SIXTY-FOURTH REPORT

ESTIMATES COMMITTEE
(1987-88)

(EIGHTH LOK SABHA)

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS (BANKING DIVISION)

CUSTOMER SERVICES AND SECURITY SYSTEM IN NATIONALISED BANKS

Presented to Lok Sabha on 25 *April*, 1988

LOK SABHA SECRETARIAT
NEW DELHI

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CORRIGENDA
TO
Sixty-fourth Report of Estimates Committee (1987-88) on Customer Services & Security System in Nationalised Banks.

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48	3.17	1	complaints	complainants
54	4.2	1 against 1986	Rs.0.8	Rs.0.82
55	4.4	against 1985	17.87 lakhs	17.89 lakhs
56	4.9	3 from below	"high risk... cash limits"	"the high power Working Group and number of such branches set up after"
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(1987-88)

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INTRODUCTION

I, the Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Sixty-fourth Report on the Ministry of Finance—Department of Economic Affairs—Banking Division—Customer Services and Security System in Nationalised Banks.

2. The Estimates Committee (1987-88) took the evidence of the representatives of the Ministry of Finance (Department of Economic Affairs) on 4th and 5th January, 1988. The Committee wish to express their thanks to the Secretary, Banking Division, Department of Economic Affairs, Deputy Governor, Reserve Bank of India and other officers of the Department and the Bank for placing before them the material and information which they desired in connection with the examination of the subject and for giving evidence before the Committee.

3. The Committee also wish to express their thanks to Shri R. Srinivasan, Chairman, Indian Banks Association for making valuable suggestions to the Committee.

4. The Committee also wish to express their thanks to all the associations and bodies who furnished memoranda on the subject to the Committee.

5. The Report was considered and adopted by the Estimates Committee (1987-88) on 12th April, 1988.

6. 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;
April 14, 1988.
Chaitra 25, 1910(*S*).

CHANDRA TRIPATHI,
Chairman,
Estimates Committee.

CHAPTER I

ADMINISTRATIVE MATTERS

A. Introductory

1.1 With the nationalisation of a large number of banks, banking system is looked upon by the public essentially as a social organisation rendering financial service to sub-serve the socio-economic objectives of the society. It has come to be recognised that the social performance of the banks is not peripheral, but vital to the banks themselves and in a way, the very reason for their existence. From this point of view the prime functions of the banks is considered as the creation and delivery of customer-oriented services in a customer-satisfying manner.

1.2 With the rapid expansion in the availability of banking service after nationalisation, it became necessary for a study of customer services in all its aspects in the banks in India for a comprehensive appraisal. Government constituted for this purpose a Working Group on Customer Service in banks in March, 1975 and this Group submitted its final report to Government on 31st March, 1977. According to the report of this Working Group, the totality of customer dis-satisfaction could be attributed on one or more of the following causes :—

(a) delay and inaccuracy in putting through transactions,

(b) delay and inadequacies in correspondence,

(c) delayed, faulty and unhelpful decision-making,

(d) absence of elementary discipline,

(e) undue emphasis of staff on observance of rules and procedures, and generally, lack of organisational support for reasonable and bonafide departures,

(f) in regard to credit applications, particularly—

(i) scheme-designs lacking the essential adaptability or flexibility to cater to individual customer needs,

(ii) questions asked and data required, not always relevant and|or available, and, perhaps, expensive to obtain,

(iii) all queries not raised at one time,

(iv) complicated documents and cumbersome procedures regarding documentation,

(v) lack of counselling and,

(vi) malafides of bank staff,

(g) lack of uniformity in bank charges—some of these also perceived by customers to be high,

(h) customer being viewed as a 'faceless' unit of business—and, the resultant absence of any meaningful banker—customer communication, and

(i) general attitude of unconcern and apathy for client.

1.3 In view of the enormity of the problem being faced by the nationalised Banks today the Committee in the succeeding paragraphs of the Report have ventured to make suggestions for improvement in the customer's services with the earnest hope that the Ministry|Nationalised Banks will implement them faithfully in letter and spirit.

B. Vacancies in the Board of Directors

1.4 According to the provisions in clause 3 of the Nationalised Banks (Management and Miscellaneous Provisions) Schemes, 1970 and 1980, the Boards of Directors of Nationalised Banks are constituted by the Central Government consisting of not more than two whole time directors, and other non-official|part time Directors representing various interests. One of the whole time Directors is to be the Managing Director and any Director on the Board can be appointed as Chairman of the Board. It is thus permissible for the same person to be appointed as Chairman and Managing Director, which is the practice being followed at present. The Managing Director is the Chief Executive Officer of the nationalised bank and exercises powers and discharges such duties as are delegated to him by the Board of Directors. Also being Chairman of the Board of Directors, he presides over the meetings of the Board.

1.5 The second whole time Director, designated as Executive Director is envisaged as second-in-command of the organisation. He is expected to assist the Chief Executive in formulation of operational policies and evolution of strategies for development of the organisation along sound lines. He is also expected to discharge duties and exercise powers delegated to him by the Board, thereby reducing the load of work on the Chief Executive. During the absence of the Chief Executive, he is also expected to look after the current duties of that post.

1.6 A non-official organisation of Depositors has, *inter alia* represented to the Committee :—

"The main problem today is not delegation of powers. The existing system, evolved over the decades, provides for it. *The crucial point is exercise of those powers.* Over-centralisation, particularly by the Union Finance Ministry, is the main cause of the paralysis of the banking system today.

The failure of the Finance Ministry to appoint even Board of Directors, as required by the Scheme drawn under Parliamentary mandate, is interpreted by the public as Finance Ministry's usurpation of total powers over the banking industry through over-centralisation."

1.7 The Ministry has informed the Committee that as on 5th December, 1987, none of the Nationalised Banks had a non-official Director|non workman Director on its Board and out of 20 Nationalised Banks, 18 banks had Chairman and Managing Directors and 13 banks had Executive Directors on their Boards. All the 20 Nationalised Banks had Government|Reserve Bank of India nominees on their Boards and 14 Nationalised Banks had workmen Directors as on that date (5-12-1987).

1.8 According to information furnished by the Ministry, the positions of Chairman-cum-Managing Directors and|or Executive Directors remained vacant, at a stretch for 2 months or more, in various Nationlised Banks, during the period 1983—87, as follows :—

Bank	Chairman Managing Director	Executive Directors
1	2	3
CentralBank of India	19-2-85 to 28-4-85 (2 months)	5-8-84 to 21-2-86 (1 yr. 6 months app.)
Bank of India	9-11-86 to 23-6-87 (8 Months app.)	13-8-84 to 20-2-86 (1 yr. 5 months)
Punjab National Bank	—	1-1-83 to 8-11-83 (10 mths. and 12-11-84 to 1-7-87 (2 yr. 8 months app.)
Bank of Baroda	—	5-8-83 to 19-10-83 (2-1/2 months) 19-2-85 to 24-2-86 (1 year)
UCO Bank	—	1-1-83 to 23-2-86 (3 yrs.) and 2-8-86 to date (1 yr. 4 months)
Canara Bank	—	1-1-83 to 13-10-83(9 months)
Unite Bank of India	—	23-11-86 to 3-7-87 (7 months)
Dena Bank	5-2-85 to 12-5-85 (3 months)	1-1-83 to 19-10-83 (9 months) and 3-9-85 to 21-2-86 (5 months app.)
Syndicate Bank	10-9-83 to 21-12-83 (3 months) and 26-2-84 to 9-7-84 (4 months)	10-7-84 to 21-2-86 (1 yr. and 7 months)and 5-9-86 to date (1 yr. & 3 months)
Union Bank of India	—	11-5-84 to 20-2-86 (1yr. 9 months app.)
Allahabad Bank	24-6-87 todate (5 months)	1-1-83 to 6-3-86 (3 yrs. 2 months)

1	2	3
Indian Bank	—	16-2-83 to 13-10-83 8 months app.) 6-2-85 to 23-2-86 (1 year) and 13-10-86 to 1-7-87 (8 months)
Bank of Maharashtra	—	20-9-83 to 2-3-86 (2 yrs. 5 months)
Indian Overseas Bank	—	1-1-83 to 21-9-83(8 months) 27-3-84 to 20-2-86 (1 yr. 11 months app.) and 22-10-87 todate (2 months)
Andhra Bank	24-9-84 to 13-6-85 (8 months)	1-1-83 to 2-3-86 (3 yrs. 2 months)
Corporation Bank	—	16-2-83 todate (4 yrs. 10 months app.)
New Bank of India	14-12-83 to 15-3-85 (1 yr. 3 months)	1-1-83 to 25-9-83 (9 months app.) and 16-3-85 todate (2 years 9 months app.)
Oriental Bank of Commerce	10-10-83 to 25-4-84 (6 months app.)	1-1-83 to 23-2-86, (3 years)
Punjab & Sind Bank	—	1-1-83 to 19-9-83 (8 months) and 13-10-84 to 31-7-86 (1 yr. 9 months)
Vijaya Bank	23-3-84 to 7-6-84 (2 months)	8-6-84 to 2-7-87 (3 years).

1.9 Asked during evidence to justify vacancies at a stretch of the posts of Chairman-cum-Managing Directors and Executive Directors ranging from 2 months to almost 5 years in the Boards of Directors, Secretary Banking stated :—

> "There was a period in which the Government was not appointing them (Executive Directors). That was a decision which was taken sometime in 1984. Then certain reports came to the Government suggesting that we should not try to have Executive Directors. In two or three banks, this was causing some problem of authority... There was a period of about 2 years when no appointment for Executive Director was being made.....After a review of that, it was decided it was good to have Executive Directors. When the Chairman was on tour, there should be somebody who could take command and charge of the bank. Last year, the vacancies

of the Executive Directors which were earlier existing had been filled up, although there were very few vacancies, about 6 or 7, which are still not being filled up....A proposal for filling them up is under consideration."

1.10 Asked what type of factors or differences of opinion or disadvantages had cropped up between Chairmen and Executive Directors in Banks, the witness replied :—

"The experience in two or three banks at a particular point of time shows that there were inter-personal problems between the two and this has resulted in some problems in the proper management of the banks. It was pointed out by some that because the Executive Director and the Managing Director have been appointed by the Government, that created some inter-personal problems in two three banks..... We have already surmounted it."

1.11 On the reasons for not still filling up the vacancies of Executive Directors in the remaining 7 nationalised banks, the witness stated :—

"There is an Advisory Committee headed by the Governor of the Reserve Bank of India which makes recommendations to the Government and these recommendations are considered by the Government......I cannot exactly tell you where a file is pending because this type of information is not revealed. But you are familiar with the procedure of the Government that it has to go through various channels before an appointment is made ultimately."

1.12 Asked why the Executive Directors' posts should be kept vacant for years even after a decision has been taken to fill them, the witness conceded :—

"It should not be kept vacant. I would accept that these posts of ED should be filled up as soon as the present incumbent retires. There can be no difference of view on that......It is my personal view that we must try our best to ensure that no vacancies will be kept. Some vacancies do occur and we should take advance action."

1.13 Asked to clarify whether in the event of vacancy in the post of Chairman-cum-Managing Director, the Executive Director or next senior director exercised powers as delegated by the Board or as directed by the Finance Ministry, the Additional Secretary replied —

"In the case of executive director the Finance Ministry does issue instructions that such and such person will look after the current and various duties concerning that particular bank."

1.14 Asked if the executive director was not also there, what would be the position the witness added —

"Then the matter will again have to be referred to the Finance Ministry and the Finance Ministry will issue an order circumscribing the parameters within which a particular person will have to work."

1.15 On being pointed out by the Committee that when even Junior Officers were appointed to act in the absence of both the Managing Director and Executive Director and the former could manage the affairs of the bank quite well generally, the posts of Chairman-cum-Managing Director and Executive Director were redundant or superfluous in the Banks, the witness contended :—

"When certain unavoidable situation arises, you have to take recourse to something which is not normal. That does not necessarily mean that because for a limited period of time, he is able to carry on the function, we should make that a normal pattern."

1.16 The Ministry has added that most of the vacancies at present on the Boards of Nationalised Banks relate to non-official directors most of which have arisen since 1985. The process of filling up of these vacancies has already been initiated. Vacancies of non-workmen Director have not been filled due to widespread litigation at different High Courts in regard to manner of nomination of these Directors.

1.17 Asked whether the performance of Banks could be upto the mark in the absence of non-official directors, the Secretary Banking replied :

"That is not so. . . .Non-official directors are an essential part of our scheme of things and should be appointed on the Board. But there is delay."

1.18 There were four instances during the three years viz. 1985, 1986 and 1987 of short-term extensions of tenures of Chief Executives of public sector banks pending final decisions and there have been two instances of extension of tenure at present. The Ministry clarified in this regard that in terms of statutory provisions governing the appointments of Chairman & Managing Directors of public sector banks, such appointments are made for specified periods duly notified in the Gazettes. Even where pending final decisions on grant of regular longer terms, short-term extensions|appointments are given, they constitute a duly approved and legally valid tenures—legally, therefore, a Chairman & Managing Director continuing in position beyond his tenure does not arise.

1.19 The Committee note that during the last five years vacancies in Public Sector Banks have frequently existed in the offices of Chairman-cum-Managing Director for periods ranging from more than 2 months to one year and three months and those of Executive Directors for periods ranging for more than two months to four years and ten months. Vacancies of Chairman-cum-Managing Director and Executive Director have also simultaneously existed in the Central Bank of India for more than 2 months i.e. from 19-2-85 to 28-4-85 and for more than 8 months, i.e. from 24-9-1984 to 13-6-1985 in Andhra Bank. The Committee further note that as on 5th December, 1987 while only 14 Nationalised Banks had workman Directors, none of the Nationalised Banks had non-official|non-workman director on its Board and that wide spread litigation was going on regarding the manner of nomination of non-workman directors. Also directors representing the interests of working class had not been appointed in any bank so far. The Committee consider this situation as most unfortunate and are firmly of the view that for effective functioning of any organisation, and in particular Nationalised Banks, which cater to the people at large day in and day out, there ought not to be any vacancies in the top management for long periods. The Committee also find that in terms of Nationalised Banks (Miscellaneous Provision) Scheme 1970 and 1980, while the Government has assumed powers to appoint or remove at will both whole time and other Directors on the Boards of Nationalised Banks, it has found it convenient to pull on with truncated Boards of Directors on most of these Banks lending credence to the representations to the Committee that with non-appointment of many whole-time and other Directors on these banks, Ministry was usurping powers belonging to the Boards of Directors through over-centralisation. The Committee strongly recommend that the Ministry and other agencies involved in appointment of Directors on the Boards of Nationalised Banks should do a bit of advance planning, cut red-tape and ensure that the posts of whole time Directors on these Banks are filled in due time and vacancies do not, in any case, remain unfilled beyond one month and that the posts of both Chairman-cum-Managing Director and Executive Director in the same bank are at no point of time allowed to remain vacant simultaneously. The Committee further recommend that urgent steps should be initiated to appoint workmen directors in the remaining 6 Nationalised Banks and to appoint directors representing the interests of non-workmen employees in all these Banks.

1.20 The Committee further note that during the last three years, while the tenure of Chief Executives of three Nationalised Banks was initially

"extended" for one or two months only pending approval of their regular term, at present also the Chief Executives of two such banks are on "extended tenure" pending a decision on their tenure. The Committee feel that in such cases Chief Executives are in effect appointed initially on a short term basis for one or two months only pending a decision about their approved tenure. The Committee are of the view that this manner of appointing Chief Executives is bound to create uncertainty in the minds of incumbents and affect their morale and efficiency of their work. The Committee, therefore, recommend that appointment of Chief Executives in public sector banks should be planned sufficiently in advance and a scheme of "understudy" officers should be worked out to familiarise the incoming Chief Executive or Executive Director, with the functions to be performed by him. Initial appointments should as far as possible, be for the full approved term.

C. Increase in Growth of Branches

1.21 The table below indicate the growth rate of branches during each of the last 3 years :

	Position as on		
	December 1984	December 1985	December 1986
(i) Rural Branches	15074	16515	16557
(ii) Semi-Urban, Urban, Metropolitan,/Port Branches	18943	19412	19707
Town Total (i) & (ii)	34017	35927	36264
Percentage of rural branches to total branches .	44.3%	46%	45.7%

1.22 It has been stated that in allotting rural centres for opening branches, preference has been given to the Regional Rural Banks (RRBs). During the years 1984, 1985 and 1986, RRBs have opened 2187, 2380 and 174 branches respectively in rural areas as against 790, 190 and 42 rural branches respectively opened by the public sector banks. The ratio of branches in rural areas to total number of branches in respect of public sector banks, **including Regional Rural** Banks is stated to be as under :

	December 1984	December 1985	December 1986
Total Branches	44304	48529	49063
Rural Branches . .	24516	28149	28368
% of Rural Branches to total branches .	55.3	58.0	57.8

1.23 According to Ministry the rapid spread of branches was one of the main causes for delay in services of the banks as the expansion left the Banks wanting in suitable trained staff. The National Institute of Banks Management has suggested, after conducting a survey of Bank depositors and customer services, that in large Metropolitan|Urban branches pruning of branches, re-location and restructuring of activities may contribute to improvement in Customer Services.

1.24 Asked why the question of provision of adequate experienced man-power to man the Branches was not thought of along with the opening of more and more Branches, the Ministry has stated in a written answer that by its very nature, building up of trained and experienced man power was a time consuming process. The priority indicated to the nationalised banks immediately in the post nationalisation period was to extend their services to neglected areas and neglected sections of the community, which had till then been denied access to the banking facilities. In the context of this priority, it was obviously not feasible for the banks to deny the fruits of nationalisation to the neglected areas and sections of the people on the ground that their man-power did not have adequate experience of handling banking operations. Bank management have, however, made attempts to keep pace with branch expansion to the extent possible by expansion of training facilities and increasing the intake through recruitment.

1.25 The Ministry has further stated that the Reserve Bank of India has drawn up branch licensing policy for the period 1985—1990 for opening of branches in urban and metropolitan areas. In accordance with this policy, expansion of bank branches in the urban and metropolitan areas will continue to be restrictive and banks will be allowed to open branches only in unbanked|underbanked pockets of these areas on a highly selective basis taking into account specific needs and potential viability of the new branch. This is because in R.B.I's view, these areas are adequately banked. Reserve Bank has also indicated to the banks that while considering their applications for opening branches in urban and metropolitan areas, due weightage would be given, *inter alia,* to overall profitability position of the metropolitan and urban branches of the banks, the house-keeping and customer service aspects, deployment of credit to the priority sector and weaker sections, etc.

1.26 According to the Ministry, the demand for banking services in urban and metropolitan areas are also expected to go up with improved activities and economic development in these areas. This would need continued presence of the existing branch network in these areas. No policy decision has, therefore, been taken for shifting or re-allocating branches in urban and metropolitan areas.

1.27 Asked during evidence to justify the reported existence of only one branch each of some Nationalised Banks like New Bank of India and

Oriental Bank of Commerce in certain centres, like Goa, allegedly for the sole purpose of holidaying of the bank executives concerned, the Secretary, Banking replied :—

> "....I cannot answer that point why they have opened a branch there. But it is a general tendency for the banks to go to commercial and tourist areas. The reason for that is when their constituents go to these areas, they are able to enjoy certain facilities which are available to them in that branch only. There are various considerations in terms of customers service in opening a branch in a large city."

1.28 On being pointed out by the Committee that the position of the two banks was almost the same at Chandigarh, Kerala and Tamil Nadu also, the Secretary, Banking stated :—

> "This is the normal practice in regard to commercial banks. Therefore most banks would like to have a small branches in all major cities at least."

1.29 The Committee commend the branch licencing policy of RBI for the period 1985—90 under which branch expansion in urban and metropolitan areas will continue to be restrictive and new branches will be opened only in unbanked and underbanked pockets, as metropolitan and urban areas are already well banked. The Committee, however, regret that the RBI and public sector banks have not taken any policy decision for pruning, relocating and restructuring branches in the metropolitan|urban areas as suggested by the National Institute of Bank Management on the ground that the demand for banking services in those areas is expected to "go up with improved activities and economic development". The Committee are convinced that there are a number of over banked pockets in metropolitan|urban areas and public sector banks should identify such areas therein and relocate, restructure and prune such branches as suggested by NIBM, to improve efficiency as well as customer services in such branches.

D. Staffing and Productivity in Banks

1.30 In January 1987 Government advised all public sector banks to follow certain guidelines for the purpose of staff recruitment in banks. Within the frame work of these guidelines banks are free to recruit additional staff in all categories upto Middle Management Scale III on the basis of the permissible growth during a particular year. As for the Officers in Scale IV and above, banks have to seek specific approval from Government. The rate of growth of staff in each of the 28 public sector banks is linked to average productivity per employee in that bank *vis-a-vis* the average productivity per employee in the banking industry. Banks with productivity per employee below the industry average will have to restrict their additional requirements of staff to the extent of 1 per cent of their total staff as at December 1986 and those with average productivity per employee above the industry average can resort to fresh recruitment upto 1.5 per cent of their total staff strength.

1.31 An organisation of bank customers has represented to the Committee :—

> "There has been a substantial increase in the branches as well as workload especially on account of an increase in the manufacturing, trading activities & export import trade. However there is no proportional increase in the staff and the same has not been evenly distributed. In certain branches where the workload has increased and there is a justification for an increase in the staff on account, their demand cannot be met with for want of space also. We understand some banks do not have even adequate typists to type memos to send to the customers."

1.32 In a written answer to the Committee the Chairman Indian Banks' Association has argued in this regard :—

> "It may not be correct to say that due to lack of adequate staff, customer service is adversely affected. No doubt in some areas re-deployment of staff could help in improving customer service. This is being attempted by banks in a phased manner as mass re-deployment is not feasible administratively and may also cause industrial relations problems........
>
> The IBA has set up a Committee on Productivity Norms which is going into this aspect and will consider the feasibility of recommending standard norms for the banking industry for determining the staff requirements for each bank."

1.33 The Ministry has stated that the discussion on Action Plan for the period November, 1985 to December 1987 which the Governor RBI had with Chairmen of Public Sector Banks have revealed that one of the factors responsible for low productivity and profitability was surplus pockets of staff particularly at urban and metropolitan branches. Banks were advised to undertake an indepth reassessment of their staff requirements keeping in view the guidelines providing *inter alia* that excess staff in various branches|controlling offices should be identified and re-deployed at needed branches|offices, before creating additional posts. Some banks are stated to have identified the excess staff and re-deployed them. Some relaxations are stated to have been made in the norms of 1 per cent or 1.5 per cent growth after the issue of the guidelines, with regard to :—

(i) Security staff required for branches of banks situated in Punjab State;

(ii) Security staff to be deployed at branches having currency chests and those identified as high risk branches;

(iii) Staff on deputation with Regional Rural Banks.

In addition to the above relaxation, special problems faced by any particular bank are considered on the merits of each case.

1.34 Asked during evidence why out of the 840 clerical vacancies notified by the Recruitment Boards in 1986, only 200 candidates had been actually appointed and a fresh recruitment notice was being issued by the banks, the Additional Secretary in the Ministry stated :—

> "What had happened was that earlier the banks were projecting their vacancies based on their projected business. The Reserve Bank of India found that the growth of staff and the bank was not really taking place in a very rational manner. We find that in some pockets there were surpluses while in certain other pocket staff was not available. Very often staff wanted to stay in the metropolitan cities only. Therefore, in 1986, the Reserve Bank of India stipulated a formula which was broadly like this : total number of deposits + total number of advances divided by the total staff. That will fix the norm. What they found at that stage was that the norm was around Rs. 16 lakhs per employee. If it is more than Rs. 16 lakhs in any bank then they can make recruitment up to 1.5 per cent of their staff strength. Thus if the norm is below Rs. 16 lakhs then they can recruit only up to 1 per cent. The idea was that by enforcing this discipline banks will internally tighten their total staff deployment and thereafter we can see in what manner the staff should be provided."

1.35 The Deputy Governor RBI referring to vacancies notified in 1986 added :—

> "....you want that the list should be kept alive. I have been told that it has been kept alive."

1.36 *Productivity* :—According to the Reserve Bank of India the average productivity per employee for the banking industry during 1986 was estimated at Rs. 16.84 lakh of business (i.e. deposits and advances). Average productivity per employee for various banks during the period prior to 1986 is not available, as information on average deposits and average advances on a fortnightly basis was obtained from banks only from the year 1986. Reserve Bank of India has also informed the Ministry that the productivity per employee for the year 1987 has not been estimated as the requisite data from all the 28 public sector banks have not yet become available. On the basis of the estimated productivity per employee for the year 1986, 16 banks, according to RBI, were below the industry level average and 12 were above the industrial level average.

1.37 The Committee are informed that the productivity norm per employee is at present fixed at Rs. 16.84 lakhs business per employee. This is not considered adequate and scientific. The Committee recommend that time and motion study for all major functions in a bank should be under taken and scientific norms for staffing and productivity should be evolved.

1.38 The Committee note that public sector banks have surplus pockets of staff, particularly in certain metropolitan and urban branches affecting their efficiency and productivity, whereas in some other branches there is justification for increase of staff on account of increase in work-load. While earlier, banks were projecting their vacancies on the basis of their projected business, from January, 1987 banks have been issued guide-lines providing inter alia **that Banks with productivity per employee below the industry average will have to restrict their additional requirements of staff to the extent of 1 per cent of their total staff as in December, 1986 and those with average productivity per employee above the industry average can resort to fresh recruitment upto 1.5 per cent of their total staff strength. Banks have further been directed to undertake an indepth assessment of their staff requirements, identify the excess staff in various offices|branches re-deploy it at needed branches|offices. The Committee note that only "some banks have identified the excess staff and re-deployed them." The Committee recommend that measures should be initiated by all the public sector banks to study in depth their staff position, identify the branches having excess staff and re-deploy the same in needy branches by a time bound programme with a view to avoid maldistribution of staff affecting efficiency and productivity.**

1.39 The Committee further recommend that the assessment for recruitment should be realistic to cover a particular period and once the Recruitment Boards select candidates for a particular number of vacancies in a certain Bank|Bank Group, all the selected candidates should be appointed before fresh vacancies are advertised by the Recruitment Board for the same Bank|Bank-Group.

1.40 The Committee regret to note the inordinate delay in determination of norms for recruitment in banks, as also the non-availability of the data on average productivity per employee. The Committee recommend that henceforth the RBI should have this data compiled regularly every year and the Ministry should positively incorporate the same in their annual consolidated Reports on the working of Public Sector Banks which are laid on the Tables of Parliament every year.

1.41 The Committee are distressed to find that on the basis of estimated productivity per employee for 1986, as many as 16 of the 28 public sector banks were below the industry level average. The Committee are anguished to note that leading public sector banks like State Bank of India and its seven associates should be lagging behind the industry level average

notwithstanding the business of Government and public sector|autonomous bodies which is heavily concentrated in them. The Committee recommend that in all these 16 banks an indepth examination of their below average productivity should be conducted and effective remedial measures initiated to bring them up at least to the industry level average as early as possible. The Committee further recommend that the public sector banks who top the productivity scale in relation to industry level average, should be honoured suitably through, say, a prestigious bank award as a motivation for better performance and emulation by others.

1.42 As most of the functions performed in a bank are group functions, the Committee recommend that suitable incentive schemes should be provided to reward staff whose productivity during a specified period is above the average norms laid down.

E. Attitude|Motivation of staff

1.43 Listing the major causes for delay in services to bank customers, the Ministry has stated that the "most important factor for better customer service is the human element. The banks have been trying to bring about attitudinal change in the employees through training programmes." But a recent review of the Banking Division of the Ministry itself is reported to have observed *inter alia* that "involvement of leaders of employees' unions to motivate the staff to render good service also does not seem to have been attempted by all the banks."

1.44 In a written reply to the Committee, the Chairman Indian Banks Association has stated in this regard :—

> "......Some bank managements have issued joint appeals with the Union Leaders to the employees seeking their cooperation in better customer service, better house-keeping and business growth. A specific provision has been made in the Bipartite Settlement dated 17th September, 1984 to the effect that...... parties agree that there is need to improve housekeeping in the offices|branches.....to ensure efficient cordial and speedy customer service at all times in the banking industry and to promote harmonious industrial relations and better discipline at all levels. However, involvement of Union leaders in such matters can be sought only on a voluntary basis and some of them may not be so enthusiastic about it."

1.45 Asked during evidence to comment upon the unhappy Management-Employee relationship and denial of right to minimum Union activities in a bank in a particular area, as reported to the Committee on tour, the Chairman, IBA replied :—

> "I came to know about this while I was working as Chairman of another Bank in Calcutta. The Union leaders came and told

me about this. As Indian Banks Association we cannot take any action on this. That Banks' Chairman will say "I know how to conduct my bank. You do not interfere."

1.46 Asked further to justify the denial of bank account facility by certain regional banks to the unrecognised unions the witness stated :—

"Unless a person is a thief or a smuggler or involved in anti-social activities it cannot be prevented."

1.47 Asked why the Association could not intercede with a view to dissuade the banks from such undesirable practices, the witness replied :—

"We will study the legal implications whether Association can take it up. But somebody has to write to us to take it up."

1.48 Referring to the other extreme of certain unions not allowing the management to function, when the Committee asked whether a code of conduct binding the managements and employees could be evolved in the banks, the witness revealed :—

"The only bank in the whole banking industry where a code of conduct was entered into between the management and the employees was Allahabad Bank......Now Allahabad Bank has become one of the best banks."

1.40 Asked to describe the impact of trade unionism on administration and training programmes in banks, Secretary, Banking stated during evidence :—

"From the management point of view naturally management would like the trade unions to be as few as possible, but I am not of the view that the presence of trade unions in the banks has impeded their working. I regard trade Union activities as an essential part of the management structure of the banks and we have to live together and work together and on the whole it has a beneficial impact on the working of banks......

So far as discipline is concerned, it is a separate matter and there we shall not condone any act of indiscipline but that has to be distinguished from legitimate exercise of trade union rights."

1.50 *Awards and punishments* :—A non-official organisation of bank customers has suggested to the Committee :—

"The attitudinal changes of the bank functionaries can be brought about only if suitable rewards or punitive measures are introduced at all levels and these are widely publicised......so that the public is aware of their rights and the (bank) staff of their duties and obligations to the public."

1.51 The Ministry has stated in this regard that in the system obtaining in banks in the matter of work allocation and supervision, each member of staff has a specific responsibility and obligation, the dereliction of which may be taken note of for appropriate action. As each member of staff is expected to be courteous to public, providing incentive to customer service would tantamount to rewarding employees for normal duties.

1.52 During evidence, Secretary, Banking summed up the motivation of bank staff and quality of service rendered to customers in the following words —

> "The staff, by and large, is highly dedicated compared with the norms of public service in our country. I mean, if you go to bus service or telephone service etc., the kind of service you probably get in bank is better than the other services. But the problem remains about motivation, problem remains in customers spending more time at the counter, there is also dissatisfaction; there is a genuine complaint which is not always attended to. These are a few in number in relation to the volume of work they are doing. The basic issue is of the individual's total security of job. Members or Parliament have been good enough to give total security of tenure, and security of promotion in public sector. You have also been good enough that once I get into service, nobody will terminate me. You have also been good enough that if I don't do my job then the procedure is such that even if you suspend me it will take very very long time before I am actually punished. It is a matter of some satisfaction to me about the kind of service that we give. We have to improve. We are trying to improve. However, we must consider this within the wider perspective.....So far as banking staff is concerned, they are giving good service. But we have to improve it."

1.53 The Committee are of the considered view that the problem of attitude and motivation of bank staff in relation to satisfactory customer service has not been given the priority it deserves by the managements of public sector banks. While a specific provision has been made in the formal Bipartite Settlement dated 17th September, 1984 between the Unions and Banks to improve housekeeping in branches to ensure efficient cordial and speedy customer service, management-union relations in some public sector banks leaves much to be desired. While welcoming bonafide trade union activity and provision of facilities antecedent thereto, the Committee feel that such activities should be more responsive and constructive with a view to ensure efficient and speedy customer service which is in their own interest. In this regard, the Committee commend the example of Allahabad Bank where an agreement on a code of conduct has been entered into by the

Management and employees of the Bank. The Committee recommend that this step should be emulated by the other public sector banks also. The Committee also consider the active involvement of leaders of the employees' unions in the motivation of the staff for putting in their best in the work allotted to them as an essential ingredient for a cordial management-employee relationship.

F. Training Arrangements Programmes

1.54 For coordinating and overseeing the training needs and arrangements of public sector banks, standing coordination committee has been set up in the Reserve Bank of India. A model training strategy has been evolved for the public sector banks which envisages different courses for different levels of requirements. In order to meet the training requirement, public sector banks themselves have opened training institutes|centres and operated them.

1.55 On the number of training colleges|centres available for officers and staff of public sector banks the Ministry has stated in a Note that the public sector banks as a whole had 48 training colleges and 180 training centres. At the end of December, 1986, these colleges and training centres had given various types of training to 121394 officers and 123952 clerical staff.

1.56 In an article appearing in a banking periodical it has been suggested :—

> "......the expansion of banking industry is not matched by improved training facilities. At present, the RBI is having the Bankers' Training College in Bombay where officers of scheduled and nationalised banks are trained. There are, besides the National Institute of Bank Management, 12 Staff training colleges or institutes of banks. It would be necessary to establish a minimum of 50 training centres for training clerks and about 15 colleges for training officers."

1.57 The Ministry has admitted a certain gap between the total requirement of training of man-power and the total training facilities available with the banks. With the beginning of the period of consolidation, it is now becoming feasible for the banks to bring in their man-power from the field for proper training and motivation. The Ministry could not, however, give data on extent of shortfall in facilities, separately for clerical staff and officers.

1.58 The banks are stated to have now drawn up man-power plans to conform to the overall business objective indicated to them by the R.B.I. in pursuance of the two-year action plans drawn up by them. Training facilities are stated to have also stabilised and banks are undertaking further refinements to suit their field level requirements. As a result, the banks are expected to remove the training backlog in a systematic manner. Further the course contents of various training programmes being conducted by banks are being generally reviewed by the training institutions, taking into the required programme inputs and the training requirements of the participants.

1.59 According to the Ministry, a Committee set up by RBI would review the arrangements for training of all categories of staff in the banking system as a whole. This Committee has met twice to review the training arrangements in banks. In the recent meeting held on 11 November 1987, the various aspects of induction training programme for base level|first level officers of banks were reviewed and suitable instructions are under issue to the banks with a view to bringing about improvement in this programme.

1.60 The Committee are unhappy to note that the Ministry is not monitoring the shortfall|backlog in the training facilities for public sector bank officers|staff in terms of the number of training institutions, their annual intake and relevant courses available for officers and staff separately. However, from the material placed before them, the Committee are convinced that the backlog of untrained employees especially at clerical level and shortage of training institutions|centres for them are still considerable. As the quality of customer service is by and large conditioned by the attitude of clerical staff manning the bank counters, the Committee strongly recommend that the Standing Committee of the RBI should take greater interest in augmenting the training programmes and institutions made available for the clerical staff of public sector banks with a view to expose the staff to better working and management techniques on a time bound basis. The Committee also recommend that besides initial training courses, refresher course at suitable intervals should be devised for all categories of Bank employees, to update their skills and improve the quality of service.

G. Reckoning of Customer Service in Promotion Policy

1.61 The Working Group on Customer Service (1977) had *inter alia* recommended that "Promotion Policies of banks should take into account performance of employees in the field of Customer Service—lapses and errors committed, complaints received and good work done all should have due weightage". The Ministry has indicated that 25 public sector banks have implemented the recommendation and the Dena Bank, State Bank of Indore and State Bank of Mysore had not implemented it so far.

1.62 In a written reply the Ministry has informed the Committee that while Dena Bank has stated that it is required to be discussed with its employees, State Bank of Indore is examining this recommendation for implementation.

1.63 Asked how concretely the 25 banks had implemented the recommendation, the Ministry has further intimated that generally, the banks have included 'customer service|public relations' as one of the parameters for judging the performance of their executives. While there are no identified inputs that go into this aspect of a bank officer's performance, it is expected that negative as also highly favourable performance would find reflected in the over all assessment by supervision, authorities.

1.64 The Committee regret that the recommendation of working group on customer services relating to promotion policies of banks is still "required to be discussed with its employees" by the Dena Bank; and State Bank of Indore is still "examining the recommendation for implementation". The Committee would like that these two public sector Banks should be asked to implement the recommendation without any further delay.

1.65 The Committee note the Ministry's reply that public sector banks "have included customer service|public relation as one of the parametres for judging the performance of their executives". The Committee wonder why the parametre has been fixed for bank executives only. The Committee recommend that the parametre of customer service for evaluating performance should be fixed for clerical staff also as it is they who are directly exposed to the customers and provide customer image of the banking services. The Committee therefore desire the Ministry to initiate appropriate measures in this regard.

CHAPTER II

ASPECTS OF CUSTOMERS' SERVICES

A. Implementation of Working Group's recommendations

2.1 The Working Group on Customer Services, in its report of 1977, made 176 recommendations and Government constituted a small group in the same year to identify areas of relative importance and to monitor the progress on all India basis. According to the Government, out of these 176 recommendations, 136 were initially accepted by Government and instructions issued for their implementation. The responsibility to pursue with the banks the implementation of the recommendations of the Working Group rested with the Reserve Bank of India.

2.2 According to the Ministry, though banks had implemented many of the recommendations there were some practical difficulties in giving effect to some of them. On a review of the matter in April 1986, all the recommendations were reclassified and banks were advised to take necessary action, accordingly in June, 1986. Under the reclassification, 121 recommendations are to be implemented by all banks, implementation of one recommendation has been left to the discretion of the banks, three recommendations are to be implemented with certain modifications, thirteen to be noted for compliance at appropriate time depending on circumstances, and twenty five were treated as dropped, leaving thirteen which were under consideration.

2.3 As per the information furnished by the Reserve Bank of India in June, 1987, 7 out of the 28 public sector banks have implemented all the 121 recommendations, advised to be implemented compulsorily and the remaining public sector banks have implemented 108 to 119 recommendations. The position of implementation of the recommendations is monitored by the Reserve Bank of India on a continual basis.

2.4 Asked during evidence whether the Ministry was content with the mere issuance of instructions to banks or it had an effective system of monitoring the actual implementations of the recommendations, the Secretary, Banking replied :—

> "It is our endeavour. What you are saying is just issuing instruction is not enough. We are very conscious of it. That is why

we have a system of on-the-spot visits by the officers of the RBI, Senior Officers of the Bank as well as Banking Division to see whether the instructions are being implemented or not. From the feedback that we are getting, we find that there is an improvement in the implementation of these recommendations."

2.5 Asked whether Banks have incorporated these recommendations in their regulations under the Acts with a view to ensure actual implementation, the witness replied :—

"It is my understanding that most of these recommendations do not have to be incorporated in the regulations themselves. These form a part of the operational instructions which the banks issue. The hon. Member was pointing out that most of these instructions have been issued. There is some piece of paper which they can show you that they have issued the instructions but you may not get that kind of customer service when you go to the branch. The best thing is to try and get the feedback from the ground to see that it is actually being implemented during the periodic visits and such services are being done where there are maximum problems......If you want to enforce customer service through law, then I don't think you can do it......."

2.6 The Committee regret to note that more than a decade has passed after the Working Group on customer services submitted its final Report in 1977, and still all the 121 recommendations finally accepted by the Government have been implemented by only 7 out of the 28 public sector banks and the remaining 21 banks have so far implemented only 108 to 119 of the recommendations. Since the primary function of banks is provision of customer oriented services to the satisfaction of customers, the Committee expect the Reserve Bank of India to monitor their implementation more vigorously. The Committee feel that actual implementation should be accorded a very high priority during inspections and on-the-spot visits to public sector banks and the branches of banks found dilly dallying in the implementation of any of the recommendations accepted by Government, should be brought to the notice of competent authorities in the Bank as well as the Ministry so that appropriate action can be taken to bring round recalcitrant banks to implement the recommendations.

2.7 The Committee also recommend that as far as possible, the basic requirements to be complied by manks as customer service may be notified in the form of rules and regulations under the relevant acts.

B. Revision of Service Charges

2.8 The entrustment of growing social and developmental responsibilities on the commercial banking sector, as evident from the growing share of rural branches, priority sector credit and the small borrowal accounts have brought pressures on the banks and there has been steady decline in their profitability. Therefore, the banks were compelled to look for more and more, newer and lucrative areas so as to improve both volume and share of the non-interest income. Prior to 1985, there had been considerable discretion vested with branch managers in charging lower rates for various services, ignoring the cost of such services rendered. Against this background, a need was felt for bringing about a rationalisation of rates and ensuring uniform approach in the pricing of bank services. The revisions in the service charges were effected almost after about a decade in 1985.

On the increase affected in service charges of nationalised banks in 1985 an association of depositors has represented to the Committee :

> "The reason given viz. costs have gone up is weak. These costs include costs of operational inefficiency, frauds which are not reimbursed by insurance companies and illegal practices such as 1 per cent extra interest (on deposits) to staff and ex-staff (of Banks) and 'releasing' employees for trade union work during banking hours........the practice of paying air-fare, entertainment and other expenses of union office bearers by banks are some of the 'costs' which banks are passing on to customers in the guise of higher service charges......."

2.9 The Ministry has argued that the revision in service charges was adopted *not* to compensate for the alleged operational inefficiency of banks but in order to recover at least part of the increased cost of services rendered, to avoid unhealthy competition among themselves, to obviate public criticism regarding varied charges of different banks, and to have uniformity in the schedule for similar services rendered by different banks.

2.10 The bank employees are stated to have been enjoying the benefit of additional interest on their deposits and right from the beginning their deposits were exempt from the purview of the directive provisions. The free hand available to banks on such deposits is stated to have been restrained to limit the additional benefit upto a maximum of 1 per cent p.a. and withdrawal of this facility, according to the Ministry, would lead to industrial relation problem which may effect the working of banks.

2.11 Remittances (*Draft|MTs|TTs*) : The schedule of charges for remittances by Draft|MTs|TTs etc. has been revised upwards by Public Sector Banks as follows :—

Rates prior to 1-6-1985 in SBI	Rate w.e.f. 1-6-1985 (in all P.S. Banks) (Per Draft/MT/TT)	
20 paise % upto Rs.10,000 minimum Rs. 2	Amount upto Rs. 200	Rs. 2
10 paise % over Rs.10,000 upto Rs. 1 lakh, minimum Rs. 20	Above Rs. 200 upto Rs. 1000	Rs. 5
3 paise % over Rs. 1 lakh, minimum Rs.100 maximum Rs.500	Above Rs. 1000 upto Rs. 5000	Rs. 10
	Above Rs. 5000 upto Rs. 10,000	Rs. 20
	Above Rs. 10,000.	Rs. 2 per thousand or part thereof subject to maximum Rs. 1000.

2.12 An association of exporters has represented to the Committee :—

> " . . . . We fail to understand why these charges should be on a slab basis with a maximum limit of Rs. 1000. For, the service charges are not related to the amount of the demand draft and more or less are constant irrespective of the amount involved. We feel these charges should be 10 paise per Rs. 100 value of demand draft subject to maximum of Rs. 200."

2.13 A Chamber of Commerce has further represented to the Committee that "it is cheaper to physically carry cash than to remit the same through DD|TT..... It is wiser to purchase 20 DDs of Rs. 5,000 each as against one lakh to minimise the bank charges".

2.14 In a written answer to the Committee the Ministry has argued that the structure of the remittance charges has been designed in such a manner as to impose a lesser burden on the smaller constituents which it is presumed would be availing of service involving smaller amounts. At the lowest level, the charges are less than the cost. At higher levels they are higher than the cost. This is deliberately done to achieve a cross-subsidisation which is inherent in different aspects of banks' operation.

2.15 Since service charges are levied for purchase of drafts, issue of mail transfers, telegraphic transfers, the Committee enquired whether it would not be reasonable to afford interest to customers from the date of drafts, mail transfer, etc. When realisations are credited to customer's accounts and not paid in cash against the counters. The Ministry has contended that the benefit of liquid cash in the custody of banks is only incidental and not intentional and in return for the service charges collected, the customer is assured of the safety of funds and is also saved from the burden of transfer of physical cash.

2.16 *Postal Tariff charged by banks.*—The postal tariff charged by banks prior to 1-6-85 in addition to the normal service charges for different types of transactions was by and large based on the actual postal rates in vogue. However, the current postal tariff charged by banks from 1-6-1985 "in addition to service charges whenever applicable" are as under :—

Ordinary post	Rs. 2
Registered post	Rs. 5
Telegrams	Rs. 15 or actual whichever is higher.

2.17 A body of industrialists has represented to the Committee :—

"It is not understood why the banks wish to charge postage for every cheque. After all they get several cheques for same destination. The postage should therefore be shared between the number of cheques being sent rather than charging each customer and thereby making an undesirable profit."

2.18 The Ministry has stated that the postal charges collected by the banks at the time of collection of outstation cheques|bills are not precisely the charges collected by the Post offices for an envelope|registration|telegram etc. for three reasons. Firstly, the postal charges are recovered by the branch at the originating point only once. Each transmission would, however, have a response for which no separate charge is levied. In some cases banks have to send reminders etc. also which they do at their own cost. Secondly, it is not possible for the bank branches to precisely determine the postal charge on a particular envelope|parcel. If banks accept only a precise charge and that is found to be less than the actual postal charge, the envelope|parcel may get detained for additional postage and give rise to banker-customer disputes. Thirdly, in a bid to improve customer service banks are taking recourse to various faster transmission services such as courier services which are, by their very nature, costly. If each customer is to pay for these services separately—say transmission by Speed Post—the charges will be excessive. The total cost incurred by the banks in utilising such faster services have to be spread over all customers on whose behalf banks utilise these services.

2.19 *Folio Charges.*—Prior to 1-6-1985, when the balance was usually below Rs. 500 and the account took up a page or more of ledger and in other cases when transactions were out of proportion to the balances maintained, a charge at the discretion of Branch Manager or Manager on the basis of Rs. 10 per year with Rs. 5 for each additional page of ledger if over the pages was levied. A ledger folio charge of Rs. 20 per folio (one side of ledger page containing approximately 50 entries) has been imposed w.e.f. 1-6-1985, except for *exemption,* as under :—

Average Balance	Folio free
Average balance upto Rs. 1500	Nil
Over Rs.1500 upto Rs.5000	3 folios
Over Rs. 5000 upto Rs.10,000	5 Folios
Over Rs.10,000 upto Rs.25,000	10 Folios
Over Rs.25,000	No folio charge

2.20 An industrialist's body has represented to the Committee in this regard :—

> "On the one hand Government desires that as far as possible, payments be made by cheques and in current account one has to keep always some balance on which the customer does not get any interest........but on the other hand, he has to pay Rs. 20 per folio and thus has been related to certain balance in the account. When the folios consumed are more, it means that the party has heavy transactions and is a valuable customer of the bank, instead of showing some consideration, why should he be penalised ?"

2.21 On the rationale behind the hike in folio charges the Ministry, has stated that there has always been a provision for levy of folio charges on deposit acounts depending on the balances in the accounts. The discretion at the branch level, however, had led to number of complaints of discrimination. These charges have, therefore, been standardised and uniformly adopted by all the public sector banks. Banks do not impose separate charges for cheques|withdrawal slips etc. The cost incurred is partly recovered through the folio charges. Besides, this is also designed to encourage depositors to hold larger balances in their accounts and to keep the use of the account at the optimum level.

2.22 Information as available with RBI regarding levy of folio charges by foreign banks has revealed that out of 21 foreign banks 13 do *not* appear to levy any folio charges in India or in the home country and of the remaining eight banks folio charges levied by some banks appear to be more moderate than corresponding charges now being levied by public sector banks in India.

2.23 The Committee feel that even if an upward revision of service charges had become due in 1985 "after about a decade", the hike could have been a little more rational and less harsh. The Committee recommend that the new costing Committee should have a fresh look into the service charges raised in 1985, taking into account the amounts spent on the concessions granted to bank employees, the element of service expenditure that goes to determine the difference between borrowing and lending rates of banks and the problems of bank customers with regard to specific service charges.

2.24 With regard to remittances through Drafts, MTs and TTs, the Committee agree in principle with the Ministry's rationale behind the revised charges being at the lowest level lesser than the cost, and at higher levels higher than the cost. The Committee, however, feel the present hike should not have led to the peculiar situation wherein it is wiser for a customer to purchase 20 D.D.'s of Rs. 5000|- each against a D.D. for Rs. one lakh, to minimise the bank charges. The Committee therefore recommend the need for a review of these charges afresh, as the nature of service to be rendered for all D.D.'s, M.T.s, T.T.s etc., irrespective of the amount, is uniform.

2.25 In view of the fact that banking instruments are transmitted actually in bulk the postal tariff now charged by the banks, especially for ordinary post and telegrams, appears to be on the high side even taking into consideration the reasons advanced by the Ministry justifying their increase. The Committee recommend that the new costing Committee should also review present postal tariff charged by the banks.

2.26 Though the Committee agree with the need for standardisation and uniform adoption of Folio charges by public sector banks, the Committee feel that the parties having heavy and numerous transactions have been put in a disadvantageous position. The Committee note in this regard that as per information "available with RBI" 13 of 21 foreign banks do not levy folio charges in India or home country while folio charges of some of the other banks are more moderate than the revised rates of public sector banks. The Committee find no justification for folio charges, because the very basic function of banks is to transact businesses of customers and folio charges should be considered normal expenses of the banks and not of special nature to be charged extra.

C. Time Norms

2.27 Pursuant to the recommendation No. 135 of the Working Group on Customer Service in Banks, Indian Banks Association evolved National Time Test Tables showing measurement of normal time (Upper limit) required for completing certain limited activities|transactions at the bank-counters and circulated the tables among members in 1979 and 1985, requiring them to display at all branches a time test table required for performing various activities. The Ministry has stated that "the feed-back received from the Government and RBI indicates that the Banks have initiated necessary action to display their time norms." The norms prescribed by one of he Banks are as under :—

1. Encashment of cheques	
(a) Through Teller	5 to 8 minutes
(b) Through Cashier	8 to 15 minutes
2. Receipt of cash (Depending upon the denominations of notes)	10 to 20 minutes
3. Issuance of Demand Draft/Traveller's Cheque/Term Deposit Receipt	15 to 25 minutes
4. Payment of Demand Draft	10 to 20 minutes
5. Payment of Term Deposit Receipt	15 to 20 minutes
6. Opening of Account	20 to 25 minutes
7. Retirement of Bill	20 to 30 minutes
8. Updating of pass book (for a few entries)	5 to 15 minutes
9. Statement of Account	within 5 days from the due date
10. Collection of cheque local	2 to 3 days
Collection of cheque outstation	14 to 21 days

Each of the above time norms indicates an upper limit and the branch officials are expected to devise ways and means to ensure that the transaction is completed well before the prescribed time limit. Adherance of these time limits, is required to be checked by Regional Manager|Inspecting Officers whenever they visit the branches during the banking hours.

2.28 Prominent segments of bank customers have represented to the Committee that the time norms are neither displayed nor complied with by all public sector banks. A review conducted recently by the Banking Division, has, also revealed that "some of the branches visited had not displayed the norms of time required for rendering common services." After the review the Ministry has issued instructions to banks to ensure implementation of all such customer services measures through Inspections and submission of their findings to the Boards of Directors.

2.29 Notwithstanding the prescribed time limits, it has come to the notice of the Committee during their visits that there were inordinate delays, extending upto even 10 days in clearance of local cheques, there are also cases when the banks refused to issue demand drafts against cash remittances, to accept soiled notes as also remittances of advance tax, though authorised by RBI in this behalf. On the specific cases that were brought to notice, the concerned banks have initiated appropriate action, as intimated to the Committee.

2.30 A study by National Institute of Bank Management on Bank services by bank savers is reported to have given following results on certain aspects :—

	Urban Bank Saver's Opinions			Rural Bank Saver's Opinions		
	Satisfied	Non-Committal	Not Satisfied	Satisfied	Non-Committal	Not Satisfied
Issue/Renewal of F.D.	69	23	8	Not available		
Speedy purchase of Demand Draft	71	24	5	66	20	14
Speedy receipt of money through M.T.	69	25	6	66	26	8
Speedy receipt of money through T.T.	67	25	8	60	30	10

2.31 Asked whether the Ministry was satisfied with the results of the study, the Ministry has stated that as the percentage of customers who have explicitly expressed dissatisfaction is only very low, ranging between 5 to 14 per cent, the results of the studies conducted by the NIBM is considered very satisfactory by the Ministry.

2.32 Referring to low percentage of satisfaction in transmission of money through D.D. and T.T. in both rural and urban areas, the Ministry has stated that the receipt of advice at the drawee offices in respect of DDs and TTs is mainly dependent on the services rendered by Post and Telegraph Departments. Compared to transmission of messages between metropolitan centres and large cities, communications to rural and urban spheres do take some time in the delivery and the media of courier service or other means of fast communication available at Post and Telegraph Department, are not usually available for rural and urban centres. Nevertheless, the Ministry has conceded that there are deficiencies in certain areas of customer service in Banks and it is their endeavour to improve further in those areas to satisfy the customers more.

2.33 The finding of the Banking Division of the Ministry itself that some of the bank branches do not display the time norms indicates that the public sector banks do not take the norms with as much seriousness as with which they had been evolved. Even though the display of and compliance with the time norms is stated to be checked by Regional

Managers and Inspectors on their visits to the Branches, there have been persistent complaints from prominent segments of bank customers that the norms are not being displayed and adhered to by most of the public sector banks. The onus for displaying of and complying with the norms is stated to rest with the branch managers. The Committee, therefore, feel that more effective measures should be taken by the banks to ensure display of time norms in all the branches and both the Branch Manager and Counter staff should be held personally responsible for adherence to the time norms.

2.34 The NIBM study on remittance services indicates that while 20% to 30% of customers were non-commital, 5 per cent to 14 per cent of customers were explicitly dissatisfied with these services in public sector banks. The Committee are of the view that customers who chose to be non-committal in the study, did have some reservations on the quality of these services but did not opt to comment due to some inexplicit reasons. In any case the Committee do not think that this percentage of customers can be construed to be satisfied with the service simply because they did not express dissatisfaction explicitly. The delay in remittances through D.D. and M.T. in rural and urban areas (except metropolitan and big cities) has been attributed to the Bank's dependence on Post and Telegraph Department. Based on their personal experience the Committee have, however, reasons to believe that the despatch branches in the banks themselves tend to delay despatch of letters. The Ministry having conceded deficiency in the area of remittance services in all areas, the Committee strongly recommend that banks must, in the first instance, have control over its despatch wing and Courier Services and other faster means of remittance can also be introduced by banks, if it can be established that delays are actually with the Post and Telegraph Department. The Committee also recommend that identified cases of delay may be taken up with Department of Posts for appropriate action.

2.35 The Committee is very much concerned to note that certain public sector banks in some places refuse, to render certain basic banking services like (a) issuance of Demand Drafts against cash; (b) acceptance of soiled notes from public; (c) acceptance of Advance Tax Payments, though authorised by the Reserve Bank of India; etc. The Committee feel that such instances are not confined to one or two places alone but are also prevalent elsewhere. The Committee recommend identification of pockets where such maladies are in existence for taking positive measures to curb them. The Committee also recommend that branch office managers should be held personally responsible for denial of such basic banking services to their customers and suitable instructions/directives should be issued in this regard by the Reserve Bank of India and compliance with the instructions ensured through inspections by the Reserve Bank of India and Banks themselves.

D. Branch Manager's Discretion re. Deceased Accounts

2.36 The Working Group on Customer Service (1977) had recommended that "adequate discretion should be vested in branch manager and other appropriate authority levels for payment of balance in a deceased account to surviver|claimant without production of legal representation but on the basis of due local enquiry and adequate indentity". The Ministry has indicated that all the 28 public sector banks have implemented the recommendation.

2.37 It has, however, been represented to the Committee :—

> "Even for a small amount left in saving account of a customer who has expired, his legal heirs are made to move from pillar to post and this causes a lot of harassment to the customers and to the bereaved family. . . ."

2.38 Asked whether any guidelines had actually been issued by the Banks to their Branches in this regard, the Ministry has stated in a written answer that till recently the banks had prescribed different limits within which the appropriate authorities could pay the balance outstanding to the credit of the account of the deceased customers to the heirs|survivors without insisting on production of legal representation. It has been recently decided by the Government and RBI has also issued instruction on 22-7-87 to the effect that the banks should not insist on succession certificate where the amount to the credit of the deceased depositors did not exceed Rs. 25000|-. The banks are however expected to observe the usual safeguards in setting such claims including obtaining of indemnity bond wherever required.

2.39 Asked during evidence why the Banks should not insist on nomination at the stage when a customer opened his account, the Chairman, Indian Banks Association stated :—

> "It is there. It is not compulsory. But I took up this matter with some of the banks. For some reason or other, some depositors refused to provide nomination. I am told large amounts are being held up with the banks because they are not aware of such facility . . . . We can not insist . . . . when a customer opens an account, we advise him that it would be in his interest and that of his family to nominate a person. Beyond that we can not go."

2.40 Asked what happened in such a context if an account remained without transaction for 3 or 5 years, the witness replied that "we call it a dormant account. The money goes to the Government." On insistence by the Committee that a way should be found out to help the heirs of the depositor in such a situation, the witness argued :—

> "It is a sort of contract between us and the customer. I am not supposed to tell the son of a customer that his father has left some money. But I understand your feelings. If some directions come from Estimates Committee we can do something."

2.41 During evidence of the representatives of the Ministry when the Committee asked them why the provision of nomination for Bank accounts could not be made compulsory as was the case with Provident Fund accounts, the Additional Secretary stated :—

> "The whole concept of Provident Fund is to enable the institution to save for the needs of his (contributor's) family. That is how you make it compulsory saving for him, whereas Banks would have any number of transactions and people may be depositing money for any number of purposes and so it is not necessary here .... In banks the money which they deposit may be used for business purposes but it is not so in the case of Provident Fund."

2.42 On being pointed out by the Committee that banks too had a duty towards families of depositors for whom nomination should be made compulsory as a matter of policy, the witness replied :—

> "We will arrange for more publicity and say it is in the interests of the family to have a nomination ....we will have to examine it."

2.43 The Committee note that in spite of instructions issued by Reserve Bank of India to public sector banks in July, 1987 for not insisting on succession certificates where the amount to the credit of the deceased depositor does not exceed Rs. 25,000|- and to observe the usual safeguards in settling such claims including obtaining indeminity bond wherever required, a very large number of instances have come to the notice of the Committee during their tours where these instructions are being followed more in breach than in practice. The Committee would like these instructions to be observed in letter and spirit so that the nominees|legal heirs of the deceased depositors do not feel harassed. Adequate discretionary powers should be vested in Branch Managers to achieve this end.

2.44 Chairman Indian Bank Association has admitted during evidence that large amounts of deposits made by account holders who have made

no nominations are being held up in banks as dormant accounts which ultimately go to Government and are lost to the legal heirs of depositors. The Committee recommend that as a social service to the family of the deceased, the Banks must intimate the legal heirs at the earliest opportunity with a view to move them to initiate legal measures to get the accounts of the deceased settled. The Committee recommend that norms of confidentiality should be relaxed and Banking Acts|Regulations amended, if necessary, in this regard.

E. Reimbursement of Outstation cheques

2.45 In pursuance of recommendation nos. 68 & 78 of the Working Group on Customer Service (1977), the following steps are stated to have been taken by Government to improve customer services in banks :—

"(i) immediate credit to be given for outstation cheques for value not exceeding Rs. 2,500|- subject to collection of usual charges. This facility is however available for individuals only.

(ii) Interest to be paid at saving banks rate, for delayed collection of outstation instruments the period of delay being reckoned at 14 days in respect of instrument drawn on banks' own branches and 21 days in respect of instruments drawn on other banks. ."

2.46 In a review of customer services in banks conducted by the Banking Division of the Ministry, it has been found that the above facilities are not being actually extended by banks to customers. Complaints in this regard have also been made in the Memoranda submitted to the Committee by a number of associations of depositors, exporters, entrepreneurs, Commerce & Industry and consumers.

2.47 During the visits of the study group of the Committee and discussion held, it came to the notice of the Committee that inordinate delays took place in giving credit for outstation cheques upto Rs. 2,500 at a time and RBI directive in this regard was not taken care of.

2.48 A recent survey by RBI has also revealed that there has not been much improvement in the matter of complying with these instructions of RBI by banks. In the circumstances, the Chief Executives of the banks have been advised that Government would view seriously any lapse on the part of the banks in not implementing these instructions. The Chief Executives have also been advised to fix the responsibility|accountability for non-implementation of these instructions on the Zonal Manager| Regional Manager of the Banks. The Banks have also been advised to take sample surveys to assess the progress in implementation of these instructions.

2.49 Asked to state whether internal auditors and statutory auditors look into compliance of the instructions, the Ministry has stated that monitoring of implementation of these instructions is to be tackled by administrative mechanism and that the statutory auditors|internal auditors|inspectors of the banks have totally a different role to perform and are not concerned with implementation of administrative measures like the aforesaid one.

2.50 Asked further whether the banks informed the customers on spot about the immediate credit of an outstation cheque not exceeding Rs. 2,500|- and payment of interest there-on for collection delayed beyond 14 days, the Secretary Banking replied :—

> "I accept that there is deficiency in the sense that at least it is not told to the customer that after 14 days you are entitled to interest."

2.51 The Committee are distressed to note that recent RBI survey has revealed no improvement in the matter of compliance of Reserve Banks instructions to Banks for granting immediate credit of outstation cheques for the value not exceeding Rs. 2500|- and payment of interest for delayed collection beyond 14 days where the amount involved is more than Rs. 2500. During evidence Banking Secretary admitted that the customer is neither aware nor told that he is entitled to interest on collection delayed beyond 14 days. Now that the Chief Executive of Banks have been advised to fix responsibility for non-implementation of these instructions on Zonal|Regional Managers and to take action against Branch Managers also, the Committee hope that compliance of these instructions by Banks would be regularly assessed and ensured through periodic sample surveys, on the spot visits of branches by RBI Executives and special Inspections by the Banking Division of the Ministry. The Committee also feel that provision of timely credit and affording of interest are legitimate matters of account and not mere administrative instructions and hence recommend that the auditors, both internal and statutory, are instructed to bring to notice, cases of violation in their reports to management.

F. TELLER SYSTEM

2.52 The Working Group had recommended in its Report that Teller System should be introduced at all offices of banks wherever the workload warrants.

2.53 According to the data supplied by the Ministry, the position of the Teller System in Nationalised Banks and State Bank of India in 1986 was as follows :—

Name of Bank	No. of branches	No. of branches with Teller System at the end of 1986	% for 1986
Allahabad Bank	1303	11	0.8
Andhra Bank	826	52	6.3
Bank of Baroda	1908	210	11.0
Bank of India	1901	120	6.3
Bank of Maharashtra	983	27	2.7
Canara Bank	1845	97	5.2
Central Bank of India	2499	673	26.9
Corporation Bank	401	15	3.7
Dena Bank	1003	26	2.6
Indian Bank	1104	94	8.5
Indian Overseas Bank	1097	102	9.3
New Bank of India	543	70	12.9
Oriental Bank of Commerce	456	16	3.5
Punjab National Bank	2419	835	34.5
Punjab & Sind Bank	645	122	18.9
Syndicate Bank	1439	26	1.8
Union Bank of India	1624	120	7.4
United Bank of India	1175	54	4.6
UCO Bank	1722	14	0.8
Vijaya Bank	679	2	0.3
State Bank of India	7423	3152	42.5

*Nationalised Banks as on 31-12-1986
State Bank of India as on 31-12-1985

2.54 Asked why the introduction|extension of Teller System has been virtually slow in all the nationalised banks except SBI, Punjab National Bank and Central Bank of India, the Ministry has stated in a written reply that introduction of Teller System in a particular branch of a bank is intended primarily to cut down time involved in transaction at the counter. Introduction of such a system is an operational decision which depends on several factors such as location and size of a branch, volume of business, type and turnover of deposits, number of staff, state of mechanisation and the banks' assessment of cost benefits. The system is introduced in those specific branches as and when the need for facilitating speedier withdrawals has been felt by banks.

2.55 The Ministry has intimated the Committee that proposals have been received from two Indian public sector banks *viz.* Indian Bank and Vijaya Bank for installation of Automated Teller Machines at some of their branches in the country. These proposals are being examined by Reserve Bank of India and no final decision has yet been taken.

2.56 On the cost factor of Teller System the Ministry has argued that where the Teller System is in operation, the banks are required to pay teller allowance to their staff for performance of the duty under the provisions of the bipartite settlement entered into with the unions (Rs. 164|- p.m. + P.F. contribution Rs. 8 = Rs. 172|-). Besides, to be effective the tellers' workload has to be regulated in such a manner as to facilitate quick service. A certain duplication of ledgers|specimen signatures etc. is also implicit and larger counter space is also required. According to the Ministry, the cost benefit analysis of the Teller System normally works out favourably only in cases of large branches where small payment predominate and the volume of transactions is heavy enough to create delays if handled in the conventional manner.

2.57 The Committee note the Ministry's contention that introduction of Teller System in a bank branch is an operational decision and Teller System normally works out favourably only in cases of large branches where small payments predominate and the volume of transactions is heavy enough to create delays if handled in conventional manner. From the data supplied by the Ministry with regard to the number of branches of each Bank where Teller System has been introduced it appears that several banks functioning in same areas under similar circumstances have not introduced the teller system, though others have introduced the system. The Committee therefore would like the Ministry|Reserve Bank of India|Indian Bank Association to conduct a study of larger branches of these banks with a view to examine the feasibility of extending the Teller System in as many branches as possible and in any case, in all branches of all banks functioning in similar conditions in same areas.

G. Transfer of Accounts

2.58 The State Bank of Travancore is reported to be effecting transfer of account from one bank to another by handing over the transfer documents in a sealed cover to the customer himself, so as to enable him to get his account opened at the new place and branch immediately on reaching his new destination.

2.59 Asked whether the Ministry|RBI had taken any steps to introduce similar facility in other public sector|Nationalised Banks, the Ministry stated in a written answer that all public sector banks are reported to have issued instructions to their branches to implement this recommendation of the Working Group on Customer Service (Talwar Committee).

2.60 The Committee note that all public sector banks have issued instructions to their branches to implement the recommendation of the Working Group on customer service (1977) that transfer of account from one bank to another should be effected by handing over the transfer documents in a sealed cover to the customer himself to enable him to get his account opened at new place|branch immediately on reaching there. During visits of the Committee to various bank branches, the Committee have come to know that the instructions are not, in practice, being followed by the banks. The Committee, therefore, would like strict compliance with the aforesaid instructions by the bank branches.

H. MICR Cheques

2.61 The mechanised cheque processing system, using MICR technology and using high speed sorters, covers the whole gamut of cheque clearing activity and speeds up the processing considerably. Under the system, cheques are received from banks in unsorted condition till late in the evening and the sorting, listing and balancing of clearing instruments is done on the high speed reader-sorters during the night and cheques sorted, listed and balanced according to bank, branch and transaction type and handed over to paying banks early in the morning. This leaves more time to banks for processing.

2.62 An association of depositors has represented :—

> "The latest MICR cheque books are non-functional. The introduction of MICR technology is long overdue. However, the elimination of counterfoil and reduction in size of cheque book, ostensibly to save costs for banks, is an Himalayan blunder. For Depositors, the only conclusive record of many transactions is the counterfoil of the cheques wherein details are entered. Provision of a sheet at the end to make such entries for reference is inadequate. There is not even adequate space to mark A|c Payee on the cheque, and to indicate it on the stiched portion. The false sense of "Pennywise pound foolish" economy which has led to present MICR cheque books has created an impression that banks readily sacrifice customer interests when it suits them. A much-needed measure has been introduced without customer consultation, coordination with printers and post office (the 50 paise postal envelopes necessitates the folding of MICR cheque, thus making nonsense of its basic requirement), and even a modicum of customer education. This is an unfortunate development for banks. Goodwill built over the years has been wiped out by MICR cheque books."

2.63 Asked during evidence why the interests and convenience of customers were not taken into account while introducing MICR cheques without counterfoils, the Chairman Indian Banking Association stated :—

> "Doing away with counterfoils is not the decision of the Association. Reserve Bank has decided to introduce MICR cheques. This is a mechanised system for sorting out cheques and the cheques are to fit into a particular machine......this matter was discussed among outselves (IBA) the other day. If the customers want counterfoils, they can have cheque books with counterfoils provided the charges for the cheque books are paid by customers themselves.....If it is the recommendation of Estimates Committee that there should be counterfoils we can take it up with the Reserve Bank......Personally I (too) would like to have the counterfoils. Also I do *not* mind bearing the cost of the cheque."

2.64 The Committee are surprised to note that the Government|Reserve Bank of India have introduced MICR cheque technology in banks solely on the basis of operational convenience without bothering to consult Indian Banks Association and prominent associations of bank customers which should have been taken into confidence before altering the structure of such a popular banking instrument as cheque. The Committee are convinced that with the MICR cheque as it is, the customers have been put to immense inconvenience for want of counterfoil, adequacy of space, convenience of posting in postal envelopes and so on. Provision of a page in lieu of the counterfoil at the end of the cheque book is too inconvenient to be of any practical use to the customers. The Committee recommend that Government|Reserve Bank of India should examine the feasibility of providing counterfoils and adequate space in MICR cheques with a view to provide relief to the banking public from the inconvenience caused by use of these cheques. The Committee are, however, strongly opposed to the cost of cheques being borne by customers who have already been hit by the steep hike in service charges effected by banks in 1985.

I. Payments for personalised services through the banks

2.65 Besides the more important services of the acceptance of deposits and the provision of credit facilities, the Banks can undertake the business of "acting as agents' for any Government or local authority or any other person or persons........" in terms of Section 6 of the Banking Regulation Act, 1949.

2.66 A Bombay-based Chamber of Commerce and Industry has suggested to the Committee :—

> "All (Public sector) bank branches should be equipped to accept the numerous types of payments which an ordinary account

holder is expected to make; e.g. payments for life insurance, electricity bills, income tax, telephone bills, vehicle tax, RTO tax."

2.67 A Delhi-based Chamber of Commerce has also pleaded with the Committee that :—

"Personalised services like payments of RTO tax, telephone bills, Income Tax, may be done by all branches of the (public sector) bank at nominal cost so as to relieve public from running around from pillar to post."

2.68 In a written answer the Ministry has argued that collection of Income-Tax is already being done at the selected branches of State Bank of India. As regards telephone bills, road tax, etc. these services are offered on a selective basis by certain banks in certain areas. These services are offered on the basis of an arrangement entered into by the individual banks with the concerned public bodies. However, there is no scheme under which all types of payments can be made at bank-banches. Such a scheme is impracticable unless separate receipt points for acceptance of all types of bills at bank branches would besides creating problems of accounting etc., lead to a sharp deterioration of the service as the bank branches (already overcrowded in urban areas) would get unmanageable crowds of persons wanting to pay bills (particularly towards the close of the last due date) making it difficult for the branches to render normal service to their constituents.

2.69 The Ministry has further stated that recently a proposal has been received from Delhi-Administration envisaging formulation of a scheme under which public can pay various dues|taxes of all public dealing bodies that come under Delhi Administration at one window. Making them payable at bank branches was also examined by a Small Group comprising of representatives of different banks and Reserve Bank of India. The consensus of the Group was that it would be possible to implement the scheme only subject to meeting of various requirements including the setting up of separate receipt points, working out procedures for accounting, reconciliation of entries, cycle of payment of dues, payment of commission, etc. The matter is to be further examined by Delhi Administration for working out the scheme. Extension of the scheme to other Metropolitan Cities could be considered after the work of the scheme in the Union Territory of Delhi is available.

2.70 No guidelines|directions in this regard are stated to have been issued by the Government or RBI so far. Being treated as a matter which "is not primarily connected with the banking operations" it has not been considered necessary to issue any directions by Government|RBI on the above subject.

2.71 The Committee note that Income Tax is already being collected at selected branches of State Bank of India and understand that these banks also collect electricity charges in some metropolitan centres like New Delhi. Since the recipients of the respective revenues maintain their cash in the banks only, the feasibility of extending personalised services in a bigger way than at present can be explored by the various banks managements.

J. Payment of Pension through Banks

2.72 In terms of the Interim Report of Working Group on Customer Service in Banks the Public sector banks introduced at selected centres and in some States a liberal procedure whereby pension dues of civilian pensioners of the Central Government were credited into pensioners' accounts on authorisation of the pension authorities. In their final report, the Working Group recommended that steps taken by the Central Government and a few State Governments should be extended as early as possible to cover all of their pensioners.

2.73 The undernoted State Governments|Union Territories have introduced schemes for payment of pension to their pensioners through public sector banks :—

Bihar, Madhya Pradesh, Punjab, Rajasthan, West Bengal, Orissa, Haryana, Himachal Pradesh, Gujarat, Uttar Pradesh, Meghalaya, Goa, Daman and Diu, Tripura, Andhra Pradesh, Pondicherry, Nagaland, Karnataka and Kerala.

Department of Pensions and Pensioners Welfare has written to the remaining State Governments|Union Territories to consider the implementation of the scheme. The RBI is also stated to be persuading the State Governments in this regard.

2.74 Out of the 28 public sector banks, 22 public sector banks namely the State Bank of India, its 7 subsidiaries and 14 banks nationalised in 1969 are stated to have been entrusted with and have actually undertaken payment of pension to Central Government pensioners|State Government pensioners. Out of the 6 banks nationalised in 1980, three banks (i.e. Vijaya Bank, Corporation Bank and Andhra Bank) have already been entrusted with and have undertaken the work of payment of pension to State Government pensioners only. The Oriental Bank of Commerce, Punjab & Sind Bank and New Bank of India have not so far been entrusted with or undertaken payment of pensions to either Central or State Government pensioners.

2.75 The Committee note that out of 28 public sector banks 22 have been entrusted with and have actually undertaken the payment of pension to Central|State Government pensioners and of the remaining six banks

nationalised in 1980, 3 banks namely Vijaya Bank, Corporation Bank and Andhra Bank have actually undertaken payment of pension to State Government pensioners only. As the other 3 banks namely Oriental Bank of Commerce, Punjab and Sind Bank and New Bank of India, have not so far been entrusted with payment of pension to either Central or State Government pensioners, the Committee recommend that the Ministry should arrange to do so as early as possible to provide the facility to pensioners in the areas in which these Banks cater.

2.76 The Committee are, however, distressed to note that some State Governments|Union Territories Administrations like Assam, Chandigarh, Delhi, Jammu & Kashmir, Sikkim, Arunachal, Mizoram, Maharashtra and Tamil Nadu have not so far adopted the scheme of payment of pensions through public sector banks. The Committee are not able to realise the difficulties in Union Territories like Delhi for adopting the scheme. The Committee recommend that more vigorous efforts should be made by the Government and Reserve Bank of India in persuading the aforesaid State| Union Territory Governments to opt for the scheme as early as possible for convenience of their pensioners.

K. Safe Deposit Vaults

2.77 It has been stated by the Ministry that Banks have not undertaken an assessment of the total demand for lockers at their branches. normally the facility of safe deposit vaults to the customers in the form of lockers is stated to be provided by the Banks as a service "incidental to the normal banking services rendered to the customers." The Ministry has argued that in view of the shortage of space and heavy investment requirement, banks create these facilities only on limited scale. Renting of lockers by itself is not considered profitable proposition by the banks as the rents charged for the space are fairly low. It is therefore not considered feasible that the demand would be met through the medium of commercial banking system alone which is supplemented in this regard by private safe deposit vaults in some metropolitan centres.

2.78 It has been represented to the Committee that "the unethical practice of linking fixed deposits with lockers for hire is an indirect service levy. Such arm twisting practices have generated a lot of ill-will towards banks."

2.79 On the pattern of service charges the Ministry has stated in a written reply that since the cost of installation and maintenance of lockers and provision of facility varies from bank to bank and from place to place, the charges levied by banks also vary.

2.78 According to the Ministry on the basis of information furnished by Oriental Bank of Commerce, the cost of one locker cabinet comprising of 90 small lockers amount to Rs. 55,000|- (approx). This does not include cost involved in construction of strong room where the lockers are normally housed. The rent for the locker cabinet per annum works out to about Rs. 4500|-.

2.80 On the linking of fixed deposits with the provision of locker facility the Ministry has stated that the Reserve Bank of India has issued guidelines to public sector banks providing *inter alia* that the banks should not insist on fixed deposits as a pre-requisite for allotment of lockers. However, recognising the value of locker facility in the matter of business development the guidelines provide that while atleast 80% of the lockers should be allotted by the branches on first-cum-first served basis, the remaining could be allotted by the Branch Manager at their discretion to valued customers on business considerations. This limited discretion to the Branch Manager is considered necessary since the demand for lockers is high and the banks are not in a position to consider the requirement in full due to limited installed capacity.

2.81 Taking note of the widespread public demand for locker facility *vis-a-vis* the limited installed capacity therefor in public sector banks, the Committee feel that the banks should come in a big way to meet the needs of the public for lockers, not as a case of business proposition, but as a service to the Community at large. For this purpose, the Banks should make a systematic assessment of the total demand for locker facility in the country in relation to the installed capacity in public sector banks and on the basis thereof prepare a scheme for augmenting the installed locker facility in the banks in a phased manner. The Committee also recommend that the guidelines for hiring of lockers viz. 80% of lockers to be hired on first come first served basis, should be firmly implemented.

L. Credit Cards Scheme

2.82 The Ministry has informed the Committee that Andhra Bank, Bank of Baroda, Central Bank of India and Canara Bank have introduced credit card schemes. The Scheme has been welcomed by many prominent categories of customers like depositors, foreign exchange dealers, exporters and Chambers of Commerce, who have recommended its extension.

2.83 Asked why the credit card schemes have been introduced so far by only four out of 20 Nationalised Banks the Ministry has stated in a written answer that introduction of a particular Credit Card Scheme is a matter essentially for the individual banks to consider in the context of deposit mobilisation|service to the clientele whom they contemplate to cater and it is left to the discretion and the commercial judgement of the banks concerned. However, when proposals are received from the banks they are examined by Reserve Bank of India and its views|approval wherever necessary is conveyed after taking into various relevant factors.

2.84 The Committee note that credit card scheme has been introduced by only 4 Public Sector Banks, namely Andhra Bank, Bank of Baroda, Central Bank of India and Canara Bank. The Ministry's contention that introduction of such a scheme by remaining 24 public sector banks should be left to the discretion and commercial judgement of the individual bank does not carry conviction as many of those banks who have not yet introduced the scheme operate in the same regions and cater to the similar clientele as those catered to by the aforesaid four banks who have introduced the scheme. The Committee therefore recommend that all the public sector banks which have not introduced the scheme yet should also examine the matter in the light of the peculiar composition of their clientele and pattern of their operations and start credit card scheme as far as practicable.

M. Customers' Services in Credit Deployment

2.85 The RBI has issued comprehensive guidelines to banks on 16th March, 1984 for advances to priority sector borrowers providing *inter- alia* that applications upto credit limit of Rs. 25,000 should be disposed of within a fortnight and those over Rs. 25,000 within 8-9 weeks. Banks have been advised by the RBI that they should observe the prescribed time limit for disposal of applications where the application forms are complete in all respects and only the sanction or rejection is to be accorded. On the contributory causes for delay, the Ministry has observed that in actual practice, applications may not, in all cases, be complete in all respects when they are received initially by the bank branch and the delay caused in getting the application form completed either through the sponsoring Government agency or by the beneficiary in such cases is also sometimes looked upon as delay by the bank branch. Further, according to Government in most of the Government sponsored programmes the applications are often sent in large bunches during the last quarter of the financial year instead of ensuring an even flow of applications throughout the year and this "bunching" of applications creates avoidable pressure of the work at the rural branches which are mostly run with skeletal staff, and results in delay for the processing of applications.

2.86 For overseeing the implementation of the instructions, the banks have been advised by the Ministry that their senior officers of the level of Regional Managers and above of the top management should visit the rural branches in such a manner that every rural branch is visited by an officer at least once within a period of 3 months. During these checks the senior officers are required to verify whether the branch complies with the guidelines for priority sector lending. Officers of the Reserve Bank of India also look into this aspect during visits to bank branches and draw the attention of higher level offices wherever delays are noticed. Senior officers of the Ministry also undertake visits to rural branches and conduct surprise checks for assessing the adherence of RBI guidelines particularly on customers service and rural lending aspects.

2.87 The guidelines issued by RBI to banks also provide that Branch Managers may reject loan applications, except in case of SC&ST, provided the cases of rejection are verified by Divisional|Regional Managers and in case of Scheduled Castes and Tribes, rejection should be at a level higher than Branch Manager. On the procedure prescribed for rejection, the Ministry has stated that the banks have been advised, in the context of the Integrated Rural Development Programme that the reasons for rejection should be recorded in the application form itself and the relevant application should be returned to the sponsoring authorities for their information and record. In the case of all loan applications, including those under Government's sponsored programmes, the bank branches are required to maintain a register of loan applications in which the date of receipt, disposal and and the reasons for rejection have to be recorded These registers are to be checked by the senior officials of the bank during their visits, by the Inspectors as also by the Reserve Bank officials inspecting the branches. However, in other cases there are no specific instructions to banks that reasons for rejection should be communicated to the applicants for loans.

2.88 Asked during evidence whether the RBI had issued any guidelines or an internal system had been evolved in the banks wherein a borrower who had applied for loan which was rejected, clear and specific grounds for rejection were conveyed to him, the Additional Secretary stated :

> "…….The block development agency (sponsoring authority will get back the applications with reasons…….In other cases generally, the party is in dialogue with the banks and whatever reservations the bank has, are shared with the party. There can be a number of additional clarifications which the bank may seek if the party is willing to give those clarifications . . ."

2.89 On being pointed out by the Committee that the applicants for loans faced problems with the banks in finding out the precise reasons for rejection of their loan applications, the witness added :—

> "I do appreciate the feelings of the hon. member. Banks also do not commit themselves in writing because there could be some local problems and difficulties. I do agree with the Hon. Members that the individuals should be convinced about the matter. Otherwise the whole programme would become worthless . . ."

2.90 Deputy Governor of the Reserve Bank further assured the Committee :—

> "In the case of Government sponsored scheme (IRDP etc.) the reasons are recorded by the bank and given to the Agency concerned. I will examine the question whether the reason for rejection should be given (to all the applicants for loans from P. S. Banks)"

2.91 Notwithstanding the detailed procedures evolved for scrutiny, sanction or rejection of loan applications, the Committee have received several complaints on delays and irregularities in bank's functioning in processing of loan applications, not only in regard to loans to industries in normal credit areas but also in regard to loans in priority sector. The Committee realise that the complaints could in some cases be due to individual grievances which cannot be adequately met with by the banks with due regard to prescribed norms. However, the Committee believe that there are several cases wherein delays in processing of applications, release of loan after sanction, and rejection of applications are not necessarily based on genuine grounds and that a lot of technicality is allowed to play for even ordinary mistakes or slips in applications, much to the inconvenience and embarrassment of the customers. The Committee recommend that in respect of each bank, a sample survey of the processing of loan applications may be conducted critically and at the same time, the public should be allowed to meet the inspecting officers to air their problems, so that an objective review of the performance of the banks could be done.

CHAPTER III

CUSTOMER EDUCATION|COUNSELLING AND GRIEVANCES MACHINERY

A. Customer Education|Counselling

3.1 *Joint Publicity Committee.*—With regard to customer education for coordinated publicity effort, all public sector banks have constituted a Joint Publicity Committee which undertakes publicity on issue|themes which are of common interest to all such banks through advertisements in the newspapers, radio and television, prepares short films, capsule, T.V. shorts and participates in national and State level exhibitions.

3.2 *Customer Education|counselling by banks|branches.*—Individual banks design publicity material and bring them out in English and Hindi for distribution through their branches. They also participate in local exhibitions to educate the people about bank services.

3.3 To improve customer education, all banks are stated to have brochures setting out various schemes in the sphere of deposit mobilisation. These are normally available at the branches and are given to genuine depositors desirous of information to decide the scheme in which to place deposits. This information is generally available in regional languages also. Information regarding specialised services like foreign exchange dealings etc., if of relevance to a smaller clientele is disseminated at the specialised branches rendering these services. Banks are also bringing out small pamphlets on general lending schemes in priority sectors. The material is, however, given only when asked for.

3.4 "May I help you" desks are stated to have been introduced by the Banks in all the branches having 30 or more staff. In many other cases, banks have advised the branch managers to display the board on their table or put up a notice inviting customers to see them in case of need.

3.5 On the basis of the findings of a survey, National Institute of Bank Management has suggested to the Committee that "education|counselling of rural customers must get precedence—Similarly in urban areas various segments like production related worker to customer in urban informal sectors should be counselled about the benefit of savings through Banks."

3.6 Asked to specify the arrangements in public sector|nationalised banks for customer education|counselling in rural and informal sectors, the Ministry has stated in a written reply that considering the significant role assigned to the banks in the rural sector, the Reserve Bank of India and Government have emphasized upon the banks to ensure that the banks take measures to educate the rural people about the various schemes available for them. In this direction the banks have brought out brochures and pamphlets containing the details of schemes for the benefit of rural people. Instructions are also stated to have been issued to the banks that their senior Executives should visit the rural branches frequently and satisfy themselves about the service being rendered by the branches of the public sector banks to the rural people. Physical presence of the Chief Executive and the Senior Officials of the banks amongst the rural people would also give to the rural people an assurance that their needs are being looked into at the highest level in the banks. The banks have also been advised to observe one day in a week as non-public business working day to enable the Branch Managers to get in personal touch with the customers in the rural areas to guide them about the banking facilities available and for fetching more business for the bank.

3.7 The Committee have reasons to believe that the arrangements in Public Sector Banks for publicity, Customer Education and Counselling in both rural and urban areas are more impressive on paper than to the satisfaction of the mainstream of banking clientele. The Committee therefore, recommend that arrangements in Public Sector Banks for Customer education|counselling should be reviewed at a sufficiently high level with a view to augment and bring them up to the mark not only of the mainstream clientele of banks like traders, industrialists, exporters|importers, foreign exchange dealers and farmers but also to that of small entrepreneurs, workers of the formal and informal sectors and the rural proletariat with regard to both the schemes for deposit mobilisation as well as for disbursement of credit in the Priority Sector.

3.8 The Committee further recommend that the Joint Publicity Committee and the individual Banks should lean more heavily on the medium of regional languages in the matter of publicity and customer education through publication of brochures, booking of advertisements in printed and electronic media and through exhibitions etc.

B. Customer Service Centres

3.9 In addition to the internal machinery for redressal of customer grievances, public sector banks have also created external machineries in the form of Customer Service Centres (CSC) at all State Capitals and ten other major centres as an external agency to which the bank customers could address their complaints. A co-ordinating bank takes the responsibility of organising the CSC, follows up the complaint with the concerned banks and ensures speedy redressal of grievances.

3.10 An association of manufacturers has represented to the Committee :—

> "Our experience of Customer Service Centres has not been quite happy. Complaints made to them are not looked into by them and in turn these are passed on to the concerned banks whose recommendations are neither fair nor impartial. Complaint from the customers are made to appear as highly exaggerated and frivolous. Whereas the pith and substance of the complaints is looked upon with a jaundicated eye and are dismissed in a light hearted manner ....."

3.11 An association of foreign exchange dealers has represented that they do not think that the Centres "have served the desired purpose as complaint of a customer can be best attended by his own bank. The idea is good but implementation has no practical value".

3.12 Asked during evidence to comment on the feasibility of investing Customer Service Centres with investigatives and disciplinary powers, the Additional Secretary in the Ministry stated :—

> "There is a conflict. It becomes a major question what authority an outside agency can have within an organisation. It is a question of discipline and so on. Let us say, the customer's service centre has taken the case of Dena Bank and they have brought it to the notice of the officers of Dena Bank that Dena Bank have not carried out some thing. To what extent they can look into it or make it answerable requires some legislative back up. At the moment, each bank is maintaining a personality of its own and Reserve Bank comes in for the purposes of overall lookings into......".

3.13 The Committee agree that the customer service centres which have been started with laudable objectives, can perform only a limited role in the present system. The Committee, however, feel that the service centres should be looked upon as institutions available for undertaking an overall view on problems of common nature rather than as institutions to redress individual grievances. The Committee hence recommend that the utility and objective of these centres may be reviewed and put on a profitable footing.

3.14 The Committee also recommend that the customer service centres can profitably undertake the job of educating the customers on their respective roles in their dealings with the banks in respect of various types of

transactions, including credit facilities, by arranging periodical workshops, guidance classes etc. in coordination with local Chambers of Commerce and customer organisations.

C. Complaint Boxes|Registers

3.15 According to the Ministry all public sector banks have implemented the Working Group's recommendations that complaint/suggestion boxes and complaint registers should be set up/opened in each bank office for receiving and recording customers' complaints/suggestions

3.16 Branch Managers have been instructed to record all complaints received in the branch and to mark their disposal. On ensuring of complaints lodged in boxes being entered into Complaint Registers, the Ministry has stated that "primarily we would have to depend on the Branch Managers for faithful implementation of these instructions and assume that they are doing so, unless there are complaints that they are not." Specific cases of neglect could then be looked into. The matter is looked into by the Senior Officers during their Inspection of branches. Moreover, if the grievance of a customer is not redressed at the Branch level, the customer is expected to take up the matter at the higher level.

3.17 On the safeguard against harassment of complaints by bank employees, the Ministry has stated that the customers have "ample avenues" to report to the higher officers in the banks in case they are harassed|victimised by the bank employees on account of their lodging of complaints.

3.18 After a review of the Customer Services in banks recently, the Banking Division of the Ministry itself is reported to have concluded that "in most cases complaint boxes are not maintained, nor are addresses of regional/zonal Managers displayed to help customers who want to appeal to higher officers for their problems." An all India association of entrepreneurs has observed that "due to lack of confidence ....very few customers put in their complaints" in the complaint box.

3.19 On the basis of the review undertaken by Banking Division in September, 1986, instructions are stated to have been issued to the public sector banks to organise a system of inspection by Senior Officers to ensure implementation of all customers service measures by their branches and that the findings of such inspections should be put up to the Boards of Directors regularly. The Banks are also stated to have been requested to report back action taken in this regard. The reports received from the banks are stated to have revealed that "all the banks have taken vigorous follow up action to get the measures advised to them during the last 2-1|2 years implemented." These include display of time norms, maintenance of complaint boxes|registers, display of address of higher officers etc. in the branches. The senior officers of the banks during their visits to the branches are expected to see the implementation of these measures.

display of

3.20 The Committee note that though Ministry had reported implementation of the Working Groups' recommendation nos. 168 and 169 for providing complaint Boxes and Registers in each Branch, by all the banks, it has found during the 1986 Review that "in some branches complaint boxes were not maintained nor were the addresses of Regional|Zonal Managers available to whom customers could appeal displayed." Instructions are stated to have been issued after the Review to all the banks to organise a system of inspection to ensure the implementation all customer service measures including provision of complaint boxes and registers in each branch. The Committee recommend that provision of complaint Boxes and registers in branches should be ensured by surprise inspection by senior officers and appropriate follow-up action taken.

D. Customer Service Committees

3.21 The Working Group on Customer Services had inter alia recommended in their Report (1977) :—

> "Each branch must set up a customer service committee comprising branch manager and representatives of all categories of staff to overview the quality of customer service dispensed by the branch. The Committee should also encourage staff members to come up with suggestions for improvement in customer service. The Committee must meet at least once a month to study complaints/suggestions, cases of delay and other difficulties faced and reported by customers or as perceived by Committee members and evolve ways and means of improving service. Minutes of the meetings should be maintained, and an annual report should be submitted to the customer service department controlling authority."

3.22 The Ministry has informed the Committee that the recommendation of the Working Group for setting up Customer Service Committees in each bank branch has been implemented by all public sector banks. The Ministry has further stated that "All Public sector banks have set up complaint cells at Branch, regional and Head Office levels.......At Branch level, Customers Service Committees have been constituted which periodically meet to consider the grievances of the customers and also suggestions received from them to improve service."

3.23 Asked to elaborate the functions of Customer Service Committees as distinct from those of Complaint Cells at Branch level, the Ministry has stated in a written reply that at the Branch level the complaint cell restricts itself to receipt and recording of complaints and maintaining data on their disposal and, therefore, is limited to the Branch Managers and may be a desk hand. The Customer Service Committee, on the other hand, is a more broad based forum comprising Branch Manager and representatives of AWARD STAFF and also sub-staff. In many cases Branch Managers associate Customers with this Committee's meetings. This Committee is an effort to involve all the staff members into an endeavour to improve customer service. These Committees also consider suggestions for improving their services and make recommendations to the higher authorities. The minutes of the meeting of the Customer Service Committees are examined by the Customer Service Department which takes a view about suitability of suggestions and devises suitable systems/modifications in the existing system for effective follow-up of customer grievances.

3.24 On the measures to ensure that most complaints are settled at branch level it has been stated that the grievances which are capable of being settled at the branch level are settled by the Branch Managers. Such complaints which the branches are not in a position to resolve are referred to Customer Complaint Cells at Regional|Zonal|Head Office levels. Normally, issues having wider implications for management policies would require resolution at Zonal|Head Office levels.

3.25 Asked during evidence why the representatives of customers were not being associated invariably with customer Service Committees, the Additional Secretary in the Ministry stated :—

> "There have been instructions in the past also. Right from the point of constituting a Board of Directors for a bank, one director is from the customers. Some branches of the banks have been organising customers service committees. But we find that in most of the cases people did not take abiding interest."

Pressed by the Committee that continuous efforts should be made by the banks to associate customers with these Committees, the witness assured :—

> "The point is well taken note of, Sir."

3.26 The Committee trust that Customer Service Committees have been actually set up in all the branches of public sector banks as claimed by the Ministry. The Committee hope that these Committees would meet at least once a month as stipulated in the Report of the Working Group to take stock of the Customers' complaints and suggestions for follow up action. The Committee also feel that customers should be associated with the customer Service Committees, as far as possible, in all the Branches of public sector bank with a view to make the Committees more vibrant and meaningful.

E. Bank Customer Inter-face

3.27 Bank Executives at Branch, Zonal, Regional and Head Office levels etc. are stated to be available at their Headquarters to the customers for redressal of grievances without prior appointments on the 15th of every month between 3 P.M. and 5 P.M.

3.28 An all India association of bank customers has represented to the Committee :—

> "The customer inter-face on 15th of every month is a ritual. Customer reaction is a daily transaction to transaction-basis affair. It cannot be funnelled into a two hour session every month. Every customer should have access to the proper authority as and when customer problems arise.........."

3.29 An association of manufacturers has also complained :—

> "On the spot complaints made to the managers do not receive proper attention as the lower staff does not take proper notice......orders are defied with impunity.....and the man at the top is generally found to be grinning his teeth."

3.30 During evidence, Chairman, Indian Banks' Association explained the low representation of customers in this Inter-face as follows :—

> "In the beginning, the representation was very good. Over the period, the number of people who come on the 15th of every month not only in one bank but almost in all the banks has almost dwindled to 'nil'. I do not know whether it is an indication of satisfactory service. Otherwise, every day we meet, the customers."

3.31 Asked whether the turning up of fewer and fewer customers at these meetings points to the customers' lack of confidence in the bank executives ability to redress grievances, the Ministry has stated in a written answer that if any customer is not satisfied with redressal of his grievance at the Branch level or at the Zonal|Regional Office level, he is free to meet the Chief Executive of the Bank directly without any appointment on that day. However, the number of such cases where intervention of the Chief Executives is required are ordinarily very few as the grievances are mostly redressed at the Regional|Zonal Office level itself, if not at the branch level. Accordingly, the Ministry has not agreed with the view that a thinner turnout at the customer meet on the 15th of the month indicates lack of confidence in the bank executives' ability to redress grievance. If that was so, the Ministry has stated, even the written complaints would not have been lodged by the customers.

3.32 All Public Sector banks are also stated to have implemented the recommendation of the Working Group that "each branch should undertake customers relations programme by meeting customers in a group at least once in a quarter. Invitees for such meetings should be carefully selected to ensure a proper mix and sample of customers from different business segments. Such meetings should be attended by concerned staff members as well."

3.33 An association of entrepreneurs has represented to the Committee :—

> "Bankers-borrowers meets are organised occasionally by Commerce and Industry on their own initiatives. At these meet Chief Executives of banks or their senior officers are present who discuss mainly policy matters rather than customers individual problems."

3.34 Asked to specify at what levels and intervals do the banks on their own initiative, have regular interface with the representative of trade and industry in pursuance of the above mentioned recommendation, the Ministry has stated in a written answer that sometimes at the Head Office level, representatives of Federations|Chambers of trade and industry are also called to discuss issues related to customer service. The intention of these higher-level meetings is to deliberate mostly on the existing system so as to redress grievances. By their very nature, such meetings cannot be used by individual constituents to solve their individual problems unless these are so common in the industry or trade as to demand a review of overall policy or procedure.

3.35 The Ministry has further stated that the Government is not aware of constitution of any advisory Committees having been constituted by banks, which included representatives of trade and industry, with a view to improve customer service.

3.36 After a critical analysis, it has been reported in a publication as under :—

> "Customer meets announced with such fanfare turned out to be a damp squib, people are getting disillusioned with the whole exercise and fewer and fewer customers are present at such meets. To make these meaningful they should be turned into grassroot forums to air customers needs and expectations. These meets should be pooling centres of ideas and banking policies have to respond to them."

3.37 The observation that the representation of customers at the monthly interface with Bank Executives on 15th of every month had now almost 'dwindled to nil' in all banks, shows that the system over a period of time has become stale a bit too fast and fails to be a productive exercise. The Committee also do not expect that customers who deal with banks, for encashment of cheques, purchase of DD, M.T., T.T. etc. and such other functions, would find it convenient to come out of their avocations and meet the bank officials on the prescribed date. On the other hand, Committee feel that the meet can be made meaningful if a cross section of customers, selected at random is invited periodically to express their views on banks' services. The Committee hence recommend that the

feasibility of substituting present practice by a more meaningful utilitarian system may be explored and appropriate action taken.

3.38 The Committee are of the firm view that Bank Executives meeting with the representatives of trade and industry should be held at regular intervals, say quarterly at Head Office level and at Banks' initiative with a view to personally assess customers grievances and suggestions. The Committee further recommend that while priority should be accorded by the Bank Executives in these meetings to discuss problems peculiar to various segments of trade and industry, their representatives should not be barred from raising the customers bonafide individual grievances also for their amelioration. If needs be, customers having specific problems, can be invited for a separate meeting so that he can be properly counselled.

F. Grievances Machinery in rural areas

3.39 On the arrangements in nationalised|public sector banks to look after grievances|complaints of customers in rural areas who generally are not in a position to make|formulate complaints in writing, the Ministry has stated in a written reply that considering the significant role assigned to the banks in the rural sector, banks have been advised by the Government that the Chief Executives as also other senior officials should visit the rural branches frequently to assess the quality of services rendered at the rural branches. The rural customers have free access to the Senior Executives to voice their grievances and have the same redressed. Normally, when the Regional Managers visit the branches under their charge, they meet a few customers and try to assess the quality of service at the branches. Though the customers themselves may not be in a position to formulate their complaints in writing, they do approach the village pradhan or other voluntary agencies in the rural areas to lodge their complaints against the branch functionaries. The rural branches of the public sector banks have also been advised to observe one day in a week as non-public business working day to facilitate the branch managers to have personal contacts with the customers to ascertain their grievances and also to fetch more business.

3.40 The Committee note that Chief Executives|Senior officers of public sector banks visit rural branches "frequently" to assess the quality of service rendered by banks in these areas and that rural branches have been "advised to observe one day in a week as non-public business day to facilitate the branch managers to have personal contacts with customers to ascertain their grievances". The Committee recommend that the intended visit of the senior officials should be made known to the public through a notice board at the bank and the senior officials should assign specified time for the rural public to call on them and voice their grievances, if any. The Committee also recommend that safeguards should be initiated by the Chief Executives of Banks to ensure that the advice is actually implemented by all their rural branches in letter and spirit.

CHAPTER IV

SECURITY ARRANGEMENTS

A. Magnitude of Bank Dacoities|Robberies

4.1 The following table indicates the cases of dacoities|robberies reported to RBI by public sector banks during the year 1982 to 1987 :—

Year	No. of cases	Amount involved	Amount recovered	Amount of loss
		(Amount in lakhs of rupees)		
1982	73	139.65	58.18	81.45
1983	79	99.77	26.80	72.97
1984	77	130.40	43.00	87.40
1985	76	156.79	25.34	131.45
1986	106	391.38	12.82	378.56
1987 (upto 30-6-1987)	53	680.48	41.19	639.29

4.2 The value of gold ornaments, cheques etc. in addition to cash looted from nationalised banks during the period 1982 to 30th June 1987 was as under :—

Year	Details of value
1982	1. Gold ornaments worth Rs. 16.51 lakhs 2. 1 DBBL gun with 7 cartidges 3. Stocks of travellers cheques worth Rs. 24,500/-
1983	Gold ornaments weighing 1462 gms.
1984	1. Gold valued at Rs. 2.53 lakhs 2. Cheques valued at Rs. 1.56 lakhs
1985	Gold weighing 1002 gms.
1986	Foreign currency valued Rs. 0.52 lakhs jewellery valued at Rs. 0.8 lakhs, gold ornaments weighing 626 gms. and travellers cheques US £ 45, 690 and £ 13, 040.
1987 (upto 30-9-87)	Gold wieghing 4362.70 gms.

4.3 According to the Ministry the Banks may not have to bear the entire loss involved in bank dacoities|robberies as some of the amount may be recovered by the Police and even if full amount is not recoverable with the help of the Police, the banks might be able to recover part or full amounts from the Insurance Companies, as the banks have a system of insuring the cash in safes|counters or in transit. The ultimate loss is written-off and is not reflected in the accounts of the bank.

4.4 Data supplied by the Ministry indicates that the total amount of insurance premia paid by public sector banks to cover frauds and bank robberies|dacoities during the years 1984 to 1987 was as follows :—

Year	Total premia charged	Increase over previous year
1984	146.41 lakhs	—
1985	164.30 lakhs	17.87 lakhs
1986	188.27 lakhs	23.97 lakhs
1987	209.01 lakhs	30.74 lakhs

The subsidiaries of the General Insurance Corporation are stated to have increased with effect from 1-1-1987 the rates of premia charged from banks.

4.5 In the recent past various Committees have been set up by the Government of India, Indian Banks Association, some nationalised banks themselves and finally by the Reserve Bank of India to look into the security arrangements in bank.

These Committees suggested several measures to strengthen the Security system. Detailed guidelines|instructions have been issued to banks based on these recommendations. The existing arrangements in banks are stated to be largely the result of action taken on the measures suggested by these Committees.

4.6 Each bank has set up its own security department headed by a Chief Security Officer. This department broadly consists of a Chief Security Officer, Zonal Security Officers, Assistant Security Officers and Watchman| armed guards. The individual branches of banks are guarded by an armed guard. Other physical security measures are also taken by individual banks, like building strong rooms, cash cabins with automatic locks, electronic alarm systems, erecting physical barriers, like collapsible gates, etc.

4.7 Banks also have cash vans with armed guards in selected areas to guard remittances in transit. Currency chest holding branches are guarded round the clock either by the local police or by bank's own guards. This system has generally been followed by most of the nationalised banks.

4.8 A meeting presided over by Deputy Governor of the RBI with Chairman of Bombay-based banks on 3-3-1987 considered ways and means of strengthening the security arrangements in banks and recommended setting up a High Powered Committee by the RBI to review the security arrangements in banks afresh. Accordingly, the Governor of the

RBI constituted on 13-3-87, a Committee under the Chairmanship of the Deputy Governor, to review and make appropriate recommendations for strengthening the present security framework in the banks. The Committee accordingly examined the subject in detail and submitted its report to the Governor of the RBI. The recommendations made by the Committee are stated to be under consideration of the RBI.

4.9 On the weightage given to security considerations at the time of selection of sites for opening of branches by nationalised banks, a High Power Working Group in its Report on 3rd June, 1983 had indicated certain guidelines requiring, *inter alia,* that the site should have natural security i.e. it should not be isolated or in a crime prone area, site should be near a police station|booth or near market ,a public place in case of rural areas and so on. Information as to number of branches of each nationalised bank which did not conform to the guidelines of IBA Sub-Committee of the high risk, normal risk and low risk barnches and certain cash limits the recommendations of the Sub-Committee however, is not available with the Ministry.

4.10 In reply to a question, it has been stated that in order to overcome the deficiences in the security cover because of the location of the branches, the banks have been advised to classify their branches into high risk, normal risk and low risk branches and certain cash limits have been indicated for enabling easier categorisation of the branches. Depending on the vulnerability aspect the banks decide the security-mix to be adopted in the branch. Such classification also enables the banks to decide on posting of armed guards, to the high risk and normal risk branches.

4.11 According to the data supplied by the Ministry, out of about 36,875 branches of public sector banks, 3,705 branches have been classified as currency chesh branches, 4309 as high risk branches and 8415 as normal risk branches. Besides, the banks have been given the discretion to employ armed guards irrespective of the cash holdings of the branches depending upon the location of the branches, vulnerability etc.

4.12 The Committee are gravely concerned with the losses which amounted to about Rs. 13.91 crores (excluding gold ornaments, cheques etc.) incurred by Public Sector Banks as a result of dacoities|robberies from 1982 to the end of June 1987. They also consider the Ministry's contention that the Banks might not have to bear the entire losses involved in the dacoities|robberies as "some of the amount might be recovered by the police", or they "might be able to recover part or full amount from Insurance Companies" as unfortunate. It is needless to point out that such contentions only help the Banks becoming more complacement and discourage them in making adequate and tight security arrangements in the branches.

4.13 The Committee note that the Ministry, Reserve Bank of India and the Banks have constituted a number of Expert Committees over the years for considering ways and means of strengthening security arrangements in Banks and guidelines based on the findings of such Committees have been issued from time to time to the Banks. However, in view of the fact that the amounts involved in the Bank dacoities|robberies have rapidly increased from year to year, the Committee cannot help concluding that the guidelines have not been followed by the Banks in letter and spirit. The Committee expect all the Banks to follow strictly these guidelines and in case any thefts, dacoities still occur in the branches, the compliance or otherwise thereof by the affected Branches should be critically analysed and responsibility fixed apart from taking such other action as may be deemed necessary. The Committee would also like the Reserve Bank of India to conduct regular security inspection of the Banks by specially trained Inspectors with a view to ensure that the security arrangements are fool-proof in the branches in view of the everchanging circumstances.

B. Arms Procurement

4.14 It has been stated that arms licences are issued either in the name of the Branch Manager or in favour of the Branch Manager by designation and the practice in this regard varies widely. Whilst majority of the States have given a strict interpretation to the legal provisions in this regard and issued licences only against the individual names of the Branch Manager, it has been reported that in one state, on the request of the banks, arms licences have been issued in favour of Branch Managers by designation. The Nodal Officers during discussions with State Governments have been taking up this issue and it is understood that a few other State Governments have agreed to issue licences by designation, instead of in the names of the specific Branch Managers.

4.15 According to the Ministry, wherever the arms licence is issued in the personal name of a Branch Manager, a fresh licence in the name of the new Manager will be necessary and delay in the issue of a fresh licence, caused difficulties for the Branch. Regarding the average time taken in issuing arms licences, renewals of such licences and problems for obtaining cartidges etc., the Ministry has pointed out that the situation varies from State to State and from area to area as the licensing procedures necessitate processing of applications, involving references to Police stations etc., which inevitably require some time. Wherever bank security officials have been able to establish coordination with the local police authorities, unnecessary delay in processing such applications have been cut down. According to the Ministry, the question had also been taken up with the Ministry of Home Affairs.*

*At the time of factual verification, Ministry has furnished a copy of the instruction issued in this behalf by the Ministry of Home Affairs *vide* their Order No. V-11013/2/87 Arms dated 8th December, 1987 (Annexure pp. 99—100)

4.16 The Committee are concerned to note that while a majority of the States issue licences for guns etc. only against the individual names of Branch Managers of banks causing difficulties to banks on change of incumbency, only one State on request by Banks, issues licences to branch managers by designation. It is understood that a few other States have also since agreed to issue the licences by designation instead of in the names of branch Managers. The Committee recommend that the legal position in this regard may be so revised if necessary, so as to ensure that the existing problems in the issuance of licences when there are changes in incumbency of the officer are obviated.

4.17 The Committee further note that the time taken by State Governments in issuing licences varies from State to State but on the whole is excessive. The question of obviating the delay is stated to have been taken up by the Ministry of Finance with the Ministry of Home Affairs. The Committee recommend that pending amendment to existing legal provisions, a suitable working arrangement may be arrived at to tide over the present bottlenecks.

C. Banking Security Force

4.18 The Committee have been informed that the Varadan Committee set up by the Ministry of Home Affairs (March 1982) had examined the question whether a National Bank Security Force could be set up for bank security on the lines of the Central Industrial Security Force (CISF). After close consideration of the matter, the Varadan Committee concluded that because of the posting of Bank Guards in ones and twos, it would not be feasible to set up a Bank Security Force on the lines of the CISF, since the requisite command and control required for regular Force would not be possible. The views of the Varadan Committee are stated to have been endorsed by the High Power Committee set up by the Finance Ministry (August, 1982) which re-examined this question. Subsequently in 1986, the Indian Banks Association set up a Working Group on Long Range Planning to consider the existing security systems in banks. The Working Group suggested setting up of a separate Force, viz. a National Bank Security Force. The IBA, therefore, called for the views of individual banks on the recommendations of the Working Group. The Managing Committee of the IBA considered the views of the Member Banks on the subject at its meeting held on 24th April, 1987 and came to the conclusion that setting up of a National Bank Security Force was *not* feasible. The Managing Cmmittee concluded that some of the observations made by the Varadan Committee in 1982, negating the setting up of such a force were valid even in the present conditions. The Managing Committee of IBA, however, favoured that a Special Wing in the Police Force could be recommended, which could devote itself entirely to Bank Security and that those banks which do not have adequate security personnel could draw upon the services of the Specialised Wing of the Police Force.

4.19 The RBI also set up a High Powered Committee in March 1987 to take a comprehensive view of all aspects of bank security systems. This Committee is also stated to have come of the conclusion that setting up of a National Bank Security Force would not be practicable.

4.20 Asked during evidence whether the idea of setting up an independent security force for banks was still under the consideration of the Government, the Additional Secretary in the Ministry stated :—

> "......in Punjab a sizeable number of personnel of ITBP are being engaged and a part of the expenditure is being met by the banks. Considering the special circumstances of that area, some special measures were taken and financed by the banks. Generally it is the responsibility of the State Governments to provide security forces. We have taken special measures in view of the special circumstances. We have already gone into the idea of having an independent security force and found that it was not feasible because of so many impediments like providing accommodation, supervision, etc."

4.21 Deputy Governor of the Reserve Bank of India added :—

> "We are introducing security arrangements as warranted. Cost aspect is also kept in view."

4.22 On his attention being drawn to the peculiar situation prevailing in the north-eastern region also, a representative of the Ministry revealed :—

> "After the incident of highway robbery near Dimapur, we had gone into the question of security in Nagaland, Manipur and Tripura and we came to the conclusion that in currency chest branches we should provide CRPF guards in three States. Road journey is a very difficult part. As far as possible, we try to arrange remittances by air. After February, 1987 we have made the system of sending currency by air in Punjab also."

4.23 The Committee find that the idea of setting up of a separate security force for banks, on the lines of Central Industrial Security Force, did not find favour with various Committees which went into this question from time to time. The Committee, therefore suggest that each public sector bank should revamp and augment its own security staff on an adequate level so that it is not dependent on other para military organisations except in case of currency chest branches and branches in disturbed areas. The Committee also suggest that the Security Planning Cell of the Reserve Bank of India should draw up a time bound plan for revamping and aug-

menting both in number and quality the security staff of each public sector bank and stringently monitor its implementation by the individual banks.

D. Growth Opportunities for Security Staff

4.24 On the limited growth opportunities for security staff in banks, the High Power Committee on Security Arrangements in Banks (1983) had recommended *inter alia* that :—

> "At present there are only two rungs in the existing security Organisations. There are either officers or guards. While in the officers cadre, it is possible to have promotional opportunities, in the case of guards there are presently no such opportunities. It would be desirable to offer some avenues of promotion for the guards so as to make use of their experience as well as to avoid frustration amongst their ranks. How these promotional avenues can be introduced should be considered separately in detail by the banks in consultation with the RBI and the Government."

4.25 The Ministry has stated in this regard that as the security staff appointed are persons who have served for many years in Defence Forces and are generally in late 30s or 40s, the career prospects for them are limited. Those who join as Watchmen and Armed Guards can become Head Watchmen or Havildars within their cadre. If they have or acquired the required qualifications and the required years of service, they can become clerks on their passing the tests prescribed by the respective banks in terms of their promotion policy. Once they become clerks, they are no longer security staff and the usual career prospects are available to them for promotions within the clerical cadre and also in higher cadres.

4.26 The matter relating to specific steps to improve the promotional opportunities for security staff and to motivate and improve their morale, is required to be decided by each bank. RBI is stated to be contemplating to set up a Working Group to look into service conditions of the security personnel. When such a Group is set up, it will into the promotional prospects also.

4.27 The Committee are unhappy to note that even though the High Power Committee on Security arrangements in Banks had in their Report in 1983 recommended that the Banks in consultation with RBI should explore the avenues of promotion for bank guards, the Reserve Bank is still only "contemplating" to set up a working group to look into service conditions of security personnel in banks. The Committee urge that the Reserve Bank should set up the Working Group without any further loss of time for exploring better avenues for career growth of the security staff, so that necessary incentives and motivation could be provided to them for performing their duties more efficiently.

CHAPTER V

BANK FRAUDS

A. Magnitude of Bank Frauds

5.1 According to the Ministry, the magnitude of frauds perpetrated in the 20 Nationalised banks in India and abroad from 1982 to 1986 was as follows :—

Year	No. of frauds	Amount involved
		(in lakhs of rupees)
1982	1497	1548.81
1983	1739	1904.90
1984	1622	3181.00
1985	1546	9369.67
1986	1184	5164.80

5.2 By and large, frauds have occurred in banks not on account of lacunae in the systems and procedures *but owing to non-observance* of the prescribed procedures and safeguards. Banks have reviewed and revamped the vigilance machinery, taken steps to tone up the control and supervision, strengthened management information system, followed up inspection|audit arrangements and reconciliation of branch and other accounts on continuous basis so as to prevent frauds in these areas. The progress in these directions is being closely watched and monitored by government and RBI.

5.3 The Ministry was asked to state specifically to what extent branches of each of the Public Sector Bank have been inspected, internal and external audits conducted, their inter-branch accounts reconciled, books balanced, vigilance machinery revamped during the last 5 years and what were the guidelines|directions of the Reserve Bank of India in that regard. In a written answer the Ministry has stated that all the public sector banks have their fullfledged inspection departments which conduct inspection of their controlling offices and branches as well as Departments of the Bank. The frequency of the inspection varied from 12 to 18 months. All the branches are subjected to inspection and the inspection reports are made available to the controlling offices for follow up action. In addition many of the banks have adopted a system of inspection by external statutory auditors who are appointed by many of the banks for concurrent audit, revenue audit, expenditure audit, etc.

5.4 As regards statutory audit of branches of nationalised banks, Banks have been advised by Reserve Bank of India that in addition to main branch and Head Office all branches having advances of Rs. 50 lacs and above should have to be audited compulsorily each year and in addition 1|3rd of the remaining branches have also to be taken up for audit by rotation so as to cover all the branches at least once in three years. A panel of branch auditors is furnished to each nationalised bank by RBI after it is approved by a Standing Advisory Committee (SAC). The banks appoint auditors for audit of their branches out of the said panel. In so far as State Bank group is concerned, the system prevailing in nationalised banks have been introduced in these banks also from the year 1983 in a phased manner and they are expected to fully fall in line with nationalised banks within a short time in the matter of branch audit. In order to enhence the effectiveness of bank audit, RBI has constituted a Bank Audit Committee in April, 1985.

5.5 The Committee wanted to know whether there were cases to frauds in banks arising out of transactions that were earlier subjected to audit, inspection, etc. but not initially detected, what was the action taken against inspectors, auditors etc., in such cases and whether any analysis had been done to identify at what stage the frauds really come to light. In a written answer the Ministry has informed the Committee that "it is possible that some of the frauds perpetrated may not have been detected in the earlier audit or inspection. Wherever such cases are noticed, banks try to find out the reasons why these frauds were not reported by the earlier Inspectors wherever considered necessary action is also initiated against the officials who are responsible for the lapses."

5.6 One of the major contributory causes for delays in detection of frauds being arrears in inter-bank reconciliation, the position in this regard was called from the Ministry. According to the Ministry, the position of total entries and amounts outstandings there against relating to the period upto the year 1985 and outstanding as on 31st December, 1985 and 1986 in the inter-branch accounts of all 28 public sector banks revealed that total number of outstanding entries had come down from 408.71 lakhs to 251.15 lakhs and the amounts involved from Rs. 321701.72 crores to Rs. 195693.94 crores indicating a reduction of 38.6 per cent and 39.2 per cent respectively. The banks having unsatisfactory position in regard to inter-branch reconciliation are stated to be suitably followed up by drawing the specific attention of the Chairmen of the banks during the periodical discussions by Reserve Bank of India, impressing upon them the need for bringing about positive improvement in a time-bound manner in regard to elimination of outstanding entries.

5.7 In regard to balancing of books in the banks, according to the Ministry, there has been definite improvement in the balancing of books over December, 1985 position in as much as the number of branches with arrears in balancing, decreased from 7,232 in December, 1985 to 4,963 as in December 1986, and further to 3531 in June 1987. The number of branches with period of arrears for 1 year or more decreased from 3728 to 2557 and further to 2204 during the corresponding periods.

5.8 RBI is stated to have convened a conference of the Chief Vigilance Officers of all Public Sector Banks on 30th April, 1986. After due deliberations at the Conference, the banks were advised on 24th June, 1986 as under :

(i) There is a need for constant upgradation of systems and procedures, prompt disposal of complaints and grievances, identification of sensitive areas and tightening of supervisory controls, inspection, audit etc.

(ii) The inspection|audit in banks should be made more comprehensive and effective by carrying out test checks so that non-observance of systems and procedures, kite-flying operations and other deficiencies could be identified in time.

(iii) The personnel posted to the inspection|audit departments should be of high integrity and ability who can handle vigilance matters and produce results.

(iv) The action taken against delinquent staff should be prompt and deterrent.

(v) Adequate and selective publicity should be given to steps taken by vigilance departments as such publicity promotes vigilance consciousness amongst staff and removed from public mind the impression that banks are slack in taking action against staff.

(vi) Internal vigilance machinery should be geared up and there should be good rapport with external vigilance organisations like CBI in the matter of preparing "Agreed List" of officers of doubtful integrity.

(vii) Serious|important complaints which are capable of verifications should be treated as "Starred" complaints and dealt with within a time-frame.

5.9 In addition, the RBI has invited the attention of the banks on 24-4-1986 to the Government of India's instructions dated 4th March, 1986 on the programme for vigilance and anti corruption work of CBI during 1986. They were further advised to take necessary steps as contemplated by the Government and keep RBI|their Boards apprised of the action taken in this regard on a half yearly basis along with the half yearly reviews of vigilance machinery for June and December every year. According to the Ministry, RBI has been perusing these half yearly reviews of working of vigilance machinery of public sector banks and also the position of implementing the action plan on anti-corruption measures drawn up by Government in a phased manner. After perusing the reviews for the half year ended June and December, 1985, RBI is stated to have advised the banks, on 23rd April, 1987 to attend to the task of inter-branch inter bank reconciliations work on a priority basis to reduce the scope for indulging in fraudulent activities.

5.10 The banks have also set up Vigilance Departments under the Chief Vigilance Officers of the ranks of General Managers, to review the position every half year and placing the same before the Boards and also submitting to RBI. Reserve Bank reviews the position of each public sector bank and places the same before the higher authorities. Any deficiency observed in any bank is pointed out to it for rectification.

5.11 A special investigation cell set up by RBI in May 1983 also conducts snap inspections to cover systems, procedures and control arrangements; it has conducted several investigations in regard to major frauds involving large amounts of serious irregularities in the working of banks in specific areas. On the basis of these investigations, the Cell has been pursuing the matter with the concerned banks regarding tightening up of the internal control machinery etc. with a view to preventing frauds. The Cell is also stated to have issued several circulars on the basis of investigation bringing out to the notice of banks the modus operandi relating to frauds incorporating guidelines to prevent their recurrence by strengthening their systems and procedures, as also the loopholes in systems and procedures which have contributed to the frauds and suggested remedial measures to prevent occurrence of frauds.

5.12 The Committee have been informed that under the existing arrangements, each branch is subjected to inspection once in every 12 to 18 months, and a statutory audit once in 3 years for small branches and once a year for big branches, head offices and other accounts. In addition, a vigilance machinery, external checks by RBI etc. are also reported to be functioning. Notwithstanding these measures, it is perturbing to note that the internal security arrangements have proved woefully inadequate in as much as frauds have been perpetrated on the finances of the banks to the extent of Rs. 221.69 crores over a period of 5 years ending 1986. The Ministry is not in a position to furnish any data regarding the extent of frauds not located during inspection, audit etc. but subsequently noticed

though the transactions concerned ought to have been covered by inspection and audit. The Committee, therefore, cannot but conclude that there exist several cases of frauds which ought to have been detected during inspection and audit but were not detected. The Committee feel that there is an imperative need for identification of the contributory factors that led to failure in noticing the frauds in time by auditing, inspecting staff for fixing responsibility. Further, the inadequacy in quality and content as also periodicity of inspection and audit may be identified and special efforts taken to streamline the procedure.

5.13 Two of the contributory causes for non-detection of the frauds have been stated to be delay in settlement of inter-office transactions and in balancing of books. While in respect of inter-office transactions, it is reported that outstandings have come down from 408.71 lakh items for a value of Rs. 321701.72 crores in 1985 to 251.51 lakh items for a value of Rs. 195693.94 crores in 1985, arrears in balancing of books have also been reported to have come down from 7232 branches in December, 1985 to 3531 branches in June, 1987. The Committee note in this connection that value of arrears was only Rs. 168565.26 crores in 1983 which has unfortunately shot up substantially later. In the circumstances, there can be no escape from the conclusion that the extent of arrears has piled up and position has deteriorated. The Committee need hardly recommend that a time bound programme will have to be chalked out for clearing the arrears in these fields.

5.14 In so far as arrears in reconciliation of inter-office transactions and balancing of books of branches are concerned, the Committee recommend that steps should be taken to ensure that under no circumstances, fresh arrears are allowed to accumulate before the accounts for the year are certified by the statutory auditors and for this purpose, periodical reconciliation system may be enforced and progress monitored and guided from the highest level.

5.15 Despite the extent of arrears in these fields as also the extent of frauds that are detected each year, the Committee find it difficult to reconcile that statutory auditors furnish to each bank clean audit certificates and do not qualify their reports to indicate how far the arrears vitiate the correctness of the accounts. The Committee feel that had the auditors highlighted these arrears in their annual audit certificates all these years, the realities would not have been a hidden factor. The Committee, therefore, recommend that the role of statutory auditors for supply of clean audit certificates may be clearly laid down.

B. Bank Employees involved in frauds

5.16 The number of delinquent employees against whom action has been taken for their involvement in cases of frauds, as reported by the public sector banks to RBI for the years 1983, 1984, 1985 and 1986 is stated to be as under :—

	Frauds (Public Sector Banks)			
	1983	1984	1985	1986
(i) No. of employees convicted on charges of frauds . .	50	32	72	50
(ii) No. of employees given major/minor penalties . . .	559	481	713	613
(iii) No. of employees out of (ii) above dismissed/discharged/removed	210	–21	–64	254
(iv) No. of employees against whom prosecution is pending in Court	NA	525	554	573
(v) No. of employees against whom departmental proceedings are pending	NA	1318	1172	1139

5.17 The following factors generally are contributing for delay in finalising the departmental proceedings.

(i) Collection of required documents from CBI|Court.

(ii) Necessity for inquiring into numerous charges in the charge-sheet and complicated nature of cases.

(iii) Need for examination of large number of outside witnesses.

(iv) Delays owing to Police|CBI Investigation and Court cases in connected matters.

(v) Stay on inquiry|final orders by Courts of Law.

5.18 It has been represented to the Committee that "immediate suspension and dismissal of staff in case of frauds is required. Unfortunately, even when the frauds is proved, such action is not always taken....."

5.19 Asked whether departmental inquiries against employees involved in frauds are stopped as soon as proceedings are instituted in courts, the Deputy Governor of the Reserve Bank admitted :—

> "There is a tendency on the part of many banks that as soon as criminal case is filed in Courts, the departmental inquiry is stopped. We had met the bank people in various forums and discussed with them this particular thing. We have been telling them for the last 2 or 3 years that where a criminal action has been initiated against an employee.....they should not stop it. This instruction was given to the banks in one such meeting."

5.20 Table below gives information, to the extent available with Government, in respect of senior officers who were (a) dismissed, (b) discharged and (c) removed from the Bank's service in consultation with Central Vigilance Commission during the years 1983 to 1986 and information about the employees against whom prima facie suspicion for commitment of fraud exists but have not been placed under suspension :

	1983	1984	1985	1986
(a) Dismissed	9	5	10	15
(b) Discharged	1	1	3	4
(c) Removed from the Banks' service	2	5	—	5
(d) No. of employees against whom prima facie suspicion for commitment of fraud exists but have not been placed under suspension from the Bank's service	51	70	59	98

5.21 According to instructions in the Vigilance Manual of the Central Vigilance Commission, before placing an employee under suspension it should be considered whether the purpose would not be served if the employee is transferred from his post. Further, if the employee would like to have leave that might be due to him and if the competent authority thinks that such step would not be inappropriate, there should be no objection to leave being granted instead of placing an employee under suspension. According to the Ministry, it is, therefore, necessary that each and every case has to be examined on its merit before placing an employee under suspension. Sometimes, therefore, the Bank instead of placing an employee under suspension, transfers him to an innocuous or non-sensitive post.

5.22 According to the statistics on banks' frauds provided by the Ministry, a single fraud involving an amount of Rs. 5,985 lakhs is stated to have taken place in a Central Bank of India Branch outside India in 1985. Asked to supply full particulars of the case the Ministry has stated in a written answer that the fraud was perpetrated at London (UK) branch of Central Bank of India during the period 1982 and 1983 by the following firms belonging to Mr. Raj Sethia and Mr. Ranjit Sethia :

Sr.No.	Name of the firm	Amount involved
1.	Esal Commodities Ltd.	Rs. 5070 lakhs
2.	Loveneo Intl. Ltd.	Rs. 780 lakhs
3.	Drumplace Ltd.	Rs. 135 lakhs
		Rs. 5985 lakhs

The firms mentioned at Sl. No. 1 and 2 belong to Esal Group of Mr. Raj Sethia and other firm belongs to Mr. Ranjit Sethia of House of Sethia. The *modus operandi*|brief history of the fraud is stated to be as under :—

(i) *Esal Commodities Ltd.*

(a) large facilities were allowed to the firm by the then DGM|GM of London office far in excess of sanctioned limits.

(b) Advances were made against bills drawn on Nigeria, which did not satisfy the requirements of letters of credit under which they were drawn and non-despatch of these bills. (c) Transfer of funds under irrecoverable letters of undertaking issued by London office which were not backed up by normal banking transactions. (d) Violation of terms of sanction in case of facilities sanctioned by Central Office of the Bank. (e) Delayed and incorrect reporting by London office.

(ii) *Lovenco International Ltd.*

Advances against bills drawn on associate concerns in USA which bills are not yet paid but the associate drawee concern has been declared insolvent.

(iii) *Drumplace Ltd.*

Advances against non-genuine bills drawn on an associate concern of Esal Group in Hongkong.

5.23 According to the Ministry, the fraud could take place as two senior officials of the London branch of the bank extended the facilities to the firm for reward or for illegal gratification and in violation of the laid down rules and norms of the bank. The London branch also delayed submission of control returns and concealed the facts from central office of the bank by not disclosing full information about the commitment of the party at any time.

5.24 An amount of US $ 1.740 million is stated to have so far been received by the bank from Central Bank of Nigeria in respect of collection bills for US $ 2.884 millions held as security under letters of credit opened by Indo Nigerian Merchant Bank, Lagos. The remaining amount due (including the bill amount plus interest) will be paid in 9 monthly instalments. (As per agreement the amount of bill with interest was to be paid in 20 monthly instalments and the bank has so far received 9 instalments).

5.25 The Bank is stated to have lodged a claim with New India Assurance Co. under Banker's indemnity policy. The Insurance Co. has not so far paid any amount. The extent of loss in this case will be known to the bank only after the realisation of securities charged to the bank.

5.26 The bank is stated to have filed a complaint with Scotland Yard Police of London. The investigation is in progress. S|Shri Patankar, Valecha, Ranjit Sethia were arrested by London Police and later on released on bail. Shri Raj Sethia was arrested by CBI in India and has been charge-sheeted in another case. Departmental action against Shri Valecha and 3 other officials of the branch viz. S|Shri R. L. Gupta, O. P. Gupta and

M. D. Dighe is in progress. Meanwhile the bank has withheld the release of annual increments since 1984 to these officials.

5.27 When the Committee referred during evidence to certain high officials in Indian banks abroad being involved in frauds, the Deputy Governor of RBI explained the background thus :—

> "When we first took the decision that Indian banks will operate overseas, foreign branches were expected to be profit centres...... They were all doing very well...... They were mainly depending upon ethnic community and were discounting trade bills. There was also over-exposure to one country..... They depended more on the supervising authority of the host country...... When we found any irregularity we would bring it to the notice of the Central offices of the bank concerned for appropriate action...... We have even closed some banks' foreign branches....."

5.28 On the action taken against the high officials, the Additional Secretary in the Ministry revealed :—

> "We have taken drastic action against those officials. We have dismissed some of them...... Even in the case of a high officer his pension was stopped...... It is unfortunate that many of our functionaries who go abroad indulged in such types of malpractices and became disloyal to the country for their personal benefits. One major step that was taken in this regard was that bank functionaries who are posted outside, they have to carry official passports and not the other ones so that in any event the passport is valid only for a certain period and they cannot stay beyond that period abroad and they have to come back. The private passports are taken back. In the official passport the validity is always fixed by the Government and it can be cancelled also....."

5.29 Asked what measures has been taken to prevent the recurrence of bank frauds at such high levels, the Deputy Governor of the Reserve Bank stated :—

> "Now we have given instructions that if there is a transaction above a certain cut off point, it has to be approved by more than one person.....They (overseas branches) have now to submit a return every three months...The returns (Paloo Statement) indicates the position of liabilities and assets, the mismatch between assets and liabilities. If a manager (of an overseas branch) runs away taking money from the chest, Bank can hardly do anything except proceeding against him. Even the

Bank of England, while the going was good, was complacent. Now they are have a periodical discussion with the banks. They call us for discussion when senior officers. .go to London .....In the Bank of England, the control functions have been strengthened considerably. Our efforts will be to reduce the frauds to the minimum. There is an inspection by senior officers—the portfolio inspection—of the International Divisions of all the banks. Instead of sending men abroad for inspection, they get some control reports from their officers....."

5.30 Asked whether Banks have some economic intelligence to forewarn them against irregularities in their branches or units abroad, the witness replied :—

"There is a system of credit bureaus which can get information. But in respect of the functionaries we do not think we can put economic intelligence to use."

5.31 The Additional Secretary in the Ministry elaborated :—

"Our Banking Division *per se* does not have any system of economic intelligence.....whether it is attached to the embassies or the Government of India, whosoever gets information of and on about certain operations in some places, that information does flow and goes to some places. This is not a subject with which we in the Banking Division are concerned...There is some information which we get and which is shared at the appropriate places."

5.32 The Committee are alarmed at the enormity of frauds being committed year after year in connivance with the Bank employees with impunity. They strongly feel that unless all the loopholes in the banking procedure are plugged and scrupulous adherence thereto is ensured, there will be no end to this menace. As a first step in this direction, the Committee consider that the cases pending against Bank employees for their involvement in the Bank frauds should be processed with a sense of urgency and deterent punishment awarded to such employees, if found guilty. It is really regretable that in the case of as many as 1139 Bank employees involved in frauds, departmental inquiries were still pending at the end of the year 1986. The Committee see no reason why the Banks are proceeding with such cases in a lackadaisical manner. The Committee expect the Banks concerned to finalise the departmental inquiries without any further loss of time and take up the follow-up action on a priority basis.

5.33 The Committee regret the Banks' tendency to stop departmental inquiries against their employees involved in frauds as soon as cases

thereon are instituted in courts by the parties concerned, because this enables such bank employees to delay and postpone indefinitely the day of their reckoning for the maximum possible time. The Committee strongly recommend that unless the courts issue specific stay orders against the departmental inquiries into the fraud cases, the banks should proceed with the departmental inquiries and finalise them quickly, say within a maximum period of six months. In this connection, the Committee further suggest that in cases the parties concerned have obtained stay orders from courts, the feasibility of issuing duly amended charge-sheets should be considered if the original charge-sheets have proved to be inadequate|incomplete|inaccurate.

5.34 The Committee are surprised to be informed that even in the case of a huge fraud to the tune of Rs. 59.85 crores committed as far back as 1983 in the London Branch of the Central Bank of India, final action with regard to the punishment to be awarded to some high officials involved therein is still pending. Even where the punishment has been awarded to some officials, it is of a very minor nature. The Committee consider it a question of moral turpitude on the part of the Bank employees who are involved in Bank frauds and are strongly of the opinion that exemplary punishment should be awarded to such employees irrespective of their status, so that it acts as a deterrent to other employees. The Committee would like the authorities to finalise all these cases without any further loss of time.

5.35 The Committee take note of the measures taken to check the recurrence of frauds in overseas branches of public sector banks. It has, however, transpired to the Committee during evidence that the Banks do not have the benefit of adequate economic intelligence which could forewarn them against shady developments in their branches abroad. The Committee, therefore, suggest that the Government should consider the feasibility of developing a suitable apparatus for collecting relevant economic intelligence and for disseminating the same to the banks which have branches|offices abroad so that the possibility of major frauds taking place in such branches could be averted in time.

C. Bad and Doubtful Debts

5.36 The Ministry has stated that:

> "The amounts involved in the frauds do not necessarily represent the actual losses which the banks generally have to actually suffer...... The banks generally have some securities to cover advances made by them...... At the time of finalisation of accounts banks have a system of making adequate provisions towards bad and doubtful debts to the satisfaction of statutory auditors. These are secret provisions and are not disclosed in the Accounts."

5.37 On the legal sanction behind losses due to frauds not being exhibited by the banks in their published accounts the Ministry has stated in a written reply that the existing formats of Balance Sheet and Profit & Loss Account prescribed in the Third Schedule of Banking Regulation Act, 1949 which all banks including the nationalised banks are required to follow strictly, do not provide for exhibition of losses involved in frauds.

5.38 The Committee have been informed that all commercial banks including the public sector banks make provision every year out of their annual income for meeting their liability towards bad and doubtful debts to the satisfaction of their statutory auditors and write off the debts which is considered by their management as ultimately unrecoverable from out of the provisions so made. According to the forms of Balance Sheet and Profit and Loss Account prescribed in the Third Schedule of the Banking Regulation Act, 1949, which all banks are required to follow strictly, and in accordance with the practices and usages customary among the bankers, the banks are given statutory protection from disclosing the quantum of bad and doubtful debts for which the provision is made to the satisfaction of their statutory auditors, as well as the amount of bad debts written off. In view of this legal position the Ministry has asserted that the information desired by the Committee on the quantum of debts gone bad and written off "cannot be divulged."

5.39 The Ministry has further revealed that the Ghosh Committee which submitted its Report in April, 1985, has suggested that "under the Indian conditions existing at present, time is not yet opportune for full disclosure of secret reserves and loan loss provisioning." The Committee has however suggested that the correct income should be reported in the Profit and Loss Account so as to reveal the true trend thereof. The Committee has further suggested revised formats for Balance Sheets and Profit & Loss Accounts, consisting of summary versions of Balance Sheet and Profit & Loss Accounts supported by Schedules. The Committee has attempted to bring about uniformity and standardisation in the presentation of accounts to the extent possible to facilitate inter-bank comparison. The recommendations made by the Committee are stated to have been examined by Reserve Bank of India and Government and they have been "accepted with certain minor modifications." Government of India are stated to be taking necessary steps for bringing suitable amendments to the relevant statutes for modifications in the formats of the Balance Sheet and Profit and Loss Account.

5.40 Asked during evidence why even after nationalisation of banks no column had been provided for bad debts in the format of published balance sheets of banks, the Deputy Governor of the Reserve Bank who was also the Chairman of the Committee which went into the matter and submitted its Report in April, 1985, stated :—

> ".....There is a column for doubtful debts not provided for. If the banks satisfy the auditors that there is full provision for bad and doubtful debts, it is not necessary for the accountant to show it...... The Committee which was appointed (in the matter) has suggested some amendments in Balance Sheet and Profit & Loss Account formats. Today banks can transfer Income to Reserves without showing it separately in Balance Sheets. In the process total income is not shown in profit and loss account.
>
> We should gradually move towards full disclosure and not at one go. Otherwise it may not be in our larger interest,"

5.41 On suggestion by the Committee that the witness was opposed to the full revelation of bad debts because in the course of his examination of the matter, he found their magnitude so alarming that its disclosure would be deterimental to the interests of banks, the witness argued :—

> "I cannot conclude that the position of bad debts is very much alarming. But a bank is a delicate credit institution. Writing off of bad debts varies from year to year. And bad debts written off in a year do not occur in that particular year. Taking all these aspects in view and that banks have international operations, we came to the conclusion that bad debts of banks should not be disclosed immediately."

5.42 Suggested further by the Committee that bad debts had accumulated over the years due to improper monitoring, the witness explained :—

> "Bad debts occur due to internal and external factors. That is why we have issued guidelines to the banks regarding writing off and also for action against the erring employees."

5.43 Asked why each bank had its own separate set of regulations on bad debts etc. as had come to the notice of the Committee during their visit to some banks, and why rules for bad debts and their write-off should not be uniform for all banks, the witness replied :—

> "A form has been prescribed under the Act and the bad debt has to be dealt with as per the form prescribed by the Act..... There are guidelines for writing off the bad debt. These enable us to find out whether a particular bad debt is recoverable or not...............".

5.44 The Committee are concerned to note that the extent of bad and doubtful debts accumulated over the years is not mentioned by the public sector banks in their annual accounts in view of the statutory protection

provided by the Banking Regulation Act, 1949. The Committee do not agree with the stance during evidence that "time is not yet opportune" and "it may not be in our larger interest" for the public sector banks to disclose their bad debts through their published accounts immediately. The Committee consider it as a sacred right of the people to know what is happening to their hard earned moneys deposited with the Banks. In any case, the position has undergone a great change after nationalisation of the Banks. The Committee do not feel that an overall disclosure of the bad debts affects the customer-bank confidentiality as per the provisions of the present Act in any way. The Committee therefore recommend that Banking Regulation Act 1949 and other concerned statutes should be amended, if need be, at the earliest with a view to make it obligatory for all banks including public sector banks to faithfully reflect the quantum of bad and doubtful debts including losses on account of frauds and dacoities, the amounts thereof written off as also their extent of overdue loans and advances to be recovered in their Annual Accounts for being laid on the Tables of Parliament.

NEW DELHI;
April 14, 1988
Chaitra 25, 1910(S)

CHANDRA TRIPATHI,
Chairman,
Estimates Committee

APPENDIX

Statement of Recommendations/Observations

Sl. No.	Para No.	Recommendations/Observations
1	2	3
1.	1.19	The Committee note that during the last five years vacancies in Public Sector Banks have frequently existed in the offices of Chairman-cum-Managing Director for periods ranging from more than 2 months to one year and three months and those of Executive Directors for periods ranging for more than two months to four years and ten months. Vacancies of Chairman-cum-Managing Director and Executive Director have also simultaneously existed in the Central Bank of India for more than 2 months i.e. from 19.2.85 to 28.4.85 and for more than 8 months, i.e. from 24.9.1984 to 13.6.1985 in Andhra Bank. The Committee further note that as on 5th December, 1987 while only 14 Nationalised Banks had workman Directors, none of the Nationalised Banks had non-official/non-workman director on its Board and that widespread litigation was going on regarding the manner of nomination of non-workman directors. Also directors representing the interests of working class had not been appointed in any bank so far. The Committee consider this situation as most unfortunate and are firmly of the view that for effective functioning of any organisation, and in particular Nationalised Banks, which cater to the people at large day in and day out, there ought not to be any vacancies in the top management for long periods. The Committee also find that in terms of Nationalised Banks (Miscellaneous Provision) Scheme 1970 and 1980, while the Government has assumed powers to appoint or remove at will both whole time and other Directors on the Boards of Nationalised Banks, it has found it convenient to pull on with truncated

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		Boards of Directors on most of these Banks lending credence to the representations to the Committee that with non-appointment of many whole-time and other Directors on these banks, Ministry was usurping powers belonging to the Boards of Directors through over-centralisation. The Committee strongly recommend that the Ministry and other agencies involved in appointment of Directors on the Boards of Nationalised Banks should do a bit of advance planning, cut red-tape and ensure that the posts of whole time Directors on these Banks are filled in due time and vacancies do not, in any case, remain unfilled beyond one month and that the posts of both Chairman-cum-Managing Directors and Executive Directors in the same bank are at no point of time allowed to remain vacant simultaneously. The Committee further recommend that urgent steps should be initiated to appoint workmen directors in the remaining 6 Nationalised Banks and to appoint directors representing the interests of non-workmen employees in all these Banks.
2.	1.20	The Committee further note that during the last three years, while the tenure of Chief Executives of three Nationalised Banks was initially "extended" for one or two months only pending approval of their regular term, at present also the Chief Executives of two such banks are on "extended tenure" pending a decision on their tenure. The Committee feel that in such cases Chief Executives are in effect appointed initially on a short term basis for one or two months only pending a decision about their approved tenure. The Committee are of the view that this manner of appointing Chief Executives is bound to create uncertainty in the minds of incumbents and affect their morale and efficiency of their work. The Committee, therefore, recommend that appointment of Chief Executives in public sector banks should be planned sufficiently in advance and a scheme of "understudy" officers should be worked out to familiarise the incoming Chief Executive or Executive Director, with the functions to be performed by him. Initial appointments should as far as possible, be for the full approved term.

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3.	1.29	The Committee commend the branch licencing policy of RBI for the period 1985—90 under which branch expansion in urban and metropolitan areas will continue to be restrictive and new branches will be opened only in unbanked and under banked pockets, as metropolitan and urban areas are already well banked. The Committee however, regret that the RBI and public sector banks have not taken any policy decision for pruning, relocating and restructuring branches in the metropolitan/urban areas as suggested by the National Institute of Bank Management on the ground that the demand for banking services in those areas is expected to "go up with improved activities and economic development". The Committee are convinced that there are a number of over banked pockets in metropolitan/urban areas and public sector banks should indentify such areas therein and relocate, restructure and prune such branches as suggested by NIBM, to improve efficiency as well as customer services in such branches.
4.	1.37	The Committee are informed that the productivity norm per employee is at present fixed at Rs. 16.84 lakhs business per employee. This is not considered adequate and scientific. The Committee recommend that time and motion study for all major functions in a bank should be undertaken and scientific norms for staffing and productivity should be evolved.
5.	1.38	The Committee note that public sector banks have surplus pockets of staff, particularly in certain metropolitan and urban branches affecting their efficiency and productivity, whereas in some other branches there is justification for increase of staff on account of increase in work load. While earlier, banks were projecting their vacancies on the basis of their projected business, from January, 1987 banks have been issued guidelines providing *inter-alia* that Banks with productivity per employee below the industry average will have to restrict their additional requirements of staff to the extent of 1% of their total staff as in December, 1986 and those

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		with average productivity per employee above the industry average can resort to fresh recruitment upto 1.5% of their total staff strength. Banks have further been directed, to undertake an indepth assessment of their staff requirements, identify the excess staff in various offices/branches and redeploy it at needed branches/offices. The Committee note that only "some banks have identified the excess staff and redeployed them." The Committee recommend that measures should be initiated by all the public sector banks to study in depth their staff position, identify the branches having excess staff and redeploy the same in needy branches by a time bound programme with a view to avoid maldistribution of staff affecting efficiency and productivity.
6.	1.39	The Committee further recommend that the assessment for recruitment should be realistic to cover a particular period and once the Recruitment Boards select candidates for a particular number of vacancies in a certain Bank/Bank Group, all the selected candidates should be appointed before fresh vacancies are advertised by the Recruitment Board for the same Bank/Bank Group.
7.	1.40	The Committee regret to note the inordinate delay in determination of norms for recruitment in banks, as also the non-availability of the data on average productivity per employee. The Committee recommend that henceforth the RBI should have this data compiled regularly every year and the Ministry should positively incorporate the same in their annual consolidated Reports on the working of Public Sector Banks which are laid on the Tables of Parliament every year.
8.	1.41	The Committee are distressed to find that on the basis of estimated productivity per employee for 1986, as many as 16 of the 28 public sector banks were below the industry level average. The Committee are anguished to note that leading public sector banks like State Bank of India and its seven associates should be lagging behind the indus-

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		try level average not withstanding the business of Government and public sector/autonomous bodies which is heavily concentrated in them. The Committee recommend that in all these 16 banks an indepth examination of their below average productivity should be conducted and effective remedial measures initiated to bring them up at least to the industry level average as early as possible. The Committee further recommend that the public sector banks who top the productivity scale in relation to industry level average, should be honoured suitably through, say, a prestigious bank award as a motivation for better performance and emulation by others.
9.	1.42	As most of the functions performed in a bank are group functions, the Committee recommend that suitable incentive schemes should be provided to reward staff whose productivity during a specified period is above the average norms laid down.
10.	1.53	The Committee are of the considered view that the problem of attitude and motivation of bank staff in relation to satisfactory customer service has not been given the priority it deserves by the managements of public sector banks. While a specific provision has been made in the formal Bipartite Settlement dated 17th September, 1984 between the Unions and Banks to improve housekeeping in branches to ensure efficient cordial and speedy customer service, management-union relations in some public sector banks leaves much to be desired. While welcoming bonafide trade union activity and provision of facilities antecedent thereto, the Committee feel that such activities should be more responsive and constructive with a view to ensure efficient and speedy customer service which is in their own interest. In this regard, the Committee commend the example of Allahabad Bank where an agreement on a code of conduct has been entered into by the Management and employees of the Bank. The Committee recommend that this step should be emulated by the other public sector banks also. The Committee also consider the active involvement

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		of leaders of the employees' unions in the motivation of the staff for putting in their best in the work allotted to them as an essential ingredient for a cordial management-employee relationship.
11.	1.60	The Committee are unhappy to note that the Ministry is not monitoring the shortfall/backlog in the training facilities for public sector bank officers/staff in terms of the number of training institutions, their annual intake and relevant courses available for officers and staff separately. However, from the material placed before them, the Committee are convinced that the backlog of untrained employees specially at clerical level and shortage of training institutions/centres for them are still considerable. As the quality of customer service is by and large conditioned by the attitude of clerical staff manning the bank counters, the Committee strongly recommend that the Standing Committee of the RBI should take greater interest in augmenting the training programmes, and institutions made available for the clerical staff of public sector banks with a view to expose the staff to better working and management techniques on a time bound basis. The Committee also recommend that besides initial training courses, refresher course at suitable intervals should be devised for all categories of Bank employees, to update their skills and improve the quality of service.
12	1.64	The Committee regret that the recommendation of working group on customer services relating to promotion policies of banks is still "required to be discussed with its employees" by the Dena Bank; and State Bank of Indore is still" examining the recommendation for implementation. "The Committee would like that these two public sector Banks should be asked to implement the recommendation without any further delay.
13	1.65	The Committee note the Ministry's reply that public sector banks "have included customer service/public relation as one of the parametres for judging the performance of their executives". The Committee wonder why the parametre has been fixed for bank executives

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		only. The Committee recommend that the parametre of customer service for evaluating performance should be fixed for clerical staff also as it is they who are directly exposed to the customers and provide customer image of the banking services. The Committee therefore desire the Ministry to initiate appropriate measures in this regard.
14	2.6	The Committee regret to note that more than a decade has passed after the Working Group on customer services submitted its final Report in 1977, and still all the 121 recommendations finally accepted by the Government have been implemented by only 7 out of the 28 public sector banks and the remaining 21 banks have so far implemented only 108 to 119 of the recommendations. Since the primary function of banks is provision of customer oriented services to the satisfaction of customers, the Committee expect the Reserve Bank of India to monitor their implementation more vigorously. The Committee feel that actual implementation should be accorded a very high priority during inspections and on-the-spot visits to public sector banks and the branches of banks found dilly dallying in the implementation of any of the recommendations accepted by Government, should be brought to the notice of competent authorities in the Bank as well as the Ministry so that appropriate action can be taken to bring round recalcitrant banks to implement the recommendations.
15	2.7	The Committee also recommend that as far as possible, the basic requirements to be complied by banks as customer service may be notified in the form of rules and regulations under the relevant Acts.
16	2.23	The Committee feel that even if an upward revision of service charges had become due in 1985 "after about a decade", the hike could have been a little more rational and less harsh. The Committee recommend that the new costing Committee should have a fresh look into the service charges raised in 1985, taking into account the amounts spent on the concessions granted to bank employees the element of service expenditure that goes

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		to determine the difference between borrowing and lending rates of banks and the problems of bank customers with regard to specific service charges.
17.	2.24	With regard to remittances through Drafts, MTs and TTs, the Committee agree in principle with the Ministry's rationale behind the revised charges being at the lowest level lesser than the cost, and at higher levels higher than the cost. The Committee, however, feel the present hike should not have led to the peculiar situation wherein it is wiser for a customer to purchase 20D.D.'s of Rs 5000/- each against a D.D. for Rs. one lakh, to minimise the bank charges. The Committee therefore recommend the need for a review of these charges afresh, as the nature of service to be rendered for all D.D.'s, M.T.s, T.T.s etc., irrespective of the amount, is uniform.
18.	2.25	In view of the fact that banking instruments are transmitted actually in bulk the postal tariff now charged by the banks, especially for ordinary post and telegrams, appears to be on the high side even taking into consideration the reasons advanced by the Ministry justifying their increase. The Committee recommend that the new costing Committee should also review present postal tariff charged by the banks.
19.	2.26	Though the Committee agree with the need for standardisation and uniform adoption of Folio charges by public sector banks, the Committee feel that the parties having heavy and numerous transactions have been put in a disadvantageous position. The Committee note in this regard that as per information "available with RBI" 13 of 21 foreign banks do not levy folio charges in India or home country while folio charges of some of the other banks are more moderate than the revised rates of public sector banks. The Committee find no justification for folio charges, because the very basic function of banks is to transact businesses of customers and folio charges should be considered normal expenses of the banks and not of special nature to be charged extra.

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20	2.33	The finding of the Banking Division of the Ministry itself that some of the bank branches do not display the time norms indicates that the public sector banks do not take the norms with as much seriousness as with which they had been evolved. Even though the display of and compliance with the time norms is stated to be checked by Regional Managers and Inspectors on their visits to the Branches, there have been persistent complaints from prominent segments of bank customers that the norms are not being displayed and adhered to by most of the public sector banks. The onus for displaying of and complying with the norms is stated to rest with the branch managers. The Committee, therefore, feel that more effective measures should be taken by the banks to ensure display of time norms in all the branches and both the Branch Manager and Counter staff should be held personally responsible for adherence to the time norms.
21	2.34	The NIBM study on remittance services indicates that while 20% to 30% of customers were non-committal, 5% to 14% of customers were explicitly dissatisfied with these services in public sector banks. The Committee are of the view that customers who chose to be non-committal in the study, did have some reservations on the quality of these services but did not opt to comment due to some inexplicit reasons. In any case the Committee do not think that this percentage of customers can be construed to be satisfied with the service simply because they did not express dissatisfaction explicitly. The delay in remittances through D.D. and M.T. in rural and urban areas (except metropolitan and big cities) has been attributed to the Banks' dependence on Post and Telegraph Department. Based on their personal experience the Committee have, however, reasons to believe that the despatch branches in the banks themselves tend to delay despatch of letters. The Ministry having conceded deficiency in the area of remittance services in all areas, the Committee strongly recommend that banks must, in the first instance, have control over its despatch wing and Courier Services and other faster means of remittance can also be introduced by banks, if it can be established that delays are

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		actually with the Post and Telegraph Department. The Committee also recommend that identified cases of delay may be taken up with Department of Posts for appropriate action.
22	2.35	The Committee is very much concerned to note that certain public sector banks in some places refuse to render certain basic banking services like (a) issuance of Demand Drafts against cash; (b) acceptance of soiled notes from public; (c) acceptance of Advance Tax Payments, though authorised by the Reserve Bank of India; etc. The Committee feel that such instances are not confined to one or two places alone but are also prevalent elsewhere. The Committee recommend identification of pockets where such maladies are in existence for taking positive measures to curb them. The Committee also recommend that branch/office managers should be held personally responsible for denial of such basic banking services to their customers and suitable Instructions/directives should be issued in this regard by the Reserve Bank of India and compliance with the instructions ensured through inspections by the Reserve Bank of India and Banks themselves.
23	2.43	The Committee note that inspite of instructions issued by Reserve Bank of India to public sector banks in July, 1987 for not insisting on succession certificates where the amount to the credit of the deceased depositor does not exceed Rs. 25000 and to observe the usual safeguards in settling such claims including obtaining indemnity bond wherever required, a very large number of instances have come to the notice of the Committee during their tours where these instructions are being followed more in breach than in practice. The Committee would like these instructions to be observed in letter and spirit so that the nominees/legal heirs of the deceased depositors do not feel harassed. Adequate discretionary powers should be vested in Branch Managers to achieve this end.

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24	2.44	Chairman, Indian Bank Association has admitted during evidence that large amounts of deposits made by account holders who have made no nominations are being held up in banks as dormant accounts which ultimately go to Government and are lost to the legal heirs of depositors. The Committee recommend that as a social service to the family of the deceased, the Banks must intimate the legal heirs at the earliest opportunity with a view to move them to initiate legal measures to get the accounts of the deceased settled. The Committee recommend that norms of confidentiality should be relaxed and Banking Acts/Regulations amended, if necessary, in this regard.
25	2.51	The Committee are distressed to note that recent RBI survey has revealed no improvement in the matter of compliance of Reserve Banks instructions to Banks for granting immediate credit of outstation cheques for the value not exceeding Rs. 2500 and payment of interest for delayed collection beyond 14 days where the amount involved is more than Rs. 2500 . During evidence Banking Secretary admitted that the customer is neither aware nor told that he is entitled to interest on collection delayed beyond 14 days. Now that the Chief Executive of Banks have been advised to fix responsibility for non-implementation of these instructions on Zonal/Regional Managers and to take action against Branch Managers also, the Committee hope that compliance of these instructions by Banks would be regularly assessed and ensured through periodic sample surveys, on the spot visits of branches by RBI Executives and special Inspections by the Banking Division of the Ministry. The Committee also feel that provision of timely credit and affording of interest are legitimate matters of account and not mere administrative instructions and hence recommend that the auditors, both internal and statutory, are instructed to bring to notice, cases of violation in their reports to management.
26	2.57	The Committee note the Ministry's contention that introduction of Teller System in a bank branch is an

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		operational decision and Teller System normally works out favourably only in cases of large branches where small payments predominate and the volume of transactions is heavy enough to create delays if handled in conventional manner. From the data supplied by the Ministry with regard to the number of branches of each Bank where Teller System has been introduced it appears that several banks functioning in same areas under similar circumstances have not introduced the Teller System, though others have introduced the system. The Committee therefore would like the Ministry/Reserve Bank of India/Indian Bank Association to conduct a study of larger branches of these banks with a view to examine the feasibility of extending the Teller System in as many branches as possible and in any case, in all branches of all banks functioning in similar conditions in same areas.
27	2.60	The Committee note that all public sector banks have issued instructions to their branches to implement the recommendation of the Working Group on customer service (1977) that transfer of account from one bank to another should be effected by handing over the transfer documents in a sealed cover to the customer himself to enable him to get his account opened at new place/branch immediately on reaching there. During visits of the Committee to various bank branches, the Committee have come to know that the instructions are not, in practice, being followed by the banks. The Committee, therefore, would like strict compliance with the aforesaid instructions by the bank branches.
28	2.64	The Committee are surprised to note that the Government/Reserve Bank of India have introduced MICR cheque technology in banks solely on the basis of operational convenience without bothering to consult Indian Banks Association and prominent associations of bank customers which should have been taken into confidence before altering the structure of such a popular banking instrument as cheque. The Committee are convinced that with the MICR cheque as it is, the customers have been put to immense inconvenience for want of

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		counterfoil, adequacy of space, convenience of posting in postal envelopes and so on. Provision of a page in lieu of the counterfoil at the end of the cheque book is too inconvenient to be of any practical use to the customers. The Committee recommend that Government/Reserve Bank of India should examine the feasibility of providing counterfoils and adequate space in MICR cheques with a view to provide relief to the banking public from the inconvenience caused by use of these cheques. The Committee are, however, strongly opposed to the cost of cheques being borne by customers who have already been hit by the steep hike in service charges effected by banks in 1985.
29	2.71	The Committee note that Income Tax is already being collected at selected branches of State Bank of India and understand that these banks also collect electricity charges in some metropolitan centres like New Delhi. Since the recipients of the respective revenues maintain their cash in the banks only, the feasibility of extending personalised services in a bigger way than at present can be explored by the various banks managements.
30	2.75	The Committee note that out of 28 public sector banks 22 have been entrusted with and have actually undertaken the payment of pension to Central/State Government pensioners and of the remaining six banks nationalised in 1980, 3 banks namely Vijaya Bank, Corporation Bank and Andhra Bank have actually undertaken payment of pension to State Government pensioners only. As the other 3 banks namely Oriental Bank of Commerce, Punjab and Sind Bank and New Bank of India, have *not* so far been entrusted with payment of pension to either Central or State Government pensioners, the Committee recommend that the Ministry should arrange to do so as early as possible to provide the facility to pensioners in the areas in which these Banks cater.
31	2.76	The Committee are, however, distressed to note that some State Governments/Union Territories Administrations like Assam, Chandigarh, Delhi, Jammu & Kashmir, Sikkim, Arunachal, Mizoram, Maharashtra and Tamil Nadu have not so far adopted the scheme of payment of pensions through public sector banks. The

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		Committee are not able to realise the difficulties in Union Territories like Delhi for adopting the scheme. The Committee recommend that more vigorous efforts should be made by the Government and Reserve Bank of India in persuading the aforesaid State/Union Territory Governments to opt for the scheme as early as possible for convenience of their pensioners.
32	2.81	Taking note of the widespread public demand for locker facility *vis-a-vis* the limited installed capacity therefor in public sector banks, the Committee feel that the banks should come in a big way to meet the needs of the public for lockers, not as a case of business proposition, but as a service to the Community at large. For this purpose, the Banks should make a systematic assessment of the total demand for locker facility in the country in relation to the installed capacity in public sector banks and on the basis thereof prepare a scheme for augmenting the installed locker facility in the banks in a phased manner. The Committee also recommend that the guidelines for hiring of lockers *viz.* 80% of lockers to be hired on first come first served basis, should be firmly implemented.
33	2.84	The Committee note that credit card scheme has been introduced by only 4 Public Sector Banks, namely Andhra Bank, Bank of Baroda, Central Bank of India and Canara Bank. The Ministry's contention that introduction of such a scheme by remaining 24 public sector banks should be left to the discretion and commercial judgement of the individual bank does not carry conviction as many of those banks who have not yet introduced the scheme operate in the same regions and cater to the similar clientele as those catered to by the aforesaid four banks who have introduced the scheme. The Committee therefore recommend that all the public sector banks which have not introduced the scheme yet should also examine the matter in the light of the peculiar composition of their clientele and pattern of their operations and start credit card scheme as far as practicable.
34	2.91	Notwithstanding the detailed procedures evolved for scrutiny, sanction or rejection of loan applications,

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		the Committee have received several complaints on delays and irregularities in bank's functioning in processing of loan applications, not only in regard to loans to industries in normal credit areas but also in regard to loans in priority sector. The Committee realise that the complaints could in some cases be due to individual grievances which cannot be adequately met with by the banks with due regard to prescribed norms. However, the Committee believe that there are several cases wherein delays in processing of applications, release of loan after sanction, and rejection of applications are not necessarily based on genuine grounds and that a lot of technicality is allowed to play for even ordinary mistakes or slips in applications, much to the inconvenience and embarrassment of the customers. The Committee recommend that in respect of each bank, a sample survey of the processing of loan applications may be conducted critically and at the same time, the public should be allowed to meet the inspecting officers to air their problems, so that an objective review of the performance of the banks could be done.
35	3.7	The Committee have reasons to believe that the arrangements in Public Sector Banks for publicity, Customer Education and Counselling in both rural and urban areas are more impressive on paper than to the satisfaction of the mainstream of banking clientele. The Committee therefore, recommend that arrangements in Public Sector Banks for Customer education/counselling should be reviewed at a sufficiently high level with a view to augment and bring them up to the mark not only of the mainstream clientele of banks like traders. industrialists, exporters/importers, foreign exchange dealers and farmers but also to that of small entrepreneurs, workers of the formal and informal sectors and the rural proletariat with regard to both the schemes for deposit mobilisation as well as for disbursement of credit in the Priority Sector.
36	3.8	The Committee further recommend that the Joint Publicity Committee and the individual Banks should lean more heavily on the medium of regional languages in the matter of publicity and customer education through publication of brochures, booking of advertisements in printed and electronic media and through exhibitions etc.

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37	3.13	The Committee agree that the customer service centres which have been started with laudable objectives, can perform only a limited role in the present system. The Committee, however, feel that the service centres should be looked upon as institutions available for undertaking an overall view on problems of common nature rather than as institutions to redress individual grievances. The Committee hence recommend that the utility and objective of these centres may be reviewed and put on a profitable footing.
38	3.14	The Committee also recommend that the customer service centres can profitably undertake the job of educating the customers on their respective roles in their dealings with the banks in respect of various types of transactions, including credit facilities, by arranging periodical workshops, guidance classes etc. in coordination with local Chambers of Commerce and customer organisations.
39	3.20	The Committee note that though Ministry had reported implementation of the Working Group's recommendation Nos. 168 and 169 for providing complaint Boxes and Registers in each Branch, by all the banks, it has found during the 1986 Review that "in some branches complaint boxes were not maintained nor were the addresses of Regional/Zonal Managers available to whom customers could appeal displayed." Instructions are stated to have been issued after the Review to all the banks to organise a system of inspection to ensure the implementation all customer service measures including provision of complaint boxes and registers in each branch. The Committee recommend that provision of complaint Boxes and registers in branches should be ensured by surprise inspection by senior officers and appropriate follow-up action taken.
40	3.26	The Committee trust that Customer Service Committees have been actually set up in all the branches of public sector banks as claimed by the Ministry. The Committee hope that these Committees would meet at

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		least once a month as stipulated in the Report of the Working Group to take stock of the Customers' complaints and suggestions for follow up action. The Committee also feel that customers should be associated with the customer Service Committees, as far as possible, in all the Branches of Public sector bank with a view to make the Committees more vibrant and meaningful.
41	3.37	The observation that the representation of customers at the monthly interface with Bank Executives on 15th of every month had now almost 'dwindled to nil' in all banks, shows that the system over a period of time has become stale a bit too fast and fails to be a productive exercise. The Committee also do not expect that customers who deal with banks, for encashment of cheques, purchases of DD, M.T., T.T. etc. and such other functions, would find it convenient to come out of their avocations and meet the bank officials on the prescribed date. On the other hand, Committee feel that the meet can be made meaningful if a cross section of customers, selected at random is invited periodically to express their views on banks' services. The Committee hence recommend that the feasibility of substituting present practice by a more meaningful utilitarian system may be explored and appropriate action taken.
42	3.38	The Committee are of the firm view that Bank Executives meeting with the representatives of trade and industry should be held at regular intervals, say quarterly at Head Office level and at Bank's initiative with a view to personally assess customers grievances and suggestions. The Committee further recommend that while priority should be accorded by the Bank Executives in these meetings to discuss problems peculiar to various segments of trade and industry, their representatives should not be barred from raising the customers bonafide individual grievances also for their amelioration. If needs be, customers having specific problems, can be invited for a separate meeting so that he can be properly counselled.

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43	3.40	The Committee note that Chief Executives/Senior officers of public sector banks visit rural branches "frequently" to assess the quality of service rendered by banks in these areas and that rural branches have been "advised to observe one day in a week as non-public business day to facilitate the branch managers to have personal contacts with customers to ascertain their grievances." The Committee recommend that the intended visits of the senior officials should be made known to the public through a notice board at the bank and the senior officials should assign specified time for the rural public to call on them and voice their grievances, if any. The Committee also recommend that safeguards should be initiated by the Chief Executives of Banks to ensure that the advice is actually implemented by all their rural branches in letter and spirit.
44	4.12	The Committee are gravely concerned with the losses which amounted to about Rs. 13.91 crores (excluding gold ornaments, cheques etc.) incurred by Public Sector Banks as a result of dacoities/robberies from 1982 to the end of June 1987. They also consider the Ministry's contention that the Banks might not have to bear the entire losses involved in the dacoities/robberies as "some or the amount might be recovered by the police", or they might "be able to recover part or full amount from Insurance Companies" as unfortunate. It is needless to point out that such contentions only help the Banks becoming more complacent and discourage them in making adequate and tight security arrangements in the branches.
45	4.13	The Committee note that the Ministry, Reserve Bank of India and the Banks have constituted a number of Expert Committees over the years for considering ways and means of strengthening security arrangements in Banks and guidelines based on the findings of such Committees have been issued from time to time to the Banks. However, in view of the fact that the amounts involved in the Bank dacoities/robberies have rapidly increased from year to year, the Committee can not help

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		concluding that the guidelines have not been followed by the Banks in letter and spirit. The Committee expect all the Banks to follow strictly these guidelines and in case any thefts, dacoities still occur in the branches, the compliance or otherwise thereof by the affected Branches should be critically analysed and responsibility fixed apart from taking such other action as may be deemed necessary. The Committee would also like the Reserve Bank of India to conduct regular security inspection of the Banks by specially trained Inspectors with a view to ensure that the security arrangements are fool-proof in the branches in view of the everchanging circumstances.
46	4.16	The Committee are concerned to note that while a majority of the States issue licences for guns etc. only against the individual names of Branch Managers of banks causing difficulties to banks on change of incumbency, only one State on request by Banks, issues licences to branch managers by designation. It is understood that a few other States have also since agreed to issue the licences by designation instead of in the names of branch Managers. The Committee recommend that the legal position in this regard may be so revised if necessary, so as to ensure that the existing problems in the issuance of licences when there are changes in incumbency of the officer are obviated.
47	4.17	The Committee further note that the time taken by State Governments in issuing licences varies from State to State, but on the whole is excessive. The question of obviating the delay is stated to have been taken up by the Ministry of Finance with the Ministry of Home Affairs. The Committee recommend that pending amendment to existing legal provisions, a suitable working arrangement may be arrived at to tide over the present bottlenecks.
48	4.23	The Committee find that the idea of setting up of a separate security force for banks, on the lines of Central Industrial Security Force, did not find favour with various Committee which went into this question from time to time. The Committee, therefore suggest that each pubic

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		sector bank should revamp and augment its own security staff on an adequate level so that it is not dependent on other para military organisations except in case of currency chest branches and branches in distrubed areas. The Committee also suggest that the Security Planning Cell of the Reserve Bank of India should draw up a time bound plan for revamping and augmenting both in number and quality the security staff of each public sector bank and stringently monitor its implementation by the individual banks.
49	4.27	The Committee are unhappy to note that even though the High Power Committee on Security arrangements in Banks had in their Report in 1983 recommended that the Banks in consultation with RBI should explore the avenues of promotion for bank guards, the Reserve Bank is still only "comtemplating" to set up a working group to look into service conditions of security personnel in banks. The Committee urge that the Reserve Bank should set up the Working Group without any further loss of time for exploring better avenues for career growth of the security staff, so that necessary incentives and motivation could be provided to them for performing their duties more efficiently.
50	5.12	The Committee have been informed that under the existing arrangements, each branch is subjected to inspection once in every 12 to 18 months, and a statutory audit once in 3 years for small branches and once a year for big branches, head offices and other accounts. In addition, a vigilance machinery, external checks by RBI etc. are also reported to be functioning. Notwithstanding these measures, it is perturbing to note that the internal security arrangements have proved woefully inadequate in as much as frauds have been perpetrated on the finances of the banks to the extent of Rs. 221.69 crores over a period of 5 years ending 1986. The Ministry is not in a position to furnish any data regarding the extent of frauds not located during inspection, audit etc. but subsequently noticed though the transactions concerned ought to have been covered by inspection and audit. The Committee therefore, cannot but conclude that there exist several

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		cases of frauds which ought to have been detected during inspection and audit but were not detected. The Committee feel that there is an imperative need for indentification of the contributory factors that led to failure in noticing the frauds in time by auditing, inspecting staff for fixing responsibility. Further, the inadequacy in quality and content as also periodicity of inspection and audit may be identified and special efforts taken to streamline the procedure.
51	5.13	Two of the contributory causes for non-detection of frauds have been stated to be delay in settlement of inter-office transactions and in balancing of books. While in respect of inter-office transactions, it is reported that outstandings have come down from 408.71 lakh items for a value of Rs. 321701.72 crores in 1985 to 251.51 lakh items for a value of Rs. 195693.94 crores in 1985, arrears in balancing of books have also been reported to have come down from 7232 branches in December, 1985 to 3531 branches in June, 1987. The Committee note in this connection that value of arrears was only Rs. 168565.26 crores in 1983 which has unfortunately shot up substantially later. In the circumstances, there can be no escape from the conclusion that the extent of arrears has piled up and position has deteriorated. The Committee need hardly recommend that a time bound programme will have to be chalked out for clearing the arrears in these fields.
52	5.14	In so far as arrears in reconciliation of inter-office transactions and balancing of books of branches are concerned, the Committee recommend that steps should be taken to ensure that under no circumstances, fresh arrears are allowed to accumulate before the accounts for the year are certified by the statutory auditors and for this purpose, periodical reconciliation system may be enforced and progress monitored and guided, from the highest level.
53	5.15	Despite the extent of arrears in these fields as also the extent of frauds that are detected each year, the Committee find it difficult to reconcile that statutory

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		auditors furnish to each bank clean audit certificates and do not qualify their reports to indicate how far the arrears vitiate the correctness of the accounts. The Committee feel that had the auditors highlighted these arrears in their annual audit certificates all these years, the realities would not have been a hidden factor. The Committee, therefore, recommend that the role of statutory auditors for supply of clean audit certificates may be clearly laid down.
54	5.32	The Committee are alarmed at the enormity of frauds being committed year after year in connivance with the Bank employees with impunity. They strongly feel that unless all the loopholes in the banking procedure are plugged and scrupulous adherence thereto is ensured, there will be no end to this menace. As a first step in this direction, the Committee consider that the cases pending against Bank employees for their involvement in the Bank frauds should be processed with a sense of urgency and deterent punishment awarded to such employees if found guilty. It is really regretable that in the case of, as many as 1139 Bank employee involved in frauds, departmental inquiries were still pending at the end of the year 1986. The Committee see no reason why the Banks are proceeding with such cases in a lackadaisical manner. The Committee expect the Banks concerned to finalise the departmental inquiries without any further loss of time and take up the follow-up action on a priority basis.
55	5.33	The Committee regret the Bank's tendency to stop departmental inquiries against their employees involved in frauds as soon as cases thereon are instituted in courts by the parties concerned, because this enables such bank employees to delay and postpone indefinitely the day of their reckoning for the maximum possible time. The Committee strongly recommend that unless the courts issue specific stay orders against the departmental inquiries into the fraud cases, the banks should proceed with the departmental inquiries and finalise them quickly, say with a maximum period of six months. In this connection the Committee further suggest that in cases the parties concerned have obtained stay orders

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		from courts, the feasibility of issuing duly amended charge-sheets should be considered if the original charge-sheets have proved to be inadequate/incomplete/inaccurate.
56	5.34	The Committee are surprised to be informed that even in the case of a huge fraud to the tune of Rs. 59.85 crores committed as far back as 1983 in the London Branch of the Central Bank of India, final action with regard to the punishment to be awarded to some high officials involved therein is still pending. Even where the punishment has been awarded to some officials, it is of a very minor nature. The Committee consider it a question of moral turpitude on the part of the Bank employees who are involved in Bank frauds and are strongly of the opinion that exemplary punishment should be awarded to such employees irrespective of their status, so that it acts as a deterent to other employees. The Committee would like the authorities to finalise all these cases without any further loss of time.
57	5.35	The Committee take note of the measures taken to check the recurrence of frauds in overseas branches of public sector banks. It has, however, transpired to the Committee during evidence that the Banks do not have the benefit of adequate economic intelligence which could fore-warn them against shady developments in their branches abroad. The Committee, therefore, suggest that the Government should consider the feasibility of developing a suitable apparatus for collecting relevant economic intelligence and for disseminating the same to the banks which have branches/offices abroad so that the possibility of major frauds taking place in such branches could be averted in time.
58	5.44	The Committee are concerned to note that the extent of bad and doubtful debts accumulated over the years is not mentioned by the public sector banks in their annual accounts in view of the statutory protection provided by the Banking Regulation Act, 1949. The Committee do not agree with the stance during evidence that "time is not yet opportune" and "it may not be in our larger interest"

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		for the public sector banks to disclose their bad debts through their published accounts immediately. The Committee consider it as a sacred right of the people to know what is happening to their hard earned moneys deposited with the Banks. In any case, the position has undergone a great change after nationalisation of the Banks. The Committee do not feel that an overall disclosure of the bad debts affects the customer-bank confidentiality as per the provisions of the present Act in any way. The Committee therefore recommend that Banking Regulation Act, 1949 and other concerned statutes should be amended, if need be at the earliest with a view to make it obligatory for all banks including public sector banks to faithfully reflect the quantum of bad and doubtful debts including losses on account of frauds and dacoities, the amounts thereof written off as also their extent of overdue loans and advances to be recovered in their Annual Accounts for being laid on the Tables of Parliament.

ANNEXURE

(*Vide* para 4.15)

No. V –11013/2/87-Arms

Government of India/Bharat Sarkar

Ministry of Home Affairs/Grih Mantralaya

New Delhi, Dated 8th December, 1987

ORDER

S. O. No.......... Whereas the Central Government is of opinion that it is necessary and expedient in the public interest to exempt certain industrial or other establishments, companies, banks and firms from the operation of certain provision of the Arms Act, 1959 (54 of 1959);

Now, therefore, in exercise of the powers conferred by section 41 of that Act, the Central Government hereby exempts from the operation of the provision of sub-section (2) of section 3 of the said Act, the firearms, required for safeguarding the property and personnel of any company, firm, bank or industrial or other establishment subject to the following conditions, namely: —

(i) the licensing authority shall after taking into account the size, nature and location of the establishment and such other factors as such licensing authority may consider relevant and after considering the views of the establishment determine the number of firearms that may be acquired or possessed by such establishment;

(ii) a licence shall be obtained from the licensing authority for each such firearm in favour of the person in charge of the security of such establishment or where there is no such functionary the person in charge of the management of such establishment, by *designation*;

(iii) *upon such determination and issue of licences*—every such establishment in possession of fire-arms in excess of the number for which licenses have been granted shall forthwith surrender such excess firearms to the officer in charge of the nearest police station or with a licensed dealer in the manner laid down under section 21 of the said Act read with rule 46 of the Arms Rules, 1962.

Explanation—For the purpose of this order :—

(a) "bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934) and the scheduled banks as specified in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);

(b) "company" means company as defined in the Companies Act, 1956 (1 of 1956);

(c) "establishment" includes, where such establishment has more than one branch, each of its branches;

(d) "firearms" means arms and ammunition specified in columns 2 and 3 of Category III of Schedule I to the Arms Rules, 1962;

(e) "firm" has the same meaning as in the Indian Partnership Act, 1932 (9 of 1932);

(f) "industrial or other establishment" means such establishment as defined in the Payment of Wages Act, 1936 (4 of 1936).

Sd/-
(T. K. RAVINDRANATH)
Under Secy. to the Govt. of India

No. V–11013/2/87-Arms New Delhi, 8th Dec., 1987

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