ROLE OF NATIONALISED BANKS IN PROVIDING

AGRICULTURAL CREDIT

(A CASE STUDY OF JAMMU DISTRICT)

CHAPTER No. 5

PROBLEMS OF NATIONALISED BANKS IN THE DISTRICT

Introduction - Problems of Recovery - Problems of Training and Education - Marketing - Motivation to Staff by Bank Executives - Problems of Supply and Demand of Agricultural Loan - Other problems - Suggestion and Conclusion.
CHAPTER - 5

PROBLEMS OF NATIONALISED BANKS IN THE DISTRICT.

INTRODUCTION:

Banking has undergone a sea of change not only in its basic philosophy, structure and working but also in its long and short term objectives committed to the planned economic development of the country and welfare of the people. In present day of economic of the country being realised that banks are an effective and potent instrument in achieving the socio-economic objectives of the country. Hence banking industries are important agency of change facilitating the achievement of socio-economic goals in a planned economy.

Uptill now, the role of nationalised banks in providing agriculture credit in Jalgaon district was considered distinctly and it was observed that they have to be in progress. However, as would be observed they have to face certain problems while fulfilling the objectives of the banks which may be imperically studied and solution should be devised. This chapter deals
mainly with the short coming in the functioning of the
day to day of their business as well as various schemes
introduced by the Reserve Bank of India. With a view to
upliftment of the poorest and poor man to stand on their
own legs with the help of banking industries in our
developing countries to improve the standard of living
and remove the unemployment and under-employment problem
among the younger generation at present and in years to
come. Further more, it deals with the discussion of
various problems and efforts have been made to focus
attention in order to overcome them.

From the questionnaires sent to banks and personnel
visit during the period 17, December to June 1989, reveals
that about 34.70 percent problems of Recovery of Loans
20.67 percent marketing and transport and 16 percent,
12 percent, 11.30 percent and 5.33 percent relates to the
Training and Education, Supply and Demand of Loan,
Motivation Techniques and other problems (i.e. organisational
infrastructure, communication, profitability etc.). These
problems have been discussed simultaneously.

(1) THE PROBLEM OF RECOVERY OF LOAN:

Banking in India has entered a new phase in the
post-nationalisation period, which is marked by historical
challenges and hopeful prospects. Agricultural Credit is an indispensable input in the development of agriculture in the developing nation, particularly in predominantly agricultural countries.

The importance of the credit will be then realised if this vital agricultural input is used with all efficiency. The problem of recovery of loan, freezes the financial fluidity of banks and can finally lead to a lockout in agricultural credit industry. Besides immobilizing the credit structure the over dues jeopardise the very interests of non-defaulters and regular credit users by adversely affecting the production plans at micro level and put a self axe on the total food production at micro level.

Moreover, the proper recovery of loans is not only a pre-requisite for a rapid expansion of agricultural credit but also of paramount importance to any agency. Since repayment of credit ensures a recycling of public money for the development.

The problems of the Recovery of agricultural loan is very grave as far as the nationalised banks are taken under study in this district, and it is a common
phenomenon. This situation was not improved over the years. In this context, Dastay committee observed that “the default were universal and prompt repayment is exceptional in all the categories of borrowers viz. Small, Medium or Big farmers be having more or less alike”. * Lack of will and discipline among cultivators as regards the repayment rather than external factors, such as the climatic conditions, irrigation facilities and cropping pattern were to be the main causes, responsible for the poor recovery performance, which have continued to move-up when the external factors were favourable. The following table 7:1 gives an idea about the recovery problems reported by the nationalised banks in this district.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Bank</th>
<th>No. of branches having such problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Central Bank of India</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>The Union Bank of India</td>
<td>$8 + 1 = 9$</td>
</tr>
<tr>
<td>3</td>
<td>The Bank of Baroda</td>
<td>6</td>
</tr>
</tbody>
</table>

Table continued....

* D.P. Sharma - Cooperative over dues, Times of India dated 23-7-1980 p.1
As would be seen from table number 51 severity of this problem is grave as far as the Central Bank of India Branches are concerned followed by the Bank of Maharashtra, the Union Bank of India and the Bank of Baroda respectively.

Factors which are responsible for increasing the problems of recovery have been observed as under —

1. Internal Factors (Infrastructure).
2. External Factors.

(1) Internal Factors:

The following factors are most important in regular to recovery of Loan problems among nationalised banks in this district.
1) **Unsound Lending Policies:**

The failure to make credit production oriented which lies at the bottom of overdues in many places, where for example credit is based on the assets, the cultivator is likely to be over financed and would result in receiving advance loans beyond his repaying capacity. Again when the large sums are provided in cash credit may be misapplied and difficulty would arise at the time of recovery.

ii) **Inadequate Supervisions:**

It is seen that once the credit is issued to the borrowers no query is made about the purpose for which they are using loans. Farmers utilise these loans wherever they like and no supervisions and guidance is given for the productive use of loans. This misutilisation of loans makes the problem seriously, to recover the agricultural loan from the different temperament of the agricultural borrowers.

iii) **Over Financing of Particular Schemes:**

Over financing of particular scheme in a particular area is also rampant and it will not serve the desired purpose. Another important point is that concurrent monitoring of the finance given to the beneficiaries should
be strictly adhered to if the scheme is to achieve success. This not being followed in many branches because of the understaffed position of the branches and over bearing number of accounts.

iv) Unsatisfactory Management:

There are several instances which could be cited in order to show as to how faulty management is adding fuel to this alarming problem viz. failure on the part of the managing committee to take prompt steps in the matter of recovery of loans has led large overdues. The percentage rate of recoveries in the priority sector would lie between 20 percent to 60 percent. However, in the rural areas the recovery rate has been observed to be quite high compared to be urban, semi-urban areas. The sectorwise position is even worst, due to unsatisfactory management and is a sordid picture of effectiveness. Indeed, it is truely said that in agricultural sector the recoveries are the recorded lowest.

v) Political Factors:

The political factors and other considerations have led to false financing lending to the failure. Determined drive for recoveries and to proceed with coercive measures against defaulters is needed. At the time of election or other context, the political leaders
advised cultivators not to repay agricultural loans
assuring them in some cases that, extension of the
period for repayment would be granted or declarations
made by Government to remove the agricultural loans
upto Rs. 10,000/-* make the situation again difficult.

The most glaring drawback is the lack of
availability of proper infrastructure. Even the police
stations are miles away from some of the remote branches.
Proper all weather roads transport etc. makes the banks
functioning impossible. The supply of quality inputs
like high yielding seeds, good fertilizers, high breed
 cows etc. in adequate quantity and numbers at the
appropriate time, is absolutely indispensable for the
survival and effectiveness of the schemes. Adequate
veterinary facilities is a must, with the vast lending
being carried out under various schemes for live stock
(i.e. Allied to agriculture). However, in practice,
veterinary help to most beneficiaries is very scarce and
it is further alleged that exhorbitant fee is charged
for "Free Service". This will bring in its works the
achievement of the set goals for which the various schemes
were originally intended.

* Lokmat Daily dated 8-11-1988 p.1
(2) External Factors:

1) Natural Calamities and Diseases:

When the crops fail due to natural calamity or any other reasons, diseases, such as farmer cannot repay the loan in times, flood, cyclones, hailstorms etc. Thus the recovery fails and overdues increases.

2) Mis-use of Loan:

It is seen that generally the credit which is borrowed by the farmer in the name of a particular productive purpose, from a banking sector or other agency as the case may be, is not utilized for which it was observed. It is diverted to various other purposes which are of unproductive nature.

The usefulness of the bank credit is determined by the extent of the benefit provided by it to its farmers borrowers and so on. The usefulness of the Bank Credit is enabling them to raise agricultural production on a large extent and improve the economic status. But the difficulty arises when loans given for production purposes are misutilised because such transfer becomes burden to the borrower. If the borrowed money is invested for the production purposes on proper lines it certainly should give the profitable return. It should not be much difficult for the borrower to repay the loans from that
very source from which the loans were taken from; otherwise in case of misuse the difficulties accumulate at a growing rate.

The main factors responsible for the misuse of loan can be stipulated here as under —

i. The Time of Actual Need and Loan Issue;

There is a wide gap between the date of application for loan and date of granting of loan, and the farmers has to borrow from money lenders/sahukars etc. to fulfil his inputs with the result that when the farmers gets fresh loan from the banks, this is used to repay the money lenders by adding some interest from his own pockets. It clearly means that whatever the loans provided by banks to farmer, goes indirectly towards the money lenders, but not to the borrowers for which this whole banking structure has been lunched for the upliftment of poorest of poor by expanding banking operation to a large extent.

ii. Inadequacy of Loans:

If the loans are inadequates in amount to fulfill any particular need, the borrower is enforced to misutilises that borrowed money, somewhere else which creates a burden on the neck of a farmer at the time of repayment. Besides this, the farmer also goes to the village money lender to
take the remaining amount. Hence efforts are needed to eliminate these two factors to make the bank financing efficient.

iii. **Forms of Loans:**

Generally, loans are monthly issued in the form of cash and not in kind. If all the amount is given by the bank in kind form, certainly it would minimise the misuse of bank credit in the years to come.

(3) **WRITTING OF LOANS STEP TAKEN BY GOVERNMENT:**

Recently the National Front Government and some State Government (Maharashtra) declared writting off agricultural loans taken by farmers upto Rs. 10,000 of Small and marginal farmers have raised another issue for increasing the burden on the neck of banking sectors along with cooperative sections (previously declared writting off cooperative loans on 9th August, 1980.)

The banking industry is intended to blossom of flower of welfare and the dignity of mankind. However, it is observed that banking sector faced to resolute problems as it does today. News paper, daily report about farmers agitation against collection of
agriculture loans; politics which always go hand in hand with the leaders of various administrative institution, whether it may be in the field of private, cooperative or public sectors, supports and leads these agitations.

As the pressure has increased from the farmers, certain state government have completed to write off the loans due from the farmers, unmindful of its evil effects.

It is gratifying to note that some opinions of the social workers, the cooperative leaders and the office bearers especially engaged in the banking sections, have not in a position to recover dues and can not impress their views with policy to write off agricultural loans. They are not ready to join these factors and felt that if such a situation arises often and often, the success of the banking industry in India can never be even demand of and cause to the increased over dues on large scale.

Some observation which are given below —

Once the farmers realised that the government could be persuade to liquidate their debt, the very basis of the banking structure would be destroyed. In this connection, Mr. Sampat R. Patil (renowned person in the cooperative sector) remarks would be of worth mentioning. "The State Government's decision to write off farmers loans has already begun to have a snowballing
effect on the recovery of agricultural loans by banking sector". *

(2) THE PROBLEMS OF TRAINING AND EDUCATION:

The education and training in each and every sector is an important factor in this era of planning. According to the statement of our late Mahatma Gandhi that "If we remove poverty and ignorance among people in the country, Education can play a key role in year to come".

Education and Training is an important ingredient of management development programmes, and its crucial significance, as such, has since been recognised but in actual practice appropriate utilisation of training facilities leaves much to be desired and warrants a scope for consideration.

In order to make the training programme more effective, separate zones should be created and each zone; one important village be selected for conducting the training programme. Such classes should accommodate the farmers, staff members, bank executives, together.

* Ibid Page No. 1 column 3(E)
After covering a particular area and having been satisfied that there is not a village with an illiterate family not a family with an ignorant farmers etc, the area incharge instructor (Technical expert) should move to the extent neighbouring locality. Such instructor/technical experts particularly in this programme, should stay in villages and it will ensure the farmers prospective leaders, knowledgeable persons, social worker to have adequate time to discuss various problems with them in details.

For such training, advance programmes should necessarily be checked out and the concerned locality residents be informed accordingly. The farmers, staff members etc. must be educated and made aware about the functions of the banking sector in criteria. At least there should be educated in respect of the important provisions of the acts, rules and bylaws, circulars, as well as present situation in banking sector which are in views.

A separate and need based scheme for the training of the staff members, executives, farmers depositors as well as other outsider, who are active in the various banking institutions, union and federations should be prepared and submitted to the concerned ministry of the central Government for approval and realising necessary
financial assistance for effectively carrying out the programme. In case banking institutions are available training within society (TWS) may be introduced on the lines of training within industry (TWI). Moreover, an adequate propaganda about the aims, objectives and functioning of the banks may also be made through various means and methods.

The following table gives an idea of problems of education and training in the district.

**TABLE NO. 5:2**

**PROBLEMS OF EDUCATION AND TRAINING.**

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Name of the Bank</th>
<th>No. of branches training such programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Central Bank of India</td>
<td>19</td>
</tr>
<tr>
<td>2</td>
<td>The Union Bank of India</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>The Bank of Baroda</td>
<td>13</td>
</tr>
<tr>
<td>4</td>
<td>The Bank of Maharashtra</td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td>The Dena Bank</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>The Punjab National Bank</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>The Bank of India</td>
<td>1</td>
</tr>
<tr>
<td>8</td>
<td>Other.</td>
<td>4</td>
</tr>
</tbody>
</table>

TOTAL NUMBER OF BANKS = 60

Source = Own collection.

It is seen that the depositors, farmers and employees of banks are reluctant for participating in the
education and the training programme could not be fully utilised because of the following obvious reasons.

(1) Indifferent Attitude of the Banks —

It is seen that most of the banks do not spare their employees for training purpose. It is so because they do not have a sufficient staff to manage their normal work in the absence of so-called deputed trainees and also there is no such provision of payment for person deputed for training period.

(2) Absence of Planning —

Similarly, the departmental employees are not being spared by Government office, as well as bank executives for the training and thereby the training institution are not properly and fully utilised.

(3) Lack of Co-ordination in the Programme and Banking Sector

The training institutions do not get copies of the circulars of the different schemes of the State/Central Government in respect of banking event in present day circumstances, for the discussion in the training centres. They do not have freedom for evaluation. The farmers/employees of the banks, education programme has not bears successful in any State, due to the financial strategy.
(4) There is a lack of co-ordination between different training institutions function everywhere in the state.

(5) Non-Availability of Standard Working Condition —

It is seen that in most of the training centres or institutions, there is no building for the class rooms, the teaching staff, a hostel and a library. In the absence of water facilities, electricity, indoor and outdoor games materials the training programme do not attract the trainees.

(6) Programme or Scheme for Discussion —

It is observed that no seminars and discussions are being held to discuss the problems and prospectus of the banking sector and so also to advise the ways and means for remedial measures at the state level as well as the district level.

It is, therefore, recommended that Reserve Bank of India, State Government, and other agencies should initiate short term training courses and orientation training courses through Educational institution at district level, and the same time sponsoring organization be strictly directed, not to utilise the services of untrained personnel, having BSRB examination certificate for more than three years and untrained personnel should not be allowed annual increments and promotions.
Further more it is observed that the text books and other literature about banking system, procedure and latest changes in the law of banking etc. are not available in regional languages in the library of the training institution. Needful should be done in this respect. It has been felt that a banking industry is the only agency which can influence the people in rural areas and bring prosperity to them.

(3) THE PROBLEMS OF MARKETING: (Concept)

Marketing in the Indian Banking at least as a conscious organised effort is of recent origin. Banks hold the view that they have been doing marketing already without calling it by this name. Recently hardly any bank had adopted "marketing" as the guiding principle of its operations or as its organizational culture.

The growth of banking business in the post nationalisation period has so far been almost automatic due mainly to the huge horizontal expansion from 8262 branches in 1969 to 53364 branches at the end of 1986, with simultaneous increase in geographical coverage. This largely common flage the absence of systematic marketing efforts.
Of late, however, two factors have emerged which have made banks unsure about such easy growth in the coming times.

One, the beginning of the phase of consolidation in the banking industry from mid 1985, has virtually applied brakes on horizontal expansion.

Secondly banks are not facing a stiff competition from a variety of instruments with high yields and/or tax benefit viz. capital market instruments, Company deposits, National saving certificates, Indira Vikas Patra Rahat Patra, Kisan Vikas Patra, Public sector bonds, Units Trust of India Schemes etc.

After nationalisation of 14 major commercial banks in 1969, banks woke up from their splendid isolation and found themselves placed in a highly competitive and rapidly changing environment with the competition becoming fierce day by day. In the above backdrop, banks approach towards customers and market underwent a change and focus was gradually shifted to marketing their products. Banks were product oriented organisations, placing before the passive customer, their range of services, expecting him to choose, presuming that the customer had the knowledge, time, interest and skills, to pick out the service that would suit him. At the same time, banks also became
conscious of their corporate image and its projection and this introduced the public reactions philosophy in banks with the purpose of image projection.

The first major step in this direction of marketing was initiated by State Bank of India when in 1972 it re-organised itself on the basis of major market segments dividing the customers on the basis of activity and carried out four major market segments viz. commercial and institutional segment, small industries and small business segments, agriculture segment and a personal and service banking segment.

Marketing of Bank services may be defined as "the creation and delivery of customer satisfying services at a profit to the bank". Marketing thus aim not only at delivering (selling) whatever products (schemes and services) bank have but also at creating new products as per customers need.

The creation of attractive schemes has to be coupled with the efficient delivery to optimise customer satisfaction. The reward to the bank would be by way of enhanced customer patronage, good will and image building. All this will ensure sustained increase in its business even in the face of a stiff competition.
For the aggressive marketing of any type of banking facilities the staff should have the aptitude and motivation to face any challenges. Where these traits are absent, the result will be negative and growth of business may be due to only work-in-business.

Now-a-days, credit melas are organised by banks. The idea is to market the advances in the public functions explaining why and what type of advances are made, to whom they are made, how they are to be used and the need to repay the loans. These melas will educate the public and facilitate the marketing of loans. The deposit melas can help mobilise resources to the banks, while recovery melas may help in getting funds for recycling operations.

The extension activity is another strategy to market the banking services to the public. Particularly in areas, like agriculture small scale industries etc. (The Dena Bank, The Bank of Maharashtra, Central Bank of India etc. are good examples in this district for such services availed.) People get convinced through programmes of extension activities. Where the banks have carried out numerous extension programmes, such banks have been in the forefront of marketing operations. Marketing of services is faster where the banks take pains to educate the clients. Particularly through various kinds of extension activities melas and meetings.
For the proper propagation of these marketing services viz., market analysis, planning for marketing, execution of plan at right place at the right time, a separate section should be set up in order to undertake the research work in the improved method of customers services, undertaking publicity through demonstration show rooms, exhibitions, cinema slides platform speech, radio's, T.V. and like methods to know the public, the performance of the bank in their needs fulfilled by banking sectors.

Apart from these, lack of financial facilities specially in the rural areas, transportation bottlenecks, are also the major problems before the banks under taken for study in this district. In spite of the existence of the Government agencies and rural credit societies for providing agricultural finance the credit and financial need of the farmers are generally met by the local money lenders, and mahajans. They charge a very high rate of interest. Besides the farmers are compelled to sell their product at a predetermined and cheaper price.

Transportation problems is also one of the major problems before the banks in this district. There is a lack of feeder roads connecting villages to towns and railway stations. Village roads used by the bullock-carts are generally neglected and remain under developed
uptill now. During the rainy season they become rather
than unusable. Because of the shortage of proper
transportation facilities, the farmers or borrowers of the
bank compelled to sell their product in the village
itself; to the village merchants or to the money lenders
at a very low price. Hence farmers are not in a position
to repay the loan taken from the banks in due course,
because of low return from the investment in an agricultu-
ral sector by them and the problem of recovery of loan
by the banks in increasing day by day in the present
situation.

Absence of market intelligence, low marketable
surplus and its interior quality, adulteration of low
product, and absence of effective organisation are some
other problems before the banks in this district.

(4) THE PROBLEMS OF MOTIVATION:

One of the key elements, responsible for the
success of any organisation is 'motivation'. Its
importance in a particular organisation will depend upon
the relative importance of the personnels in that
organization. For this purpose 60 banks executives were
interviewed. The enumeration was carried out mostly
in the afternoon between 3 pm and 5 pm. When most of
the Branch Manager were available at the bank for open discussion.

Out of total number of bank executives 20 percent had 1-3 years experience, 41.67 percent have 3-7 years experience, 23.33 percent had 7-12 years experience, and 15 percent had 12-20 years experience as an officer. As regards their qualification is concerned three category were observed viz. Matriculation, Graduation and Graduation plus during personal visit to the various branches of nationalised banks in this district. The following tables gives an idea about education and experience as an officer and the banks in the table number 5:3 and 5:4 respectively.

TABLE NO.5:3

PERCENTAGE DISTRIBUTION OF BANK EXECUTIVES BY EDUCATION.

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Category of Education</th>
<th>Percentage of Education of officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Matriculation</td>
<td>13.33</td>
</tr>
<tr>
<td>2</td>
<td>Graduation</td>
<td>33.33</td>
</tr>
<tr>
<td>3</td>
<td>Graduation plus</td>
<td>78.34</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Own collection and information on enquiry.
TABLE NO. 5:4

PERCENTAGE DISTRIBUTION OF BANK EXECUTIVES
BY EXPERIENCE AS AN OFFICER.

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Experience in years</th>
<th>Promoted to officer percentage</th>
<th>Probationary officers percentage</th>
<th>Total percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 - 3</td>
<td>20.00</td>
<td>---</td>
<td>20.00</td>
</tr>
<tr>
<td>2</td>
<td>3 - 7</td>
<td>33.33</td>
<td>8.33</td>
<td>41.67</td>
</tr>
<tr>
<td>3</td>
<td>7 - 12</td>
<td>16.67</td>
<td>6.67</td>
<td>23.33</td>
</tr>
<tr>
<td>4</td>
<td>12 - 20</td>
<td>11.67</td>
<td>3.33</td>
<td>15.00</td>
</tr>
<tr>
<td>5</td>
<td>20 and above</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>81.67</td>
<td>12.33</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source = Own collection.

By and large, the identification of motivation techniques used by bank executives. The titles of the techniques are generic and self explanatory in nature. The techniques have been arranged in order to their usages by percentages in the following table number 5:5

Table 5:5 continued...
<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Motivational Techniques</th>
<th>Percentage of Respondence completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Praise for good work</td>
<td>96.67</td>
</tr>
<tr>
<td>2.</td>
<td>Informal discussion of Bank problems with staff.</td>
<td>95.00</td>
</tr>
<tr>
<td>3.</td>
<td>Care of personal problems of staff members</td>
<td>88.33</td>
</tr>
<tr>
<td>4.</td>
<td>Cooperative attitude in work</td>
<td>84.17</td>
</tr>
<tr>
<td>5.</td>
<td>Letter of application</td>
<td>75.00</td>
</tr>
<tr>
<td>6.</td>
<td>Persuasion and request</td>
<td>66.70</td>
</tr>
<tr>
<td>7.</td>
<td>Company to Lunch and Tea</td>
<td>60.00</td>
</tr>
<tr>
<td>8.</td>
<td>Staff meetings</td>
<td>53.33</td>
</tr>
<tr>
<td>9.</td>
<td>Family visits</td>
<td>46.67</td>
</tr>
<tr>
<td>10.</td>
<td>Difference of Treatment</td>
<td>42.50</td>
</tr>
<tr>
<td>11.</td>
<td>Mutual understanding with staff</td>
<td>33.33</td>
</tr>
<tr>
<td>12.</td>
<td>Company to recreational activities</td>
<td>25.00</td>
</tr>
<tr>
<td>13.</td>
<td>Administrative Action</td>
<td>8.33</td>
</tr>
</tbody>
</table>

Source = Own collection.

The table number 5:5 depicts that most of the respondents (96.67 percent) realised that recognition and praise for good work is the best way of getting things done as it satisfies "recognition" need of the individuals. Informal discussion of bank problems with staff members creates a sense of belongingness and
responsibility towards the bank. 95 percent of the respondents recognised this fact and used it in motivating their staff. The principle of 'give and take' is equally applicable in this sector and so 88.33 percent of the respondents cared for the personal problems of the staff members. If there is a good cooperation in the branch, there may hardly be any problem in accomplishing the job. A majority of respondents (84.17 percent) extended their full cooperation to the staff members in the performance of their duties. An informal recognition accompanied with a formal letter of appreciation will have a synergistic effect such as $2 + 2 = 5$. And so 75 percent of the respondents used both techniques simultaneously.

Techniques like persuasion and request, company to lunch and tea, family visit etc. contribute to the development of a good personal relationship with the staff and have been used by a good majority of respondents. The techniques of staff meetings have been utilised by 53.33 percent respondents. Different people want different type of treatment from their superiors, so an appropriate treatment is necessary for their satisfaction. 42.5 percent of the respondents have been found using this techniques. Many conflicts may be avoided if there is a mutual understanding between the superior and the subordinates. 33.33 percent of the respondent willingly
tried to make themselves clear and to understand their subordinate clearly. Very few (25 percent) of the respondents were in a position to accompany the staff to recreational activities; though it may be a good motivator. Only 8.33 percent of the respondents have been resorted to the negative motivators like the administrative action.

Further more an analysis reveals that most of the techniques used by the executives in motivating their staff have been non-monetary and positive. It is through better personal relations that executives get the work done. They fulfil the psychological needs of the staff by praising them by discussing the bank problems with them, by taking interest in their personal problems and by extending cooperation in their work. Family visit, company to lunch and tea, staff meeting etc. creates a homely and friendly atmosphere in the bank. The fact that the educated people may be motivated through positive motivators has also been proved in the study, as administrative action as a motivator has been preferred only by 8.33 percent respondents.

By and large, major difficulties in the way of motivation as pointed out by bank executives presented in table number 5:6. The difficulties have been arranged
in order of their recognition by the percentage of respondents.

**TABLE NO. 516**

**MAIN DIFFICULTIES FACED BY BANK EXECUTIVES.**

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Difficulties</th>
<th>Percentage of respondents contacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Union interference</td>
<td>65.00</td>
</tr>
<tr>
<td>2</td>
<td>Absence of power to take independent decisions/actions</td>
<td>25.00</td>
</tr>
<tr>
<td>3</td>
<td>Lack of special incentive</td>
<td>23.33</td>
</tr>
<tr>
<td>4</td>
<td>Lengthy procedures of Head office</td>
<td>18.33</td>
</tr>
<tr>
<td>5</td>
<td>Shortages of staff</td>
<td>16.67</td>
</tr>
<tr>
<td>6</td>
<td>Conflicts and frustration among staff members.</td>
<td>13.33</td>
</tr>
<tr>
<td>7</td>
<td>Autocratic behaviour of officers</td>
<td>5.00</td>
</tr>
<tr>
<td>8</td>
<td>Inefficiency of staff</td>
<td>3.33</td>
</tr>
<tr>
<td>9</td>
<td>No relationship between work and promotion</td>
<td>3.33</td>
</tr>
<tr>
<td>10</td>
<td>Frequent changes in Bank policies</td>
<td>3.33</td>
</tr>
<tr>
<td>11</td>
<td>Frequent job rotation</td>
<td>1.67</td>
</tr>
</tbody>
</table>

Source - Own collection.

The table number 516 shows that the bank executives were somewhat reluctant. While indicating the barriers in the way of motivation, still a majority of the respondents (65 percent) pointed out that the "Union interference" as the major hurdle, and for most of them it was the only blockade in their way.
Employees unions are very effective in banks and they exert their influence on promotions, transfers, allocation of work etc. And, possibly, due to the union interference the negative motivators have eclipsed in banks.

A poor authority responsibility relationship is another major obstacle as pointed out by the respondents (25 percent). Executives can't take independent actions against the rifer. The in existence of the special incentives for superior work is also responsible for interness in banks. The outstratched procedures of head office is another big problem. Even weekly items are to be forwarded to the head office which cause frustration and vexation among the employees. Shortages of staff has also been recognised by some respondents (16.67 percent) as a demotivator. Interpersonal and intra-personal conflicts among the staff members also interdict motivation.

A very few respondents have realised the autocratic behaviour of officers, inefficiency of staff a dissociation of work and promotions and a frequent job rotation as barriers for motivation.

To overcome these problems the major suggestions given by bank executives in two types, one related to
Improvement in inter-personal relation and secondly to improvement in bank policies and procedure. Accordingly, they have been presented in two parts A and B in table number 5:7 (Part-A)

**TABLE NO. 5:7 (Part-A)**

**SUGGESTIONS OF BANK EXECUTIVES**

(Getter Human Relation)

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Suggestions</th>
<th>Percentage of respondents suggested.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Personal Advice, persuasion, request and encouragement.</td>
<td>46.67</td>
</tr>
<tr>
<td>2</td>
<td>Mutual understanding</td>
<td>25.00</td>
</tr>
<tr>
<td>3</td>
<td>Regard and Praise for work</td>
<td>25.00</td>
</tr>
<tr>
<td>4</td>
<td>Cooperative Sympathetic and helping attitude</td>
<td>25.00</td>
</tr>
<tr>
<td>5</td>
<td>Creating a sense of responsibility</td>
<td>20.00</td>
</tr>
<tr>
<td>6</td>
<td>Recognition of their personal needs</td>
<td>8.33</td>
</tr>
</tbody>
</table>

Source: Own collection.

Table 5:7 (part 'B') continued...
TABLE NO. 5:7 (Part-B)

SUGGESTION OF BANK EXECUTIVES:
(EFFECTIVE POLICIES AND PROCEDURES)

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Suggestions</th>
<th>Percentage of response suggested.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Quick Administration Action against defaulter.</td>
<td>36.67</td>
</tr>
<tr>
<td>2</td>
<td>More Staff Incentives</td>
<td>23.33</td>
</tr>
<tr>
<td>3</td>
<td>More Powers to manage to take independent actions.</td>
<td>20.00</td>
</tr>
<tr>
<td>4</td>
<td>Proper Training and Education of staff.</td>
<td>13.33</td>
</tr>
<tr>
<td>5</td>
<td>Check on unnecessary interference by union.</td>
<td>13.33</td>
</tr>
<tr>
<td>6</td>
<td>Direction relationship between promotion and good work.</td>
<td>13.33</td>
</tr>
<tr>
<td>7</td>
<td>Competent and intelligent Superiors.</td>
<td>13.33</td>
</tr>
<tr>
<td>8</td>
<td>Support from Higher Authorities</td>
<td>6.67</td>
</tr>
<tr>
<td>9</td>
<td>Avoidance of Delay in Releaseing employees benefits.</td>
<td>5.00</td>
</tr>
</tbody>
</table>

Source = Own Collection.

The tables number 5:7 'A' and 'B' reveals that the performance of bank executives for better human relations and the improvement in the policies and the procedure of banks has come next. For better human relations, the techniques like personal advice "Persuasion"
"Request" and "Encouragement" have been preferred by a majority (46.67 percent) respondents. There should be mutual understanding between the members of the staff and the executives. Officers should give due regard to the workers and should appreciate good work. Instead of being dictatorial, the executives should be cooperative, sympathetic and helping to the staff. Efforts should be made to create a sense of responsibility among the staff members. The personal problems and requirements of the staff should be recognised by the officers and are to be properly cared for.

The table number 5:7 (part "B") depicts that the improvement in the policies and procedures of the bank it has been suggested (36.67 percent), quick administrative action should be taken against the defaulters. In the absence of an appropriate action they may be motivated to repeat the defaults. There should be also provision for special incentives to the efficient workers, as at present no such incentives are available in the bank branches taken for the study in Jalgaon District of Maharashtra State.

Moreover, it would be observed that some respondents (20 percent) have suggested that more power should be delegated to the branch manager and officers to take independent decisions. However, there should be
proper training arrangement for the staff members (13.33 percent) too. Unions should not be allowed to interfere in all members (13.33 percent). The promotions should be based more on merit than on seniority. Some of the respondents (13.33 percent) have also suggested that the executives should be intelligent and competent; they should be aware of the motivational techniques, possess leadership traits and should be in a position to take quick and intelligent decisions. The top management should also have a helping and supporting attitude towards the middle management. Finally, if there are any benefits for the employees, they should be immediately released by the branch manager. Any delay in their release may cause discontent and dissatisfaction among the employees and the executives will lose their confidence forever.

The banking industry has to devote grater attention to the satisfaction of customers, which in turn depends upon the stimuli of its own employees. So an adequate understanding of work motivational techniques by the industry is necessary for the success in the customer services.
While going through the problems for supply and demand of loan, it is seen that a timely sanction of loan to the borrower at the reasonable rate of interest in agricultural section is the main problems and it has put almost all the bank branches in greater of trouble, due to the limiting authority goes into the hands of bank manager. This situation is grave in the rural area. On account of the locational difficulties alone, most of banks as would be observed could not bet easily and consequently facing many problems. The fruits of the governmental schemes thereby, are siphoned by the short-sighted indigenous bankers in the field of banking industry in particular and in the other section in general.

Differential rate of interest in agriculture loan policies applicable to the different categories of people, are also responsible for issuing loan according to the demand of the borrowers, becomes the problems of the regional imbalance in area of the operation of the banking industry. However, the power of the banking officer is limited and cannot given satisfactory services to the customers i.e. borrowers to increase their amount without the permission of the Head Office or Central Office. Another lacuna is observed that a
nationalised banks in this district uses the old and
out dated tools and implements in the process of
agriculture production and in various operations. These
bottlenecks have made it difficult to produce good services
and standard quality suited towards the customers. The
agricultural borrowers do not like to repay loans. Besides
announcements regarding the redemption of loans raised
by small farmers are encouraging the habit. This has
tempted the honest borrowers to defer the loan instalments
in the hope that a similar announcement would be made in
future; and adversely effect on recycling of funds as well
as affecting the profitability of the banks.

The banks have now to face a new problem. It is
the need to take a legal action against those agricultural
borrowers who had sign the letter of acknowledgement of
debt. Inspite of the heavy costs incurred banks have not
been able to recover their dues to a satisfactory extent.

An examination of the profit and loss accounts of
banks reveals that a rising trend in the case of rent of
buildings for housing the offices of bank in rural and
urban areas. Stationery, Telephone bills paid by banks
a heavy expenditure on advertising the deposit schemes
and on printing publicity material. They have also
incurred huge cost on account of distribution of gifts
articles such as wall and table calenders. Bank profitability
is not therefore affected by these factors as much as it is influenced by certain other factors that are deep rooted in the Indian banking structure such as competitive nature of the business and an ideological change that has brought about in the philosophy, practices and techniques of bank lending.

Declining profitability of banking is due to the loans granted to the weaker sections in the urban areas since 1971, bankers have been financing the neglected sectors of the community at a differential rate of interest (DRI) of four percent per annum. When the rate of interest chargeable on commercial advance is well above 13.5 percent. The loss of 10 percent on the entire credit to the weaker sections may be treated as the cost of social obligation of banks. Thus there is the poor recovery and the high percentage of bad debts in advances sanctioned to the weaker sections resulting in adverse effects on profitability. Hence Banks are not in a position to fulfil the gap between the demand and the supply of loan in agricultural sectors incoming days.

The banking industry sustains on account of free services or services at the concessional rates. This is not good when profitability is fast diminishing on account of poor recovery of loans and bad debts in the priority sector advances.
The banking department of the union Government in consultation with the Reserve Bank of India should prescribe the service charges commensurate with the prevailing price trend and initiate rational measures with a view to standardising the bank charges among the public sector banks. Due to the above facts banks have not in a position to remove the bottleneck and find out the solution to overcome the problem of demand and supply of loan from the various sectors in banking industries today.

(6) OTHER PROBLEMS

Other problems include industrial relations, imbalances, communication trade union, and lack of research programmes in the banking industries. Job satisfaction reorganisation team work etc. are the alarming problems in present day of economy. In order to understand industrial relations in banks. It will be pertinent to note that to trace the historical background of the quality of relationship between the employees and employer. Prior to nationalisation of banks there used to prevail wild, fluctuations in the industrial relations. The volume of strikes i.e. the size, duration and frequency of strikes, was construed as the only indices of cordial or strained relations.
In the early fifties, conflicts and frictions between the employees and the bank management were the order of the day. The banking sector had a bitter experience of 49 days strike in 1951, perhaps the longest one in the Indian banking history. There was incipient labour unrest, labour was highly organised. There were no proper service conditions. Employees could be called at any time and made to stay in office, until the assigned work was completed. Because of the feudalistic management style, individual gains had a precedence over the organisational goals, slowly, but steadily the employees b惠meselves and got organised on trade union lines. Even after the formation of the trade unions in banks, the management, by virtue of its dominance, was able to prolong the conflict in the tribunals and the courts. In this connection, it would be observed that in banking industries parity or uniformity in wage structure is no more an issue now, but disputes have spread to other areas e.g. the recent strike on October 1989, by State Bank of India throughout the country was to protest against the outside interference in day-to-day bank functioning and politicalisation of the unions. What a one day strike by only a single bank proved very clear to the economy as transaction worth Rs. 1500 crores were affected. In 1978, when six lakh bankmen struck work, cheques work Rs. 1000 crores lay
uncleared in the vaults of the banks. Thus whether one unit or the industry as a whole goes wild, the financial implication are quite staggering.

In this context, it is suggested that the most important task before the manager is of the development of human resources or at least, providing conditions under which the people from organisation can make the fullest use of their abilities. All organisations have hidden resources of the underused talent which if tapped, can greatly improve their performance. These resources are the national assets. Developing them to the full, would increase the effectiveness of the banking industry. This might be a hygienic drink to the bank management, to improve the industrial relation on large scale without any hindrance, not only at the present state of economy but also in future prospectus too.

As regard the imbalances and inequalities of income in various bank branches. It would be observed that the area demarcation to the rural branches for financing by the required authorities, has not been done clearly. Hence, a lot of double financing has occurred. Though many of the areas are under banked yet it is amazing to find a few pockets with "over banked" position. It has been reported that a political pressure has contributed to such lopsided inequalities of income.
and an imbalance between one bank to another in respect of providing the agricultural finance towards the needy sector.

Other problems like the role of trade unions, the workers' attitude, the research programme and communication are slightly headache for the smooth working of the banks. The contribution of Indian trade unions towards participative management in India can only be termed as negative. There have been no initiatives from the trade union in fact, demanding workers participation or joint constructive bodies. Apart from these the inter union rivalry, the political affiliation of trade unions and non-industrial leaders ushered into the trade unions play havoc in India in the areas of participative management. It would be observed that due to the inter union rivalry the 1981 National Convention of trade unions held at Bombay, could muster nearly 3000 employees. The lack of democratic process within the unions also is a hindrance.

The employees' attitude towards the participation is also not constructive. The non-participation by the rank and file of the work is very common and this is the general phenomenon all over the country. If the

participation was introduced any field of organisation in all seriousness, began to create a new worker, who was less interested in a large wage pocket or shorter hours of work and more interested in acquiring greater control over the system in which they had been a mere cog. *

The ultimate objectives of all participative management are to increase productivity, efficiency, improve job satisfaction and reduce waste. It is the medium of communication that creates or congenial two way flow of communication. In the absence of participation "You plans a thing for months, try to implement over years and blame your subordinate 'lifelong". ** The success of every thing depends upon the initiative, and attitude of the management and spirit with which the subordinates take it.

To overcome these problems necessary steps should be taken in order to improve the market survey and the research stabilization of agricultural product to control the pricing policy through training and education of the

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* J.B.Bhattacharya - participative management and trade union, economic times, 24-11-85 P 5-6

** Kenneth Bhalchard and Robert Lorbes - Putting one minute manager at work preface 1968 Ps 101 prin ding Hall
personnel engaged in various fields of banking sector. The establishment of supervisory committee to check on above problems for ensuring fairness in market dealing, is inevitable.

It is observed that the nationalised banks in the district face a number of problems and these can be overcome, if the banking higher authority i.e. the Reserve Bank of India takes the necessary steps needed for their progress and development too. These steps may include the amendment of the Banking Regulation Act, opening of various consultative centres, research programme activity, establishing a separate cell in the banks for meeting their financial needs to serve them adequately. A separate cadre should be organised for the specific purposes. Further more, it is observed that the nationalised banks in the Jalgaon district of Maharashtra State have played a significant role, reducing the rural unemployment problem. But there is a great need for re-organising and improving the working of these banks in several ways to enable them to be accepted as an integral part of the institutional credit system, may be of immensehelp to the needy sector of the economy. Table No. 5:8 focuses attention on the nature of problems faced by nationalised banks in this district.
### TABLE NO. 5:8
PROBLEMS OF NATIONALISED BANKS.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Bank</th>
<th>Recovery of loan.</th>
<th>Training &amp; Marketing</th>
<th>HR &amp; Management</th>
<th>Customer Satisfaction</th>
<th>Otherdemands</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Central Bank of India</td>
<td>10</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>21</td>
</tr>
<tr>
<td>2</td>
<td>Union Bank of India</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Bank of Baroda</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Bank of Maharashtra</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>5</td>
<td>Dena Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>6</td>
<td>Punjab National Bank</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>United Commercial Bank</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>8</td>
<td>Bank of India</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>9</td>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>21</strong></td>
<td><strong>10</strong></td>
<td><strong>12</strong></td>
<td><strong>7</strong></td>
<td><strong>8</strong></td>
<td><strong>3</strong></td>
</tr>
</tbody>
</table>

PERCENTAGE to (34.70) (16.00) (20.67) (11.30) (12.00) (5.18) (100)

**Source** = Own Collection on information and inquiry.

(Figures in the brackets denotes the percentage to the totals)

Other includes - (Industrial reactions communication, trade union, job satisfaction etc.)
The table number 5:8 depicts that the problems recovery of loan and motivation are in every type of banks. Most of the problems are the common phenomenon in day to day business of banks. There is a need of taking serious measures in order to promote training and education facilities to be of real utility of the banking industries.

SUGGESTION AND CONCLUSIONS:

India is an agricultural country. Unemployment problems is the greatest problem in rural areas. As per report of Agriculture Labour Enquiry Committee, appointed by the Government of India, the number of unemployment persons in India is about 26 millions which comes to about 12 percent of total labour force. Nearly 70 percent of our population is engaged in agriculture and allied sector activities. During fourth Five year Plan period about 34 millions new entrance are expected to join in the list of employment seekers which was 12 millions in the beginning. The organised sector can absorb about 12 percent of 46 millions unemployed.

* Kurushetra. Editorial, Jan 16-31 1981 p.i
The remaining 40 millions would have to look towards agriculture and over unadjusted sector like village and cottage industries etc.

Only the banking industry is the key unit to remove all these problems and difficulties in years to come. However, some definite, but concrete steps are to be taken up for better living, better understanding to upliftment of weaker section and removing poverty throughout the country.

It is suggested that the banking industry has to devote greater attention to the satisfaction of customers. Which in turn depends upon the stimuli of its own employees. So an adequate understanding of work motivational techniques by the industry is necessary for success in its customer services.

If the above said problems difficulties could be nicely dealt with and the barriers could be removed then the bank executives would be in a position to provide adequate motivation to their staff members and get the work done in an effective and efficient way.

* Bankers Institute for Rural Development Lucknow,
  Reading material kit volume-I NABARD P.13
Financial methods/procedures will have to be changed so as to enthuse physical planning to replace financial planning. Micro banking should replace macro-banking.

Training programmes for bank employees at all levels and particularly at the upper levels requires to be renovated thoroughly, so as to suit out changed demands from the Executive/Managerial levels, where timely decision making is a must.

Specialisation should be the consideration while executing the proposed restructuring of the system, because banking means useful, development and dynamic finance and this can be practiced only if Banks get specialised in respective finance-job. Then all these problems and difficulties in day-to-day business of the banking sector are to be solved without any hardles in the way.

There are very bright prospectus for the common man and the development of our economy. All obstrcles can be overcome through good banking which provides all opportunities and facilities for expanding the sphere of 'Good Investment' which can be an engine for rapid balanced growth and all round economic development too.