks the Bank follows sound lending principles of safety, liquidity and profitability.

The Bank continues its lending activities in conformity with the credit policies announced by the Reserve Bank of India. Total advances of the Bank recorded an increase of Rs 16.25 crores during 1989-90 and reached the level of Rs 124.45 crores representing a growth of 15%. The growth of credit deposit ratio was maintained at 55%.

The Bank’s priority sector advances amounted to Rs. 49 crores as on 31.3’90 out of which Rs 25 crores were channelled to small scale industries, Rs 16 crores to agriculture and Rs 8 crores to other priority sectors. The credit to priority sector in terms of percentage of net credit stood at 39% as on 31.3.90. The investments of the Bank on the above date amounted for Rs 63 crores as against Rs 54 crores at the end of March 1989.

To gather opinions of the customers and executives about the Bank, a survey was conducted. The survey covered a sample of hundred customers belonging to various branches. Fifty executives out of 261 executives of the Bank were also
contacted. Out of 100 customers surveyed, 32 customers are degree holders, 26 post graduates, 16 professional people and the rest illiterates and matriculates. 31 customers are earning more than Rs 8000 per month, 23 earn between Rs 2000 and Rs 4000 per month and below Rs 2000, there are 9 customers surveyed in the survey.

Each category of the above customer felt the necessity of opening accounts with the bank 52 customers opened accounts with the Bank on their self interest 42 customers are canvassed by employees of the Bank and a few have accounts through their friends and relatives.

78 customers have opened accounts for the purpose of savings, 14 for collection of cheques and the rest for the purpose of crediting salary in their accounts. Generally the customers maintain accounts for savings. The business people have accounts with the Bank for remittance and collection of cheques.

The Bank is accepting various kinds of deposits, of which fixed deposits play a dominant role. Out of 100 customers surveyed, sixty three customers have fixed
deposits. 42.85% deposits is voluntarily deposited by them, 44.85% is canvassed by employees of the Bank and 12.7% is mobilised through savings festival.

Among the surveyed customers, sixty six customers have accounts with other banks. 77.27% customers have accounts for the sake of convenience 12.12% for remittance facilities, 7.58% for collection of cheques and the rest for spreading the risk.

The Bank grants various types of loans and advances to its customers. Three fourth of the surveyed customers had taken loans and advances. Some customers had borrowed more than one loan. Term loans constituted 37.78%, Jewel loans 32.22% Cash credit 15.56% and loan on deposit 14.44%.

71 out of 75 borrowers were of the view that there is no delay in sanctioning loans. 63 borrowers agreed that there were no complicated procedures in sanctioning loans. 82.66% borrowers felt that the rate of interest charged on loans is normal and 17.34% viewed that it is high. No customer is of the opinion that the lending rate of the Bank is low.
57 customers felt that the Bank is consuming five minutes of time for passing cheques/withdrawal slips. It indicated the speed of work done by employees of the Bank. 23 customers viewed that they have to wait for ten minutes for getting cash. 17 customers were of the opinion that the employees are consuming more than ten minutes for passing withdrawals. For the issue of drafts, 35 customers opined that the Bank employees are taking five minutes of time. 40 customers felt that they had to wait for ten minutes for getting drafts.

Regarding the opinion on employees approach, 74 customers felt that it is good and 25 customers viewed that it is fair. When the customers are asked for opinions on branch expansion, 76 customers are of the view that it is necessary; 17 customers are of the opinion that it is not essential.

Out of the population of 261 executives, 50 executives were surveyed and opinions were gathered. The executives were classified on the basis of their experience as an executive. 44% executives had an experience between 5 and 10 years and 48% executives gained 10 to 15 years
experience. 76% executives are degree holders and 22% are post graduates.

The executives are considered an important personnel in mobilising deposits from the public. 90% executives were of the opinion that current account need not be canvassed by them. 64% executives accepted that fixed deposits can be secured with strenuous effort. In order to mobilise deposits, 84% executives consider that personal approach will be the main source. 6% executives viewed that they can mobilise deposits by arranging savings festival.

For achieving deposit target, cash awards and gift articles were presented to the executives. The Reserve Bank prohibited such incentives from 1979. When data is collected regarding target incentives, 70% executives viewed that promotion is the proper incentive for achievement of target. 24% executives were of the opinion that the Bank will convene achiever's conference every year. The target achievers are accorded with the prestigious invitation to attend the conference with family.

All the surveyed executives unanimously denied that they will never insist on deposits while lending. 76%
executives viewed that they will never insist a large number of formalities for granting loans. 24% executives argued that they have to insist as per the directions of the Bank and the Reserve Bank of India.

It is interesting from the annexure of Directors, published in the Annual Report of the Bank for 1989-90, that 107 executives were drawing more than Rs 6000/- per month as salaries. In addition, they were also eligible to receive one month salary as ex gratia payment. This facility is not prevailing in nationalised banks.

RECOMMENDATIONS

A large number of financial institutions other than banks are established for mobilisation of deposits. They offer attractive rate of interest on deposits. They are paying 14% interest on one year deposit. But the Bank is paying a maximum of 10% interest on deposits over a period of two years. So, the mobilisation of deposits by the Bank is affected. The Reserve Bank must see that the interest rates are equaled. In addition, the deposits mobilised by financiers are being diverted to unproductive consumer loans
to maximise their own profits. But the deposits of the Bank are channelised to productive and nation building activities.

The executives of the Bank are playing a dominant role in mobilising deposits. Other employees are not showing any initiative in this activity. Hence the Bank must motivate all the employees to take active participation in deposit mobilisation. The employees of higher target achievement may be awarded valuable gifts and promotion.

The Bank fixes a deposit target to be achieved by the executives every year. In the past, the executives were given cash awards. Now it has been banned by the Reserve Bank of India. Hence the executives will not take much interest in target achievement. The Reserve Bank must permit the Bank to provide incentives in the form of gift articles to the executives for target achievement.

Some branches of the Bank which are situated in thickly populated urban areas are not having proper sanitary and ventilation facilities. Unhygienic working conditions will cause physical and mental fatigue which in turn would
affect the productivity of employees. Further the ill health caused by the working conditions will lead to absenteeism and reflect in medical bill. Hence the Bank must make arrangements to shift these branches to the areas where proper sanitary and ventilation facilities can be made available. It will improve the efficiency of employees.

The promotion of the Bank is based on seniority and merit. The Bank claims that sixty percent importance is given to seniority and the balance to merit. But in practice, this is not strictly followed. The employees feel that there is free play of favouritism and nepotism leading to low morale. Hence it is suggested that the Bank should frame a proper policy on promotion and see that it is strictly implemented so that it can improve the productive efficiency of employees.

There is no hard and fast rule in the transfer policy of the Bank especially for clerks and subordinate staff. The newly appointed staff are usually posted in branches outside Tamilnadu. Once they are posted in branches outside Tamilnadu their return becomes almost an unrealisable dream. In states where there are growing
sentiments of sons of soil, the employees from Tamilnadu suffer a mental torture of not having minimum human relationship with sons of soil. Hence it is suggested that the Bank should frame a rigid transfer policy to clerks and subordinate staff as in the case of executives. When the Bank maintains a rigid transfer policy, it will motivate employees to improve the morale.

Most of the branches of the Bank are accommodated in inconvenient buildings. Hence it is suggested that the Bank must either construct its own buildings with all amenities or it may cause landlords to modify accommodation according to its specifications.

The Bank serves its customers through 117 branches spread throughout India, nearly fifty percent of the branches are situated in three southern districts of Tamilnadu. Hence it is suggested that the Bank must concentrate its attention of opening branches outside Tamilnadu. It is essential to make the Bank financially more sound and to extend services. It is suggested that the Bank can open its branches in the areas where there is no bank.
The rate of interest charged on loan by the Bank is high compared with the rate of interest of nationalised banks. Usually there is a difference of one percent rate of interest charged on loans between the Bank and nationalised banks. Hence it is suggested that the Bank may reduce the rate of interest on loans or it may maintain the rate of interest in par with nationalised banks. Then the Bank can attract more loanees.