CHAPTER VI

SUMMARY AND CONCLUSIONS
6.1. SUMMARY OF THE STUDY

6.1.1. Introduction

The main functions carried on by the nationalised banks include credit deployment and savings mobilisation. While the banking system has made spectacular progress in its functional spread and geographical reach, it has in the process suffered, seriously, in the form of decline in productivity and efficiency which has resulted contaminated loan portfolio.

The lending function i.e. credit deployment of a commercial bank is of utmost importance. It is, therefore, necessary for a careful consideration of a banker with regard to loans and advances. A close look into the affairs of nationalised bank lending in India reflects that more than often the advances became irregular, doubtful of recovery or even bad.

The whole credit process is not only dependent upon material factors but is contingent upon the decision-making by the concerned Branch Managers as because the actual banking operations are conducted by or through the branches.

Human factors, thereby, have tremendous role to play on credit decision-making. A decision-maker’s behaviour depends much on the psycho-social factors which in turn influences the cognitive processing leading to a decision.

The present study attempts a diagnostic exploration of the socio-economic, psychological and instrumental factors affecting the decision-making process in relation to fund lending by the bank managers as well as to evolve a model thereof in terms of a nationalised Bank in India.
6.1.2. **Objective of the study**

Specifically, the study makes an endeavour:

(a) to construct a decision performance index scale (DPIS) of the branch managers in terms of recovery in order to assess decision performance objectively.

(b) to categorise the branch managers in terms of the scores of decision performance index scale (DPIS).

(c) to construct a scale to measure the perceived instrumental factors affecting decision-making of the managers.

(d) to construct a scale to measure 'perceived social influence scale' affecting decision-making of the managers.

(e) to make a comparative study among highly successful (HS), moderately successful (MS) and less successful (LS) managers, in terms of DPIS with respect to:

   (i) Perceived instrumental factors (IFAC);

   (ii) Perceived social influence (PSIF);

   (iii) Psychological factors like risk (RISK), job involvement (JNVL), n-Ach (NACH), assertiveness (ASRT) and anxiety (ANXT).

(f) to ascertain the significant contribution, if any, of the independent variables towards explaining the variations in the dependent variable i.e. DPIS.

(g) to identify the contribution of major independent variables in order of their relative contributory influences on the decision performance (dependent variable) of the branch managers in the lending process with an aim to evolve a model.
6.1.3. **Operational definitions of the concept and construct in the study**

(a) **Non-Performing Assets (NPA):**
The loans and advances become non-performing when it ceases to generate income for banks. An NPA is a credit facility in respect of which any amount to be received remains past due (i.e. outstanding) for more than 180 days. For term loans, in cases where instalments have remained overdue for a period exceeding two years are treated as non-performing (RBI, 1992).

(b) **Decision performance index scale (DPIS):**
The movement of Non-Performing Assets of the respective branches of the bank for consecutive two years has been considered to measure the decision performance of the respective branch managers.

Operationally, DPIS has been constructed on the basis of this movement of NPAs of the respective branches of the bank over a period of two consecutive years as percentage of total advances.

(c) **Perceived instrumental factors (IFAC):**
Operationally, perceived instrumental factors are the cognitive evaluation of the conceptual framework of the managers as decision-makers in respect of the financial norms adopted for project appraisal of banks for lending purposes, as well as the priority given on individual items of such norms by the branch managers (ICAI, 1987).

(d) **Perceived social influence (PSIF):**
Perceived social influence, operationally, is the evaluation of the decision-makers in respect of their psychological inclination towards various socio-economic factors (Zalkind & Costello,
(e) Job involvement (JNVL) :
Operationally, job involvement is the degree to which an individual is psychologically indentified with his work (Lodhal & Kejner, 1965).

(f) N-Ach (NACH) :
Operationally, n-Ach is the degree to which an individual expresses his or her desire to compete with a standard of excellence (Smith, 1971).

(g) Anxiety (ANXT) :
Operationally, anxiety is the present state of mind caused by the possible conflict with the environment at a future date. Thus, anxiety is the anticipation of possible dissonance. This is an overt or manifest symptom in drive level of individuals (Taylor, 1953).

(h) Assertiveness (ASRT) :
Operationally, assertiveness assesses the degree of social boldness an individual manifests in the course of interpersonal interaction (Rathus, 1973).

(i) Risk (RISK) :
Operationally, risk means expressed attitude to take risk, which is the expression of one’s value for risk (Wallach & Wing, 1968).
6.1.4. Problems, methods and procedures

(a) Statement of the problems:
The branch managers need to evaluate a number of socio-economic aspects while making a lending decisions as well as to follow-up the end use of the fund lent, which again is dependent on the quality of the credit decisions initially taken. Thus rational credit decisions are essential for quality loan portfolio of a bank.

Due to individual differences, two persons perceive similar information differently as the information processing behaviour of different individuals differ. This influences the cognitive processing leading to difference in decision-making. The consequence is that some managers are more successful than the others.

The psychological factors that influence the decision-making process of the bank managers, if identified with reasonable accuracy, would benefit the entire banking system to take proper measures in bringing down its non-performing assets.

The present study, therefore, attempts to measure some of the endogenous non-cognitive factors affecting the cognitive domain of credit decision-making with a view to establish the relationship between these factors and decisions. Here emphasis is not only given on the psychological factors manifesting individual differences but also on the identification of the contributions of these factors over decision outcomes. In the process, the present study also tries to identify the impact of two-most very prominent exogenous factors i.e. instrumental and social factors interacting altogether with the cognitive domain to decision vis-a-vis decision outcomes.
(b) Hypotheses:

I. There is no difference among highly successful (HS), moderately successful (MS) and less successful (LS) branch managers of a nationalised bank on the basis of decision performance scores.
   (Hypothesis - HY-1).

II. HS, MS and LS managers categorised in terms of decision performance scores do not differ with respect to:
   (i) Perceived instrumental factors;
   (ii) Perceived social influence;
   (iii) Job involvement;
   (iv) n-Ach;
   (v) Anxiety;
   (vi) Assertiveness; and
   (vii) Risk.
   (Hypotheses - HY-2, HY-3, HY-4, HY-5, HY-6, HY-7, HY-8).

III. There is no significant contribution made by the independent variables over the dependent variables.
   (Hypothesis - HY-9).

(c) Sampling procedure:
Simple stratified random sampling technique was used. In this particular nationalised bank there were altogether 1407 branches as on 31st. March, 1994.

The branches were distributed on the following fashion as per the Reserve Bank of India guidelines: Rural, Semi-urban, Urban, Metropolitan. The rural and semi-urban branches have not been considered as the industrial borrowers were appreciably minimum.
Hence, the study was confined to Urban and Metropolitan branches totalling 493, spreaded all over India, whereby the sample was drawn from these two stratum.

Disproportionate stratified sampling technique was used whereby more or less equal number of branches were taken from each stratum making 493 branches.

Thus, from the Urban stratum 56 branches were selected randomly whereas 53 branches were selected from the Metropolitan stratum. Altogether 109 branches were selected which constituted the effective sample. One manager was excluded because of his unwillingness to respond.

Thus, the target sample size was 108 credit decision-making managers of 108 branches of the nationalised bank spread over the whole of India.

(d) **Tools used:**

In this study the following tools have been used:

1. **Decision Performance Index Scale (DPIS)** based on the movement of Non-Performing Advances of the branches of the nationalised bank, over a period of two consecutive years as percentage of total advances of the respective branches.

2. **Perceived Instrumental Factors Scale (IFAC)** developed on the basis of common norms adopted by all banks and financial institutions, in India, for credit proposals.

3. **Perceived Social Influence Scale (PSIF)** developed on the basis of the traditional custom as perceived and followed by the banking industry. Reliability and validity were examined using test-retest method and inter-judge correlate. (Gruilford & Frutcher, 1973).
5. Anxiety Scale (Taylor, 1953).

Brief distribution of the tools and scoring techniques including reliability and validity of the tools are mentioned in the foregoing section.

(e) General procedure:
A pilot study was conducted for the preparation of information and structured interview schedules. Data were collected by self-administration of the tests and interview schedules. Scoring was made on the basis of scoring manuals and techniques described earlier.

6.2. Conclusion
1. Lending managers differ with respect to decision performance. The result confirms that the three groups i.e. Highly Successful (HS), Moderately Successful (MS) and Less Successful (LS) have significant difference with respect to DPIS scores.

2. Lending managers categorised under three groups (HS, MS and LS) in terms of DPIS scores differ significantly with respect to some of the psychological factors considered in the study.

   a) Perceived Instrumental Factors (IFAC)
   Significant difference exists among HS, MS and LS
lending managers with respect to perceived instrumental factors. From the result inference can be drawn that there lies significant difference among three categories of managers in so far as cognitive information processing is concerned. Thus, perception of the instrumental factors to a great extent influences the lending decision phenomenon of the managers.

b) n-Ach (NACH)
Three groups of managers classified as HS, MS and LS in terms of DPIS differ significantly with respect to n-Ach scores. The HS managers are characterised by higher n-Ach than that of less successful groups.

c) Anxiety (ANXT)
Significant difference among the three groups of managers has been found with respect to anxiety scores. Though all the managers irrespective of classification are operating in the lower level of anxiety-proneness yet highly successful managers are relatively emotionally stable within the lower range of general anxiety level of the target group as against MS and LS managers.

d) Risk (RISK)
Managers, having different DPIS score levels and classified accordingly, differ significantly with respect to risk. It is evident that HS managers having the lower values of risk compared to MS and LS managers, are calculated risk-takers which in its
turn corroborates the earlier two results in relation to n-Ach and anxiety.

3. Managers classified under three categories do not differ significantly with respect to perceived social influence (PSIF), job involvement (JNVL) and assertiveness (ASRT).

a) **Perceived Social influence (PSIF)**

Unlike common man’s belief, lending decisions are not influenced by social factors.

b) **Job Involvement (JNVL)**

No significant difference exists with reference to job involvement reveals that under the role capacity of lending managers, every manager is compelled to form a set of common job commitment due to the demand of exogeneous factors namely, service market competition, pressure of time schedule, intra organisational policy framework, programme schedules etc. In critical psychological states of the managers, commitment to job appears to be getting more or less common weightages due to time schedule and policy framework.

c) **Assertiveness (ASRT)**

There exists no significant difference among the three categories of managers with respect to assertiveness. For lending decisions no managers need social boldness to make pursuasive communication. Social boldness which requires the manifestation of social influence over the others does not play a significant role over the credit
cognition of decision-making by the managers in relation to loans and advances.

4. There lies significant contribution of independent variables over dependent variable. In fact, independent variables considered in the study, therefore, contribute significantly towards explaining the variations in the dependent variable i.e. DPIS. \( F(7,100) = 5.364, P<.01 \). It can, therefore, be considered that one or more of the terms in the general model are significant. However, risk (RISK) and perceived instrumental factors (IFAC) contribute very significantly in explaining the variation than that of other five variables namely, anxiety (ANXT), assertiveness (ASRT), job involvement (JNVL), n-Ach (NACH) and perceived social influence (PSIF) [ cited in Table-24 of Chapter- V ]. This shows that other five variables are relatively less associated with lending decisions of the managers.

6.3 Findings at a glance

a) Lending managers differ significantly with respect to decision performance index scores (DPIS). It establishes not only the significance of classificatory variable, but also it appears that the classification is proper and meaningful.

b) Lending managers differ significantly with respect to perceived instrumental factors (IFAC), n-Ach (NACH), anxiety (ANXL) and risk (RISK).

c) No significant difference exists with respect to perceived
social influence (PSIF), job involvement (JNVL) and assertiveness (ASRT).

d) Risk (RISK) and perceived instrumental factors (IFAC) contribute very significantly towards explaining the variations in the dependent variable i.e. decision performance index scores (DPIS).

e) These findings have significant implications for the human resource development in general and banking system in particular.