CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY

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"TRAINING IS THE CORNER STONE OF SOUND MANAGEMENT FOR IT MAKES EMPLOYEES MORE EFFECTIVE AND PRODUCTIVE"

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1.1 INTRODUCTION

Training is one of the most important organisation building activities. Though it endeavours to develop human resources, it not only seeks to meet the immediate needs of the different units of the organisation in terms of their requirements of knowledgeable, skilful, and positively oriented individuals for proper performance of tasks, but also builds up a cadre of people with perspective, by helping them understand the changing environment and futuristic contexts. Every organisation needs well trained and experienced people. Inadequate job performance or decline in productivity or changes resulting out of job redesigning, or a technological breakthrough require some type of training. In a rapidly changing society employee training is not only an activity that is desirable but also an activity that an organisation must commit resources to, if it is to maintain a viable and knowledgeable work force. Training is a process of learning a sequence of programmed behaviour. It is application of knowledge. It gives people an awareness of the rules and procedures to guide their behaviour. It attempts

1 Kakodkar P G On Entering the World of Training State Bank of India Monthly Review April 1985 P 155
to improve their performance on the current job or prepare them for an intended job.

1.1.1 Importance of Training in Banks: 2 A new era in the banking industry in India has ushered in necessitating the banks to respond effectively to the continuing and rapid changes in the socio-economic scenario in the country. The expectations from banks and demands made on them which are increasing both in volume and complexity have made the role of banks more challenging, requiring empathy and new types of skills and expertise on the part of bank employees. The role of accelerating the pace of economic growth of the country and the attainment of social objectives have created in its wake a need for adopting a proactive approach by bankers in all areas like organisational structure, administrative practices, banking technology, corporate policy and most important, the human resources development. As a part of this multi pronged approach to effectively meet the challenges of today, training as an instrument of human resources development in order to cope with the rapidly changing environmental demands in an entirely different socio-economic climate has become extremely important.

2 Sanghi D C Training for new breed of bankers State Bank of India Monthly Review November 1983 P 482
Banking institution has been an instrument for economic development of a country and its role in a developing economy like that of India is of vital importance. The range of services provided by our banks stretches from rural finance at one end to International banking at the other. The banking scenario, the world over is undergoing rapid diversification and technological change and Indian Banking can be no exception. During the last decade since 1967 we had two important changes in respect of Indian banking. They were the social control over commercial banks and nationalisation. These events brought about significant qualitative and quantitative changes in the Indian Banking scene. Many new areas of activities hitherto uncovered came within the legitimate sphere of banking. Banking is now emerging as an effective instrument of both economic growth and distributive justice.

1.2.1 CHANGE IN THE BANKING SCENERIO

Vast changes have taken place in the Indian Banking scene after nationalisation in 1969. Some of the changes are explained below.

1.2.1.1 Transformation from class banking to mass Banking

At one time banking was the preserve of the rich, but today,
patronage has definitely shifted to the common man. 60\% per cent of depositors of commercial banks are savings depositors who range from the officer and worker to the cultivator of the field. Commercial banks are making conscious efforts to develop banking facilities for the common man. Savings bank rules and procedures have been simplified and higher rates of interest have been allowed to attract small savers.

1.2.1.2 Security oriented lending to production oriented lending

In the field of bank advances, small industrial and business units have come to occupy a prominent place. The small business units are assured of bank finance on far more liberal terms than what big industries can get. Commercial banks are willing to extend credit to any unit big or small, which produce something worthwhile and show their productive worth, for security is not the sole criterion of granting advances.

1.2.1.3 Tangible asset security to repaying capacity

There was a time when bank advances were available only to large customers who could offer substantial securities. Today the banks are willing to extend credit to traders, artisans, self employed people and small units not merely on the basis of tangible

3 Sundharam and Varshney Banking Theory Law & Practice Delhi Sultan Chand & Sons 1987 P 1.100
securities but on the basis of their repaying capacity by producing something worthwhile. The change that has come about in the last 25 years is such that both an industrialist and a street vendor can now enjoy the benefit of bank credit.

1.2.1.4 Rural Banking: Father of our Nation, Mahatma Gandhi stressed the need for village development to achieve economic development in the country. Rural branches, Agricultural Development branches, Village Adoption, Gram Vikas Kendras are the various forms of Organisational innovations that banks have accepted for making direct contribution to rural credit.

These rapid changes in the socio-economic scenario in the country both in volume and complexity have made the role of banks more challenging, requiring empathy and new types of skills and expertise on the part of bank employees. Hence in order to make the bank employees cope up with this rapidly changing environmental demands in banks training on new lines is a must. The training system in banks must be geared to ensure achievement of continued excellence of the banking sector in all its areas of activities.

1.2.2 PERFORMANCE OF BANKS

There is a tremendous expansion of banking in terms of number of branches, deposits, advances, number of accounts and
also persons employed. There has been a sea change in the qualitative aspects of banking too. Banks are now catering to the needs of vast multitude of small borrowers engaged in agriculture, small industry, professional and other small productive endeavours. Apart from functional diversification, banks have undertaken a massive branch expansion programmes particularly in unbanked areas such as rural and semi urban areas.

1.2.2.1 Number of Branches: Rapid economic development presupposes rapid expansion of commercial banking. Between bank nationalisation in July 1969 and June 1985 bank offices in India have increased from about 8360 to over 51,380 - an increase of nearly 520 per cent in 16 years. Rapid branch banking of rural and semi urban areas is one of the objectives of bank nationalisation.

1.2.2.2 Expansion of Bank Deposits: Planned economic development, deficit financing and increased currency issue have led to the increase in bank deposits. At the same time banks have contributed greatly to the development of the banking habit among the people through sustained publicity, extensive branch banking and better service to customers. Bank deposits increased from Rs.820 crores in

4 Radhaswami M and Vasudevan S V A Text Book of Banking (Law & Practice and Theory of Banking) New Delhi S Chand & Co Ltd 1985 P 15
5 Ibid P 17
1951 to Rs. 72,120 crores in 1985. This tremendous growth in deposits specially after bank nationalisation in 1969 is mainly due to extensive branch banking and expansion in money supply.

1.2.2.3 **Advances:** With the expansion of bank deposits, there has been a continued expansion of bank credit reflecting the rapid expansion of industrial and agricultural output. Bank credit has expanded between 1950-51 and 1984-85 from Rs. 580 crores to Rs. 48,440 crores. There has been a notable expansion of banking activity in the country since Independence.

1.2.2.4 **Lending to Priority Sector:** There is a shift in favour of priority sectors such as agriculture, small scale industry, small business, road and water transport operators. At the end of June 1982, loans and advances to priority sectors amounted to Rs. 10,683 crores accounting for 35.9% of the total bank credit and 37.4% of bank credit excluding food. With the priority sectors there is an increasingly greater emphasis on credit to borrowers in the lower income bracket. Government has now directed that advances to weaker sections should reach a level of 25% of priority sector advances or 10% of total bank credit.

1.2.2.5 **Customer Service:** Reserve Bank and Government accord top priority to customer service while rating the performance of
commercial banks. When the banking industry is having stiff competition it is only prompt and effective customer service that can ensure an edge over other banks. Hence every effort should be extended towards arresting the deterioration in customer service. The aim should be to minimise customer complaints and ensure quick, prompt and courteous service to every customer. Periodical meetings with customers should be convened with a view to know each of their needs and serve them accordingly. Every opportunity should be utilised for maintaining good rapport with existing as well as new customers. The training programmes must lay stress on customer service and other related issues like importance of courtesy and promptitude. Some of the important improvements in systems and procedures which have an important bearing on customer service are the teller system for instant payment of cheques, credit cards which help to make purchases from specified shops without making any payment. One can also use the services of restaurants, repair shops and even airlines with the help of credit cards.

1.2.3 FACTORS INFLUENCING PERFORMANCE OF BANKS

A number of factors influence the performance of banks as explained below.

1.2.3.1 Government Policy: The allocation of available resources by banks is determined by policies of the monetary authority and the national objective and the targets prescribed by Government from time to time.
1.2.3.2 **Customer Patronage:** Banking is a service industry selling a range of services to persons called customers. Speedy, timely and courteous service to customers is the essence of banking business. The marketing of such services very much depends on the quality of customer service and the satisfaction that customers derive from such service. Banks must continuously assess their performance in this regard and must continuously strive to satisfy the new and emerging customer specifications. The improvements in customer service are a necessary concomitant of a progressive growth of the banking industry.

1.2.3.3 **Employee Morale:** If morale and performance are related, some employees do indeed work harder when they are more satisfied with their pay, with the job itself, and with working conditions. For improving the employees' performance managers should provide training for employees so as to enable them acquaint with the work they have to do.

1.2.3.4 **Industrial development of the areas:** Following the easing of infrastructural bottlenecks and improved level of production of key inputs, industrial production has continued to rise since 1985. Good performance and rise in output were recorded by industries such as steel, jute, textiles, cotton yarn, tea, rubber products, automobiles and cement. The several concessions to the industries announced by the Government in the budget have created a favourable climate for continued industrial growth. Several concessions were
also given to textiles, drugs, cement, automobiles and other engineering industries especially the small scale units as their capacity to generate employment is greater than the large scale units. Credit is one of the most important requirements for the growth of this sector. Since nationalisation banks are providing credit especially to the priority sectors including small scale industries.

1.2.3.5 Training: In a rapidly changing society, employee training and development is not only an activity that is desirable but also an activity towards which an organisation must commit its resources to if it is to maintain a viable and knowledgeable work force. Training of any kind should have as its objective the redirection or improvement of behaviour so that the performance of the trainee becomes more useful and productive for himself and for the organisation of which he is a part. Training is a widely accepted problem solving device. Indeed the national superiority in manpower productivity can be attributed in no small measure to the success of the educational and industrial training programmes. This success has been achieved by a tendency in many quarters to regard training as a panacea. It is almost traditional to believe that if something is good, more of a thing is even better. More training helps to solve manpower problems.

This situation, where there are a number of factors influencing the performance of banks including employee training, poses the
following questions to be probed.

i. Does performance of banks depend on training of employees?

ii. If so, to what extent?

This study is an attempt to find answers to the above questions.

1.3 OBJECTIVES

The study has the following objectives:

i. to review the various methods of training and the benefits of training

ii. to study the progress of banking in India and Salem District

iii. to study the performance of the sample bank branches

iv. to measure the extent of training of employees of the sample bank branches and relate it to the performance of branches and

v. to offer suggestions to improve training so as to improve the performance of banks.

1.4 HYPOTHESIS

The following hypothesis has been tested in this study:

Training of employees improves the performance of banks.
1.5 OPERATIONAL DEFINITIONS

1.5.1 Performance: The term performance has been used in this study to mean the performance of the selected branches of the commercial banks. Performance of banks has been measured in terms of deposits, advances and customer services. In order to combine the different components of training an index, called Performance Index has been constructed. The process of construction of this performance Index is explained in Appendix V.

1.5.2 Training: The term 'training' has been used to mean the extent of training given to the employees of the selected branches of banks. This employee training has many components such as time of training, duration, contents in terms of subjects, operations and service. As the units of the training input components vary, in order to combine them so as to obtain one measure of training for each employee a scoring has been followed. The scheme is explained in Appendix IV.

1.6 SAMPLING

Salem City has been selected for convenience as the researcher is serving in the city. There are 20 banks with a total of 25 branches operating in the town. The original idea was to cover all the branches. Therefore copies of the questionnaire were supplied to all the branches. However only 12 branches responded. Even
among these 12, the questionnaires of only 6 are complete in all respects. Hence the study covers only these 6 branches operating in Salem City.

Similarly the original idea was to cover all the employees including executives, middle level officers, clerks, and class IV staff in each branch. But in individual branches not all the employees responded. Hence the study covers the employees who have responded to our questionnaires. The study thus covers a total of 83 employees consisting of officers and clerks.

1.7 METHODOLOGY

The study is ex post facto. Survey method has been followed using field study. The study involves mainly primary data. Data were collected from the branches of banks and their employees through questionnaires. These questionnaires were supplied to them in person by the researcher herself and followed up later. The questionnaires were filled in by the respondents. Data were collected from the staff training institutes/colleges also through mailing the questionnaire. Besides, secondary data relating to development of banking in India were collected through books and journals.

1.8 TOOLS FOR DATA COLLECTION

The following tools have been used to collect primary data from the respective respondents.
1.8.1 Questionnaire for staff training Institute/College: This questionnaire has been mailed to the staff training institutes/colleges. This elicited information relating to the schemes of training followed in those institutions such as the components of training in terms of subject, operations and practical methods of training such as on the job, off the job, lecture method and seminar. (Appendix I)

1.8.2 Questionnaire for bank: This questionnaire was supplied to the sample branches. It contained questions relating to the performance of banks in terms of deposits, advances and customer service. (Appendix II)

1.8.3 Questionnaire for bank employees: The questionnaire was supplied to the employee respondents of the sample bank branches. This contained questions relating to the details of training they have undergone. (Appendix III)

1.9 QUANTIFICATION OF THE VARIABLE

The variable taken for study is training. Training as an input factor for the output of performance of banks is abstract. Therefore the training input in the case of each employee has to be measured indirectly. Scaling technique has been used to quantify the training input of each employee. Scores have been given in a graded manner to the various components of training, such as subject, operations, and human relations, each employee received,
(Refer Appendix IV) and training score for each employee respondent has been arrived at.

1.10 FRAMEWORK OF ANALYSIS

The dependent variable of this study is performance of banks. This performance has been measured in terms of certain parameters, such as deposits, advances, advances to priority sector and customer service. Performance Index has been constructed in terms of these parameters for each sample branch (Refer Appendix V). The independent variable of the study is training. This has been measured using scaling technique as explained in the previous section. Training scores were arrived at for each employee of that branch. Then in order to relate the training scores of employees to the performance of branches, the average of the training scores of the employees was computed for each branch. Then correlation coefficient between the performance indices and average training scores has been computed. The significance of the coefficient has been found through 't' test and thereby the hypothesis has been tested.

1.11 LIMITATION

The main limitation of the study was the problem faced by the researcher in data collection. The responses from the employees as well as from the branches were extremely poor. The researcher had to encounter indifferent respondents. Because of this reason,
though originally the objective was to cover all the branches in
the selected city and all the employees in each branch using census
method, that was not possible for implementation ultimately reducing
the sample to convenience and adhoc.

The other limitation is that there are many other factors
influencing performance of banks besides training as explained in
section 1.2.3 in this chapter. As most of these factors are exo-
genous such as government policy and industrial development of
the area, their influence on the performance of the selected branches
could not be eliminated and as such the findings are confounded
with those other factors too.

However this study enabled the researcher to learn the methodo-
logy of research by practice, especially in quantifying the qualitative
variables.

1.12 CHAPTER SCHEME

First chapter deals with the introduction and design of the study.

The role of training in improving the performance of banks
and various methods of training are explained in the second chapter.

The third chapter deals with the progress and development
of banks in India and Salem District.

The impact of training on Bank performance is presented
in the fourth chapter.
Fifth chapter summarises findings of the study. A few recommendations for improving the training input so as to improve the performance of banks are also given in this chapter.