CONCLUSIONS OF THE STUDY

From the study conducted by me since Registration for Doctorate Degree the following conclusion was arrived that:-

1. That S.B.I. bank is discharging the function of commercial bank and is also working as an agent of the Reserve Bank of India. In addition to the business of raising funds and using funds. The SBI has done yeoman's service in expanding banking facilities in the rural areas of the country. It has done appreciable work as a foreign exchange bank. The ability of this bank to discharge various duties and responsibilities efficiently and in harmony with India's needs and economic development depends to a very large extent on its efficient operations.

There is a great need of studying its various types of deposits and advances, management of deposits and advances, profit management and personnel management. All the operations of this bank are related to these factors. Since the operations of the S.B.I. play a vital role in the economic development of our country, it is essential to undertake an analytical study of these operations.

2. The position of S.B.I. Bank in the field of deposit in various forms are that there have been tremendous jump in different type of deposit. Specially a time deposit, their are attractive rate of interest
and the tax concession offered to the depositors in the Income Tax Act 1961. Deposit has reached Rs. 131091 crore in year 1997-98 from Rs. 110701 crore in the year 1996-97. The Bank's deposit has growth by 18% in the year 1997-98 from the year 1996-97. The deposit of the Bank has increased of Rs. 54685 crore from the year 1993-94 to 1997-98 i.e. the growth was 71% in the year 1997-98 from the year 1993-94.

To attainment of capital adequacy norms S.B.I. was first public sector bank to raise capital from capital market during the financial year 1993-94.

(a) 12,40,00,000 equity share of the face value of Rs. 10/- per share at a premium of Rs. 90/- per share aggregate of Rs. 1240 crores from public issue.

(b) 1,20,00,000 equity share of Rs. 10/- per share at a premium of Rs. 50/- per share aggregate of Rs. 12 crore to employees of S.B.I. Bank subject to maximum share 200 per employee.

(c) 12,00,00,000 equity share of Rs. 10/- per share at a premium of Rs. 50/- per share aggregating of Rs. 120 crore to the equity share holders of the bank on a rights basis in the ratio of 3 new shares of every 5 shares held on 18.12.1993 by the holder.
The S.B.I. was raise bond fund of Rs. 500 crore of Rs. 1000/- each @ 12% per annum in the financial year 1993-94. This bond was unsecured, redeemable floating rate of interest fixed at 3% over the banks maximum term deposit rate.

3. The S.B.I. Bank was earned profit Rs. 1861.52 crore in the year 1997-98 and in the year 1996-97 Rs. 1349.53 crore. The S.B.I. profit of growth was Rs. 511 crore in the year 1997-98 from the year 1996-97 in percentage it was 40% has the growth of profit of the S.B.I.Bank Rs. 1586 crore in the year 1997-98 from the year 1993-94. Growth of profit of S.B.I. Bank was 576% in comparision of the year 1997-98 from the year 1993-94. In the year 1997-98 percentage of profit was 1.03% of the working fund and in the year 1996-97 percentage of profit was 0.86% of the working fund, while in the year 1993-94 percentage of profit was 0.25% only of the working fund. The working fund in the year 1997-98 was 179673 crore, in the year 1996-97 was Rs. 155302 crore and in the year 1993-94 was 111531 crore. The S.B.I.Bank has enhanced the working capital 15.69% and 61% from the year 1996-97 and 1993-94 respectively in the year 1997-98. The S.B.I. bank net interest income was Rs. 5405.69 in the year 1997-98 in the comparision toRs. 5389 crore and Rs. 2915.65 crore from the year 1996-97 and 1993-94 respectively. The S.B.I. net interest growth was 0.31% and 85.40% from the year 1996-97 and 1993-94 respectively in the year 1997-98. The S.B.I. Bank other income was Rs. 2820 crore in the
year 1997-98 in comparison from Rs. 2643 crore and Rs. 1567 crore in the year 1996-97 and 1993-94 respectively. The S.B.I. bank other income growth was 6.7% and 80% from the year 1996-97 and 1993-94 respectively in the year 1997-98. Reason for enhancement of the S.B.I. bank from the year 1993-94 to 1997-98 are that S.B.I. bank has enhance its capital by Rs. 326.30 crore under the head capital account and Rs. 3199.57 crore under the head share premium reserve. This enhancement was due to S.B.I. bank is 1st Bank to go public issue of shares, right issue of shares to share holders and employees in the year 1993-94. This ascending trend in profibility of the S.B.I. Bank is really only very modert increase in operating expenses and increased the paid up share capital and share premium reserves being these fund has no cost. The S.B.I. bank operating expenses was Rs. 4721 crore in the year 1997-98 in comparision to Rs. 4605 crore and Rs. 2949 crore in the year 1996-97 and 1993-94 respectively. The S.B.I. bank operating expenses was increased by 2.5% and 60% from the year 1996-97 and 1997-98 respectively in the year 1997-98. The S.B.I. net income was Rs. 8226 crore in the year 1997-98 in comparison from the year 1997-98 and 1993-94 of Rs. 8002 crore and Rs. 4482 crore after deduction of interest expended. The S.B.I. bank net income growth in the year 1997-98 was 2.80% and 83% from the year 1996-97 and 1993-94 respectively. These present that efficiency of S.B.I. bank has been increased in the year 1997-98 from the year 1996-97 and 1993-94. There has been also a growth in the field of foreign exchange dealing namely
foreign advance, high rise of NRI accounts an repeat
ration basis. As a result the S.B.I. bank's
profitability has grown up quite satisfactorily.

4. On the basis of the survey it was noticed that in
the rural areas literate farmers, service class
persons like teachers, Government employees and tertiary
sectors like traders, professionals such as doctors,
small enterpreneurs were among the first to open deposit
accounts and their first preference generally was for
open saving bank accounts. The case of withdrawal is
important to the rural area because they have a strong
hoarding prosperity and case of withdrawal in a sop
to the saver.

The Bank has sponsored 30 Regional Rural Banks in
13 state. These RRBs spread over 2383 branch in 75
districts.

5. Main business of any bank is advance to various
types of customers and earned interest on such advances.
The S.B.I. bank has enhanced advances through the various
scheme of advances like cash credit, over draft, term
loans, demand loans, bill purchased and discounted etc.
The S.B.I. bank has enhanced total advances Rs. 12004
crore in the year 1997-98 from the year 1996-97. The
S.B.I. bank advance was growthed by 19% in the year
1997-98 from the year 1996-97. The S.B.I. bank advance
was growthed by Rs. 32739 crore in the year 1997-98 from
the year 1993-94. Hence growth was 79% in the year
1997-98 from the year 1993-94. The S.B.I. bank term loan &
advance growth was 33% in the year 1997-98 from the year
1996-97. The priority sector advance of SBI bank was Rs.
22519 crore i.e. 37.45 % of the net bank credit in the
year 1997-98. The S.B.I. bank has agriculture advance Rs.
8794 crore, Small Scale Industries advance Rs. 10014 crore
against the total advance in the year 1997-98. The S.B.I.
bank's objective is to become a world class bank with
excellence in India related business. The S.B.I. bank's
foreign branches was mainly engaged in providing
investment and trade advisory services, project export
finance etc. The advance by foreign branches was enhance
by Rs. 2887 crore in the year 1997-98 from the year
1996-97. The growth in foreign advance was 40% in the
year 1997-98 from the year 1996-97. The S.B.I. bank's
foreign advance growth was by Rs. 3571 crore in the year
1997-98 from the year 1993-94. The growth rate of
foreign advance was 54% in the year 1997-98 from the year
1993-94. In view of the modern trend of the borrowers are
not repaying its borrowed amount. However it was found
that the S.B.I. bank position was better for collection of
advance in comparison to other banking institutions. It
was observed that the S.B.I. bank are adopting proper
policy to follow up action and monitoring the system. So
that among borrowers had repaid the borrowed money to bank
in timely.
6. Recruitment, remuneration, incentive plans, promotion, transfers and training of personnel are come under the personnel management. The S.B.I. bank has established a separate recruitment cell in the name of Central Recruitment Board, entrusted with the recruitment of clerk staff, probationary officers, technical staff etc. The board takes various test namely clerical aptitude, test of reasoning and numerical ability and proficiency in English language. The number of employees in 1996-97 is 2,39,747 while in 1997-98 number of employees is 2,41,714. The S.B.I. bank has provided a number of promotional avenues to the various categories of its employees in order to motivate to its employees. Transfers are made in the bank keeping in view the genuine requirement of the area concerned. To keep its employees abreast of the latest rules and regulation. The S.B.I. bank has set up various training institutes for training of its officers and clerical staff.

The new economic environment has thrown several challenges before the bank. The S.B.I. bank is enhancing the competence and confidence of the employees to enable them to face the new emerging challenges. The training programmes being conducted at the banks training institution were reviewed and redesigned to make them more relevant to the current and future needs. The S.B.I. bank has introduced a scheme during the year 1997-98 for identifying and rewarding field officer who excel in
performance of their jobs. This was in addition to recognition scheme already in effect for branch managers, regional managers and other senior executive. The multiple incentive and recognition for branches and selected categories of their staff members.

7. Problem concerning finance, deposit mobilisation, advances, personal, securities, repayment, profits and foreign branches. There are also legislative, political and general problems. In order to solve these problems and to improve the operation of the S.B.I. bank a number of suggestion have been given.

8. Though some policy of bank is not cover in the study yet it pointed out that a lot of restructuring programme in the offering of the bank policy such as reducting NPA, improving E.P.S., providing consultancy services, rendering technology based services, customers, globally, cutting the cost of operation by introducing V.R.S. etc. are some of the majors adopted by the S.B.I. Bank.

RECOMMENDATIONS:

It is essential to increase the deposits of various branches of the S.B.I., including its main office. For this purpose it is suggested that incentive plans for deposits be introduced. Though at present a number of incentive plans are in operation, they have not been able
to create such an impact on the masses as may create the necessary enthusiasm amongst them for depositing their savings in the S.B.I. Hence the following suggestions are relevant in this context:

The S.B.I. bank should launch a vigorous drive to create favourable climate for deposit mobilization. It must be impressed upon the people that a deposit with the S.B.I. is not only safe but also a contribution to the all round development of the country and a powerful instrument of national service.

Attractive eye-catching pamphlets and calendars highlighting the latest schemes and developments in banking should be published and circulated to the depositors. This will go a long way in inducing them to keep their savings in fixed deposits.

Periodical communication of the position of the accounts to the customers will help in filling the communication gap between them and the bank and will also generate a feeling of intimate contact between the bank and its clients.

Meeting of the depositors should be convened at least once in a year by the bank to sort out their difficulties, problems and consider their suggestions. Meetings of this kind may bring to light suggestions
which may work wonders in deposit mobilization. Brochures, incorporating the suggestions of the depositors and follow up action in the light of these suggestions should be published for circulation.

Besides convening meetings of the existing depositors, the bank should also organise meetings, seminars and customer's weeks to attract people. Invites to these gatherings should include prominent persons such as businessmen, doctors, engineers, advocates, prospective depositors and depositors of the other banks. In such meetings it is possible that suggestions of far reaching importance may emerge. As far as possible these practical suggestions should be a part and parcel of banking service.

The utmost satisfaction of the customer is the best tool for attracting greater deposits from him, his relatives and friends because a satisfied customer is the best propagandist of the efficiency and courteous service of the bank and on the basis of his recommendation people will be inclined to deposit their savings in the S.B.I. bank.

Inspite of insurance against fire, theft, dacoity etc. deep seated suspicion and lurking doubt haunt the people in the country side that their deposits and valuable in the bank lockers are not safe. This fear and doubt have got to be allayed and
a feeling of reassurance inculcated among the nouveau riches in the rural areas through audio visual aids T.V.Channel in prime time depicting the advantages of bank deposits and dangers inherent in keeping their hard earned savings locked in houses.

In the race for mopping up the savings of the people dice is heavily loaded against the banks in as much as the rates of interest for various kinds of deposits of lucre and the wish to be a millionaire over night are so deeply ingrained in human nature that even the most wary will prefer to risk his income in speculative business promising fabulous but uncertain return to locking his money in the bank deposits, offering a lucrative interest. Surely, banks are fighting a losing battle in the scramble for attracting deposits in the teeth of stiff competition with government agencies like the post office, company deposit, mutual fund deposit eager to lure people to the national savings schemes, permitting tax concessions not only on the principal amount but also on the interest thereon. Quasi government agencies like Unit Trust of India and other semi-government and private business organisations are also there to make a dent in the deposit mobilization organised by the bank. One percent cut in the interest on bank deposit is the unkindest cut of all and the wisdom of this step is yet to be seen. All banking institutions public and private are under
the supervision and control of the R.B.I., hence a uniform policy regarding rates of interest should be laid down if the banks are to survive in the race for deposit mobilization. It is suggested that a joint representation for upward revision of rates of interest on deposits should be made to the government. This matter of great national importance may be referred to a high powered committee comprising the representatives of banks, financial experts and nominees of the government to consider this vital problem.

DEPOSIT MOBILISATION BY BRANCHES:

Environmental scanning is a must for a long range planning for deposit accretion. The branch has to work out suitable strategy for each activity. For tapping deposits, it should know the population, its employment and income pattern and find out the type of deposit schemes suited to it. Segmentation of the market and study of characteristics of the customers are essential. The branch should not only know the potential of the area, but also the nature of competition. It can work out the quantum and type of advances and services needed in the area and the amount of income and profit arising out of the same. Up-to-date information about the area is to be gathered and analysed to serve the customers. The branch should not only know the people of the concerned area, but also anticipate their needs and meet them to improve their conditions and the economy of the area.
BANK AS PORTFOLIO ADVISERS TO DEPOSITORS:

It is in protection of the interest of the middle class depositor that the bank's role becomes all the more relevant. In fact, banks can and must function as 'portfolio' advisers to the middle class depositor. They should guide the depositor to invest his limited savings to his best advantage by offering him tailor-made deposit schemes to suit his needs and preferences and where the range of deposits, for one reason or the other, is not adequate to meet all the needs of the depositor, they must either offer him suitable capital market instruments or advice on the 'blue chips' based on their own expert knowledge of companies (their Management efficiency and prospects). Further, mutual funds have been promoted by the bank; these funds can be marketed by branch managers to their depositors according to the saving abilities and preference of individual depositors.

PROMOTING RURAL DEPOSITS:

Since an overwhelming majority of branches have been opened in rural areas, considerable scope exists for exploiting the deposit potential in rural areas. Rural branches should have adequate publicity and door-to-door canvassing among prospective target groups for mopping up deposits. It is obvious that under that present circumstances of inflationary pressure and expansion in money supply and branch expansion, there
will be definite influence on the growth rate of deposits in the coming years provided the banking industry formulates attractive innovative schemes for deposit mobilisation suitting different segments of the population in rural, urban and semi-urban areas of the country.

The structure of tax incentives and interest rates should be such as to enable the various institutions to mobilise savings of such optimal magnitudes as are expected of them in the context of planned deployment. If the magnitude of savings mobilisation effort expected of the various institutions is estimated in advance and the fiscal and interest rate structure tailored to suit this, it would not place unnecessary handicaps on banks or other institutions. Hence the Ministry of Finance, the Planning Commission and the Reserve Bank of India should continuously conduct studies on the flow of deposit/savings into various financial assets and the impact of fiscal incentives on these.

A tax payer gets rebate only upto Rs. 9,000 of deposit interest of income tax. For fear of income tax a large percentage of people even now do not keep deposits in the banks. It is suggested that if the present rebate limit is raised to Rs. 15,000, banks will have more deposits for lending activities and deduction of tax on interest paid to each deposit holder to be
enhance Rs. 15000/- per annum from present amount of Rs. 5000/-.

Now that banks have branches in all the rural semi-urban and urban places, post office savings should be shifted to bank branches. Post Offices should concentrate only on postal services and improvement thereof. It is high time for savings to pass through banks. All the tax benefits given to post office savings should be made available for bank deposits.

MARKETING STRATEGIES:

Banks now operate in a situation of keen competition for attracting deposits. The rates for deposits are standarised by the R.B.I. but for the subsidiary services, there is little discretion for concessions. In fact, banks can do more business only by selling attractive and innovative schemes for deposits and advances. A mass marketing effort to mobilise household savings, in the wake of increasing economic activity should enable banks to mobilise relatively stable deposits. Instead of relying only on advertisement campaign, personal selling of schemes with the household sector is essential. Even in the case of non-resident Indians, personal selling can prove beneficial. There are various categories of customers who want different types of facilities or schemes to meet their needs. If banks cater for various market
segments, then only business from them can be generated.

Market surveys and analysis of data should be undertaken by S.B.I. bank, there should be continuous monitoring of such activities. There should also be an analytical, constructive and futuristic marketing information system, giving a critical assessment of the strategies adopted. Bank marketing research should be recognised as an instrument for influencing decision making and facilitating rational adjustments in the use of resources. Marketing research should usefully be undertaken in the areas of products, markets, advertising, planning, corporate responsibility and so on. The philosophy of customer orientation, as against product orientation, needs to be adopted.

NEED FOR CONSOLIDATION OF GAINS:

It is widely believed that there is an urgent need for consolidating the gains of the banking industry. The expansionary phase started since 1984 has brought into focus the need for consolidation rather than further expansion. Such consolidation should be done with specific objectives of achieving better operational efficiency and better recycling of bank resources through improved recovery of advances. This requires certain basic changes in the lending policy that would help the banking industry to face the problems.
INCREASE OF BANK CREDIT:

Banks can increase the credit in the country provided the Reserve Bank of India considers a downward adjustment in the interest rate structure, revising the reserve ratio and rationalisation of selective credit controls. It may be pointed out that there is a lack of close co-operation between the banks and other financial institutions. This aspect seems to be vital in tackling the credit requirements of industrial units.

For an effective functioning of the institutional structure, it is desirable that banks and financial institutions make an assessment with regard to working capital requirements of new and on-going units. Further banks may sanction credit limits based on term lending institutions' assessment and also exercise control at the credit utilisation stage. Banks should no longer continue to play the role of passive purveyors of credit, but should play a more active role and pay adequate attention to the qualitative aspects of the production and marketing strategies of the borrowers. The S.B.I. has made fair progress in the lead bank scheme in the formulation of district credit plans but a great deal needs to be done to give operational content to these plans in the years ahead.
NEED FOR LIBERALISATION FOR PROJECT FINANCE:

One area of the financial services sector in India that needs to be liberalised is the one relating to sources for project finance. The promoter today has very little choice or few alternatives in the matter of securing resources. Although there are several major all India financial institutions, there is no competition amongst them, all virtually decide in concert for the sake of increased efficiency and better value to the customer, it would be a good idea to introduce some competition amongst these financial institutions. The limited role currently assigned to the banking sector in providing lines, banks can act only as residuary suppliers of a company's term loan requirement the remainder being reserved for the financial institutions for medium and big size project. Thus making it obligatory in most cases to seek loans from these institutions. One would very much like to see a relaxation of this stipulation so that is possible for a promoter of a medium and big size project to raise the whole of the debt capital from the banking sector or from capital markets, or by way of leasing or by a mixture of these sources. It would contribute towards speedier approvals, thereby cutting down implementation time for the project. At the same time there would be reduced pressure on financial institutions who are already overloaded with project
appraisals and also occasionally feel that their resources are under strain. Banks because of their close knowledge of their clients and their involvement with them for working capital and other facilities may, in many cases, be better placed to deal with project financing speedily and this is their natural area of activity. In any case, it will introduce the much needed competition in project finance business. Needless to add, the banks will need to develop appropriate skills to undertake this task.

OVERDUES AND REPAYMENTS:

Suggestions for preventing emergence of overdues and improving flow of repayments to the financing banks are as follows under:

(i) Area approach to project financing will ensure effective supervision over the use of credit and would eventually reduce cost of loading. Scattered lending without reference to needs of integration has been responsible for overdues.

(ii) The mode of disbursement could be essentially in kind. Thus payments could be made to the suppliers against borrowers acknowledgement of receipt of materials. Within certain limits, borrowers may be allowed freedom to select inputs.

(iii) Adequacy and time lines of credit have been emphasized from time to time in the context of their
contribution to recoveries, yet in reality, this does not appear to have been fully understood by the institutions. This factor helps to ensure proper utilisation of loans because such loans would take care of costs, scales of finance and estimates of incremental income on a more realistic basis.

(iv) The repayment programme should be carefully drawn up so as to make it convenient for the borrowers to repay the instalments during the period when the funds are available with them. Some flexibility to accommodate dissimilar repayment models to take care of variations in industrially cases may be necessary.

(v) Since the repayment have to come essentially from increased business or agricultural income and since the income is prone to risks and uncertainties, provision may have to be made for rescheduling some of instalments at some stage so that the borrowers are not unfairly declared defaulters.

(vi) Supervision and follow-up arrangement to ensure proper use of credit is very necessary. The lending organisation can thereby know unforeseen problems, if any, obstructing the development process.

(vii) Borrowing from multigencies leading to incurring of debts beyond capacities or for interagency adjustments, without any productive purpose in view, needs to be checked. It is necessary that all the
borrowers of the bank are carefully verified with reference to the purposes, periods and sources. It may be desirable to follow the principle of one borrower one bank.

BETTER RECOVERY OF CREDIT:

A better environment should be created for recovery of bank credit from borrowers in rural areas and from potential viable sick units as well. Banks and the governments, especially at the state level, must strive to create and maintain an atmosphere conducive to financial discipline and recovery of dues. It is reported that the central government is thinking of giving more legal powers to banks to enable them to recover their advances. The measure is expected to give a boost to the recovery drive of banks. Efforts for recovery should commence in advance of the due date. Banks may think of encouraging offers from the borrowers to pay off the bank dues through compromises on a voluntary basis. The bank dues should be reduced through proper credit appraisal and post credit supervision by the bank staff.

EXTENSION AND CONSULTANCY SERVICES:

The State Bank of India is strengthening its extension and consultancy cells at the Local Head Offices and technical officers are posted at selected
branches but it is not enough. Banks will have to strengthen their extension services to appraise the prospective entrepreneurs from amongst weaker sections of the business opportunities available in the district and towards this end they will have to develop suitable consultancy services and to conduct entrepreneurial development programme and training programme for the small borrowers. The bank also needs to establish close liaison with the District Industries Centres which has been set up in different districts to serve as focal points for providing under one roof a package of services to industries to the tiny sector.

SIMPLIFICATION OF PROCEDURES:

It is also necessary to simplify the application forms and methods of maintaining accounts of the borrowers. The bank should expedite processing of loan applications instead of keeping a proposal pending for a long time, even if a proposal is to be rejected, it should be done quickly so that the applicant could think of an alternative. It is also necessary that the bank should coordinate with the Government agencies in such a way that the official formalities might be completed faster. The borrower should be issued a small loan passbook in which all important particulars in regional language should be entered particularly times and conditions on which the loan is sanctioned, disbursement, interest, repayments, subsidy particulars.
If the S.B.I. bank is to sustain its profitability at a reasonable level in the coming years, certain endogenous factors have to be effectively addressed, particularly those concerning internal structure cost control including establishment costs, house-keeping prompt recoveries and funds management. It is suggested that an increase in the interest rates of impounded balances and higher average yield on fresh investments in gild-edged securities would improve the profitability of banks.

Improving the quality of loan assets and timely recovery of dues are two important areas to which increasing attention will have to be paid. Adequate lending in semi-urban and rural areas by assisting priority sectors like agriculture and allied activities at the rural branch would help in improving profits with some social purpose. Further, a rationalisation of the interest structure, through a measure of regulation could considerably augment banks' earnings on their assets portfolio.

Serious thought should be given to reducing the operational costs. Rural branches take considerable time to reach break-even point. The lack of infrastructure, delay in improving deposits in rural areas.
Poor recoveries and high establishment costs are the main factors responsible for the delayed attainment of break-even level.

It may be suggested that the loss making rural branches be converted into satellite branches to make them profitable. Better management of cash and funds position could also contribute to some improvement in this regard.

Income, expenditure and profit budgeting should be part and parcel of the performance budgeting exercise in the banks. There should be separate budget of expenditure items for the administrative offices such as Divisional Office, Regional Office, Zonal Office and Head Office and the monthly trends in expenditure at all levels in the organisation should be monitored by the next higher authority.

The establishment expenditure constitutes about one-fourth of the total expenditure in banks and a regular monitoring of such expenditure after dividing it into controllable aspects would go a long way in keeping it under check. A new wave of mechanisation and computerisation is sweeping the banking industry.

A constant vigil on funds management is crucial for profit planning in the banks. Idle cash needs to be
monitored and reduced to the bare minimum. Refinance from IDBI, NABARD and Reserve Bank is not subject to statutory pre-emptions and a deliberate policy of improving the credit-deposit ratio is the essential ingredient of profit planning at the bank level.

Bank has to make special efforts to enhance its ancillary income by both increasing the arena of ancillary services and by charging proper rates on the services rendered. The fast movement of the banking system towards mechanisation should enable it to expand its area of services.

As regards the proper charges for services the most serious inroads into bank profits have been made by the banks' own action of providing a variety of services to customers at virtually negligible cost. As a result of almost continuous increase in prices, the services offered by different entities, other than banks have become costly. The railway freights, postal rates, stationery charges, transport charges, etc., not to speak of the commodity prices, have been increasing over the years, but the services offered by the banks continue to be at the same old rates as in the past mainly because the banks have not been able to increase service charges due to the misconceived competition among them, customers knowing this weakness of the bankers, play one bank against anothers and extort maximum concessions, free remittances etc. The banking system under the auspices of the Indian Banks'.
Association, has at last ventured to charge uniform rates for the services since July 1, 1985. Even so some of the banks are feared to have diluted the spirit of new charges such by self-defeating techniques as cut into the roots of profitability. Indian Banks' Association could monitor the information in this regard to all the banks. Banking system has pampered the customers for long and it may be difficult to stand firm in the initial stages. If all banks stand united and charge uniform rates, the customers, who are willing abide by the discipline imposed by the branches of foreign banks in India, would be willing to pay the economic service charges.

The Reserve Bank of India in collaboration with banks, should organise regular and systematic sample surveys to estimate the cost of various services and profitability of different activities. The survey should be designed in such a manner as to provide valid estimates of the cost in individual bank. The result of such studies may be used by the individual banks to examine their cost structure and institute appropriate action for cost reduction and cost control.

MANAGEMENT OF FUNDS:

The need for adequate profits has become all the more important with the increasing proportion of priority sector advances on concessionary terms and the
rising share of the high interest bearing deposits in total deposits. The staff costs have also been steadily rising. All this underlines the need for improving productivity in the bank and management of the funds. In this context it is of paramount importance that the banks funds must be promptly collected without permitting to get blocked. All out efforts need to be made to increase the awareness of the branch staff of the implications of prompt and accurate reporting of transactions and speedy reconciliation work from the point of view of the position of the bank's overall resources. This necessitates adequate co-ordination among the computer centre, the Inter-Office Accounts Department, the Agency Clearing Department, the Government Accounts Section, etc. A constant vigil on funds management is crucial for profit planning in the banks. Idle cash needs to be monitored and reduced to the bare minimum.

TRAINING:

The training of officials engaged in plan formulation and implementation is equally important at the district levels, block levels (block development officers, district rural development authorities, cluster supervisors, village accountants, bank manager, assistant Project Officers). Panchayath Raj and voluntary bodies should be familiar with the concept and objectives of IRDP Pradhanmantri Rojgar Yojana. They
should be adequately motivated and must be fully conversant with the duties they are expected to discharge.

In order to impart effective training the trainers themselves must be trained at nation and state levels. Necessary literature on all rural development languages should be made available to the participants. Training must be directly linked to the field conditions and participants must undertake field visits as part of the training. At the end of every course a detailed follow-up of the programme should be undertaken. The officials after getting training should not be transferred for a period of two years.

There is a need for a hierarchy of training in our national training system. The officials of several departments at both central and state governments are to be trained in agriculture and rural development, irrigation and Industries, finance and banking, education and social welfare panchayat Raj, health, family welfare and labour and employment. Further, all officials should be given intensive training in project formulation planning and project formulation, planning and management, socio-economic survey, resource identification and analysis and implementation of rural development programmes.
Under the present circumstances a great deal of attention is yet to be focussed by commercial banks on institutional training (centre, state, district, block and village). There is a need for interlinked massive training programme in the country. Good training atmosphere goes a long way in supporting management activities especially interpersonal relations and social objectives of bank. Preparation of personal inventory in bank, setting up of management department cells, specialised field of small scale and agrobased training should be provided to bank employees in all developmental activities of commercial banks.

**SLIMMER BANKS NEEDED:**

Perhaps the initial expansion of banking facilities had to be undertaken by the existing banks. However, that stage is decidedly over now as the country has a large number of experienced bankers. It is now possible to set up a number of new banks by splitting up the unmanageable large banks into several banks. The nationalised banks must agree to become smaller in size by shedding off many branches and by confining themselves to manageable geographical limits. The "all-India" craze which prompts a bank with headquarters in a Southern State to set up an office in a north-eastern state situated far away from the bank's headquarters and vice versa must be eschewed. That
will save a lot of problems of coordination and staff management and will make redundant costly tours by officers. Unfortunately, there has been no move in this direction of slimming the size of banks, although there seems to be so much of concern for containing human obesity in the country. Slimming of individual banks does not mean reduction in the number of bank offices in the country, what it means is that no bank should have more than the optimum number of offices it can manage efficiently but there may be many more banks.

**STEPS TO IMPROVE BANKING SERVICES:**

There is tremendous scope for improvement in customer service rendered by the banks. Efforts should be made at all levels to improve these services. A few suggestions are made here under to tone up the banking and customer service in banks:

1. Discipline should be insisted on the employees so that the co-ordination with the customers may be protected in all respects effectively.

2. Talent and honest supervising staff should be posted in the controlling offices level.

3. While drawing guidelines, top management should take into account the prevailing local market business trends as well as customers' cultural conditions and expectations to a reasonable extent.
4. Last Saturday of the each month, branch managers should conduct public relation meetings in co-ordination with the branch staff. In this meeting, local depositors' problems, their suggestions, available banking facilities, other problems should be discussed at length.

5. Branch managers should analyse each and very aspect of the problems concerning their respective branches and should make modifications in policy guidelines, if required, for improving the developmental banking activities, in consultation with their colleagues.

6. Political influence in any manner at any stage must be curtailed completely.

7. Unnecessary union activities must be curbed, obviously without any hindrance to both sides.

8. Evaluation of customers' expectation in every Place should be done and accordingly branch offices should be guided by the controlling authorities from time to time.

9. Periodical education of customers on banking facilities and schemes available to them should be brought to their notice in order to give a visible connotation about the banking activities to the public.

10. Banks' schemes, facilities offered and services other than banking should be made familiar to the public.
11. Departmental dissipation should be curtailed as far as possible.

12. Personnel selection must be done wholly on merit, removing all loop holes in the existing procedures.

Banking being service industry, the attitude of the bank staff towards customers is important, and unless this undergoes a change any amount of coercive methods may not achieve the desired results. It is needless to mention that new efforts are needed for developing the existing banking activities. Recommendations made by the Working Group on Customer Service in bank, should be implemented without any further delay.

**PREPARATION OF CREDIT BUDGETS:**

To overcome the various problems in preparing the credit budgets the bank should ask the large borrowers to submit their monthly budgets for the whole financial year giving the peak and minimum levels of drawings during each month otherwise it will be impossible for the banks to draw up any meaningful budgets. Since different borrowers during different periods of high and low outstanding advances during a month the banks will have to computerise the data to
arrive at a fairly accurate trend of their credit levels on a month to month basis. Unless, therefore, the budgetary mechanism is perfected on these lines, it will not be possible for the bank to conform to the Reserve Bank's guidelines in regard to credit expansion. It is high time that some serious thought is given to the above practical problem both by the Reserve Bank of India and the State Bank of India so as to ensure more effective implementation of the credit plan.

INCENTIVES TO WORKERS:

Proper appraisal of the grievances of the employees and their timely redressal will go a long way in minimising unnecessary agitation. A judicious policy of reward and punishment should be so evolved that merit does not go unrecognised and dereliction of duty does not escape punishment. The attitude of the management towards the workers should not only be just and fair but must appear to be so. Favouritism in allocation of work, promotion, postings and transfers needs to be curbed. Impartiality and fair play at all levels of administration will enthuse the employees to give their best to the organisation and provide the necessary motivation to work with zeal and dedication.
RECRUITMENT AND POSTINGS IN RURAL AREAS:

To overcome the problems in recruitment and postings, banks should think a fresh in regard to the recruitment of personnel at divisional level so that they may draw willing workers locally, against the present system, of state-level recruitment as it is observed that the staff belonging to developed areas are reluctant to move to undeveloped areas which are already deficit in staff. Local people will work with greater sense of devotion and will be better tuned to rural conditions. Continued efforts to train the personnel posted in rural areas can hardly be over-emphasized. Care ought to be taken to ensure that the personnel are also kept motivated to work for rural development. In view of various problems, it is advisable that:

Personnel posted in rural areas are given the option to keep their families at nearby urban centres with usual facilities and perquisites.

2. Staff in rural areas are provided with dormitory accommodation and permitted to take leave at specified intervals to go and meet the member of their family.

3. Rural postings are given weightage in the matter of promotions placements etc.
NEED FOR COMPLETE PUBLISHED BANKING STATISTICS:

The collection and dissemination of banking statistics have assumed greater importance in recent years. There is a growing demand for statistical information relating to banking from policy makers in different organisations, including the research departments of commercial banks and general public, while the data system adopted by the Reserve Bank of India, is fairly comprehensive, there was a general consensus that the time lag in the publication of various reports should be narrowed. The R.B.I. should consider presenting the bank-wise statistical information in one of its publications. Evidently bank-wise statistics will be of vital interest to the users especially the Planning and Research Departments of the banks.

PROVISION OF INFRASTRUCTURAL FACILITIES:

The problem of infrastructural facility can be tackled if the government provides buildings for banks and a few residential quarters for the staff in rural centres. Alternatively, the government could allot to banks or acquire land for constructing such buildings. In this connection banks may follow the pattern adopted by railways, defence units or special projects in the public sector which have been doing of preparatory work in arranging the required infrastructure, office building as also employee's residential quarters and...
the basic facilities like education, hospitals and the like. Banks, under suitable guide lines from the Reserve Bank of India or the Indian Banks Association, may proceed to fulfil these needs either individually or collectively at least at the district level. The provision of basic facilities will positively motivate the staff and also accelerate the process of rural banking development.

**INSPECTION AND AUDIT:**

1. Banks should not be allowed to carry out the inspection of their own branches. They need not have any internal inspection department.

2. Reserve Bank of India should have a full-fledged inspection department having their zonal inspection offices opened in different parts of the country covering all bank branches.

3. Once in a year, every branch/office of commercial banks should be made subject to audit by would be R.B.I. inspection.

4. During the audit, the R.B.I. inspection team should cover all the areas and report accordingly. The report copy would be submitted to the concerned bank head office for initiating remedial measures, while R.B.I. itself will monitor the progress at periodical levels.
5. It should be ensured that within the six months from the date of inspection the report should be closed unlike in the present system of prolonging for years. All irregularities pointed out in the inspection report should be rectified and actions initiated for recovering the outstanding overdues, within six months from the date of inspection. Periodical progress report should be sent to R.B.I. and head office by the branch directly.

6. Every three years the inspecting staff should be transferred to other zones for taking up inspection duty.

7. Liberal monetary benefits may be extended to the inspecting officers in order to alleviate the problems they face while on mobile duty.

8. Inspection headquarters may issue suitable circulars to their inspecting staff from time to time on all matters as and when deemed necessary.

9. Branches should be categorised according to the business they do and operational area for inspection purpose. Accordingly, inspectors should be deputed to inspect the branches.

10. In case the inspecting staff is found to be indulging in dishonest activities while inspecting a
branch it should be dismissed forthwith from the
service without any prolonged inquiry.

11. Compilation of inspection and audit report may
be modified in such a way that it should give important
information about the branch at a glance. Giving
voluminous reports should be stopped. Contents are
more important than the number of pages.

GOVERNMENTS SUPPORT TO BANK:

Support which Government of India could provide
to bank:

(1) It must be conceded that the artificial window
dressing of the balance sheets has concealed the true
state of affairs in bank. It is common knowledge that
most of the banks to manage to publish a marginally
higher profit figure in every subsequent year, no
matter what the real income, expenditure figures
justify. As a first step, therefore, the Government
could consider advising strictly to all the banks to
provide a true picture of their accounts without
altering the accounting procedures and practices year
to year also by adopting uniform accounting procedures.

(2) The Government transactions handled by the banks
have increased by leaps and bounds during the last
decade. The rates of commission fixed for transacting
government business are too low, having regard to the cost of operations currently incurred by the banks. The Government could, therefore, consider raising of the commission on government business handled by the banks.

(3) There have been repeated requests for extending the period of limitation from 3 years under Section 112 of the limitation Act to 5 years and to amend Section 15 of the said Act. In view of the massive increase in the borrowal accounts, the problem of renewing the guarantees and loan documents within a period of three years has become difficult. Therefore the limitation period could be extended to atleast five years.

(4) State Government should also set up suitable organisations for assisting the tiny units in marketing their products and for carrying out market surveys and other services, quality control, standardisation of products etc.

(5) Granting of exemption from stamp duty and registration charges on loans granted to the weaker sections can also be considered.
RBI's SUPPORT TO BANK:

(1) The SLR under section 4 of the Banking Regulation Act, 1949 was initially intended to be a second line of defence in times of run on the bank. Today, it is being used as an instrument for providing funds to the Government and the term lending institutions at cheap rates. It is important to note that the return on 25 per cent liquid assets, at around 9 per cent, does not cover even the cost of funds. In view of the statutory obligations to maintain the prescribed SLR banks have to subsidise not only the central and state Governments but also the financial institutions like the IDBI, ICICI, SFCS, etc.

(2) The refinance rates charged by the financial institutions to banks are higher than the return they get on their subscriptions to the debentures of these institutions. There is a case for providing refinance at least at the same rate at which banks subscribe to their debentures.

(3) The commercial banking in our country has been operating a paradox of interest rates under which it pays high rates of interest on long term deposits, but when it comes to lending long, it charges low rates. The apparent objective, of course, has been to encourage investment and capital formation by providing funds at comparatively cheaper rates. But, primafacie,
the mechanism appears to be paradoxical which has affected the profitability of the banking system and this queer dilemma needs to be resolved.

NEED FOR REORIENTATION OF THE ACCOUNTING SECTION:

In order to accelerate the disposal of the backlog of unmatched inter-office entries caused by the increase in the number and dispersion the reporting centres, decentralisation of the collection and processing of such entries a suitable accounts of checks and balances to cope with a large numbers of accounts is the need of the hour. Suitable mechanism of accounting has to be evolved to minimise the cost of labour and quicken the pace of the follow-up action without in any way jeopardising the interest of the bank. Simplification of accounting procedure is needed to reduce the work load of the employees to enable them to devote the time so spared to meet the borrowers to ensure that the money lent is properly utilized and repaid. The entire banking machinery should be kept in top gear to develop the banking habit in the people.

NEED OF ADDITIONAL STAFF:

The staff strength should be increased, especially that of R.D.O's and field officers, so as to enable the branches to supervise and follow up the
mounting various accounts more closely. The task of effective supervision and monitoring of loan accounts by maintaining regular contacts with the borrowers has become more difficult than ever before since the incidence of protested bills/recalled debt account is quite high over and above the phenomenon of stagnant recovery. To enable the field officers to devote adequate time and attention to the supervision of the borrowal accounts, it is suggested that the practice of deputing field officers to look after routine operational work in nearby branches be stopped. A review of the staff position from time to time is necessary to meet the demand of additional staff in the branches, having unmanageable work load.

NO SCATTERED LENDING:

Scattered lending taken up under the Government sponsored programme because supervision of these loans is difficult in view of inadequate staff. A cluster approach is necessary for financing under Government sponsored schemes. Many of the outstanding accounts may be shifted to the branches subsequently opened near the borrower's villages. This will reduce the work load of branches on the one hand and facilitate better supervision on the other.
STEPS TO IMPROVE FOREIGN BRANCHES:

In foreign branches there is no co-ordination among the Indian banks, and no information system for assessment of country risk and party/group risk. This has to be rectified by instituting a suitable machinery if serious mishaps are to be averted.

In overseas branches a system of internal audit, preferably by an outside agency, is most desirable.

There should be a proper system of annual budgeting with targets and performance review in foreign branches.

Marketing strategy should replace adhoc hit-and-miss approach to customers. Target areas should be identified, taking in view the risk/reward factor, coupled with the cost of servicing them.

With a limited primary deposit base there should be vigorous efforts for non-funding remunerative business, such as letters of credit, guarantees, etc. and fee-based services rather than interest yielding advances.

Indian banks which have no branches abroad should be persuaded to use S.B.I.'s overseas Indian branches for their correspondent Banking rather than employing the services of other foreign banks.
The selection and posting policies for overseas branches need to be thoroughly overhauled. Selected has to be on consideration of aptitude, adaptability and ability as required for the area in question.

The time has come for banks to start a cadre of foreign banking service (somewhat like the Indian foreign service) in which candidates are selected on the basis of their suitability and also the expectation that they will be attached to the bank's foreign establishment. After such selection there should be a special training programme for at least a period of three months as is in the case of candidates selected for I.A.S. etc. But this training should include all the phases which are relevant to the working of overseas branches of the bank.

It is expected that the suggestions given above if implemented in right earnest may enable the State Bank of India to give the much needed impetus to the all round economic development of our country.

OTHER MAJOR RECOMMENDATION:

1. Looking at high cost of maintaining and running small branches, it is recommended that number of such branches be reduced or clubbed together and operation of branches to be fully computersised.
2. Though the bank has already started technology based services to customer yet there is a need to bring these services at par with the foreign banks operating in India. In other words technology based services are to be rendered to customer at competitive rates and professionally. The bank must take immediate steps to switch over to E-commerce services and electronic money i.e. (online banking operation)

These major recommendation will certainly improve the total banking operation in the country, this will also improved the profitability, E.P.S. etc. of the bank.