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MINISTRY OF FINANCE
DEPARTMENT OF
ECONOMIC AFFAIRS
(BANKING DIVISION)

34

7-8

ESTIMATES COMMITTEE
1990-91

NINTH LOK SABHA



LOK SABHA SECRETARIAT
NEW DELHI

ELEVENTH REPORT

ESTIMATES COMMITTEE (1990-91)

(NINTH LOK SABHA)

**MINISTRY OF FINANCE, DEPARTMENT OF
ECONOMIC AFFAIRS (BANKING DIVISION)**

MANPOWER REQUIREMENTS IN NATIONALISED BANKS



Presented to Lok Sabha on 9 January, 1991

**LOK SABHA SECRETARIAT
NEW DELHI**

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(1990-91)

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*Resigned w.e.f. 30.8.1990

INTRODUCTION

1. The Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Eleventh Report on the Ministry of Finance, Department of Economic Affairs (Banking Division)—Manpower Requirements in Nationalised Banks.

2. The decade and a half after the nationalisation of major banks has witnessed a rapid growth of the banking sector. Over the years this sector has absorbed considerable manpower and opened job opportunities. However, this expansion has simultaneously created problems relating to management of the manpower employed in the banks. This ultimately reflects upon the quality of the service rendered. The Estimates Committee of 8th Lok Sabha, in their 64th Report, also dealt with the aspect of customer service in the banking sector. It, therefore, became important for the Committee to examine different aspects relating to manpower management by various nationalised banks.

3. The Estimates Committee issued a detailed questionnaire to the Government in August, 1989, replies to which were received in November, 1989. They took the evidence of the representatives of the Ministry of Finance and other concerned Departments on 7.9.1989.

4. Taking note of the fact that various public sector banks currently employ over 1 million officers, clerks and other staff, the Committee have emphasised the importance of establishing uniform norms for determining staff requirements in the entire banking sector. These at present vary considerably. The Committee expect the Banking Division of Ministry of Finance to early initiate an appropriate study of this aspect. This ought also to include rationalisation of officer/clerk ratio in different banks. At the same time the Committee have drawn the Government's attention to sub-normal productivity ratios operating in the public sector banks coupled with the burgeoning trend of the establishment expenses which has, alarmingly outpaced even the growth rate of business in a large number of cases. In this context, the Committee have also highlighted the need to define evaluatory parameters for determination of profits, on a uniform basis, to facilitate inter-banking comparison of profitability ratios.

5. The Committee have noticed with concern the ad-hoc approach adopted by the banking sector in staffing. This tendency is rather pronounced in respect of appointments at higher levels as timely filling up of the posts of Executive Directors and Managing Directors has not been uniformly ensured. Besides unjustified delays in appointments have also been noticed. This unfortunately, is also true of appointments of non-official directors.

6. Apparently more initiative in streamlining the recruitment procedures and planning of recruitment process is called for from the banks as well as from the Government. It is hoped this important activity will receive due attention of the banks as well as the Government. The Committee have specifically drawn the attention of the Government towards delays in declaration of written results of examinations conducted by the Banking Services Recruitment Board (BSRB) resulting in long pendency of vacancies. The Committee have found the existence of two separate recruitment agencies, viz., Central Recruitment Board and BSRB for SBI and non-SBI recruitments as unjustified. The Committee hope that enough attention will be paid making postings in rural banks more attractive.

7. The Committee are concerned about the backlog of untrained staff in various banks. They have advised augmentation of training related infrastructure and inter-bank cooperation in clearing this backlog.

8. The report was considered and adopted by the Estimates Committee (1990-91) on 20.8.1990.

9. The Committee would like to express their thanks to the Estimates Committee (1989-90) for taking evidence on the subject and obtaining valuable information thereon.

10. For facility of reference, the recommendations/observations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix to the Report.

NEW DELHI;
December 3, 1990

Agrahayana 12, 1912(Saka)

JASWANT SINGH
Chairman,
Estimates Committee.

CHAPTER I

A. INTRODUCTORY

1.1 The main activity in the banking sector centres around mobilisation of domestic savings and business and that generated in the form of advances and investments. The large volume of debits and credits that occur as part of this activity, representing the real turn-over of the banks over a given period is, however, not correctly reflected by their book balances, such balances may, at a given point of time, be either very low or unusually high. On the other hand various related and other customer-oriented services, such as issue of cheques, collection of outstation cheques, remittances, locker services, merchant-banking services, exchange services etc. are also not easily quantifiable. Hence a precise assessment of the workload in a banking organisation is difficult. However, these limitations notwithstanding, banks do use a rough and ready method of judging their business on the basis of their working funds. Since these funds constitute, in bulk, raw material for their operations in terms of making advances/investments, banks take the volume of working funds per branch/per employee as the broad index of inter-bank comparison in terms of size and manpower productivity.

1.2 Nationalised banks generally follow a pyramidal organisational structure, with head office at the apex, followed by zonal offices controlling a number of regional offices, each of which in turn controls a large number of branches.

1.3 In the State Bank of India, the pattern is somewhat different. At the apex is the Central Office; then come Circles or LHOs followed by Regional Offices and Branches.

Recruitment

1.4 A scheme for recruitment of officers and clerical cadre personnel in public sector banks was evolved by the Government of India in 1978. According to the scheme 7 Banking Service Recruitment Boards (BSRB) with their headquarters at Bangalore, Bombay, Calcutta, Delhi, Lucknow and Madras were set up for meeting the manpower needs of nationalised banks. In 1980, however, a Banking Service Recruitment Board was set up at Bhopal and in 1981 one more at Guwahati. However for SBI group of banks a separate Central Recruitment Board with its headquarter at Bombay and 13 Regional Recruitment Boards with their headquarters at each of the 13 local

headquarters of SBI were set up. The Central Recruitment Board handled the recruitment for clerical cadre also in the past.

1.5 In 1985 the Banking Service Recruitment Boards were reorganised and 13 Regional Recruitment Boards meant exclusively for SBI group of bank were closed down/merged with the BSRB structure, leading the setting up of a few more Boards entrusted with the responsibility of recruitment of clerical cadre for along 28 public sector banks including the SBI group. As on this there are 15 BSRBs and one Central Recruitment Board the latter is responsible for recruitment of officers SBI Group of Banks.

1.6 These Boards have also been entrusted the responsibility of recruiting clerks as well as officers including field officers for the various Regional Rural Banks in their jurisdiction. The recruitment system is reviewed in the quarterly meetings of Chairman and Secretaries of BSRBs wherein the representatives of Government of India are also present. The conclusions arrived therein are put up to the Government of India, if required for its approval/clearance.

1.7 Each Recruitment Board consists of a full time Chairman and not more than 3 part time non-official members of whom one belongs to SC/ST community. It is also envisaged that ordinarily among the 3 non-official part time members there should be one representative from the minority community. In addition to the above, there is one representative each from coordinating and participating banks. The representatives of the coordinating/participating banks may hold office at the pleasure of the concerned bank. The terms and conditions of appointment of Chairman and Board and full time members, if appointed, are regulated by Government of India from time to time.

1.8 The Budget of the Board is approved by coordinating Banks and the Chairman of the Board is the final authority to take final decisions of financial administrative and recruitment matters.

1.9 The number of Interview/Selection Committees formed in each recruitment exercise depends on the number of candidates to be interviewed. For each interview Committee there are atleast 3 members including one from SC/ST and another from the minority community. The Chairman of BSRB or a member of BSRB, as the case may be, is the ex-officio Chairman of all the interview committees. Eminent outsiders including retired administrators, academicians, banks officers are associated with the interview panel of which only 3 persons form the Quorum.

1.10 In the case of interview for posts under Grameen Banks the composition of the interview panel is slightly different. It consists of (i) a nominee of BSRB (ii) nominees of sponsor banks of RRB(s) (iii) if none of the above members is from SC/ST or from a minority community, one such member is co-opted on the panel.

1.11 An analysis of the growth of business, manpower and establishment expenses in the public sector bank, conducted in 1986, revealed that the growth in establishment expenditure had far out-stripped the growth of business per employee which had almost remained static in real terms. Since continuation of such a situation would have been detrimental to their profitability, Government asked all banks to undertake an indepth assessment of their staff requirement keeping in mind certain parameters. To cut down the excess manpower and improve its utilisation banks were advised to restrict their future recruitment. As a sequel to Government instructions, public sector banks undertook an exercise to assess whether staff deployed in different branches was justified or was in excess. Wherever pockets of excess staff were identified, steps were initiated to redeploy them in areas of deficit.

1.12 The methods that are commonly adopted for identifying surplus or deficit at branches or controlling offices are same which are used for estimating manpower requirements of the banks; primarily as a broad yard-stick, the assessment of manpower requirement is co-related with the volume of business.

1.13 Banks are reportedly facing lot of difficulties in staffing the branches in rural areas. No study has been conducted so far, to ascertain the causes for disinclination for employees to go in rural areas. Broadly speaking, it is due to the fact that the bank employees coming predominantly from the urban and metropolitan areas are disinclined to accept rural postings because of hardships associated with such postings as a result of inadequate infrastructural facilities such as housing, drinking water supply, sanitation, transport, education and also because of their inability to rhyme with the rural social milieu.

B. BOARD OF DIRECTORS

(i) Chairman-cum-Managing Director & Executive Director

1.14 In terms of the statutes governing the Nationalised Banks and State Bank of India, the general superintendence, direction and management of the affairs and business of the nationalised banks and SBI are vested in their Board of Directors. The relevant provisions pertaining to 20 Nationalised Banks and State Bank of India and its subsidiaries are given in Annexures I, II and III. The Managing Director of a nationalised bank as the Chief Executive Officer of the bank and he exercises such powers and discharges such duties as may be delegated to him by the Board of Directors. The second whole time director who is designated as Executive Director in nationalised banks also exercises such powers and performs such functions and duties as are specifically delegated to him by the Board of Directors. The Executive Director also assist the Managing Director in exercise of such powers and in performing such functions and duties as specifically delegated to him by the Board of Directors. In the case of State Bank of India, the Managing Director is a whole time Director of the State Bank and subject to the general control of the Chairman. He

exercises such powers and perform such duties as may be entrusted or delegated to him by the Central Board. The Chairman, SBI presides over the meetings of the Central Board and may exercise all such powers and do all such acts and things as may be exercised or done by the State Bank subject to such general or special directions as may be given by the Central Board.

1.15 The Ministry has supplied the following Statement showing the vacancies of whole time directors in Nationalised banks and SBI as on 1.1.1988 and the position obtaining as in September, 1989.

| Sl. No. | Name of the Bank | Position vacant | Date since when vacant | Present position |
|---------|-----------------------|-----------------|------------------------|---|
| 1 | 2 | 3 | 4 | 5 |
| 1. | Central Bank of India | ED | 20.10.87 | Incumbent has been appointed w.e.f. 23.6.88. |
| 2. | Bank of India | ED | 3.8.87 | Incumbent was appointed w.e.f. 23.6.88 and the position has again fallen vacant since 1.3.89. The selection process of filling up the vacancy has already been initiated. |
| 3. | UCO Bank | ED | 2.8.86 | Incumbent has been appointed w.e.f. 14.12.88. |
| 4. | Canara Bank | CMD | 29.6.88 | Incumbent has been appointed w.e.f. 21.9.88. |
| 5. | Canara Bank | ED | 21.9.88 | The selection process of filling up the vacancy has already been initiated. |
| 6. | United Bank of India | CMD | 12.8.88 | Incumbent has been appointed w.e.f. 12.10.88. |
| 7. | United Bank of India | ED | 12.10.88 | Incumbent has been appointed w.e.f. 15.6.89. |
| 8. | Dena Bank | CMD | 13.3.88 | Incumbent has been appointed w.e.f. 9.6.88. |
| 9. | Syndicate Bank | ED | 5.9.86 | Incumbent has been appointed w.e.f. 23.6.88. |
| 10. | Union Bank of India | CMD | 29.12.88 | Incumbent has been appointed w.e.f. 29.4.89. |
| 11. | Union Bank of India | ED | 21.2.89 | Incumbent has been appointed w.e.f. 6.3.89. |
| 12. | Allahabad Bank | CMD | 24.6.87 | Incumbent has been appointed w.e.f. 28.4.88. |
| 13. | Allahabad Bank | ED | 28.4.88 | Incumbent has been appointed w.e.f. 6.6.88. |

| 1. | 2 | 3 | 4 | 5 |
|-----|---------------------------|----------|----------|---|
| 14. | Indian Bank | CMD | 14.11.88 | Incumbant has been appointed w.e.f. 8.12.88. |
| 15. | Indian Bank | ED | 8.12.88 | Incumbant has been appointed w.e.f. 14.12.88. |
| 16. | Bank of Maharashtra | CMD | 14.1.89 | Incumbant has been appointed w.e.f. 28.8.89. |
| 17. | Bank of Maharashtra | ED | 3.3.89 | Selection process of filling up the vacancy has already been initiated. |
| 18. | Indian Overseas Bank | ED | 22.10.87 | Incumbant has been appointed w.e.f. 24.6.88. |
| 19. | Andhra Bank | CMD | 22.12.87 | Incumbant has been appointed w.e.f. 21.4.88. |
| 20. | Andhra Bank | ED | 21.4.88 | Incumbant has been appointed w.e.f. 31.5.88. |
| 21. | Corporation Bank | ED | 16.2.83 | Incumbant has been appointed w.e.f. 24.6.88. |
| 22. | New Bank of India | ED | 16.3.85 | Incumbant has been appointed w.e.f. 13.10.88. |
| 23. | Oriental Bank of Commerce | CMD | 5.12.87 | Incumbant has been appointed w.e.f. 7.4.88. |
| 24. | Oriental Bank of Commerce | ED | 7.4.88 | Incumbant has been appointed w.e.f. 1.6.88. |
| 25. | Punjab and Sind Bank | CMD | 10.5.88 | Incumbant has been appointed w.e.f. 5.1.89. |
| 26. | Punjab and Sind Bank | ED | 5.1.89 | Selection process of filling up the vacancy has already been initiated. |
| 27. | State Bank of India | Chairman | 13.5.89 | Selection process of filling up the vacancy has already been initiated. |
| 28. | State Bank of India | MD | 5.1.88 | Incumbant has been appointed w.e.f. 24.9.88. |

1.16 The Ministry has informed the Committee that an advisory Committee has been set up in the Banking Division under the Chairmanship of the Governor, RBI, for the purpose of making recommendations to the Government regarding the names of the persons who may be considered suitable for appointment/re-appointment to the top posts in public sector banks/financial institutions. This Committee meets periodically and makes its recommendations in respect of the vacancies that would be arising in the near future. The process of convening the meeting of the Advisory Committee for making recommendations is initiated well before the vacancy arises. As the Government had to go through certain exercises/procedures some times delay does occur in making appointments of the whole-time Directors. Government reiterates that it is its endeavour to ensure timely decision regarding appointment of whole-time directors as

far as possible. At present the Chairman and Managing Director is in position in all the twenty nationalised banks and there are only 4 nationalised banks which do not have Executive Directors on their Boards.

1.17 Notwithstanding the assertion of the Ministry that it has been the endeavour of the Government to ensure timely decision regarding the appointment of full time directors, the statement furnished by them indicates an unsatisfactory position in this regard. It is indicative of absence of planning and initiative on the part of Government. Timely filling up of the posts of Executive Directors and Managing Directors has not been ensured. There has also been very considerable delay in filling up these posts. For instance, the Executive Director of Central Bank of India was appointed after a lapse of almost 8 months. Similarly in the case of UCO Bank the post of Executive Director was filled up after a lapse of 1 year and 4 months. Many more such instances can in fact, be found in the details given above.

1.18 In this context the reply of the Ministry that as the Government had to go through certain exercises/procedures some times delays occur in making appointment of whole time Directors is, unconvincing. Systems and procedures for selection can not be cited as grounds for delay; if they are, infact, contributory to such delays then they need to be reviewed. The posts of Chief Managing Directors and Executive Directors, in Banks are of pivotal importance. Prolonged delays in filling up these posts will effect the overall functioning of such banks. At this stage the Committee can only caution the Government and advise it to review the existing procedures. The Committee would like to be apprised of step taken by the Ministry in this regard.

(ii) *Non-official Directors*

1.19 The Ministry has stated that in terms of the provisions contained in the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980, State Bank of India Act 1955 and State Bank of India (Subsidiary Banks) Act, 1959, incorporated as Annexures I, II and III, the general superintendence, direction and management of the affairs and business of the above banks is vested in a Board of Directors which includes non-official Directors also. The composition of the Board of Directors of nationalised banks is laid down in clause 3 of the Nationalised Banks (Management and Miscellaneous Provisions) Schemes, 1970 and 1980. Similarly, the composition of Central Board of SBI and the Boards of Associate Banks of SBI are laid down in Section 19 of the SBI Act, 1955 and Section 25 of the SBI (Subsidiary Banks) Act, 1959 respectively. While in nationalised banks, a maximum of 9 non-official directors are to be appointed, in respect of the Central Board of SBI not more than 6 directors (excluding the elected directors and the Presidents

of the Local Board) can be appointed. In the case of the associate banks of SBI, however, not more than 5 directors are to be nominated by the State Bank, of whom not more than 3 shall be officers of SBI.

1.20 The Ministry has also stated that at present there were no non-official directors on the Boards of the 20 nationalised banks and that most of these vacancies had arisen since January, 1985. The names of the new incumbents had since been finalised and notifications for appointment were expected to be issued shortly. In the case of Central Board of SBI, 3 Non-official directors appointed under Section 19(1)(d) are in position as against a maximum of 6 directors who could be nominated under this Section. In respect of Subsidiary Banks of SBI, only the post of one non-official director on the Board of State Bank of Bikaner and Jaipur, whose appointment is under Section 25(c) *ibid*, is vacant since 30.12.1988. The process of filling up this vacancy has already been initiated. In respect of State Bank of Saurashtra and State Bank of Travancore, the tenures of one non-official director on each of two Boards, under Section 25(1)(c) have expired but are continuing in view of the provisions of the Act.

1.21 The Ministry has further observed that the Boards of the nationalised banks meet regularly and the business as required is transacted. The quorum for the Board meetings as stipulated in the statutes is also maintained.

1.22 The Ministry has informed the Committee that the Statutory Schemes governing the nationalised banks provide for appointment of non-official directors representing the interest of depositors, farmers, artisans and other persons having special knowledge or practical experience in matters useful for the working of the nationalised banks. The composition of the board of directors has been so formulated as to include representatives of different categories. As the general superintendence, directions and management of the affairs and business of the nationalised banks is vested in their board of directors, presence of persons belonging to different operational streams of the banks are considered very useful in conducting the business of the banks.

1.23 The Ministry has further informed that the term of office of 140 non-official directors on the Boards of 20 nationalised banks led expired in January, February, March and April, 1985. They could however, not be allowed to continue on the boards till their successors were appointed as earlier there was no such enabling provision in the schemes. However, the Scheme was amended only in December 1988 so as to enable the non-official director to continue beyond the period of three years or until his successor has been appointed provided that the total period does not exceed six years.

1.24 Reacting to a statement that if the full provisions of the Schemes of Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 regarding non-official directors are not implemented an impression is

created that efforts have been made to keep out from the Boards of Directors such individuals who may represent the depositors/customers' interests and that the Boards under such circumstances instead of being a representative body gave the appearance of being a Government agency, the Ministry stated in a written answer that it was not the intention of the Government to keep out the non-official directors from the Boards of the nationalised banks. The Ministry, however, admitted that the process of identification of possible incumbents to fill up the vacancies that had arisen in 1985 had taken some time. The non-official directors have since been appointed on the boards of all the nationalised banks. The Government assured the Committee that it would endeavour to fill up the vacancies of non-official directors in time.

1.25 During the course of the evidence a representative of the Ministry stated:—

“Here we have stated only the factual position, that is, after 1985, the appointment of the non-official directors has taken time. As of now the names have been identified and within the next one or two weeks we would be issuing notifications, bringing in non-official directors in various banks.”

1.26 Asked to explain the reasons for the delay in selecting the names of the non-official directors the representative stated:—

“The process has taken time because different names had to be considered and the approval for the names for inclusion in the Board of Directors had to be taken.”

He has further observed:—

“Thousands of names are there, selection has to be made and then he will have to recommend it for consideration of the Appointment Committee of the Cabinet and thereafter the process is completed.”

1.27 In reply to a question whether the selection was taking place according to the wishes of the Minister, he has added:—

“In rules of business, as far as the Ministry is concerned, it is the Minister in charge of the Ministry who is accountable for decisions which have been taken up by that Ministry.”

1.28 In reply to an Unstarred Question No. 5828 dated 20.4.1990 on the appointment of non-official Directors in banks, the Minister of Finance has stated that at present there were 101 non-official Directors on the Boards

of different nationalised banks. Bank-wise position of the number of non official directors in position and the number of vacancies is as under:—

| Sl. No. | Name of the Bank | Non-official directors in position | Position Vacant as on |
|---------|---------------------------|------------------------------------|-----------------------|
| 1. | Allahabad Bank | 7 | 2 |
| 2. | Andhra Bank | 5 | 4 |
| 3. | UCO Bank | 6 | 3 |
| 4. | Punjab National Bank | 5 | 4 |
| 5. | Central Bank of India | 4 | 5 |
| 6. | Bank of India | 6 | 3 |
| 7. | Canara Bank | 6 | 3 |
| 8. | Bank of Baroda | 6 | 3 |
| 9. | Vijay Bank | 5 | 4 |
| 10. | Punjab and Sind Bank | 3 | 6 |
| 11. | Oriental Bank of Commerce | 7 | 2 |
| 12. | New Bank of India | 5 | 4 |
| 13. | Corporation Bank | 6 | 3 |
| 14. | Indian Overseas Bank | 5 | 4 |
| 15. | United Bank of India | 2 | 7 |
| 16. | Dena Bank | 4 | 5 |
| 17. | Syndicate Bank | 4 | 5 |
| 18. | Union Bank of India | 6 | 3 |
| 19. | Indian Bank | 4 | 5 |
| 20. | Bank of Maharashtra | 5 | 4 |
| | Total | 101 | 79 |

1.29 The Minister further stated in reply to the question that most of the remaining vacancies had arisen since January, 1985. Government had already initiated the process for filling up of the remaining vacancies also.

1.30 It is disquieting to note that there are still 79 vacancies of non-official Directors, spread evenly in all the 20 nationalised banks since January, 1985. Surprisingly, the Ministry in the post evidence replies had stated that the non-official directors had since been appointed on the boards of all the nationalised banks. The Committee cannot but comment adversely

on the fact that incorrect information was supplied to it earlier. It desires that the Ministry of Finance exercise great care in replying to questions posed by the Committee.

1.31 Non-appointment of non-official Directors, representing various interests, denies the Banks this specific input. Now that the scheme has been amended as of December, 1989, the Committee expect that there would be no occasions for such non-appointments. The Committee would like to be apprised of the steps taken in this direction.

CHAPTER II

ORGANISATION PATTERN AND STAFF

(a) Staffing Pattern

2.1 The Ministry has stated that for the nationalised banks there is no standard unit of staffing pattern for various categories of branches/offices. As commercial organisations it is generally their endeavour to begin an office with the minimum essential staff and examine need for strengthening it later in the light of business developed and potential for further growth.

2.2 Thus most of the banks begin a rural branch with the minimum complement of one officer and one clerk and one substaff. In semi-urban/urban branches there are usually two officers one manager and another sub-manager or accountant. In branches having sizeable agricultural lending there could be part-time or full-time Agricultural Field Officer. The number of clerks depends on the volume of business as also the type of business.

2.3 In the supervisory/administrative offices the staffing pattern is determined by the functions entrusted to those offices.

2.4 In the State Bank of India and its Associate Banks while the above mentioned broad principles apply, there is a minimum of complement that is provided in each branch. This comprises two officers, two clerks, one substaff and one armed guard. Increases over this minimum are determined by needs of business in terms of volume and nature.

2.5 In Nationalised banks the organisation is generally structured on the following lines: Head Office, Zonal Offices, Regional Offices, Branches.

2.6 In State Bank of India, the pattern of structure is somewhat different. At the apex is the Central Office, then come circles of Local Head Offices (LHOs), Regional Offices, Branches.

2.7 So far as the manning or staffing at administrative office is concerned, the Chairman and Managing Director and the Executive Director are at the apex of the Head Office/Central Office. The General Managers who are in Top Executive Grade Scale VII are normally stationed at Head Office. General Managers normally hold charge of one or more portfolios [Viz. GM(Operations), GM(Credit), etc.] GMs are further assisted by DGMs/AGMs in their respective portfolios. There are further sub-divisions of the portfolios depending upon the need. The Zonal Offices which are in the next line of administration are generally headed by DGMs and assisted by other officers depending upon the coverage of

the zones. The regions are in charge of Regional Managers who are in SMGS-IV. About staffing of the Branches, it all depends upon the business of the branch concerned. Government have devised a model branch categorisation scheme under Officer Service Regulations. Under this categorisation of scheme the following criteria have been devised for deciding incumbency of the Branch Manager

| Category of Criteria branch | Incumbency |
|---|------------|
| Small Branches Average aggregate business below Rs. 1.5 crores during the last 2 years. | Scale I |
| Medium/Main Branches at State Dist. Capitals. Average aggregate business of Rs. 1.5 crores and above but below Rs. 7.5 crores during last 2 years. | Scale II |
| Large Branches Average aggregate business of Rs. 7.5 crores and above but below Rs. 15 crores during last 2 years. | Scale III |
| Very Large Branches Average aggregate business of Rs. 15 crores and above but below Rs. 100 crores during the last 2 years. | Scale IV |
| Exceptionally Average business of Rs. 100 crores and above during the last 2 years. | Scale V |

2.8 The above categorisation is applicable for all public sector banks including SBI and its associates. Except the level of branch manager incharge, there is no staff linkage to the above criteria. However, as mentioned earlier, the set up of the SBI being different the staffing pattern is therefore also somewhat different. While Chairman, Managing Directors and Deputy Managing Directors are stationed at Head Office/Central Office, LHOs are headed by Chief General Managers having a special scale and Status above that of the General Managers. They are assisted by 23 General Managers. The Chief Regional Offices, also called Modules, are headed by DGMs or Chief Regional Managers who are in Top Executive Grade VI and Regional Officers are headed by Regional Managers in the rank of Scale IV. For branch level staffing, the incumbency of the Manager is determined by the above criteria and other supporting staff depends upon the requirements of the branch.

2.9 The verticle line of hierarchy of nationalised banks and SBI is given below.

| In Nationalised Banks | In State Bank of India |
|--|--|
| CHAIRMAN & MANAGING DIRECTOR (Government appointee) | CHAIRMAN & MANAGING DIRECTOR (Government appointee) |
| EXECUTIVE DIRECTOR (Government appointee) | : DY. MDs. TEGS - Spl-II CHIEF GENL. MGRS - TEGS-Spl-I (In charge of LHOs) |
| T.E.G.S.-VII (GENL. MANAGERS) | : GENERAL MANAGERS TEGS-VII |
| T.E.G.S.-VI (Dy. GMS/at Zones designated as DGMS) | : DY. GENERAL MANAGERS SCALE-VI. |
| S.M.G.S.-V (AGM) | : A.G.M. - SMGS-V |
| S.M.G.S.-IV (R.Ms./C.Os.) | : CHIEF OFFICER-RMs-SMGS-IV |
| M.M.G.S.-III | : III - MMGS |
| M.M.G.S.-II Designations. | : II - MMGS |
| M.M.G.S.-I vary. | : I - JMGS |
| CLERICAL | CLERICAL |
| SUBSTAFF | SUBSTAFF |

2.10 There has been no general review of staffing patterns in banks. However, depending on its growth every nationalised bank has had its structure reviewed and refashioned to meet its requirements. New offices/ additional posts are created by the banks according to their structural hierarchies with the approval of RBI/Government.

2.11. Asked whether the Ministry are feeling a need for undertaking a comprehensive review of Organisational structures and Staffing Pattern of all the 28 Public Sector Commercial Banks with a view to bring about uniformity in them. The Ministry has stated in a written reply that while the need for reviewing organisational structure of public sector banks has already been felt and addressed, any thought of attempting uniformity in the organisational structure does not appear to be pragmatic and workable. This is because of the diversity in the historical characteristics, business mix geographical spread, work-ethos, business size, specialisation and pace of growth of each bank; the position of every public sector banks in this regard is different from that of State Bank of India. Almost all the public sector banks were virtually regional banks in

the initial stages till the year 1969. It is with effect from 1970, i.e. after nationalisation, that these banks expanded their branch network gradually assuming an all India pattern. The SBI, on the other hand, had already attained a vast network of branches all over the country and substantial decentralisation had taken place in its organisation. Other public sector banks started attempting the decentralisation much later. The RBI, which monitors the performance of public sector banks, felt after detailed review of the working of public sector banks that the organisational structure of public sector banks should be streamlined. The banks have accordingly reorganised their organisational structure on a four Tier Model and have streamlined/initiated measures such as delegation of powers and posting of suitable personnel for better control and supervision.

2.12 During the course of the evidence a representative of the Ministry was asked to elaborate on the difficulties in having a uniform pattern between State Bank of India and other Banks. He stated as under:—

“Firstly, the State Bank of India is a very large Bank with a very large number of branches. The total structure even now,—in the functioning—is different from that of the other Banks. As you are aware, the State Bank of India is having the Head Office; it is having local head offices also; for each local head office, again, there is a small advisory board and the whole structure functions in a very decentralised manner. Virtually, even in a local area, their span of work is almost comparable to the span of work of a nationalised Bank in the entire country. Therefore, they have a different pattern. There is a separate Chairman for the State Bank. This Chairman is also the Chairman of the Associate Banks. In the Associate Banks, the Managing Directors are separately appointed by the State Bank. There is one Managing Director, there is a Deputy Managing Director, and so on. And then, for example, you have the Chief General Manager in a local head office. He really enjoys almost all the powers of a mini-bank, for that area. So the structure is different. Similarly, in the case of the nationalised banks, they are having branches, depending on the distribution and involvement in the area. So, we have some type of two tier or three-tier structure. So, you have a zone; or you may not have a zone, region, etc. Because the banking structure is different, the uniformity has not been possible.”

2.13 He has also averred as under:—

“Sir, actually; we are moving towards greater standardisation. Over a period of time, the nationalised banks have also tried to restructure the banking pattern, according to their growth and their spread. For example, the Canara Bank has moved step by step to a structure, something like that of the State Bank of India, with a view to provide greater decentralisation, at different regional levels. But this is an evolving structure. As different banks are following their own

structures, it is being reviewed by the Governor of the Reserve Bank of India, every three months, in which he has included the organisational structure, as one of the points in his action-plan, which is formulated for each bank. So, there are changes. Changes are taking place. Banks are having different structures now, different from what they were having in 1970. Similarly, new banks have come up in the 80s, which are comparatively smaller banks. They are having a good structure compared even to the banks which are nationalised 10 years earlier. So, it is an evolving process. But the overall emphasis has been that where it contributes to efficiency, where it contributes to public convenience, the structure should more or less come to the same lines."

2.14 The Committee are unable to appreciate the rationale for different organisational structure and staffing pattern being followed in State Bank group and other nationalised banks. Since the operations of all these banks are same, and in similar areas, the Committee are disappointed to note that no review has been conducted to explore the Scope of bringing uniformity, as far as possible, in the organisational structure and staffing pattern of all the banks under Government control. The Committee would strongly recommend that such a study be undertaken now and will expect that in doing so experts in the banking sector will be associated in assessing organisational structures and staffing patterns. In view of the fact that rapid social and economic changes are taking place in the country, it is also desirable that an inbuilt mechanism is evolved to ensure a periodical review of the organisational structure and staffing pattern of these banks. In this, the Committee hope, the Ministry will be guided by a sense of urgency.

(b) Staff Strength in Public Sector Banks

2.15 The Ministry gave the following figures relating to staff strength in Public Sector Banks as on 31.12.1988.

STAFF STRENGTH IN PUBLIC SECTOR BANKS
(Position as 31.12.1988)

| Sl. No. | Name of the Bank | Officers | Clerk | Sub-staff | Total |
|---------|-----------------------------|----------|--------|-----------|--------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. | State Bank of India | 55341 | 113276 | 45981 | 214598 |
| 2. | State Bank of Hyderabad | 3055 | 6850 | 2937 | 12842 |
| 3. | State Bank of Indore | 1314 | 3384 | 1593 | 6291 |
| 4. | State Bank of Bik. & Jaipur | 3143 | 6991 | 3248 | 13382 |
| 5. | State Bank of Mysore | 2150 | 6031 | 1884 | 10065 |
| 6. | State Bank of Patiala | 2090 | 6083 | 3701 | 11874 |
| 7. | State Bank of Travancore | 2693 | 6448 | 2826 | 11967 |

| 1 | 2 | 3 | 4 | 5 | 6 |
|-----------------------------|---------------------------------------|---------------|---------------|---------------|---------------|
| 8. | State Bank of Saurashtra | 1678 | 4110 | 1791 | 7579 |
| | Total (State Bank Group) | 71464 | 143173 | 63961 | 278598 |
| NATIONALISED BANKS:— | | | | | |
| 9. | Central Bank of India | 15688 | 21782 | 11239 | 48709 |
| 10. | Bank of India | 10953 | 27692 | 11391 | 50036 |
| 11. | Punjab National Bank | 13776 | 28413 | 13991 | 56180 |
| 12. | Bank of Baroda | 11121 | 21407 | 9540 | 42068 |
| 13. | UCO Bank | 9115 | 17230 | 7988 | 34333 |
| 14. | Canara Bank | 11801 | 28457 | 9036 | 49294 |
| 15. | United Bank of India | 5519 | 10867 | 5442 | 21828 |
| 16. | Dena Bank | 4265 | 7945 | 3903 | 16113 |
| 17. | Syndicate Bank | 9335 | 22822 | 5329 | 36886 |
| 18. | Union Bank of India | 9157 | 14942 | 6060 | 30159 |
| 19. | Allahabad Bank | 5497 | 8611 | 4885 | 18993 |
| 20. | Indian Bank | 7014 | 12417 | 3487 | 22918 |
| 21. | Bank of Maharashtra | 3763 | 9249 | 3884 | 16896 |
| 22. | Indian Overseas Bank | 6989 | 14936 | 5210 | 27135 |
| 23. | Andhra Bank | 9179 | 7482 | 3083 | 15744 |
| 24. | Punjab and Sind Bank | 51 | 5945 | 2467 | 12063 |
| 25. | New Bank of India | 2983 | 6232 | 2411 | 11626 |
| 26. | Vijaya Bank | 3418 | 7065 | 2445 | 12928 |
| *27. | Oriental Bank of Commerce | 2681 | 4960 | 2123 | 9764 |
| | TOTAL (Nationalised Banks) | 144501 | 295807 | 115213 | 552521 |
| | GRAND TOTAL (SB Gp. + N. Bks.) | 215965 | 435980 | 179174 | 831119 |
| *27. | | 2596 | 4953 | 12999 | 8848 |

2.16 In a written note the Ministry has stated that no O&M and Work Study as such has been made by Banking Division regarding criteria to be adopted to fix the strength of staff and officers in a particular branch/office of any nationalised bank. The requirements of officer/clerk etc. of a branch are correlated with the business passing through the branch, therefore, the banks made 'work analysis' for determining their exact requirements at their branches. That apart, there is also work schedule for officers/clerks which helps to determine the number of employees that will be required for the branch. Some banks also follow what is called 'volume approach' which inter-alia takes into account volume of business for last 2/3 years, rate of increase in the per capita business, the projected business of the current year, wastage and replacement etc. for deciding its exact require-

ments of the branch. State Bank of India has evolved Branch Activity Analysis (BAA). This Analysis is based on two output indicators:

1. Vouchers
2. No. of Accounts

2.17 The essence of BAA is the itemisation of activities and computation of conversion of factors man days required for completing 100 units of an activity. First the average at for different activities and applying the conversion factor for that activity the permissible level of clerical employees is worked out. Conversion factors for officers have been worked out only for activities relating to advances. For other general activities the permissible officer is worked out for accepted O/C (Officers-Clerks) ratio. State Bank of India has been using BAA for fixing the staff strength and determining surplus/deficits.

2.18 The Working Group on Customers Service in Banks has recommended that National Time Test Tables showing measurement of normal time required for completing different activities/transactions should be devised for jobs at Counters wherever possible. The Group has entrusted Indian Banks' Association the task of evolving such tables. The IBA after conducting stop-watch study, evolved the time taken for various services at the Banks counters:

- (i) Savings Bank Account
- (ii) Current Account
- (iii) Issue of Demand Drafts
- (iv) Payment of Demand Drafts
- (v) Receipts of Cash

2.19 The Ministry has further stated that work Analysis is a generic term for those techniques which are used in the examination of human work in all its context and which lead to the investigation of all facts which affect efficiency and economy of the situation being reviewed in order to effect improvement. Method Study and work measurement are two popular techniques of Work Analysis. Method study is concerned with reduction of the work context of the operation while work measurement is concerned with the investigation and reduction of the ineffective time and subsequent establishment of time standards for the operation on the basis of the work context as established by Method Study. The Volume approach or the Branch Activity Analysis are precisely techniques of method and work measurement of a given operation. The parameter that are usually undertaken under such studies are: (a) vouchers, (b) other instruments like bills of collection/negotiations; (c) common service in establishment like salary payment etc. and (d) civil suits for recovery of bad and doubtful debts., in order to arrive at the manpower required for a given operation. Each bank has its own format, whereupon the basic information on parameter is called for branch levels, to workout the manpower.

2.20 Asked why there has not been even an attempt so far to evolve uniform norms for determining the staff strength of 28 Public Sector

Commercial Banks which perform more or less similar functions, the Ministry has stated that the methods enumerated above more or less lead to similar results. The staff strength however would vary for bank to bank because of the mix of the nature of business handled by it. While a near uniformity is desirable, absolute uniformity is not possible.

2.21 The Committee find it as strange that different banks have evolved different norms for determining their respective staff strengths. Regretably, the Banking Division of the Ministry of Finance has not even attempted to evolve uniform norms for the 28 Public Sector Commercial Banks. No O&M or Work Study has been conducted in the field.

2.22 While viewing this situation with concern, the Committee desire that the Ministry take appropriate steps to evolve uniform norms for determining staff strength of Public Sector Commercial Banks. Further that O&M and Works Study in this regard be conducted periodically as an inbuilt mechanism. The Committee would like to be apprised of progress in this field.

(c) *Officer-Clerk Ratio*

2.23 The Ministry gave the following information relating officer-clerk ratio for the years 1983 to 1988:—

OFFICER-CLERK RATIO IN PUBLIC SECTOR BANKS FOR THE LAST YEARS FROM 1983 ONWARDS

| Sl. No. | Name of the Bank | SOURCE-IBA (DATA PROVISIONAL) | | | | | |
|---------|-----------------------|-------------------------------|--------|--------|--------|--------|--------|
| | | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. | State Bank of India | 1:2.24 | 1:2.19 | 1:2.07 | 1:2.09 | 1:2.07 | 1:2.05 |
| 2. | SB of Hyderabad | 1:2.72 | 1:2.59 | 1:2.34 | 1:2.36 | 1:2.54 | 1:2.24 |
| 3. | SB of Indore | 1:2.62 | 1:2.70 | 1:2.82 | 1:2.82 | 1:2.62 | 1:2.57 |
| 4. | SB of B & J | 1:3.08 | 1:2.81 | 1:2.68 | 1:2.60 | 1:2.45 | 1:2.22 |
| 5. | SB of Mysore | 1:3.03 | 1:2.99 | 1:3.12 | 1:2.95 | 1:2.99 | 1:2.81 |
| 6. | SB of Patiala | 1:3.66 | 1:3.32 | 1:3.11 | 1:3.08 | 1:3.24 | 1:2.91 |
| 7. | SB of Travancore | 1:2.74 | 1:2.68 | 1:2.67 | 1:2.39 | 1:2.44 | 1:2.39 |
| 8. | SB of Saurashtra | 1:2.85 | 1:2.42 | 1:2.40 | 1:2.47 | 1:2.55 | 1:2.45 |
| 9. | Central Bank of India | 1:1.58 | 1:1.52 | 1:1.49 | 1:1.45 | 1:1.42 | 1:1.39 |
| 10. | Bank of India | 1:2.58 | 1:2.58 | 1:2.70 | 1:2.59 | 1:2.60 | 1:2.53 |
| 11. | Punjab National Bank | 1:2.22 | 1:2.18 | 1:2.00 | 1:1.98 | 1:2.06 | 1:2.06 |
| 12. | Bank of Baroda | 1:1.86 | 1:1.91 | 1:1.93 | 1:1.97 | 1:1.89 | 1:1.92 |
| 13. | Uco Bank | 1:2.05 | 1:2.33 | 1:2.26 | 1:2.18 | 1:1.90 | 1:1.89 |
| 14. | Canara Bank | 1:2.61 | 1:2.53 | 1:2.45 | 1:2.46 | 1:2.52 | 1:2.41 |
| 15. | United Bank of India | 1:2.10 | 1:2.30 | 1:2.26 | 1:2.33 | 1:1.99 | 1:1.97 |
| 16. | Dena Bank | 1:2.03 | 1:2.00 | 1:1.81 | 1:1.88 | 1:1.90 | 1:1.86 |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|--------------------------|---|--------|--------|--------|--------|--------|--------|
| 17. Syndicate Bank | | 1:2.63 | 1:2.58 | 1:2.44 | 1:2.39 | 1:2.42 | 1:2.38 |
| 18. Union Bank of India | | 1:1.90 | 1:1.77 | 1:1.75 | 1:1.67 | 1:1.66 | 1:1.63 |
| 19. Allahabad Bank | | 1:2.01 | 1:1.84 | 1:1.75 | 1:1.53 | 1:1.53 | 1:1.57 |
| 20. Indian Bank | | 1:1.68 | 1:1.73 | 1:1.80 | 1:1.90 | 1:1.92 | 1:1.77 |
| 21. Bank of Maharashtra | | 1:2.61 | 1:2.39 | 1:2.40 | 1:2.52 | 1:2.54 | 1:2.46 |
| 22. Indian Overseas Bank | | 1:2.26 | 1:2.34 | 1:2.22 | 1:2.29 | 1:2.07 | 1:2.14 |
| 23. Andhra Bank | | 1:1.80 | 1:1.78 | 1:1.65 | 1:1.63 | 1:1.36 | 1:1.44 |
| 24. Punjab & Sind Bank | | 1:1.39 | 1:1.47 | 1:1.59 | 1:1.59 | 1:1.60 | 1:1.63 |
| 25. New Bank of India | | 1:2.22 | 1:2.20 | 1:1.98 | 1:1.98 | 1:2.06 | 1:2.09 |
| 26. Vijaya Bank | | 1:2.40 | 1:2.47 | 1:2.23 | 1:2.28 | 1:2.20 | 1:2.07 |
| 27. Corporation Bank | | 1:1.82 | 1:1.79 | 1:1.83 | 1:1.86 | 1:1.91 | 1:1.91 |
| 28. OBC | | 1:1.72 | 1:1.88 | 1:1.84 | 1:1.97 | 1:1.91 | 1:1.85 |
| Total | | 1:2.19 | 1:2.17 | 1:2.40 | 1:2.09 | 1:2.05 | 1:2.02 |

2.24 The Ministry has stated that the reasons for variation of officer clerk ratio between various banks is attributable to the composition of their branch network, composition of their business and the difference in the operational structures adopted by each bank.

2.25 The Ministry did not give any reply to an observation as to what should be the ideal officer clerk ratio in a bank like Andhra Bank and as to whether any scientific study has been made in this regard and if so, what are the results of such a Study.

2.26 The Ministry has stated that no uniform ratio has been fixed and staff strength of each bank is analysed and discussed in the action plan meetings taken by the Reserve Bank of India and the banks having ratios below the Industry level averages are advised to carry out an examination to see how they could bring it nearer the Industry level ratio. It has been further observed by the Ministry that it is not possible to fix an ideal officer clerk ratio for the banks as it could have repercussions on promotion/recruitment in the context of the ceiling fixed on staff expansion and possibly thwart the efforts to contain staff growth and improved productivity.

2.27 The Committee find that there are variations in the officer clerk ratio in various banks. For example, during the year 1988 the ratio of officer clerk varied from 1:1.39 in Central Bank of India to 1:2.91 in the State Bank of Patiala. They also note from the officer clerk ratio for the period from 1983 to 1988 that in a majority of banks a trend of having fewer and fewer clerks per officer is clearly discernable. It is not clear to the Committee whether this is as a result of conscious decision making or is indicative of inefficient cadre management. They are of the view that it is easy to conduct a study to determine an optimum necessary officer: clerks ratio in various

banks. The Committee would like to be apprised of the outcome of such an exercise.

(d) Staff expansion by Banks

2.28 The Ministry has stated that according to the revised guidelines issued by the Government on 1.1.1987 "the overall staff expansion of banks should be restricted from 1% to 1.5% for the remaining period of VIIth Five Year Plan" with some exemptions (1.5% for banks above industry-level productivity, and 1% for below industry-level).

2.29 The Ministry has supplied the following statement showing addition to the staff strength of some banks between 1987-88:—

| Bank | Staff Strength 1987 | Staff Strength 1988 | Increase % |
|-------------------------|---------------------------|---------------------------|---------------|
| 1 | 2 | 3 | 4 |
| Allahabad Bank | 18,584 | 18,993 | 409(2.20) |
| Andhra Bank | 14,772 | 15,744 | 972(6.58) |
| Canara Bank | 48,404 | 49,294 | 890(1.83) |
| Punjab National Bank | 55,090 | 56,180 | 1090(1.97) |
| Punjab & Sind Bank | 11,878 | 12,063 | 185(1.55) |
| Vijaya Bank | 12,753 | 12,928 | 175(1.37) |
| State Bank of India | 2,12,063 | 2,14,598 | 2515(1.18) |
| State Bank of Hyderabad | 12,579 | 12,842 | 263(2.09) |

2.30 Asked to justify the increase in staff strength in excess 1 to 1.5% of the above banks, especially in the case of (i) Allahabad Bank and Andhra Bank, as also (ii) Vijaya Bank, State Bank of India and State Bank of Hyderabad whose productivity was below industry-level average for both the years of 1986 and 1987, the Ministry has admitted that the percentage increase in staff strength of the banks indicated in the questionnaire was above prescribed norms. While the exact reasons for this abnormal growth in staff strength were not readily forthcoming the Ministry explained that the limit of 1 to 1.5% in respect of staff expansion did not apply to the posts of Security Guards who were outside the purview of such limit.

2.31 The Ministry also gave the following information relating to growth in establishment expenditure which in many cases far out-stripped the

growth of business per employee:

**INCREASE IN ESTABLISHMENT EXPENSES & BUSINESS PER
EMPLOYEE**

| Name of the Bank | Increase in total Establishment Ex- penses in 1986 over 1985(%) | Increase in Business per employee in 1986 over 1985(%) |
|-----------------------------------|--|--|
| 1 | 2 | 3 |
| 1. State Bank of India | 6.82 | 8.60 |
| 2. State Bank of Bikaner & Jaipur | 22.28 | 23.97 |
| 3. State Bank of Hyderabad | 23.77 | 13.60 |
| 4. State Bank of Mysore | 23.40 | 9.26 |
| 5. State Bank of Patiala | 31.23 | 17.44 |
| 6. State Bank of Saurashtra | 14.86 | 8.55 |
| 7. State Bank of Travancore | 18.57 | 16.80 |
| 8. State Bank of Indore | 15.38 | 22.92 |
| 9. Allahabad Bank | 12.10 | 16.22 |
| 10. Bank of Baroda | 6.80 | 19.06 |
| 11. Bank of India | 14.37 | 19.78 |
| 12. Bank of Maharashtra | 7.80 | 13.48 |
| 13. Canara Bank | 10.06 | 15.85 |
| 14. Dena Bank | 0.31 | 8.41 |
| 15. Indian Bank | 7.88 | 15.75 |
| 16. Indian Overseas Bank | 10.50 | 18.88 |
| 17. Central Bank of India | 10.22 | 13.61 |
| 18. Union Bank of India | 25.96 | 10.69 |
| 19. Punjab National Bank | 18.48 | 10.46 |
| 20. United Bank of India | 13.16 | 7.00 |
| 21. UCO Bank | 13.94 | 14.33 |
| 22. Syndicate Bank | 13.08 | 13.07 |
| 23. Andhra Bank | 17.56 | 15.37 |
| 24. Corporation Bank | 20.20 | 18.32 |
| 25. Oriental Bank of Commerce | 17.74 | 5.33 |
| 26. Punjab and Sind Bank | 23.00 | 15.09 |
| 27. New Bank of India | 11.97 | 16.60 |
| 28. Vijaya Bank | 12.18 | 22.67 |

2.32 The Committee find from the above statement that in most of the Public Sector Banks the percentage increase in total establishment expenses, in 1986 over 1985, outstepped the increase in business for the same period. The situation was particularly disturbing in the following banks: State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala, State Bank of Surashtra, Union Bank of India, Punjab National Bank, United Bank of India, Oriental Bank of Commerce and Punjab and Sind Bank.

2.33 They view this situation with concern and desire the Ministry to suitably monitor the position so as to ensure that effective check is kept on the growth of establishment expenses. They would like to be apprised of the latest available figures in this regard; also about details of measures that the Ministry proposes to take to remedy the situation.

(e) Productivity

2.34 The Ministry gave the following information relating to Bank-wise deposits and advances of Public Sector Banks during the years 1986, 1987 and 1988:—

(Amount in Rs. Crores)

| Sl. No. | Name of the Bank | December, 1986 | | December, 1987 | | December, 1988 | |
|---------|---------------------------|----------------|----------|----------------|----------|----------------|----------|
| | | Deposits | Advances | Deposits | Advances | Deposits | Advances |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. | State Bank of India | 22700 | 14163 | 25610 | 16197 | 29423 | 18201 |
| 2. | S. B. of Bikaner & Jaipur | 986 | 6811 | 1171 | 780 | 1411 | 980 |
| 3. | State Bank of Hyderabad | 1094 | 744 | 1232 | 814 | 1454 | 992 |
| 4. | State Bank of Indore | 492 | 389 | 643 | 490 | 800 | 650 |
| 5. | State Bank of Mysore | 735 | 540 | 874 | 651 | 990 | 731 |
| 6. | State Bank of Patiala | 1190 | 710 | 1372 | 760 | 1540 | 897 |
| 7. | State Bank of Saurashtra | 504 | 382 | 596 | 399 | 637 | 501 |
| 8. | State Bank of Travancore | 1114 | 749 | 1287 | 890 | 1412 | 983 |
| 9. | Allahabad Bank | 2187 | 1117 | 3061 | 1296 | 3835 | 1689 |
| 10. | Andhra Bank | 1796 | 1062 | 1995 | 1124 | 2320 | 1274 |
| 11. | Bank of Baroda | 5314 | 3187 | 5931 | 3576 | 7010 | 3907 |
| 12. | Bank of India | 6044 | 3483 | 7137 | 3890 | 8415 | 4768 |
| 13. | Bank of Maharashtra | 1757 | 1110 | 2066 | 1259 | 2404 | 1435 |
| 14. | Canara Bank | 6287 | 3905 | 7230 | 4443 | 8158 | 4898 |
| 15. | Central Bank of India | 6704 | 3602 | 7700 | 3747 | 9073 | 4128 |
| 16. | Corporation Bank | 909 | 512 | 1018 | 565 | 1151 | 657 |
| 17. | Dena Bank | 1590 | 1003 | 1847 | 1114 | 2175 | 1372 |
| 18. | Indian Bank | 2943 | 1497 | 3369 | 1759 | 4226 | 2277 |
| 19. | Indian Overseas Bank | 3139 | 1684 | 3483 | 1874 | 4187 | 2136 |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|-----|--------------------------------|-------|-------|--------|-------|--------|-------|
| 20. | New Bank of India | 1154 | 695 | 1366 | 752 | 1636 | 873 |
| 21. | Oriental Bank of Commerce | 1160 | 611 | 1435 | 728 | 1864 | 965 |
| 22. | Punjab National Bank | 7054 | 3589 | 8378 | 4198 | 10200 | 5090 |
| 23. | Punjab & Sind Bank | 1383 | 767 | 1584 | 815 | 1761 | 907 |
| 24. | Syndicate Bank | 3556 | 2484 | 3923 | 2466 | 4569 | 2703 |
| 25. | Union Bank of India | 3604 | 1946 | 4181 | 2057 | 4654 | 2233 |
| 26. | United Bank of India | 2664 | 1569 | 3075 | 1562 | 3591 | 1757 |
| 27. | UCO Bank | 3129 | 1724 | 3846 | 1911 | 4404 | 2232 |
| 28. | Vijaya Bank | 1293 | 731 | 1509 | 846 | 1900 | 1188 |
| — | TOTAL (Public Sector Banks) | 92482 | 54634 | 106922 | 60970 | 125199 | 70424 |

2.35 As per data given in the consolidated report on the working of Public Sector Banks for the year ending 31.12.87 the average productivity of the following banks was much below the industry level averages of 16.84 and 19.06 for the years 1986 and 1987 respectively:

| | 1986 | 1987 |
|--------------------------------|-------|-------|
| Corporation Bank | 14.73 | 17.17 |
| State Bank of Bikaner & Jaipur | 12.64 | 14.00 |
| State Bank of Saurashtra | 11.23 | 12.52 |
| State Bank of Travancore | 15.40 | 17.14 |

2.36 Asked what steps have been taken to improve the working of these banks, the Ministry has stated in a written answer that the RBI has been monitoring regularly the performance which also includes the level of productivity of different banks. In the current phase of Action Plan (April 1988 to March 1990) the public sector banks are required to introduce, on a regular basis, a system of review and evaluation of the performance of the controlling offices with a view to improving their effectiveness. Besides containing the staff growth, the banks are to continue the exercise of identifying the surplus staff and their redeployment. However, the Banks are facing certain difficulties in freely transferring personnel and, therefore, they are taking steps to sort out the problem with their staff unions to overcome such restrictive practices. Since the growth in productivity per employee is only marginal in relation to the increase in the wage bill, it is necessary for banks to ensure and appropriate deployment and optimum utilisation of available manpower. These measures will have a material bearing upon the improvement in productivity and profitability. The banks have also been advised by the RBI to increase their business. Productivity is being periodically reviewed by the RBI.

2.37 When asked to detail the reasons for the unsatisfactory performance of associated Banks of the SBI a representative of RBI has stated:

“All the associated banks are working on the pattern of the State Bank of India. They are discharging all functions as agents of the Reserve Bank such as currency remittances and clearing house functions. They are regional banks. Saurashtra is a part of Gujarat. For the last 3 years there has been drought and all that and deposits have been very low. The productivity ratio of the State Bank of Bikaner and Jaipur has come to 20:50 as on 31st March, 1989. It has been improved now. If the productivity ratio fall, the associate banks are taken into account, it has gone up substantially during the last two years.”

2.38 The Committee are obliged to note that productivity ratios, especially of Associates of the State Bank of India are continuously below the industry level averages, despite the fact that these banks have been getting a lot of Government business unlike other nationalised banks. No concrete measures appear to have been taken to bring the productivity of these banks upto the industry level average. The Committee are of view that the Government should take adequate steps to improve the working of these banks and the position should be monitored regularly at Ministry level to rectify the deficiencies with due promptitude.

2.39 The Committee are also of the view that attempts should be made to evaluate the different deposit, loans and service needs of customers by classifying them according to age, profession, sector, location, saving propensity and other group characteristics.

(f) Profitability

2.40 Noting that profitability was dependent, to a large extent, on proper management of manpower the Committee, during the course of oral evidence, examined the witnesses on this aspect also. The Ministry has given information relating to published profits as percentage to paid-up capital and resources.

2.41 Asked to elucidate the concept of profitability, a representative of the Ministry stated during evidence:

“The profitability of the banks is really to come out of the money that they make from the advances and that they should be able to make enough profits to provide for their establishments and to be able to provide for their bad and doubtful debts. These are the broad things which are to be kept in view in order to check whether the banks are viable or not.”

2.42 Clarifying the position of the public sector banks further, the witness stated:

“Profits, *per se*, have not been the basic motive. The idea is that the banking system should be able to make funds available for the development of all sectors of our economy in as best a manner as possible. So, you have to see this question against the total scenario in which any system functions. If you have a very high statutory liquidity ratio, in many countries outside, the loss would not be very high because the governments there do not have to take resources from this source for their development. To that extent the funds from the banking system are being invested in Government security, and being put to use for development needs.”

2.43 In written replies to questionnaire issued by the Committee, the Ministry explained that the relative lower percentage of profits earned by State Bank of India and its associates by stating that the accounting systems and procedures followed in banks for arriving at the published profit differ from bank to bank and that there was no uniformity in this behalf. In the absence of uniformity in the parameters adopted by the banks in arriving at the profits, no meaningful comparison between the ratio of profits in different banks was, therefore, possible.

2.44 During evidence, the representative of the Ministry clarified further:

“There were differences earlier when the banks had not been nationalised. They had different systems etc. but the Reserve Bank of India has laid down certain broad guidelines in this regard and they are being followed by the banks. There are some differences but basically they are all now moving towards uniform procedures.”

2.45 Reacting to the question about depiction of bad and doubtful debts, the witness stated:

“What are ‘bad and doubtful debts’? In the case of some banks, if it is possible for them, i.e., if they have the provisions to write off, if they manage to write off, then they will get benefits from income-tax if they do it. If they have a provision to be able to write off bad and doubtful debt and if they have actually written it off, then in terms of tax commitment, they would get benefit. Very often, banks may not have a provision to be able to write it off. They do not want to write it off in the hope that they will be able to recover it. So, the accounting procedures are not entirely uniform because banks do not have uniform financial positions. For example, in relation to the working fund all banks are not equal. Therefore, they have a variation in their accounting

procedures. Otherwise, as far as books are concerned, keeping of the accounts books is the same. The profitability of a banks, which is being determined today, frankly speaking, is not a true index of the bank's performance for the simple reason what many of the banks are not able to make this provision which will take care of their contingencies which I have mentioned."

2.46 Explaining the system of checks and balances as it applies to the banking institutions in the context of their profitability, the witness stated:

"Ultimately the banking system's responsibility falls on the Central Banking Authority. The Central Banking Authority being the Reserve Bank of India there is so much that the Reserve Bank of India does. It is a question between the bank and the Reserve Bank of India; their inspection, their audit inspection, their periodical inspection. We have recently amended the law again to strengthen their hands. We have given them further powers to even have independent auditors, other than the auditors of the bank, to be able to verify the things. These are the steps taken to inspire greater confidence in the whole system. As the system operates, banking system works entirely on trust. But the trust is safeguarded by the Central Banking Authority and I think the Reserve Bank of India has been entirely vigilant in this regard. This is what I would wish to assure the Committee."

2.47 The Ministry also stated that the analysis of the trend in income, expenditure, profits, provisions and non-performing assets etc. of public sector banks is undertaken by the Reserve Bank of India on an annual basis and wherever considered necessary corrective measures are initiated by the Reserve Bank. The Reserve Bank of India also conducts annual financial review of each bank where profitability of the bank is examined critically. The profitability of the banks, which is one of the essential criterion for judging the performance of a bank is also discussed by the Governor, Reserve Bank of India at the time of the review of the Annual Action Plans evolved by the banks and by the Finance Minister during his periodical meetings with the Chief Executives of the Public Sector Banks.

2.48 The Committee note that the accounting system and procedures followed in banks, for arriving at the published profit, differ from bank to bank. In the absence of uniformity in the parameters adopted by banks no meaningful comparison can be made between their respective ratios of profit. During evidence on the subject the final conclusion given by the Ministry was that ultimately the banking system's responsibility lay with the Reserve Bank of India. Further, that the system worked on trust, which was safeguarded by the Central Banking Authority, who had been entirely vigilant in this regard. Despite that being so, in the opinion of the Committee, it is important that there be a system for evaluating the performance of Public Sector Banks. The Committee would like to

re-emphasise that there ought to be uniform parameters for an evaluation of published profits of banks. They would therefore, like to be apprised of the views of the Ministry in this regard.

(g) Regularisation of temporary/casual employees

2.49 The Ministry was asked to comment upon the Trade Union's allegation that in most of the public sector banks the question of according permanent status to 'budless' and casual workers having served for periods ranging from 3 to 9 years was being deliberately delayed due to political reasons. The Ministry was also asked to state as to how many casual/temporary employees with 3 to 9 years service were on the role of each of 28 public sector/commercial banks and why they were not being regularised.

2.50 In reply the Ministry has stated that the data relating to casual/temporary employees asked for by the Committee was not available. The Ministry has also stated that as regards regularisation of casual/temporary employees, some banks have taken steps in this direction. For example, State Bank of India have entered into an agreement with their recognised workmen union in November 1987 in terms whereof all eligible temporary employees will be given a chance for being considered for permanent appointment against vacancies arising during the next 2-3 years in the subordinate cadre. Actual absorption of such persons would, however, depend upon the number of vacancies to be filled up on regular basis and the claims of various other categories like SC/ST etc.

2.51 The Committee must comment adversely on the fact that the Ministry has not furnished the information sought. The Committee cannot but express its unhappiness about the manner in which the Ministry has reacted to the information needs of the Committee.

2.52 They also hold that it is necessary to ensure that casual/temporary employees are not allowed to continue for an indefinite period. Recruitment on a casual/temporary basis should be resorted to only infrequently. The Committee desire that the Ministry should ensure review of casual/temporary employees, who are on the rolls of each of the 28 commercial/public sector banks, for the last 3 years with a view to taking positive steps to get them regularised.

CHAPTER III

RECRUITMENT OF OFFICERS & STAFF

(a) The Banking Service Commission Bill

3.1 The Ministry has stated that the Banking Service Commission Bill was passed by both Houses of Parliament in 1984. The assent of the President was thereafter obtained and it was published in the gazette on 2nd June, 1984. However, the Banking Service Commission has not been set up so far for the following reasons, as given by the Ministry in its written replies to the Committee's questionnaire:—

(i) The Banking Service Recruitment Boards have been set up to recruit both officers and clerks directly to the banking system. It was felt that it should be desirable to evaluate the usefulness and effectiveness of the existing boards before the Commission is set up.

(ii) The Regional Rural Banks are also recruiting a large number of personnel both at officers level and also at the clerical level. The Banking Service Commission is not empowered to make recruitment of these officers and staff. This work has also been entrusted to the Banking Service Recruitment Boards. These RRBS now total 196 and the work of recruitment is quite substantial.

(iii) The clerical recruitment will continue to be done by the Banking Service Recruitment Boards even after the Banking Service Commission Act comes into force and officers for the 28 public sector banks are to be recruited by the Commission. This will therefore create an additional machinery for recruitment without corresponding benefits. Because of this factor, the question as to whether a Commission should be set up has to be considered after examining the pros and cons of the existing system and the expenditure involved in setting up the Commission etc. The Ministry has also stated that in accordance with the provisions of the Banking Service Commission Act, 1984 the Commission would be entrusted with the following two major responsibilities:—

(i) All direct recruitment of officers in the public sector banks.

(ii) All promotions in the public sector banks of and above the rank of Assistant General Manager.

3.2 Asked when the new Commission is likely to be established, the Ministry has stated that after the enactment of the Banking Service Commission Act, 1984 the matter was re-examined and it was decided in the interests of economy and in the light of the satisfactory functioning of

the decentralised system of recruitment to keep in abeyance the proposal for setting up of Banking Service Commission. The question of setting up of the Banking Service Commission or to have the Banking Service Commission Act 1984 repealed is under consideration and final decision in the matter will be intimated to the Estimates Committee in due course.

3.3 The representative of the Ministry further stated during evidence:

“Firstly it was decided to implement it but then subsequently the view was that since the Banking Service Recruitment Boards were already there, there will be duplications of this kind of an All India Commission for officers was also set up. Another thing was that by having Regional Boards, we are able to do better service in different parts of the country. So all these things were kept in view. This has not been repealed but we have asked them to keep it pending for some time.”

3.4 Reacting to the Committee’s dissatisfaction with the above reasoning the representative of the Ministry stated:—

“I would wish to say that this is the answer that we have given to questions asked in Parliament on this subject. In other words, this was a mandate to me because this was the reply that the Minister had given in the Parliament with regard to such questions. I think the reasons you can ask from the Minister in the House.”

3.5 The Banking Service Commission Bill was passed by both Houses of Parliament and assented to by the President in June, 1984. It is disquieting to note that even after a lapse of 6 years that Act has not come into force. The Committee are deeply concerned to find that the Government is now expressing serious reservations about the implementability of this Act. This is clearly unacceptable. At this belated stage the Committee can only hope that the Ministry would now decide the issue finally, so that legal complications, if any, could be avoided. They would like to be apprised of the decision taken in this regard.

(b) Recruitment Boards

3.6 The Ministry has stated that there are at present 15 Banking Service Recruitment Boards and one Central Recruitment Board. The 15 Banking Service Recruitment Board at present recruit clerks for all the 28 public sector banks including State Bank of India and its seven associate banks in respect of vacancies in the areas of their jurisdiction.

3.7 The Ministry has supplied following Statement showing jurisdiction of Banking Service Recruitment Boards/Central Recruitment Board:—

| Sl. No. | BSRB/CRB | Year of Establishment | Coordinating Bank Supporting Man-power & Finance | Jurisdiction for Recruitment of Personnel | |
|---------|-------------|-----------------------|--|--|--|
| | | | | Clerical Cadre in the 28 public Sector & all the Cadres in Kshet-riya Gramin Banks in the State/UT | Officers Cadre for the Banks |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. | Bangalore | 1979 | Canara Bank | Karnataka | Canara Bank, Syndicate Bank, Vijaya Bank, Corporation Bank |
| 2. | Baroda | 1978 | Bank of Baroda | Gujarat, Diu Daman, Dadra & Nagar Haveli | Bank of Baroda, Dena Bank |
| 3. | Bhopal | 1981 | Central Bank of India | Madhya Pradesh | Central Bank of India |
| 4. | Bhubaneswar | 1985 | State Bank of India | Orissa | -- |
| 5. | Bombay | 1979 | Bank of India | Maharashtra & Goa | Bank of India, Bank of Maharashtra, Union Bank |
| 6. | Calcutta | 1979 | UCO Bank | West Bengal Sikkim & Andaman Nicobar Islands | UCO Bank |
| 7. | Chandigarh | 1985 | State Bank of India | Punjab, Himachal & Jammu & Kashmir | -- |

| 1 | 2 | 3 | 4 | 5 | 6 |
|-----|--------------|------|--------------------------------|---|--|
| 8. | Delhi | 1970 | Punjab National Bank | on UT of Delhi & Haryana | Punjab National Bank, Punjab & Sind Bank, New Bank of India, Oriental Bank of Commerce |
| 9. | Guwahati | 1981 | United Bank of India | Assam, Meghalaya, Arunachal Pradesh, Mizoram, Nagaland, Tripura & Manipur | United Bank of India |
| 10. | Hyderabad | 1985 | Andhra Bank | Andhra Pradesh | -- |
| 11. | Jaipur | 1985 | State Bank of Bikaner & Jaipur | Rajasthan | -- |
| 12. | Lucknow | 1979 | Allahabad Bank | Uttar Pradesh | Allahabad Bank |
| 13. | Madras | 1979 | Indian Bank | Tamil Nadu & Pondicherry | Indian Bank, Indian Overseas Bank, Andhra Bank |
| 14. | Patna | 1985 | State Bank of India | Bihar | -- |
| 15. | Trivendram | 1985 | State Bank of Travancore | Kerala, Mahe, Lakshadweep | -- |
| 16. | CRB (Bombay) | 1978 | State Bank of India | -- | State Bank & Seven Associate Banks |

3.8 The Ministry has further stated that in so far as officers recruitment is concerned, only the Banking Service Recruitment Boards, Delhi, Lucknow, Bombay, Bhopal, Baroda, Calcutta, Guwahati, Madras and Bangalore recruit officers in respect of the 20 nationalised banks. The recruitment in officers cadres of State Bank of India and its associate banks is done by the Central Recruitment Board, Bombay.

3.9 Asked why an exception has been made in case of State Bank of India in regard to recruitment-in officers cadre, the Ministry has stated that no exception has been made in the case of SBI in regard to recruitment in

officers cadre. Like other BSRBs, the Central Recruitment Board, Bombay has been assigned the responsibility for conducting examination for officers cadre to meet the requirements of SBI and its associates. Under the Banking Service Commission Act, 1984, it was envisaged that a Banking Service Commission would be set up for recruitment of officers for the public sector banks. However, subsequently it was decided in the interests of economy and in the light of the satisfactory functioning of the decentralised system of recruitment to keep in abeyance the proposal for setting up of Banking Service Commission.

3.10 The Committee note that each of the BSRBs recruit Officers' cadre for the Nationalised Banks, for the whole country. The Central Recruitment Board, on the other hand has been entrusted with the responsibility of recruitment of officers solely for the State Bank of India, along with its seven subsidiary banks. From the facts placed before the Committee, it does not find sufficient rationale for these special arrangement in the case of the SBI. The Ministry has explained that a separate Board for SBI was allowed in view of the non-implementation of Banking Services Commission Act, 1984. This does not appear to be sufficient ground; uniformity of recruitment can be ensured even without. The Committee would therefore advise the Ministry to take a final decision in the matter and apprise them in the matter accordingly.

(c) Recruitment System

3.11 The Ministry has stated that indents are invited by BSRBs from the respective banks from the post of clerical and officers cadres and post in Regional Rural Banks every year. Regarding the recruitment of probationary Officers for SBI Group, indents are received by CRB from respective bank managements. The posts are thereafter consolidated by the respective BSRBs/CRB and advertisements are released in such Newspapers as would give a wide coverage to it. On receipt of applications the same are processed by assigning the job to a computer Agency. The candidates are called for a written examination which consists of both objective type as well as descriptive type tests. The question-cum-answer booklets of these tests are set and printed by the Institute of Banking Personnel Selection (IBPS), Bombay. The objective test booklets are evaluated by the IBPS on special computers installed by them for the purpose. After evaluation the IBPS sends category-wise merit lists for each post containing 5 times the number of vacancies. The descriptive papers of only those candidates who have qualified in objective tests as mentioned above are evaluated by the BSRBs/CRB. The candidates who qualify in the written test for the post of Typists/Stenographers, Telephone Operators, Data-entry operators etc. are called for a skilled test. Those who qualify in the skill test are called for interview. For other posts there is no skill test and candidates, who

qualify in the written test (approximately times the number of vacancies) are called for interview. After the interview the final merit lists are prepared and allotment is made to the indenting banks. The Ministry has also stated that in case of specialist officers, where the number of applications received is small, the eligible candidates are called only for the interviews and a merit list is prepared on the basis of marks obtained by them in the interview and allotment is made to the indenting banks.

3.12 The Ministry has further stated that the recruitment system is reviewed in the quarterly meetings of Chairman and Secretaries of BSRBs where in the representatives of Government of India and SIBPS are present and the conclusions arrived there in are put up to the Government of India, if required, for approval/clearance.

3.13 Asked to state specifically whether any comprehensive and expert review has so far been made of the recruitment system in banks after their nationalisation, the Ministry has stated that a Committee of BSRB Chairman under the Chairmanship of Shri T.G.K. Charlu, the then Chairman, BSRB, Madras, has made a comprehensive review of the recruitment system in banks and submitted its report to the Chairmen, BSRBs, who after their examination, in turn submitted the same to the Government in November, 1988.

3.14 The Ministry has further stated that the major recommendations made by the Charlu Committee are as follows:

1. The pattern of examinations conducted by BSRBs should be revised to bring reduction in the weightage given to interviews.

2. The selection procedure and the maximum marks assigned to various papers and interview should be notified to the candidates through the advertisement and or information booklets sent to the candidates.

3. Each BSRB should prepared a calender of examinations to be conducted by it during the year.

4. As far as possible all the BSRBs or a Group of BSRBs should conduct examinations on a common date.

5. The rates of fees for officers as well as clerical examinations be revised upwards.

6. In order to improve the selection system, Research Cells may be set up in the BSRBs for carrying out studies severally or jointly with the IBPS and/or banks.

3.15 Asked to state when the recommendations made by the Charlu Committee are likely to be accepted the Ministry has stated that the recommendations made by the Committee have been deliberated upon at a meeting of the Chairmen and Secretaries of the BSRBs and the same are now under consideration of the Government.

3.16 The Committee note with satisfaction that the Charlu Committee has made a comprehensive review of the recruitment system in banks, and submitted its report to the Chairman, BSRBs, who have, after their examination submitted it to the Government in November, 1988. The Committee, however, are pained to note that even though 17 months, have lapsed since the submission of this report, the Government has not arrived at any decisions on the recommendations made by the Charlu Committee. The Committee, therefore, recommend that the Ministry should consider the relevant recommendations without further delay and should inform the Estimates Committee within 6 months of the presentation of this report about the progress made in this regard.

(d) Planning for recruitment

3.17 During the visit of the study Group to PNB, Srinagar, it was brought out that due to advance planning there was no time-lag in the existence of vacancies and getting staff from BSRB. On the other hand during the visit of the study Group to SBI, Simla it was stated that time-gap in getting staff was between one year to 1½ years.

3.18 Asked why it is not possible to have an integrated and uniform approach and to resort to long from planning and to place the indents with the BSRB in advance, the Ministry has stated that the banks are required to place the indents in respect of their staff requirements on the respective BSRBs in the year prior to the year in which the requirement is likely to arise. For this purpose they are expected to draw up the indent in such a manner that the posts which likely to fall vacant in the subsequent year due to normal wastages are catered to. They are also expected to anticipated their requirements on account of expansion of existing branches/opening, of new branches. If the banks do their exercise properly, the gaps arising in the occurrence of the vacancy and their actual filling up will be the minimum.

3.19 Asked why no advance planning is made by some banks and what is the monitoring at the Ministry's level in this regard so as to ensure that the vacancies are filled in time and there is no shortages, the Ministry has stated that the banks have recently been advised to work out their staff requirements and place their indents with the BSRBs so that they could provide the requisite number of candidates in time. No monitoring at the level of the Government in this regard is called for.

3.20 In another instance the Ministry has stated that written examination for officers was held by BSRB, Baroda on 28th November, 1988. Result for all the posts except Law Officers were declared on 4th August, 1989.

3.21 Asked why there is so much delay in declaration of results and what steps are being taken to rectify the situation, the Ministry has stated that recruitment process involves a number of operations such as calling of applications; scrutiny of application and issue of call letters for written examinations; evaluations of answer sheets through, IBPS, Bombay,

holding of skill tests and interviews, etc. The performance of these operations and also giving adequate time/notice for written examination/skill tests/interviews involved a period of above 10 months.

3.22 About the results, of Law Officers the Ministry has stated that there was some delay in the process because at the time of finalisation of the result in August, 1988, the BSRB found some anomaly in respect of experience given by a few candidates and referred the matter to the Government. The results have been declared by the BSRB after the query raised by the BSRB has been clarified by the Government. The results have been declared in January, 1990.

3.23 The Committee, appreciate that instructions do exist for certain degree of advance planning for making recruitments against vacancies of various categories. However, in this context the Committee are concerned to note that the effectiveness of advance planning appears to vary from region to region. This indicates that the monitoring done at higher levels is insufficient. The Committee does not entirely appreciate the argument put forth by the Ministry that in view of the recent advice to the banks to work out their requirements and to place their tenders with the BSRBs, monitoring at the level of the Government may not be called for. The Committee are of the view that monitoring of this aspect is essential. The least that can be ensured is that each bank monitors the entire process of recruitment, from the planning stage itself, at the level of the Board of Directors. It is also necessary that Government also takes periodic stock of the position of recruitments in different banks.

3.24 Further, the Committee wish to point out that while it is important to work out the number of vacancies, under various categories of posts, in advance it is equally important to ensure their timely recruitment. In this connection the Committee are dismayed to note that the results of the written examinations held by BSRB, Baroda in November, 1988 were declared in August, 1989. The Committee wish to point out that such delays not only stretch the time-lag in making recruitments but also lead to a situation whereby potential recruits, having taken up other suitable jobs, fail to respond to offers of appointment sent to them. The Committee wish to caution the Ministry against the adverse consequences of such a situation. This cannot but affect efficiency hence profitability. The Committee would, therefore, like to suggest that BSRBs be directed to reform the recruitment process. In the opinion of the Committee, BSRBs should be in a position to sponsor candidates against notified vacancies as soon as the banks communicate their recruitments. This would involve remodeling the BSRBs. The Committee advise the Ministry to give consideration to these suggestions and inform the Committee of further developments in this regard.

CHAPTER IV

TRANSFER POLICY

(a) *Introductory*

4.1 The Ministry has stated that transfers of officials in the bank service were necessitated in the organisation's interest as also in the interest of the growth of the official himself through wider exposure to different clientele. Government have issued instructions to banks on 13.1.82 stipulating that there should be a regular rotation of staff at different levels as the officers/clerical staff posted at different branches for sunduly long period, were likely to develop a vested interest. It was further desired that in case of officers the rotation should be made every three years and in case of clerical staff such a period should not extend beyond 5 years. The Ministry has further stated that *inter-alia*, that based on the above directives, the public sector banks have since evolved their transfer policies. In some banks, the transfer policies are written documents prepared in consultation with the workmen unions and officers Federations. In others the policies are based on unwritten practices and decisions taken from time to time and conveyed through circular etc.

4.2 Asked to state whether some incentive was given to clerks/officers who were being posted in remote areas and who also complete their full tenures the facilities provided to staff/their families during posting in remote and difficult areas, the Ministry has stated that certain special incentives were available at the industry level, to staff posted in the North-Eastern Region. These incentives include provision of accommodation to their families at convenient centres/stations, special home travel concession once a year, posting of his choice on completion of tenure and some monetary incentive etc.

(b) *Staffing in exceptionally difficult areas*

4.3 Asked to state as to why in promotion from clerical cadre to officer's cadre no weightage is attached to postings in remote areas in J&K, H.P. and North Eastern States where there were considerable difficulties in filling up the posts, the Ministry has stated that promotion policies in public sector banks in so far as these relate to promotion from clerical cadre to the officers' cadre form part of bank level settlements with the staff unions in each bank. The same does not emanate from IBA/Government. IBA has not laid down any ideal promotion policy for making promotions from clerical staff to officer

staff. Neither does this figure in any of the Bipartite Settlements. Most banks have laid down promotion policy geared or suited to their special needs.

4.4. The Committee note that certain special incentives are available to the staff posted in the N.E. Region. These incentives include provision of accommodation to their families at convenient centres/stations, special home travel concessions, posting of choice on completion of tenure and some monetary incentives etc. The Committee are of view that policy for similar incentives in other areas of especial difficulties be also formulated.

4.5 The Ministry may also consider initiating a satellite office concept, under which roving bank officers serve a village on its weekly market day.

(c) Placement of Rural Branches

4.6 According to the Ministry the question whether any positive incentives need to be provided to the persons posted in remote rural areas is being examined. Service in a rural branch has been made an essential qualification for a bank officer for his being considered for promotion from JMGS-I to MMGS-II and from MMGS-II to MMGS-III.

4.7 Asked whether any study has been made to assess broadly the reasons due to which staff is reluctant to be posted in rural areas and whether adequate steps are being taken to improve infrastructural facilities such as housing, drinking water supply, sanitation, transport etc. so that resistance of staff for posting in rural areas is reduced, the Ministry has stated that whereas no formal study has been made to assess the reasons why staff is reluctant to be posted in rural areas, it is common knowledge that such reluctance is on account of lack of infrastructural facilities in rural areas. There is also the added disadvantage of disruption in the environment which the employee was used to prior to such rural posting. Employees with working spouses and school going children are reluctant to move out to rural areas, so are employees in their fifties for reasons of lack of medical facilities. This leaves the banks with a small component of employees who can be transferred to rural areas, with least resistance. Even that component of employees are not anxious to go out to rural areas because some of them are pursuing higher studies. Another important factor that dissuades employees from transfers to rural areas is a virtual dip in the total emoluments because of lower HRA and CCA. There is also an added disadvantage of maintaining two establishments, one at the previous place of posting and one at the rural place of posting, which tells on the pay packet of the employee. However, the Government is considering a proposal for providing some incentives to those who are posted as Branch Managers in rural areas.

4.8 The Committee are disappointed to find that while service in a rural branch has been made an essential qualification for a bank officer for his being considered for promotion from JMGS-I to MMGS-II and from MMGS-II to MMGS-III, no step has so far been taken by the Government to improve infrastructural facilities at the place of posting.

4.9 The Committee are, therefore, of the view that the Government should take suitable steps to provide incentives to the person posted in rural areas, as also to improve infrastructural facilities.

CHAPTER V

TRAINING OF OFFICERS & STAFF

(a) An Overview

5.1 The Ministry has stated that the Reserve Bank of India has set up a Standing Coordinating Committee in the year 1986 to coordinate, monitor, and guide the training arrangements in banks on an ongoing basis. The Committee would review the arrangements for training of all categories of staff in the banking system as a whole and would discharge *inter-alia*, the following functions:

(i) Co-ordination among industry level training institutions *inter-se* and with training establishments of banks on the other.

(ii) Assess the emerging training needs and gaps, if any in the existing arrangements and suggest appropriate action by banks.

(iii) Review the training infrastructure and assess the adequacy of arrangements regarding manning and training of faculty, procedures for selection of candidates for training and their post training placements and generally evaluate the effectiveness of the training systems.

(iv) Authorise special studies/research work for furthering the cause of training in banking.

(v) Provide appropriate guidance to banks for evolving and implementing comprehensive systems of training of all categories of banks staff.

5.2 The Ministry has further stated that a model training strategy for bank staff called Modified Cirvante Model was found acceptable to banks; the Model is given below:

| Name of the course | Duration |
|----------------------------------|----------|
| CLERKS | |
| Preliminary and induction course | 3 weeks |
| Senior refresher course | 3 weeks |

5.3 Asked why the availability of training institutions/centres for staff in some of the nationalised banks like New Bank of India, Vijaya Bank, Corporation Bank and Oriental Bank of Commerce is so inadequate and uneven in contrast with SBI and Central Bank of India, the Ministry has stated that initially several banks were mainly drawing upon the training facilities afforded by industry level institutions like Bankers Training College and College of Agricultural Banking of RBI as also the National Institute of Bank Management. In recent years, however, banks have started augmenting their inhouse training capabilities.

5.4 Asked whether any special efforts have been made so far by the Banks/Ministry to augment the availability of training institutions/centres for each bank to an optimum and even level, the Ministry has stated that as a part of the action plan, banks have been asked to draw up five year perspective training plan for their staff and also augment training infrastructure to the extent necessary to implement the same. Training plans and the adequacy of infrastructure is also discussed basically by the RBI with the individual banks.

5.5 As regards interaction in the curriculum, exchange of lectures, contents of courses etc. among the training institutes of various banks, the Ministry has stated that the Standing Co-ordination Committee set up by the RBI has advised the house for information with regard to the exchange of work material, work contents and other teaching aids like case studies, video films etc. and this arrangement has been advised to the banks.

Officers

Junior Management

| | |
|--|--------------|
| Preliminary and induction course for direct recruits | 3 to 4 weeks |
| Intermediate course for direct recruits | 3 to 4 weeks |
| Special course for officers promoted from clerical cadre | 2 weeks |
| Branch Management Course | 3 weeks |
| Specialised course in credit, foreign exchange etc. | 2 weeks |

Middle Management

| | |
|--|--------------|
| Large branch management programme | 2 to 3 weeks |
| Advanced specialised course in credit, foreign exchange etc. | 2 weeks |

Senior Management/Top Executive

| | |
|-------------------------------|-------------|
| Regional Management programme | 2 weeks |
| Advanced Management programme | 2 weeks |
| Advanced functional programme | 1 week |
| Top executive programme | 2 to 3 days |

(b) Training Institutions for Bank employees

5.6 The Ministry has supplied the following data showing the staff strength and number of training institutions/centres available to some of the nationalised banks in 1988:—

| Bank | Staff strength | No. of training institutions/centres | *Per institutions/Centre available for |
|-----------------------|----------------|--------------------------------------|--|
| 1 | 2 | 3 | 4 |
| State Bank of India | 214598 | 60 | 3576 |
| Central Bank of India | 48709 | 15 | 3247 |

* Worked out by the Committee.

| 1 | 2 | 3 | 4 |
|------------------------------|-------|---|------|
| New Bank of India | 11626 | 2 | 5813 |
| Vijaya Bank | 12928 | 2 | 6464 |
| Corporation Bank | 8828 | 2 | 4424 |
| Oriental Bank of Commerce | 9764 | 1 | 9764 |

5.7 The Committee note that initially several public sector banks were depending upon the training facilities offered by industry level institutions like Bankers Training College, College of Agricultural Banking of RBI, and the National Institute of Bank Management as training institutions/centres for staff in these banks were wholly inadequate. Since training has a close bearing on staff productivity and is a strong motivating force, the Committee are of the opinion that public sector banks should increase their training infrastructure.

5.8 The Committee are also of the view that Government should issue instructions, inconformity with the recommendations of the Standing Coordination Committee of RBI, for exchange of work material, work contents and other teaching aids among the training institutes of various banks.

(c) *Untrained Employees*

5.9 The Ministry has supplied the following data showing the recruitment made by public sector banks during the years 1983 to 1988 and number of untrained employees at the end of 1988:—

| Name of the Bank | Recruitment Made | | | | | | No. of untrained at the end of 1988 | |
|--------------------------------|------------------|---------------|------|------|------|------|-------------------------------------|---|
| | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1. State Bank of India | 9572 | 9317 | 8874 | 5308 | 2842 | 7235 | Nil | |
| 2. Punjab & Sind Bank | 487 | 450 | 317 | 84 | 103 | 92 | Nil | |
| 3. State Bank of Indore | 230 | 857 | 236 | 170 | 246 | 89 | 56 | |
| 4. State Bank of Patiala | 20 | 554 | 955 | 485 | 172 | 67 | 194 | |
| 5. State Bank of Saurashtra | 485 | 532 | 465 | 366 | 180 | 33 | 364 | |
| 6. Bank of India | — | Not available | — | — | — | 451 | 2550 | |
| 7. Bank of Baroda | 1983 | 2003 | 1104 | 435 | 351 | 304 | 2492 | |
| 8. UCO India | — | Not available | — | — | — | 244 | 4797 | |
| 9. Union Bank of India | 975 | 1192 | 1020 | 1209 | 357 | 427 | Not readily available. | |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|-----|----------------|-----|------|------|-----|-----|-----|------|
| 10. | Allahabad Bank | 23 | 520 | 52 | 356 | 123 | 332 | 876 |
| 11. | Indian Bank | 773 | 1592 | 1253 | 931 | 291 | 363 | 2790 |
| 12. | Vijaya Bank | 382 | 494 | 186 | 208 | 166 | 192 | 4979 |

5.10 Asked to state as to how the huge backlogs of untrained staff in some of the banks, namely, UCO Bank, Vijaya Bank, Indian Bank, Bank of India and Bank of Baroda will be cleared and whether any time bound scheme has been drawn, the Ministry had stated that since training has a close bearing on staff productivity, public sector banks have increased their training infrastructure. The number of training colleges/centres have gone up to 264 as on March, 1989. Banks are also endeavouring to clear the backlog of training. Banks have been advised by RBI during the current phase of Action Plan to prepare a perspective training plan for the next 5 years. The Banks also have been asked to furnish to RBI the quarterly reports indicating the total number of man-hours trained, the actual out-turn, the rated capacity of the training infrastructure and the percentage.

5.11 The Committee find it strange that while the RBI has set up a Standing Coordinating Committee in the year 1986 to coordinate, monitor and guide the training arrangements in banks, some public sector banks were still having considerable backlogs of untrained staff.

5.12 While viewing the situation with concern, the Committee advise that the Ministry take appropriate steps to clear the backlogs of untrained staff. Latest position in this regard may please be furnished to the Committee within 6 months of the presentation of this report.

NEW DELHI;
December 3, 1990

JASWANT SINGH
Chairman,
Estimates Committee.

Agrahayana 12, 1912 (Saka)

APPENDIX I

(Vide paragraph No. 1.14)

Powers and Functions of the Board of Directors of Nationalised Banks

Extracts from the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980

Section 7(2): The general superintendence, direction and management of the affairs and business of a corresponding new bank shall vest in a Board of Directors which shall be entitled to exercise all such powers and do all such acts and things as the corresponding new bank is authorising to exercise and do.

Constitution of the Board

Extracts from the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/1980

Clause 3: As soon as may be after the commencement of this Scheme, the Central Government shall by notification in the Official Gazette, constitute the Board of a nationalised bank, consisting of—

- (a) not more than two whole-time Directors, of whom one shall be the Managing Director to be appointed by Central Government after consultation with the Reserve Bank;
- (b) (i) one Director, from among the employees of the nationalised bank who are workmen, to be appointed by the Central Government from out of a panel of three such employees furnished to it by the representative Union, within a date to be specified by the Central Govt., which date shall not be more than six weeks from the date of the communication made by the Central Government requiring the representative Union to furnish the panel of names:

Provided that where the Central Government is of opinion that owing to the delay which is likely to occur in the verification and certification of any Union or federation as a representative Union, it is necessary in the interests of the nationalised bank so to do, it may appoint any employee of the nationalised bank, who is a workman, to be a Director of that Bank.

- (ii) (A) where there is no representative Union to represent the workmen of a nationalised bank, or
- (B) where such representative Union, being in existence, omits or fails to furnish any panel of names within the specified date, or

- (C) where all the persons specified in the panel furnished by the representative Union are disqualified, whether under item (iii) of this sub clause or under clause 10, the Central Government may, at its discretion appoint such workman of the nationalised bank, as it may think fit, to be a Director of such bank;
- (iii) a workman of a nationalised bank shall be disqualified for being appointed as a Director unless—
- (a) he is, and has been, serving for a continuous period of not less than five years in the nationalised bank or in the existing bank which the nationalised bank is the corresponding new bank, or partly in one and partly in the other;
 - (b) he is such age that there is no likelihood of his attaining the age of superannuation during his term of office as a Director;
 - (c) one Director, from among the employees of the nationalised bank, who are not workmen, to be appointed by the Central Govt., after consultation with the Reserve Bank;
 - (d) one Director, who, in the opinion of the Central Govt., is competent to represent the interests of depositors, to be appointed by the Central Govt. after consultation with the Reserve Bank from among the depositors of the bank;
 - (e) three Directors, who, in the opinion of the Central Government, are competent to represent respectively the interests of farmers, workers and artisans, to be appointed by the Central Government after consultation with the Reserve Bank;
 - (f) not more than five Directors, to be appointed by the Central Government after consultation with the Reserve Bank, from among persons having special knowledge or practical experience in respect of one or more matters which are likely to be useful for the working of the nationalised bank;
 - (g) one Director who is an official of the Reserve Bank to be appointed by the Central Government on the recommendation of the Reserve Bank;

Explanation:—For the purposes of this sub-clause an official of the Reserve Bank includes an officer of the Reserve Bank who is deputed by that Bank under section 54AA of the Reserve Bank of India Act, 1934 (2 of 1934) to any institution referred to therein.

- (h) one Director who is an official of the Central Govt., to be appointed by that Government.

**Term of office of a wholetime Director including
Managing Director**

Clause 8. (1) A whole time Director including the Managing Director, shall devote his whole time to the affairs of the nationalised bank and shall hold office for such term not exceeding five years as the Central Government may after consultation with the Reserve Bank specify and shall be eligible for re-appointment.

(1A) Notwithstanding anything contained in sub-clause (1) the Central Government shall have the right to terminate the term of office of a whole-time Director, including the Managing Director, at any time before the expiry of the term, specified under that sub-clause by giving to him notice of not less than three months in writing or three months' salary and allowances in lieu of notice, and the whole-time Director including the Managing Director, shall also have the right to relinquish his office at any time before, the expiry of the term specified under that sub-clause by giving to the Central Government notice of not less than three months in writing.

Term of Office of other Directors

Clause 9. (1) A Director appointed under sub-clauses (b), (c), (d), (e) (f), (g) and (h) of clause 3 shall hold office during the pleasure of the Central Government.

(2) Subject to the provisions of sub-clause (1), a director appointed under sub-clause (b), (c), (d), (e) or (f) of clause 3 shall hold office for such term, not exceeding three years, as the Central Government may specify at the time of his appointment and thereafter until his successor has been appointed and shall be eligible for re-appointment:

Provided that no such director shall hold office continuously for a period exceeding six years.

APPENDIX II

(Vide paragraph No. 1.14)

Powers and Functions of Central Board of Directors of SBI.

Extracts from the State Bank of India Act, 1955

Section 17. (1) The general superintendence and direction of the affairs and business of the State Bank shall be entrusted to the Central Board which may exercise all powers and do all such acts and things as may be exercised or done by the State Bank and are not by this Act expressly directed or required to be done by the State Bank in general meeting.

(2) The Central Board in discharging its functions shall act on business principles, regard being had to public interest.

Composition of the Central Board

Section 19. (1) The Central Board shall consist of the following namely;—

- (a) a chairman and a vice-chairman to be appointed by the Central Government in consultation with the Reserve Bank
- (b) not more than two Managing Directors, if any, appointed by the Central Government in consultation with the Reserve Bank;
- (bb) the presidents of the Local Boards appointed under sub-section (5) of section 21, ex-officio;
- (c) if the total amount of the holdings of the shareholders, other than the Reserve Bank, whose names are on the principal register three months before the date fixed for election of directors is—
 - (i) not more than ten per cent of the total issued capital two Directors,
 - (ii) more than ten per cent but not more than twenty-five per cent of such capital, three Directors, and
 - (iii) more than twenty-five per cent of such capital, four directors, to be elected in the prescribed manner by such shareholders;
- (ca) one director, from among the employees of the State Bank, who are workmen, to be appointed by the Central Government in the manner provided in the rules made under this Act;
- (cb) one director, from among such of the employees of the State Bank,

as are not workmen, to be appointed by the Central Government in the manner provided in the rules made under this Act;

- (d) not less than two and not more than six directors to be nominated by the Central Government in consultation with the Reserve Bank, from among persons having special knowledge of the working of co-operative institutions and of rural economy or experience in commerce, industry, banking or finance;
- (e) one director to be nominated by the Central Government; and
- (f) one director to be nominated by the Reserve Bank.

Term of office of Chairman, Managing Director, etc.

Section 20. (2) The Chairman, Vice-Chairman and each managing director shall hold office for such term, not exceeding five years, as the Central Government may fix when appointing them and shall be eligible for reappointment.

(1A) Notwithstanding anything contained in sub-section (1), the Central Government shall have the right to terminate the term of office of the Chairman, Vice-Chairman or a managing director, as the case may be, at any time before the expiry of the term fixed under sub-section (1) by giving him notice of not less than three months in writing or three months' salary and allowances in lieu of such notice, and the Chairman, Vice-Chairman or a Managing Director, as the case may be, shall also have the right to relinquish his office at any time before the expiry of the term so fixed by giving to the Central Government notice of not less than three months in writing.

(3) Subject to the provisions contained in section 19, a Director elected under clause (c) of sub-section (1) of that section shall hold office for three years and thereafter until his successor shall have been duly elected and shall be eligible for re-election.

Provided that no such Director shall hold office continuously for a period exceeding six years.

(3A) Subject to the provisions contained in sub-section (4) a Director appointed under clause (ca) or clause (cb) of sub-section (1) of section 19 or nominated under clause (d) of that sub-section shall hold office for such term not exceeding three years as the Central Government may specify and thereafter until his successor shall have been duly appointed or nominated and shall be eligible for re-appointment or re-nomination:

Provided that no such Director shall hold office continuously for a period exceeding six years.

(4) A Director appointed under clause (ca) or clause (cb) of sub-section (1) of section 19 or nominated under clause (d) or clause (e) or clause (f) or that sub-section shall hold office during the pleasure of the authority appointing or nominating him, as the case may be.

APPENDIX III

Powers and Functions of the Board of Directors of Subsidiary Banks of SBI

Extracts from the SBI (subsidiary Banks) Act, 1959

Section 24 (1) The State Bank may, from time to time, give directions and instructions to a subsidiary bank in regard to any of its affairs and business, and that bank shall be bound to comply with the directions and instructions so given.

(2) Subject to any such directions and instructions, the general Superintendence and conduct of the affairs and business of a subsidiary bank shall, as from the appointed day, vest in a Board of Directors who may, with the assistance of the Managing Director, exercise all powers and do all such acts and things as may be exercised or done by the bank.

(3) The Board of Directors of a subsidiary bank shall, in discharging its functions under this Act, act on business principles, regard being had to public interest.

Composition of Board of Directors

Section 25 (1) Subject to the provisions of sub-section (2), the Board of Directors of a subsidiary bank shall consist of the following:

- (a) the Chairman for the time being of the State Bank ex-officio;
- (aa) the Managing Director appointed under sub-section (1) of Section 29 or under section 32;
- (b) an officer of the Reserve Bank, to be nominated by that bank;
- (c) not more than five Directors to be nominated by the State Bank of whom not more than three shall be officers of that bank:

Provided that any nomination of a Director made by the State Bank under this clause shall, except in so far as it relates to an officer of that bank, be in consultation with the Central Government (ca) one Director, from among the employees of the subsidiary bank, who are workmen, to be appointed by the Central Government in the manner provided in the rules made under this Act;

- (cb) one Director, from among such of the employees of the subsidiary bank as are not workmen, to be appointed by the Central Government in the manner provided in the rules made under this Act;

(d) two Directors to be elected in the prescribed manner by the shareholders, other than the State Bank.

Provided that if the total amount of the holdings of all such shareholders registered in the books of the subsidiary bank three months before the date fixed for election is below five per cent of the total issued capital, or if there are no shareholders other than the State Bank registered on the books of the subsidiary bank, the Directors to be elected by the shareholders shall be nominated by the State Bank and such Directors shall, for the purposes of this Act, be deemed to be Directors elected under this clause;

(e) a Director, if any, to be nominated by the Central Government.

(2) Notwithstanding anything contained in clause (d) of sub-section (1), on the first constitution of the Board of Directors, the Directors referred to in the said clause shall be appointed by the State Bank and the Directors so appointed shall, for the purposes of this Act, be deemed to have been elected within the meaning of the said clause.

(3) If, for any reason, a Director of a subsidiary bank nominated under clause (b) of sub-section (1) is unable to exercise his functions or to discharge his duties as such Director, the Reserve Bank may nominate any of its officers to exercise all the functions and to discharge all the duties, of such Director whenever he is so unable to exercise his functions or discharge his duties, and the officer so nominated shall for all purposes of this Act be deemed to be a Director of the subsidiary bank.

(4) An officer of the Reserve Bank or the State Bank may be nominated as a Directors of a subsidiary bank by virtue of his office.

(5) The Directors nominated under sub-section (2) shall retire at the expiry of one year after the appointed day.

(6) Any nomination or appointment of a Director made by the State Bank under this Act shall, except in so far as it relates to an officer of that bank, be in consultation with the Reserve Bank.

APPENDIX IV

Summary of Observations/Recommendations

| Sl. No. | Para No. of the Deptt. | Recommendations/Observations |
|---------|------------------------|---|
| 1 | 2 | 3 |
| 1. | 1.17 | Notwithstanding the assertion of the Ministry that it has been the endeavour of the Government to ensure timely decision regarding the appointment of full time directors, the statement furnished by them indicates an unsatisfactory position in this regard. It is indicative of absence of planning and initiative on the part of Government. Timely filling up of the posts of Executive Directors and Managing Directors has not been ensured. There has also been very considerable delay in filling up these posts. For instance, the Executive Director of Central Bank of India was appointed after a lapse of almost 8 months. Similarly in the case of UCO Bank the post of Executive Director was filled up after a lapse of 1 year and 4 months. Many more such instances can in fact, be found in the details given above. |
| 2. | 1.18 | In this context the reply of the Ministry that as the Government had to go through certain exercises/procedures some times delays occur in making appointment of whole time Directors is, unconvincing. Systems and procedures for selection can not be cited as grounds for delay; if they are, infact, contributory to such delays then they need to be reviewed. The posts of Chief Managing Directors and Executive Directors, in Banks are of pivotal importance. Prolonged delays in filling up these posts will effect the overall functioning of such banks. At this stage the Committee can only caution the Government and advise it to review the existing procedures. The Committee would like to be apprised of step taken by the Ministry in this regard. |
| 3. | 1.30 | It is disquieting to note that there are still 79 vacancies of non-official Directors, spread evenly in all the 20 |

nationalised banks since January, 1985. Surprisingly, the Ministry in the post evidence replies had stated that the non-official directors had since been appointed on the boards of all the nationalised banks. The Committee cannot but comment adversely on the fact that incorrect information was supplied to it earlier. It desires that the Ministry of Finance exercise great care in replying to questions posed by the Committee.

4. 1.31 Non-appointment of non-official Directors, representing various interests, denies the Banks this specific input. Now that the scheme has been amended as of December, 1989, the Committee expect that there would be no occasions for such non-appointments. The Committee would like to be apprised of the steps taken in this direction.
5. 2.14 The Committee are unable to appreciate the rationale for different organisational structure and staffing pattern being followed in State Bank group and other nationalised banks. Since the operations of all these banks are same, and in similar areas, the Committee are disappointed to note that no review has been conducted to explore the scope of bringing uniformity, as far as possible, in the organisational structure and staffing pattern of all the banks under Government control. The Committee would strongly recommend that such a study be undertaken now and will expect that in doing so experts in the banking sector will be associated in assessing organisational structures and staffing patterns. In view of the fact that rapid social and economic changes are taking place in the country, it is also desirable that an inbuilt mechanism is evolved to ensure a periodical review of the organisational structure and staffing pattern of these banks. In this, the Committee hope, the Ministry will be guided by a sense of urgency.
6. 2.21 The Committee find it as strange that different banks have evolved different norms for determining their respective staff strengths. Regretably, the Banking Division of the Ministry of Finance has not even attempted to evolve uniform norms for the 28 Public Sector Commercial Banks. No O&M or Work Study has been conducted in the field.
7. 2.22 While viewing this situation with concern, the Committee desire that the Ministry take appropriate steps to evolve uniform norms for determining staff strength of Public Sector Commercial Banks. Further that O&M and Works

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Study in this regard be conducted periodically as an inbuilt mechanism. The Committee would like to be apprised of progress in this field.

8. 2.27 The Committee find that there are variations in the officer clerk ratio in various banks. For example, during the year 1988 the ratio of officer clerk varied from 1:1:39 in Central Bank of India to 1.2.91 in the State Bank of Patiala. They also note from the officer clerk ratio for the period from 1983 to 1988 that in a majority of banks a trend of having fewer and fewer clerks per officer is clearly discernable. It is not clear to the Committee whether this is as a result of conscious decision making or is indicative of inefficient cadre management. They are of the view that it is easy to conduct a study to determine an optimum necessary officer: clerks ratio in various banks. The Committee would like to be apprised of the outcome of such an exercise.
9. 2.32 The Committee find from the above statement that in most of the Public Sector Banks the percentage increase in total establishment expenses, in 1986 over 1985, outstepped the increase in business for the same period. The situation was particularly disturbing in the following banks: State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra, Union Bank of India, Punjab National Bank, United Bank of India, Oriental Bank of Commerce and Punjab and Sind Bank.
10. 2.33 They view this situation with concern and desire the Ministry to suitably monitor the position so as to ensure that effective check is kept on the growth of establishment expenses. They would like to be apprised of the latest available figures in this regard; also about details of measures that the Ministry proposes to take to remedy the situation.
11. 2.38 The Committee are obliged to note that productivity ratios, especially of Associates of the State Bank of India are continuously below the industry level averages, despite the fact that these banks have been getting a lot of Government business unlike other nationalised banks. No concrete measures appear to have been taken to bring the productivity of these banks upto the industry level average. The Committee are of view that the Government should take adequate steps to improve the working of these banks
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and the position should be monitored regularly at Ministry level to rectify the deficiencies with due promptitude.

12. 2.39

The Committee are also of the view that attempts should be made to evaluate the different deposit, loans and service needs of customers by classifying them according to age, profession, sector, location, saving propensity and other group characteristics.

13. 2.48

The Committee note that the accounting system and procedures followed in banks, for arriving at the published profit, differ from bank to bank. In the absence of uniformity in the parameters adopted by banks no meaningful comparison can be made between their respective ratios of profit. During evidence on the subject the final conclusion given by the Ministry was that ultimately the banking system's responsibility lay with the Reserve Bank of India. Further, that the system worked on trust, which was safeguarded by the Central banking authority, who had been entirely vigilant in this regard. Despite that, being so, in the opinion of the Committee, it is important that there be a system for evaluating the performance of Public Sector Banks. The Committee would like to re-emphasise that there ought to be uniform parameters for an evaluation of published profits of banks. They would therefore, like to be apprised of the views of the Ministry in this regard.

14. 2.51

The Committee must comment adversely on the fact that the Ministry has not furnished the information sought. The Committee cannot but express its unhappiness about the manner in which the Ministry has reacted to the information needs of the Committee.

15. 2.52

They also hold that it is necessary to ensure that casual/temporary employees are not allowed to continue for an indefinite period. Recruitment on a casual/temporary basis should be resorted to only infrequently. The Committee desire that the Ministry should ensure review of casual/temporary employees, who are on the rolls of each of the 28 commercial/public sector banks, for the last 3 years with a view to taking positive steps to get them regularised.

16. 3.5

The Banking Service Commission Bill was passed by both Houses of Parliament and assented to by the President in June, 1984. It is disquieting to note that even after a lapse

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of 6 years that Act has not come into force. The Committee are deeply concerned to find that the Government is now expressing serious reservations about the implementability of this Act. This is clearly unacceptable. At this belated stage the Committee can only hope that the Ministry would now decide the issue finally, so that legal complications, if any, could be avoided. They would like to be apprised of the decision taken in this regard.

17. 3.10

The Committee note that each of the BSRBs recruit Officers' cadre for the Nationalised Banks, for the whole country. The Central Recruitment Board, on the other hand has been entrusted with the responsibility of recruitment of officers solely for the State Bank of India, along with its seven subsidiary banks. From the facts placed before the Committee, it does not find sufficient rationale for these special arrangement in the case of the SBI. The Ministry has explained that a separate Board for SBI was allowed in view of the non-implementation of Banking Services Commission Act, 1984. This does not appear to be sufficient ground; uniformity of recruitment can be ensured even without. The Committee would therefore advise the Ministry to take a final decision in the matter and apprise them in the matter accordingly.

18. 3.16

The Committee note with satisfaction that the Charlu Committee has made a comprehensive review of the recruitment system in banks and submitted its report to the Chairmen, BSRBs, who have, after their examination submitted it to the Government in November, 1988. The Committee, however, are pained to note that even though 17 months have lapsed since the submission of this report, the Government has not arrived at any decisions on the recommendations made by the Charlu Committee. The Committee, therefore, recommend that the Ministry should consider the relevant recommendations without further delay and should inform the Estimates Committee within 6 months of the presentation of this report about the progress made in this regard.

19. 3.23

The Committee, appreciate that instructions do exist for certain degree of advance planning for making recruitments against vacancies of various categories. However, in this context the Committee are concerned to note that the effectiveness of advance planning appears to vary from region to region. This indicates that the monitoring done

at higher levels is insufficient. The Committee does not entirely appreciate the argument put forth by the Ministry that in view of the recent advice to the banks to work out their requirements and to place their indents with the BSRBs, monitoring at the level of the Government may not be called for. The Committee are of the view that monitoring of this aspect is essential. The least that can be ensured is that each bank monitors the entire process of recruitment, from the planning stage itself, at the level of the Board of Directors. It is also necessary that Government also takes periodic stock of the position of recruitments in different banks.

20. 3.24

Further, the Committee wish to point out that while it is important to work out the number of vacancies, under various categories of posts, in advance it is equally important to ensure their timely recruitment. In this connection the Committee are dismayed to note that the results of the written examinations held by BSRB, Baroda in November, 1988 were declared in August, 1989. The Committee wish to point out that such delays not only stretch the time-lag in making recruitments but also lead to a situation whereby potential recruits, having taken up other suitable jobs, fail to respond to offers of appointment sent to them. The Committee wish to caution the Ministry against the adverse consequences of such a situation. This cannot but affect efficiency hence profitability. The Committee would, therefore, like to suggest that BSRBs be directed to reform the recruitment process. In the opinion of the Committee, BSRBs should be in a position to sponsor candidates against notified vacancies as soon as the banks communicate their recruitments. This would involve remodeling the BSRBs. The Committee advise the Ministry to give consideration to these suggestions and inform the Committee of further developments in this regard.

21. 4.4

The Committee note that certain special incentives are available to the staff posted in the N.E. Region. These incentives include provision of accommodation to their families at convenient centres/stations, special home travel concessions, posting of choice on completion of tenure and some monetary incentives etc. The Committee are of view that policy for similar incentives in other areas of especial difficulties be also formulated.

| 1 | 2 | 3 |
|-----|------|---|
| 22. | 4.5 | The Ministry may also consider initiating a satellite office concept, under which roving bank officers serve a village on its weekly market day. |
| 23. | 4.8 | The Committee are disappointed to find that while service in a rural branch has been made an essential qualification for a bank officer for his being considered for promotion from JMGS-I to MMGS-II and from MMGS-II to MMGS-III, no step has so far been taken by the Government to improve infrastructural facilities at the place of posting. |
| 24. | 4.9 | The Committee are, therefore, of the view that the Government should take suitable steps to provide incentives to the persons posted in rural areas, as also to improve infrastructural facilities. |
| 25. | 5.7 | The Committee note that initially several public sector banks were depending upon the training facilities offered by industry level institutions like Bankers Training College, College of Agricultural Banking of RBI, and the National Institute of Bank Management as training institutions/centres for staff in these banks were wholly inadequate. Since training has a close bearing on staff productivity and is a strong motivating force, the Committee are of the opinion that public sector banks should increase their training infrastructure. |
| 26. | 5.8 | The Committee are also of the view that Government should issue instructions, inconformity with the recommendations of the Standing Coordination Committee of RBI, for exchange of work material, work contents and other teaching aids among the training institutes of various banks. |
| 27. | 5.11 | The Committee find it strange that while the RBI has set up a Standing Coordinating Committee in the year 1986 to coordinate, monitor and guide the training arrangements in banks, some public sector banks were still having considerable backlogs of untrained staff. |
| 28. | 5.12 | While viewing the situation with concern, the Committee advise that the Ministry take appropriate steps to clear the backlogs of untrained staff. Latest position in this regard may please be furnished to the Committee within 6 months of the presentation of this report. |

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

| Sl. No. | Name of Agent | Sl. No. | Name of Agent |
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| ANDHRA PRADESH | | UTTAR PRADESH | |
| 1. | M / s. Vijay Book Agency, 11-1-477, Mylargadda, Secunderabad-500361. | 12. | Law Publishers, Sardar Patel Marg, P.B. No. 77, Allahabad, U.P. |
| BIHAR | | WEST BENGAL | |
| 2. | M / s. Crown Book Depot, Upper Bazar, Ranchi (Bihar). | 13. | M / s. Manimata, Buys & Sellé, 123, Bow Bazar Street, Calcutta-1 |
| GUJARAT | | DELHI | |
| 3. | The New Order Book Company, Ellis Bridge, Ahmedabad-380006. (T. No. 79065). | 14. | M / s. Jain Book Agency, C-9, Connaught Place, New Delhi. (T. No. 351663 & 350806) |
| MADHYA PRADESH | | 15. | M / s. J. M. Jaina & Brothers, P. Box 1020, Mori Gate, Delhi-110006. (T. No. 2915064 & 230936). |
| 4. | Modern Book House, Shiv Vilas Palace, Indore City. (T. No. 35289). | 16. | M / s. Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi-110001. (T. No. 3315308 & 45896). |
| MAHARASHTRA | | 17. | M / s. Bookwell, 2 / 72, Sant Nirankari Colony, Kingsway Camp, Delhi-110009. (T.No. 7112309). |
| 5. | M / s. Sunderdas Gian Chand, 601, Girgaum Road, Near Princes Street, Bombay-400002. | 18. | M / s. Rajendra Book Agency IV-DR59, Lajpat Nagar, Old, Double Storey, New Delhi-110024. (T. No. 6412362 & 6412131). |
| 6. | The International Book Service, Deccan Gymkhana, Poona-4. | 19. | M / s. Ashok Book Agency, BH-82, Poorvi Shalimar Bagh, Delhi-110033. |
| 7. | The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-400001. | 20. | M / s. Venus Enterprises, B-2 / 85, Phase-II, Ashok Vihar, Delhi. |
| 8. | M / s. Usha Book Depot, 'Law Book Seller and Publishers' Agents Govt. Publications 585, Chira Bazar Khan House, Bombay-400002. | 21. | M / s. Central News Agency Pvt. Ltd., 23 / 90, Connaught Circus, New Delhi-110001. (T. No. 344448, 922705, 344478 & 344508). |
| 9. | M&J Services, Publisher, Representative Accounts & Law Book Sellers, Mohan Kunj, Ground Floor 68, Jyotiba Fuel Road, Nalgaum-Dadar, Bombay-400014. | 22. | M / s. Amrit Book Co., N-21, Connaught Circus, New Delhi. |
| 10. | Subscribers Subscription Services India, 21, Raghunath Dadaji Street, 2nd floor, Bombay-400001. | 23. | M / s. Books India Corporation Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110052. (T. No. 269631 & 714465). |
| TAMIL NADU | | 24. | M / s. Sangam Book Depot, 4378 / 4B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi-110002. |
| 11. | M / s. M. M. Subscription Agencies, 14th Murali Street (1st floor) Mahalingapuram, Nungambakkam, Madras-600034. (T.No. 476558). | | |