CHAPTER - 7

CONCLUSION AND SUGGESTIONS

Non-nationalised banks are such which have not been taken by the Government. Up to March 31, 1995 there were 26 non-nationalised banks, out of which only four non-nationalised banks namely, The Nainital Banks Ltd., The Bareilly Corporation Bank Ltd., The Benares State Bank Ltd. and The Kashi Nath Seth Bank Ltd. (now merged with SBI in January 1996) have been considered for the purpose of this study.

First chapter is introductory in which meaning of financial management, Meaning and importance of non-nationalised banks have been described. These banks have played a unique role in the financing of Priority sector lending and have contributed towards India’s economic development.

The Nainital Bank Ltd. was established in 1922 with its Head Office at Nainital. The main objective behind establishment of the bank was to help industrialization of the Kumaon region and to provide complete banking facilities to the society. In the year 1994-95 the total money deposits of the bank were at Rs. 172 crores and advances at Rs. 57.61 crores. The total number of branches were 51 as on 31-03-1997.

The Bareilly Corporation Bank Ltd. was established in the year 1928. The objectives of the bank was to help the wood crafts artisans. The total deposits of the bank were at Rs. 220 crores, advances at Rs. 72 crores in the year 1994-95. The total number of branches were 60 as on 31-03-1995.
The Benares State Bank Ltd. was established in 1891. During the year 1994-95 the total deposits of the bank were at Rs. 411 crores, advances at Rs. 124 crores. The number of branches were 96 as on 31-03-1995.

The Kashi Nath Seth Bank Ltd. was established in the year 1948. The total deposits of the bank were at Rs. 70.87 crores, advances at Rs. 46.08 crores as on 31st March, 1993. The total number of branches were 30 as on 31-03-1993.

The Kashi Nath Seth Bank Ltd. was "B" class non-schedule bank and now the bank has been merged with State Bank of India w.e.f 01-01-1996.

Second chapter relates with the financial management, sources of finance. Sources of finance of these non-nationalised banks are, capital, reserves and surplus, different types of deposits and borrowing etc. The capital of The Nainital Bank Ltd., The Bareilly Corporation Bank Ltd., The Benares State Bank Ltd. and The Kashi Nath Seth Bank Ltd. as on 31-03-1995 was Rs. 1.00 crores, Rs. 5.16 crores, Rs. 61.30 crores and Rs. 0.16 crores, respectively. Reserves and surplus of these banks were Rs 4.54 crores, Rs. 1.32 crores and Rs. 3.59 crores, respectively. The reserves and surplus of The Kashi Nath Seth Bank Ltd. was in negative as on 31-03-1995 i.e., Rs.(-)35.19 crores. During the year 1969 the total deposits of The Nainital Bank Ltd., The Bareilly Corporation Bank Ltd., The Kashi Nath Seth Bank Ltd. and The Benares State Bank Ltd. were Rs. 122 lacs, Rs. 349 lacs, Rs. 27.80 lacs and Rs 465 lacs, respectively. During the year 1980 the total deposits of these banks were at Rs. 1409 lacs, Rs. 2210 lacs, Rs. 604.20 lacs and Rs. 5679 lacs, respectively. During the year 1991-92 the deposits were Rs. 11994 lacs,
During the year 1994-95 the total deposits of The Nainital Bank Ltd., The Bareilly Corporation Bank Ltd. and The Benares State Bank Ltd. stood at Rs. 17199 lacs, Rs 22018 lacs and Rs. 41177 lacs, respectively. Comparative study of these banks shows that among these non-nationalised banks, The Nainital Bank Ltd. has given special attention towards savings bank deposit accounts, whereas The Bareilly Corporation Bank Ltd, The Benares State Bank Ltd. and The Kashi Nath Seth Bank Ltd. have given special attention towards term deposit accounts.

Chapter third relates with utilisation of funds. The funds have been used by these banks for granting of loans, cash-credit facility, overdraft and discounting of bills. In addition to such utilisations, funds have also been used for purchase of bills and making consortium advances. During the year 1981 the total advances of The Nainital Bank Ltd., The Bareilly Corporation Bank Ltd., The Benares State Bank Ltd. and The Kashi Nath Seth Bank Ltd. were Rs. 872 lacs, Rs. 1359 lacs, Rs. 2827 lacs and Rs. 529 lacs, respectively and in the year 1991-92 Rs. 5103 lacs, Rs. 6336 lacs, Rs. 12173 lacs and Rs. 4715 lacs, respectively.

During the year 1994-95 the total advances of The Nainital Bank Ltd., The Bareilly Corporation Bank Ltd. and The Benares State Bank Ltd. were Rs. 5761 lacs, Rs.7213 lacs, Rs. 12427 lacs, respectively. These four banks provided more than 40% of total credit to priority sectors covering the small scale industries, small and marginal farmers with land holdings of five acres and less, landless labourers and persons engaged in allied activities, transport operators, retail traders, small businessmen, professionals and self employed
persons etc. Among these four banks, The Kashi Nath Seth Bank Ltd. has provided maximum advances in rural areas, The Bareilly Corporation Bank Ltd. has provided approximately 50% of its total advances in semi urban and urban areas, The Nainital Bank Ltd. and The Benares State Bank Ltd. have provided approximately 30% of its advances in semi urban and urban areas. These banks participated in all Government sponsored schemes like- I.R.D.P., S.E.E.U.Y. and P.M.R.Y.

The Nainital Bank Ltd. is actively associated with the development of Kumaon Region through its network of 29 branches in this region. The bank has provided loans to transporters and small traders, Industries etc., which has helped the economy of backward hilly region of Kumaon.

Chapter fourth is about organisation, management and administration of The Nainital Bank Ltd. and its financial implications. The management of the The Nainital Bank Ltd. is made by its Board of Directors. Concept of organisation, management and administration and financial implications of The Nainital Bank Ltd. have been described in this chapter.

Chapter fifth relates with analysis of financial position of The Nainital Bank Ltd. Various ratios have been explained with illustration in the chapter. Analysis of The Nainital Bank Ltd. has also been made on the basis of funds flow statement.

Chapter sixth relates with various problems which are being faced by these non-nationalized banks. These problems mainly relates with deposits, advances, recovery of loans and advances and with employees. Effect of the
policy of the Government and working of political leaders have also been cited in this chapter.

**SUGGESTIONS**

This chapter relates mainly with suggestions. Non-nationalized banks of Uttar Pradesh have to face number of problems. Suggestions for solution of their problems and improvement of working efficiency and development of these banks have been classified as under:

a) Suggestions relating to deposit accounts;
b) Suggestions relating to advances accounts;
c) Suggestions relating to branches;
d) Suggestions relating to personnel management.
e) Miscellaneous suggestions.

(a) **Suggestions Relating to Deposit Accounts**

Several efforts have been made by these banks for increasing their deposits. Special emphasis has so far been placed on geographical expansion of the branches, the suggestion is that now onwards, emphasis should be laid on increasing the deposits of the existing branches. In this connection following steps be taken:

1. **Appointment of Deposit Agents**

   For mobilisation of deposits from common man, banks should appoint agents who would go door to door and would inspire people to open accounts with these non-nationalised banks. These agents should create awareness and confidence among people towards savings. These agents should suggest that money kept with these banks is most safe and easily withdrawable whenever required. Commission should be given to the agents at a fixed rate on the
amount of deposits so mobilised by them. As an incentive, commission should be given only when agents are able to secure deposits over Rupees 5000/- in a week. Once in a week the agent should attend the bank to deposit the money so collected. The pass books and other statements should be prepared immediately and should be handed over to the account holders without any delay. Every agent should also open his account with the bank and his commission should be credited in these accounts only. Those agents who achieve targets fixed by the bank (over and above the usual target) within required time frame be suitably rewarded with other incentives.

2. **Meetings with Depositors**

   Periodical meetings should be held with the depositors/customers of the bank by the branch manager and in these meetings the information regarding different types of deposit accounts should be provided to the customers. Information regarding bank’s newly introduced schemes should also be brought to the notice of customers/depositors. In these meetings the problems of depositors should be discussed and solved as far as possible on the spot. If constructive suggestions are received from depositors, the same should be taken into consideration. The minutes of the meetings should be recorded in the minutes book and a copy of said minutes should be forwarded to the Head Office regularly.

3. **Shorter Duration for Time Deposit Accounts**

   The time period for term deposits/time deposits should be reduced. For rural areas the period should be of minimum 15 days even less possible and for
other areas it may be a minimum of 30 days. Villager may be attracted with this facility.

4. **Visits to Villages/Houses of the Customers**

Bank employees should visit the villages and homes of the customers particularly when the crop is ready for sale. At this time money remains in the hands of villagers, but due to fear and complicated process of opening of account in banks they avoid visiting the banks. Hence the banks employees should go from village to village and the accounts of the villagers should be opened on the spot. With this approach the villagers will not feel difficulty in opening their accounts with these banks and they will start depositing money in banks.

5. **Attractive Schemes for Depositors**

The interest rates are fixed by Reserve Bank of India for all the banks in India. Reserve Bank of India should announce some attractive schemes for deposit account holders particularly for the persons of rural areas. In rural areas the interest rate on deposits should be at least one per cent higher. The benefit of one per cent higher interest rate should be allowed on the basis of annual income of the villagers. Although this system may create some problems for nationalised banks but for the rapid expansion of non-nationalised banks this facility may be granted by Reserve Bank of India on a trial basis.

6. **Exemption in Income Tax**

At present interest earned on different deposit accounts is exempted upto Rs. 13000/- per annum under section 80L of Income Tax Act 1961. This
ceiling should be increased upto Rs. 25000/- p.a. for depositors in rural areas by suitable amendments in the said section of the Income Tax Act 1961.

7. **Special Types of Deposit Accounts in Emergencies**

Special types of deposit accounts should be opened in the rural areas where terrorist activities are apprehended. In such places the banks should make arrangements for some special types of deposit accounts. Some limited types of banking transactions should be allowed even after working hours. Suppose a villager wants payment after 2 p.m. the banks should be ready to make payment as a special case since the villagers have to come to banks’ branches from long distances. Some times villagers want to deposit money after the working hours due to fear and rumour of dacoity. In these circumstances the deposit should be accepted even after banking hours.

8. **Deposit Mobilisation Fair**

In the present banking “loans Fair” are organised for disbursement of loans to poor people under Government sponsored schemes. But fairs for deposit mobilisation are not organised by the banks. It is suggested that these non-nationalised banks should organise melas/fairs for deposit mobilisation. In these melas important persons should also be invited like sportsmen, film stars, political leaders and other famous persons of the areas. The related passbook or term deposit receipt should be signed by the famous personality along with Branch Manager because some persons feel pride in getting their passbooks or deposit receipts signed by important personalities of the country. In these melas complete informations should be given to the visitor about the different deposits’ schemes.
9. Special Schemes for Depositors having Deposit Over Five Years

Special facilities should be given to those depositors who have kept deposits with the bank over five years. For instance, if a depositor has opened a fixed deposit account for five years and if before completion of five years he wants to discontinue the said fixed deposit account, up to date interest thereon should be paid and no penalty be levied. Such fixed depositors should also be introduced with higher officials of the bank at the time of their branch visits. Higher official should give a letter of appreciation to the depositors who have kept substantial deposits say Rs. 100,000/- and above in urban branches and Rs. 50,000/- and above in semi urban branches and Rs. 25,000/- and above in rural branches. These depositors should be allowed to give guarantee for the small loans and other banking transactions particularly in The Nainital Bank Ltd.

10. Deposit Accounts should be Treated as Donation Accounts

In India, in Hindu mythology, it is general concept that by donation people become free from sins. It is desirable that banks should make publicity regarding this concept. The people should be told that the money kept with banks is utilised by Government for infrastructure development of the country. Roads, bridges, schools, dams and houses etc. are built by Government with the help of this money which benefits the whole society. The donation made to an individual is beneficial only to the person to whom it has been given, whereas the money given to the banks for deposits in accounts is useful for the benefit of the society as a whole. Hence it may be suggested that the depositors should treat the money, kept with the banks by them, as a donation. If this feeling is
developed in the people on grounds of religious faith, the deposits of the banks will increase and depositors will start realising that with their deposits, hundreds of countrymen are being benefited. Hence the deposits kept with the banks should be nomenclature as donation deposits instead of savings bank deposits, fixed deposits and recurring deposits etc. This nomenclature will have a far reaching effect on the minds of depositors.

11. Providing of Complete Information to the Depositors Regarding their Deposits

In India the following methods are being adopted for deposit mobilisation:

a) Allurement / inducement by way of increased interest rates.
b) Announcement of attractive schemes of deposit accounts.
c) Prizes on certain deposit accounts.

In all the above schemes, allurement is given to the depositors. In fact in the present circumstances there is a need of national awakening. Hence it is suggested that banks should also make publicity about awakening of feeling of nationality so that the depositor may realise that his deposit is utilised for national development. By this awakening people will feel that by opening an account in the bank they are contributing in the national development directly. This approach will definitely increase the deposits of the banks and depositors will also feel proud that they are a part of national development.

12. Organisition of Cultural Programmes

Banks should organise cultural programmes. In such programmes banks should provide (i) latest information about the progress of the bank; (ii) information about the new schemes to be launched in future;
(iii) information about opening of branches in the coming quarter and
(iv) details of other facilities available at the banks' branches which are not
available else-where. The important personalities of the locality should be
invited as chief guest.

13. Mass Publicity

Nationalised banks are under the management of Government. Joint
publicity committee makes publicity for these banks. It is suggested that every
non-nationalised bank should have a publicity department. Different methods
of publicity should be adopted continuously. Complete details of different
schemes of the bank should be published in magazines like, Sarita, Manorama,
Maya , India Today and Kadambani, etc. During festival time messages for
good wishes should be published in local news papers on behalf of the
chairman, General manager, Assistant General Manager and Branch Manager of
the local branch. Video films of banks different activities should be exhibited
particularly in rural branches. This type of publicity will attract depositors. In
respect of The Nainital Bank Ltd. publicity will be very effective during the
summer season.

14. Customer Service

One person should deal the customer instead of sending him from one to
another. Special emphasis should be given towards personalised customer
service because once a customer has experienced good service, he will continue
contacts with the bank. "Banking industry is becoming very competitive and
customer service is the key differentiating factor"; hence these banks should not only provide best services but should _satisfy_ the customer according to his need of time.

**b) Suggestions Relating to Advances**

The major portion of a bank's funds is deployed by way of loans to traders, businessmen, industrialists and agriculturists etc. The suggestion is that while lending, bank should follow a very cautious policy. Loans should be provided only to those persons who are really in need. In this connection the following suggestions are useful:

1. **Disbursement of Loans at Appropriate Time**

   In disbursement of loans to industrial concerns, it is most essential that the loans should be sanctioned/disbursed at appropriate time. If the loans are not provided at appropriate time, it will adversely effect the industrial production. Due to insufficient financing to industries many departments may have to be closed where as the fixed expenses of these department may continue. This will increase cost of production automatically.

   In the same way if agricultural advances are not disbursed in time the farmers may be deprived of purchasing of seeds etc. If seeds are not available in time the agriculture production will be affected. Whenever loans are to be provided for seeds, they must be provided at the right time, because late disbursement of loans will not be useful for the farmers. Hence it is suggested that the loans should be disbursed at appropriate time without _delay._

---

2. **Amount of Loan**

The amount of loan must be according to the needs of the borrower. Insufficient finance will not be useful for the borrower and will be a waste. Excess financing too is also very harmful. Hence sufficient amount of loan should be provided to the borrower.

3. **Loans to Reliable Persons**

To obtain loans from banks is being taken in the spirit of a traditional right among the people these days, this should be checked. It is desirable that while sanctioning loans, it must be seen that the borrower is a genuine person. All the loan applications received must be thoroughly verified. After proper scrutiny it should be decided to whom loan should be given or to whom it should be refused. Hence it is suggested that loans should be given only to the reliable persons. The borrower should utilise the loan for the activity for which it has been taken.

4. **Period of Loan**

According to period, loans are granted for short, medium and long periods. While sanctioning loans, the period of loans must be decided. The loans must be repaid within the stipulated period. Bank must see/observe, how much time the purpose will take for which loan is being granted accordingly the repayment period should be decided. It is suggested that the medium term and long term loans should be reviewed at prescribed period to ensure the repaying capacity of the borrower.
5. The Procedure of Loaning

Due to complexity in the procedure of disbursement of loans, the borrower has to face much problems. Suggestions is that the procedure of loaning should be very simple and less time taking so that the illiterate borrowers may not feel difficulties. The forms of loan should be such which can be easily filled up. It should be ensured that legal aspects of banking are not overlooked in adopting easy procedure, otherwise at the time of recovery the bank will have to face many problems in future.

6. Rules Regarding Guarantee

Some loans can not be granted without personal guarantee. It is suggested that separate rules should be framed for guarantee agreement regarding loans to villagers as some time villagers are not in a position to arrange for guarantors.

7. Rules Regarding Collateral Security

For some loans the collateral security is essential without this security some times banks refuse loans. For rural people the rules for collateral security should be liberal so that the rural people may not face difficulties in arranging collateral security.

8. Capabilities for Utilisation of Loan

During the course of survey of The Nainital Bank Ltd., it was observed that most of the borrowers who had taken loans from banks were not capable to utilise the loan properly and they were also not capable of carrying out the business successfully for which the loans were obtained. The capabilities for utilisation of loan, is most essential quality of a borrower, hence every borrower
must be capable for utilisation of the loan. In addition to the above the 
borrower must be a person of integrity and good character. If the loan is utilised 
properly the borrower will be benefited and the bank will also receive the 
repayment amount of loan regularly. In this regard the suggestion is that if the 
borrower has past dealings with the bank the capabilities for utilisation of loan 
should be ascertained from the past records of the borrower. If the borrower is 
approaching the bank for the first time the informations can be obtained from 
those persons who have past dealings with the borrower. In this 
context the suggestion is that the banks should prepare a perfect questionnaire 
for the interview of the borrowers on the basis of which the capabilities for 
utilisation of loan would be easily ascertained during the course of interview. 
Although to provide loan is an important function of the banks but important 
function of the bank is to know capabilities of the person regarding utilisation of 
the loan. If the borrower does not know how to utilise the loan? it will be 
useless to grant him loan. Hence banks should pay special attention in assessing 
capabilities of utilisation of loan in the borrower.

9. To Educate the Borrower for the Proper Use of Loan

From the above description it is clear that borrowers, who are not 
capable for utilisation of loan amount, can not earn profit from the business, 


asked following questions:

a) Purpose of loan

b) Period of his/her experience in the business

c) Amount of loan and the period for which it is required

d) Sources of repayment of loans

e) Name of present banker if any

f) Information about other liabilities

g) If the loan is utilised for purchase of fertilizers whether the borrower know the procedure for use of fertilisers i.e. from where it will be available and which type of fertilizer will be required for a particular crop etc.

h) If loan is being provided for purchase of seeds whether the borrower knows, where the special seeds are available and the procedure for use of seeds.

The inquiries should be made in a causal manner, allowing the borrower to feel entirely at ease. In non-nationalised banks one department should be established in which the borrower could be educated about the use of loans. There should be personal touch with the borrowers and the banks should also give business advises from time to time.

10. Loan Repaying Efficiency

It is necessary that the loan must be repaid in accordance with agreed terms of repayment. It must be ensured that the borrower is in a position to repay the loan within stipulated time after a demand for repayment is made. In this regard it is suggested that the financial standing of the borrower must be ascertained and should ensure that the borrower is a person of good reputation, integrity and character. During the survey of rural areas as well as semi urban
areas it was found that the business of borrowers was running very successfully and sales turnover too was satisfactory but they (borrowers) have diverted the sales proceeds towards other purposes. In respect of non-nationalised banks such instances were found in many branches particularly in plains and tarai areas. The recovery position is very poor in these areas. In rural areas it was found that although the agriculture produce was very good but the farmers had not repaid their loans. They too had diverted the earnings in other purposes. Hence suggestion is that the repaying efficiency of the borrower must be thoroughly checked. If he has past dealings with the bank, the repaying efficiency can be ascertained from the past records.

"The insufficiency of infrastructure facilities in the rural areas severely limits the scope for credit expansion. The absence of the synchronisation between the credit plan and the developmental plans continues to hamper the implementation of credit plans. It is indeed a hard task to bring about the needed timely coordination between the Government agencies and credit disbursement". Hence it is suggested that the all infrastructure facilities should be made available in rural areas and a timely coordination should be established between the Government agencies and the rural branches.

11. No Advance be given on Urgent Demand

It has been noticed while surveying the advance sector of The Nainital Bank Ltd. that there are certain borrowers who approach the bank without prior intimation and make a demand for a very big amount of the loan as Rs. 10 lacs
to 50 lacs etc. and do not give any time to Branch Manager to consult the Head Office for the same. It is suggested that no loan should be given to such persons. It is also suggested that these persons be instructed as under:

a) Borrower should have a knowledge about change in circumstances in future, change in demand of his customers in future, change in their earning capacity and financial position in future.

b) Borrower should have a knowledge about his future financial requirements and financial expenditure. In case a person makes an estimate about all the above factors well in advance he should come to the bank and intimate the Branch that he may require a certain amount by way of loan at a future date. If he does so his case may be considered for the necessary advance, if he fulfills other prescribed terms/conditions for granting advances.

(c) Suggestions Regarding Branches

Under the present system of expansion of branches of non-nationalised banks in some places the banks branches are more than requirement and many other important places are totally neglected. For instance The Bareilly Corporation Bank Ltd. and The Benares State Bank Ltd. have not opened branches at Nainital, Almora and Pithoragarh districts and at other important business centers of Kumaon and Garhwal. The Nainital Bank Ltd. has not opened branches at important business center of Uttar Pradesh i.e. Allahabad, Agra, Varanasi, Mansouri, Dehradun, Kanpur Dehat, Haridwar and Garhwal etc. In this context following are the suggestions:

1. Expansion of Branches in Rural Areas

Till date most of the villages in U.P. are not covered by these non-nationalised banks. Hence it is suggested that these banks should open branches in neglected rural areas and should provide banking facilities to the villagers.
2. Identification of a Place of New Branch Premises

Identification of a place for new branch premises in a city or village is also an important decision as different ideologies are prevalent among the people in society. If branch is being opened in the house of a lower class, the higher class person will not like to go there and if branch is being opened in the house of a higher class person, the lower class person will hesitate to go there. On the same way if the branch is being opened in the house of a political person, the other party peoples will not like to go there. Hence suggestion is that identification of place of a branch premises should be at such place where every caste, creed and political persons may not feel hesitation to visit. The location of branch should also be convenient. "The space in the branch premises should be sufficient with a large hall and waiting place. There should be a planned sitting arrangement and accessible facilities. Further the branch should be neat and clean either in rural area or in urban area as cleanliness is the need of the hour".

3. Completion of All Formalities Before Opening of a Branch

After decision of region and place for a branch it is most important to see whether the branch should be opened in new premises or old premises. If the branch is being opened in already built house, whether all security aspects have been checked and are according to requirement of the system? If new building is to be constructed the branch should be opened only when the building is ready for use.

4. Coordination Among Different Banks' Branches

In every city and town number of banks' branches are functioning. There is a tough competition among these banks' due to lack of coordination. Hence suggestion is that when new branches of non nationalised banks' are opened such branches should establish coordination with the other banks already functioning in the locality and area. The existing banks should also cooperate with new branches. Healthy competition is possible only when branches of all the banks of the locality/city/town works with coordination. In healthy competition the depositors and borrowers also feel better while dealing with these banks and they appreciate the services of the banks, in fact today it is most important that all banks should work with coordination.

5. Specialised Branches

These banks should open some specialised branches i.e. providing exclusively savings bank services or loan services etc. or convert existing branches into specialised branches for improving its profitability. The Nainital Bank Ltd. should pay immediate attention in this direction.

(d) Suggestions in Respect of Personnel Management

Banking industry is known as a service industry. If the employees of the bank are not well behaved the bank can not make progress in spite of adequate capital reserves and deposits. The services of the bank are based on its employees' efficiency and their interest towards work. Interest is the chief factor of efficiency hence interest towards work should be created in the employees by giving them special importance in the bank.
In respect of personnel management the various suggestions can be put forward specially for The Nainital Bank Ltd:

1. **Appointment of Officers**

   Generally at the time of appointment of an officer, importance is given to educational qualifications. Actually for appointment of an officer such methods of recruitment should be adopted by which the candidates academic knowledge, general knowledge, thinking power and decision making power could be ascertained. "Selection programme is a non-random process because those who are selected are chosen on the basis of the assumption that they are more likely to be "better" employees than those who have been rejected".

   Therefore during the course of an interview, it must be assessed that the candidate who is being selected is a laborious, self dependent, honest, courteous, and should be able to take work from the staff working under him. The modern educated class generally want to do the job only on an attractive salary. They are least bothered about their assigned duties or their performance. Hence only those candidates should be appointed who have an interest towards their works and have clear communication skills and high level IQ and knowledge.

2. **Decision for Placement of the Officers**

   When selection process is over, the next step is to decide for placement of an officer. The placement should be done very carefully. It is most important to place right man at right place. If employees are not posted at the

---

convenient place or the place of their choice, they will not take interest in their work and their efficiency will reduce day-by-day. Hence officer should be posted in such a branch where his abilities, qualifications, experience are best utilized and where the officer would show his interest towards his duties.

3. Transfer of the Officers

During the survey of these non-nationalised banks it was found that in some cases the officers were not transferred at appropriate place. The suggestion in this regard is that officers should not be transferred without any basis. At the time of transfer it must be seen that what types of efficiency, experience, and qualification would be required for a particular branch. For example C.A.I.I.B., A.I.B., D.B.M., C.A., I.C.W.A., A.C.S. Ph.D. holders should be posted in big branches of cities and metropolitan towns for best utilisation of their knowledge. In transfer it must be seen that in which branch an officer can serve the customers satisfactorily. The languages spoken by an officer should also be taken as a base of transfer. If the officer knows the local language very well he will deal the customer more effectively. Customers put their signatures in local languages, in these cases the officer will not feel difficulty while comparing/verifying the signatures and other important documents. Further the officers should not be retained in a rural branch beyond two years. In other posting the officers should be transferred after completion of three years. In Head Offices and regional offices every officer should also be transferred for acquiring better administrative qualities. Officers upto the rank Grade/Scale IV should be posted in the branches particularly in metropolitan towns’ branches.
4. Appointment of Clerical Staff

In nationalised banks the clerical staff is recruited through Banking Service Recruitment Board where a well organised system is present for appointment of clerical staff but in non-nationalised banks there are number of irregularities in the appointment of clerical staff. It is suggested that the clerical staff in non-nationalised banks should also be appointed through some of the Banking Service Recruitment Board. In interview only those candidates should be selected who have service feelings, national feelings, honesty, good character and interest towards work. Hence the personal interview should not be based only on educational standards but it should also be based on the moral standards of the candidates.

5. Policy for Promotion of Employees

In non-nationalised banks standards are prescribed for promotions of employees. During the course of survey of these banks it was found that although banks are promoting their employees in accordance with prescribed standards but still some times irregularities occurred. Hence it is suggested that if the work and conduct of an employee is excellent only then he should be promoted. With this realistic approach the efficiency of the employee will improve and his interest towards duties for his organisation will also improve. This approach will also minimise discontent and unrest among employees and will attract capable employees. The scale of standard for excellent work must be predetermined. It should be determined after a deep thinking. Every employee should have the knowledge of scale of promotion standard from the
beginning of his appointment. Promotion policy should be amended from time to time and employees be well informed about the same.

6. Training of the Employees

The training aspect can be classified in two parts i.e. Training of Officers and Training of Employees.

Training of Officers

The person who are graduate/postgraduate in Art, Science or Commerce are directly recruited in officers' cadre. They do not know the basic system and procedures of banking. Hence it is essential that newly recruited officers should be given training on basic system and procedures of banking. Although some training centers are providing trainings to the employees but there the methods of teaching are very old and unsatisfactory. Hence the teaching staff should be selected very carefully. Only well qualified and experienced employees should be nominated for teaching in training centers. For improving the working efficiency of officers they should be provided training at a regular intervals. The duration of training should be from 3 days to 15 days as the success of an organization lie in the quality of staff and their training only.

Training of Employees

In every bank the clerks/cashiers have to deal with customers directly. When customers deposit or withdraw money from banks they come in contacts of clerks/cashier first. Officers generally do not deal with customers directly. When due to odd behaviour and bad working methods of clerks/cashiers the customers have to face inconvenience they feel it too much and the goodwill of the bank declines. In non-nationalised banks, the clerical staff must be well
educated, efficient, honests, courteous and knowledgeable. It is most essential that the employees should be provided trainings from time to time. Although the employees are appointed through a written test and personal interview, yet it is desirable that every clerk should be sent for Induction course just after the joining of the bank so that he may be aware about the working practice and procedure of the bank. The Induction programme should be well planned. The teaching staff should be well experienced. After an interval the clerks should be deputed to another courses like customer service, general advances, recovery programmes etc. After every two years the clerical staff should be trained on different latest aspects of banking so that they may be aware about new guidelines and provisions issued by Reserve Bank of India and Government. Further in training employees came in contact with the employees of other branches where they get chance for interaction about the affairs of other branches of the bank. "Not only this the post training utilisation also needs be looked into. The training should also be given through job rotation". The existing staff should also be trained in computers. Further in new recruitment priority should be given to those who are already trained in computers.

Moral Training

Current tendency among employees is to make money by underhand method. Some of the employees are more interested in making their own money at the cost of the bank by accommodating customers through various methods. In this connection it is suggested that following two types of steps should be adopted.

Every human being is born good, acquires bad habits latter on and some
time bad habits are thrust on them. Therefore some training programme be
organised in such a manner which may include lectures by various religious
heads in order to boost up the moral of the employees because by nature human
being are God fearing.

Second step is to plan various methods of punishment depending upon
the nature of offence.

Special group of persons be appointed whose job should be to find out
such employees who are involved in under hand practices. There should be
screening committee in this respect. It is on the basis of recommendation of this
screening committee that punishment should be awarded but object of
punishment should be to correct the employees and not to create the feeling of
revolt among them.

7. Residences for the Employees

Most of the banks’ employees use to live in rented houses as banks do
not have official quarters. Some employees attend the branches from far of
distances as to get residences near the branches is very difficult. Further the
houses in the city are available on a very high rent. Sometime the employees
have to face inconvenience in attending the offices due to heavy traffic, crowds,
and strikes of vehicles etc. Due to this often employees remain under mental
stress. In these circumstances the customer service is also disturbed. In the
evening the employees again face same difficulty in reaching their houses.
Sometime they reach very late in the nights to their home which also disturb the
domestic life of employees. Hence it is suggested that the employees should be
provided residences by the banks near by the branches. So that in urgencies they could be called on from their residences.

Employees posted in rural areas are accustomed to attend the branches from the nearby cities as good residences are generally not available in the rural areas. If houses with complete facilities are provided in rural areas to the employees they will save much time and more interest will be taken by them towards their work. If good residences are provided in rural areas employees will not hesitate in transfer to these areas.

8. Meetings of the Employees

In these non-nationalised banks the branch managers should hold the meeting of all the staff members in every three months. In meetings the employees should be informed about the recent rules and circulars of the bank. The suggestions of the employees should be heard and their constructive suggestions should be implemented by the branch.

The meeting of all the non-nationalised banks’ employees should be called once in a year for discussion on the inter bank relationship. Suggestions should be invited from the participants for sorting out of the interbank problems. For maintaining inter bank coordination meetings of all the non-nationalised banks employees is a must.

Cordial atmosphere should prevail in these meetings. The representative should treat these meetings as important and should take interest in the proceedings of the meetings. A copy of the minutes of the meetings should be sent to respective banks’ branches for information. Name of the representative should appear in the said minutes. By this incorporation the representative will
feel his importance and < well in the next meetings. These meetings shall help in interstate coordination among banks.

(e) Miscellaneous Suggestions

1. Evolving of New Plans for Finance

There are number of problems relating to finance before the customers of different areas. The villagers have to face many difficulties while obtaining loans from the bank. Hence these banks should evolve attractive schemes for finance or advances. "The banks should aim at providing total customer satisfaction with efficient, quick and diversified services at reasonable cost through improved technology". While framing new schemes it must be seen that the problems of the customers are eliminated to their satisfaction. The new schemes should be prepared with the help of those employees who come directly in contact of the customers.

2. Education About Financing Procedure

One of the important function of the bank is to grant loans to the persons who need it, but unluckily the borrowers do not know how to make best use of bank loans. The problems of borrowers can not be solved with the availability of finance, it would be solved only with the knowledge of methods of use of bank finance. hence the suggestion is that the borrower must be educated about the method of proper use of bank loans. To earn money may be easy but to spend — money properly is very difficult. Although the borrowers from any

1 Source: Indian Express, dated 16.8.93, p. 13 (Advertisement of Vysya Bank Ltd.).
corner can be educated about this but at least in rural areas it is very essential to educate the borrowers.

3. Powers to Branch Managers for Attestation of Affidavit

Prior to obtaining loan from bank, the villagers have to complete many legal formalities and certain documents are to be attested by notary public, district magistrate, S.D.M. etc. for which they have to go to courts. In courts both money and time is wasted. Suggestion is that the Government should give powers to the branch managers for attestation of affidavits and other papers of the borrowers. By this the borrower will not have to go to court for completion of legal formalities and the loan applications would be disposed without waste of time.

4. Inducement through Publicity for Repayment of Loan Instalments

In present day banking advertisements for different schemes relating to deposits accounts are published in newspapers but no advertisement is published for recovery of banks' dues. Hence suggestion is that non-nationalised banks should make publicity through newspapers, television, radio and other means for prompt recovery of instalments of loans. The borrower should be induced for repayment of loan instalments in time. Constant publicity will definitely reduce the overdue amount of the banks'.

5. Developing the Banking Habit

In rural areas the villagers do not believe in banking transactions, they are in the hands of local money lenders. It is desirable to develop the banking habits among the village folk. During the survey of rural branches of these non-
nationalised banks it was found that the bank employees had to wait whole day for glimpse of customers. Hardly 10 to 20 customers used to move toward branches on a single working day. Hence it is necessary that the working hours in rural branches should not be more than 3 to 4 hours. In rest of the time the bank employees should go to villages of their areas for educating the rural folk and inculcating banking habits.

6. Identity Cards to Borrowers

Banks should issue identity cards to the borrowers. Whenever bank official or employees would go for follow up or recovery of advances in their (borrowers) areas, suitable remarks will be mentioned in the said identity card. The bank official should sign the identity card on the days of visits. With these visits the borrowers will also take an idea that what expectation the bank has from them. Further it will give a psychological effect on the borrowers and they will not dare to misutilise the borrowed amount from the bank. Further the borrowers can take advise for smooth running of their business from bank officials at the time of their visits.

7. Reduction in the Prices of Agricultural Implements

It is observed that the prices of agricultural implements are increasing day by day where as the prices of agricultural produces are not increasing in that proportion. The villagers and farmers have to purchase the implements on a very high cost and they get very low prices for their produces. Hence it is suggested that Government should reduce the prices of agricultural implements. These agricultural implements should be supplied through the cooperative societies and
these cooperative societies should claim subsidy from Government for the difference of cost of agricultural implements so sold. This would encourage better utilisation of bank loans.

8. **Special Provisions for Non-nationalised Banks**

Reserve Bank of India is the Bankers' bank. It can give some relaxation to non-nationalised banks for compliance of certain rules relating to systems and procedures, which shall reduce the cost of operations substantially. As much amount is spent in complying with the formalities required by Reserve Bank of India, hence suggestion is that Reserve Bank of India should evolve special provisions for these non-nationalised banks. As far as possible maximum relaxation should be given to non-nationalised banks.

9. **Counters for Exchange of Mutilated Currency**

Non-nationalised banks are not authorised for exchange of mutilated currency. Hence suggestion is that Reserve Bank of India should also authorise these banks for exchange of mutilated currency. The branches which are authorised for exchange of mutilated currency notes should display a notice board to this effect. This facility would add to the goodwill of these banks.

10. ‘**We are here to help you**’

These banks do not have ‘We are here to help you’ counter in the big branches. Hence it is suggested that all branches which have staff strength of 10 and over should have such counter for the guidance and assistance to the customers.
11. Complaints and Suggestions Box

Every branch should have the complaints and suggestions box. During survey of many rural branches of these non-nationalised banks, such boxes were not found displayed in the branch premises and even where the boxes had been displayed the boxes have not been opened since long. Hence suggestion is that all branches should have the complaints and suggestions box and the same should be opened at least once in a week. The complaints and suggestions should be attended promptly. Good suggestions should be forwarded to Head office for consideration and implementation and the complaints should be redressed within the stipulated time.

12. Passbook in Respect of Assets and Liabilities of Villagers

The villagers should be provided passbooks in respect of their assets and liabilities. These passbooks should be issued by the Tehsildar/District Magistrate. On the basis of particulars of passbook the bankers will easily ascertain the financial position of the borrower. The passbook must contain the followed particulars:

a) Number allotted to land and area occupied by him.
b) Address of the agriculturist
c) Annual Income of agriculturist
d) Details of other fixed assets
e) Details of liabilities, if loan is obtained previously from any bank its complete details.
f) Number of family members.
g) Signatures or thumb impression of agriculturist.
h) Duly attested photograph of the agriculturist.

13. The banks should start the voluntary retirement scheme. For improving their working efficiency.
14. These banks should publish the list of defaulting bank borrowers in the newspapers of their areas.

15. The tokens used in the branches of The Nainital Bank Ltd. are very dirty and old. The tokens should be washed/polished every week and in place of very old tokens new tokens should be used. This will give better impression to the customers.

16. **Compliance with Reserve Bank of India Regulations**

These days during 1995-96, 1996-97 number of circulars have been issued by RBI for compliance by various banks of the country. It has become very difficult for schedule banks to comply fully with all such circulars for instances, Interest rates were revised five times during the year 1995-96 the greatest problems of the Banks in this connection is to calculate interest accurately. It may not satisfy the customers fully because customers have not adequate knowledge about the relationship between the banker and Reserve Bank of India. They always put numerous questions in this respect and precious time of bank officers is devoted in solving their queries. Therefore suggestion is that changes in interest rate should not be made so often. There should be a well planned programme about rate structure. The persons who should be in the committee which is interested with the work of fixation of rates must have a through knowledge not only of the present economic and political condition of the country but also of probable changes which may take place in these areas in future.
The most important principle in the banking is stability rather than fluctuation in order to create confidence among those who came in contact with bank.

17. Competition with Existence of Mutual Funds etc.

These banks are facing competition with many mutual funds and other associations which provides the temptation of high rates of interest and increasing the amount of principal to a great extent. No doubt some of so called association may be bogus one but average citizen of the country has not got so much knowledge as to make a perfect assessment about their genuineness. The result is that many of them face deception and thus loose confidence in the banking activities with the result that they stop making further deposits even in genuine banks, hence the deposits of non-nationalised bank have not increased to the desired level. Suggestion in this respect is that the government should adopt strict policy in eliminating such institutions.

18. Ambudsman

Reserve Bank of India has appointed Ambudsman for investigation into complaints relating to non-credit services in appropriate cases. For the state of Uttar Pradesh Shri G.C. Agarwal has been appointed Ambudsman on 24-05-1996, his Head office is at Reserve Bank of India, M.G. Marg Kanpur, in the same way such Ambudsman has been appointed for Delhi, Karnataka, Haryana, Jammu *Kashmir, Maharashtra, Goa, Madhya Pradesh, Himachal Pradesh, Punjab, Chandigarh, Andhra Pradesh, Bihar, Rajasthan.
Before this officer such cases of complaints will be brought which have not been settled by the banks within the period of two months if any person does not get a satisfactory solution of his problems within the period of two months from the concerned bank; he may refer his case to banks' such Ambudsman. The effect of such arrangement will be that bank will take keen interest in solving the problems of his customers within the period of two months and if many cases of complaints are sent to Ambudsman, the image of the bank will go down, hence due to this fear the working of every bank will improve and it is hoped that the problems of the customers shall be reduced. Therefore the suggestion is that the complaints of the customers should be redressed immediately at the bank level itself.

19. Capital

According to Reserve Bank of India directives these non-nationalised banks have to increase its share capital which on the very face of it appears impracticable because in a country like India which is a developing country and where it is said that capital is shy, it is not possible in the present circumstances to raise the capital. Even if new shares are issued in the market the investor in such share has to consider three important factors (i) Profitability; (ii) Safety and (iii) Liquidity.

If Indian people purchase shares of these banks they will give top priority to the profitability. It is worth while mentioning here that banking is a servicing institution the main object of the bank is not to make profit hence it can never give such a high rate of dividend, which is mostly given by trading or
manufacturing units of the country. The second important element which investors consider in shares is liquidity. In case of shares investor never can receive back the capital till the dissolution of the bank take place i.e. capital of the bank is returned only at the time of dissolution of the bank and not before that hence practically there is no liquidity in the shares of the banks at all. Therefore it may be concluded that new issue of shares will be taken up by very few persons. The suggestions in this respect is that these non-nationalised banks should make efforts in increasing its deposits rather than expanding money on new issue.

20. Suggestions Related with Companies like CRB Group

Bank of Baroda was the first in India to stop the transactions of CRB Group of Companies in April 1997 when it detected some discrepancies. The suggestion is whenever loan is given to such companies thorough examination be made about their earning capacity and financial position of at least last three years. In addition to this an estimate be made about its future earning if at any stage there is slightest doubt about it working etc. the loan should not be given, follow up action should also be adopted by the lending banker in such cases.

If above suggestions are implemented properly, the non-nationalised banks in U.P. can contribute a major role in the economic development of Uttar Pradesh.