

CHAPTER III

NATIONALISED BANKS

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CHAPTER III

"NATIONALISED BANKS"

1. INTRODUCTION TO NATIONALISED BANKS :-

The researcher has planned to study the status of personnel relationship i.e. the relationship exists in an industry.

The term industry is no longer confined to a small segment of economic activity but includes all gainfull employments. By the definition itself it includes banking activities also. Particularly nationalised banks being the state activities, the employees therein can be regarded as Public Sector employees. There is no reason to believe that the relations in the Public Sector enterprises are cordial. It is now evident that the relations strategy is different in Government industries and in Govt. departments and enterprises. Both the managements and workers are equally responsible for the industrial ~~xxxxxxx~~ unrest in the public sector. Unless both managements and workers deliberately make efforts to ensure peace and progress in the public sector, it is impossible for the industries to achieve the declared objectives. But one who closely observes the recent trends of industrial relations in the public sector would not hesitate to assert that both

managements and trade unions behave, without any concern, for the public sector units with which they are attached. They are quite indifferent regarding the progress of the enterprises concerned.

Indian commercial banks after nationalisation can be regarded as one of the major public sector industries.

2. BANK-DEFINITIONS AND MEANING :-

Before entering into the further details it will be worthwhile to refer to the definition of Bank. (The equivalent terms to the 'Bank' in various languages are English-Bench, German- Banck, Italian- Banco, or some such words as bancus, banc, Banque). But the difficulty is that just like other terms in social sciences a wide range of definitions have been prepared by the writers over the past 2 centuries. But no simple and all purpose definition can be given. In-fact a modern bank is heading towards a typical conglomerater organisation having its fingers on every class of business financing. But still no completely satisfactory definition of the term bank has yet been furnished. The Banking Regulation Act 1949 (then known as Banking companies Act) defines a banking company as " a company which transacts the business of banking in India" Sec 5(C)(1)

While the word banking itself has been defined as " accepting for the purpose of lending or investment or deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft order or otherwise " Sec 5(k) and this can be termed as a quite satisfactory definition as it enumerates the principal activities which a banking company engages in.

Primarily the term bank denotes the premises or building where such banking business is conducted. With the advent of limited liability joint stock companies, however the term bank has been used for the companies which * trans^{ac}t the Banking business. As such the terms, banker, banking and bank in practice have become interchangeable.

The business of bank is that of an intermediary between the saving and investment operations of public i.e. contacts are more established with the public.

As far as above definition of banking company is concerned it is mainly related to commercial bank. If at all, Indian Banking system is classified on functional basis commercial banks are treated as monopolists of true administration of payments mechanism from by further most important segment the Indian Banking system. They are the principal suppliers of credit to the business and the principal repository for the funds of household, coporations and other

institutions. They are the oldest banking institutions in India.

The characteristic feature of banking in India till as late as June 30, 1955 has been the existence exclusively of private commercial banks. All the classes of commercial banks, scheduled, non-scheduled, foreign and Indian were owned and controlled and managed by private enterprises, and shareholders. After Independence, Indian govt. just like other Governments in other countries, adopted the welfare policy and for which the measure undertaken was socialistic pattern of society. This goal is purposed to be achieved through democratic process. With this aim in view, a mixed pattern of planning is evolved. The 2 sectors, private and public are allowed to function, independently of each other. The public sector is wholly owned and controlled by Govt. The Public sector is made to grow by nationalisation of industries and institutions.

The banking institutions contribute one of the major industry. Because they are the custodians of private savings and a powerful investment to provide credit and hence steps were taken to bring the banking institutions under Public control by nationalising the majority of banks. Because

with the growing industrial development the banking sector was also developed and hence it was utmost essential to bring the banking sector under public control and measure taken was nationalisation. The term nationalisation implies state ownership and state management of industries and because of which banking has become the best example of mixed economy.

3. NATIONALISATION OF BANKS:

Soon after Independence the issue of nationalisation of banks has been put forward by some leaders of ~~leftist~~ nature. But in actual practice very slow steps were taken in the following way.

The Reserve Bank of India was acquired by the Central Govt. on January 1, 1949. Under the R.B. (Transfer to Public ownership) Act 1948 yet the case of Indian commercial banks remained in private hands. It is something else that the demand for nationalisation was being made by Indian economists and patriots right from 1921 when 3 Presidency Banks were amalgamated. But with the publication of All India Rural Credit Survey Committee Report in 1959, under the chairmanship of Mr. A.A. Gorwala the proposal could not be shelved for a longer period. Apart from other things, for the reorganisation and reconstruction of the rural credit the committee recommended the setting up of

COMPOSITION OF THE NATIONALISED
BANKS.

1. Reserve Bank of India - January 1, 1949.
2. State Bank of India - July 1, 1955
3. 8 Associates of State - 1959.
Bank of India
4. 14 Commercial Banks - July 19, 1969.
5. 6 Commercial Banks - April 15, 1980.

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"One strong integrated State Sponsored, State-partenced commercial banking institution". It's specific suggestions for this purpose was the nationalisation of the Imperial Bank of India and its conversion into State Bank of India with an effective mechanism of the branches spread over the whole country and thus the State Bank of India came into existance on July 1, 1955. Infact the Gorwala committee had suggested the nationalisation and amalgamation of 10 State -associated banks ~~xxx~~ with the Stat~~e~~ Bank of India right from the beginning. Yet it was preferred to keep their identities separate and be a little slow and hence it was only in late 1959 that eight major State associated Banks viz. The Bank of Bikaner, the Bank of Indore, The Bank of Jaipur, The Bank of Mysore, The Bank of Patiala, The Travankore Bank, the State Bank of Hyderabad and the State Bank of Saurashtra were taken over by the State Bank as its subsidiaries and thus the State Bank of India opened a fresh Chapter in the Indian Banking System. This was the first ever experiment in the public sector commercial banking in India and phenomenal success too. It is the largest commercial bank in the country. Its business is ever increasing.

In respect of other banks as well persistant and pressing demand has been made for their state ownership. Buttthe number of changes were made against nationalisation

and hence Govt. of India came out with the scheme of " Social Control over Commercial Banks" and introduced a bill to this effect in December 1967. It implied a tighter and stricter control over Banks. The Banking Law (Amendment) Act was passed in May 1968 and a well thought scheme essentially carried at management reforms and a more detailed direction from the Reserve Bank was enforced with effect from the 1st Feb, 1969. Even though such a provision was made to remove the weakness of Indian Banking System, still it was experienced that such a social control had not changed the position very much and the complaints and criticism was still continued.

But on the night of July 19, 1969 the then President V.V. Giri, all of a sudden issued an ordinance of Nationalisation of 14 Major Scheduled Commercial Banks. It was a revolution in Indian Banking system. The revolution did not merely signify a change of the ownership but it was the beginning of a co-ordinated endeavour to use an important part of the financial mechanism for the country and economic development. The step of nationalisation was intended to accelerate the achievement of the objectives of social control.

List of names of Banks, nationalised in July 19, 1969.

1. Allahabad Bank Limited
2. The Bank of Baroda Limited
3. The Canara Bank Limited
4. The Central Bank of India Limited
5. Dena Bank Limited
6. The Bank of India Limited
7. The Indian Bank Limited
8. The Bank of Maharashtra Limited
9. The Indian Overseas Bank Limited
10. The Panjab National Bank Limited
11. Syndicate Bank
12. The Union Bank of India Ltd.
13. The United commercial Bank Limited
14. United Bank of India Ltd.

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It was natural for the Govt. to protect the earlier nationalisation and yet meet the constitutional object^vies of the Supreme Court, therefore another ordinance was promulgated by the President of India on Feb. 14, 1970, renationalising 14 Indian Majors, subsequently the ordinance was replaced by the Banking Companies (Acquisition and Transfer of undertakings) Act 1970 (Nationalisation Act). x

In addition to this, on April 15, 1980, the Govt. issued an ordinance taking over six more commercial

Banks from private sector.

List No.3.2 -names of banks on nationalisation

April 15, 1980.

1. Andhra Bank
2. Corporation Bank
3. New Bank of India
4. Punjab Sind Bank
5. Oriental Bank of Commerce
6. Vijaya Bank.

Thus the Govt. further extended the area of public control over the country's banking system.

And there are 20 nationalised commercial banks in addition to the State Bank of India group.

4. INDUSTRIAL RELATIONS CONNECTED WITH THE EFFICIENCY OF EMPLOYEES IN NATIONALISED BANKS

Various arguments were put forward for nationalisation but one of the important issue was the " efficiency issue" and which is mainly related to the employees in the Banks i.e. to reduce the cost of credit and to maintain the efficiency at higher levels.

But the overall criticism on the management and organisation has still been confined. The Banking Regulation Act has tried to tone up the administration and management of banking companies. From time to time

changes have been made in the earlier provisions. It is openly criticized that the general attitude of the staff has changed from bad to worse i.e. delay in attending customers, misuse of discretionary powers given to officers in rural areas, fraud etc. and thus the nationalised banks have not succeeded in creating good image themselves which was almost essential to win the public confidence.

Banking being service industry, in fact, efficiency is utmost essential for development and the researcher wants to note down that whether the efficiency has been affected due to increasing % of the women employees or whether the relations of employees have not remained that much cordial.

The 2 Major features which can be noted down after nationalisation were -

1. The higher and higher pace of branch expansion
2. Rural orientation of branches.

Hence it was but natural that the number of employees in banking industry has increased tremendously.

The success of banking business depend upon locating developing and making the use of talents of its employees and because of which industrial relation can be smoothened. In fact the commission has taken into consideration all the factors in which the industrial relations may be disturbed and it has also recommended

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certain valuable suggestions related to employees. But still no special points of difference in sex has been put forward or considered.

In the article by Manmohan Singh in the issue ^{of} Commerce _^ October 1984 Namely " Indian Banking Systems in the 7th Five year Plan". It has been stated that ,

" Major Structural change has taken place in 1969 by nationalisation of 14 Commercial banks and hereafter 6 commercial banks in 1980. Branch expansion programme has also been followed. There has also been a massive quantitative change in the operation of banking system. Our banks have been called upon to assume a great variety of new responsibilities and the success so far achieved depends naturally upon the policy matters as well as the efficiency of the staff.

But still the customer service has not received attention which was essential and Indian Banking System has to make a major contribution to the successful contribution of the 7th Plan and it has to play a strategic role ".(2).

According to the point of view of researcher to accept this responsibility successfully depends upon the contribution of employees and hence the researcher has selected the area of nationalised banks for the survey purpose.

The researcher has limited the work of survey upto Kolhapur city only. Under the lead Bank scheme, presently Bank of India plays the role of lead bank and the researcher could collect some of the related information from this source only.

5. NATIONALISED BANKS IN KOLHAPUR CITY :-

As far as Kolhapur city is concerned following nationalised Banks have their branches at following mentioned places and where the researcher had personally visited to collect the necessary information about women employees particularly.

3.3 List of the Branches of Banks nationalised in Kolhapur

1. Allahabad Bank : Tarabai Road, Sanman Hotel Bldg
2. Andhra Bank : No Branch
3. Bank of Baroda : 1. Shivaji Chowk branch
2. Shahupuri Branch
4. Canara Bank : 1. Laxmipuri Branch
2. Rajarampuri Branch
5. Corporation Bank : Opposite Kolhapur Mahanagar Palika.
6. Central Bank of India: 1. Gavati Mandai, Shahupuri, Kolhapur.
2. Laxmipuri Branch.

7. Bank of India : 1. Ambabai Temple Branch
2. Laxmipuri Branch
3. Regional Office, Opp. Parvati talkies.
4. Shahupuri Branch
5x
9. Indian Bank : 1. Laxmipuri near Padma talkies, Lucky store Bldg.
10. Bank of Maharashtra : 1. Divisional Office, Sakoli Corner.
2. Gangavesh Branch
3. Jawaharnagar Branch
4. Khasbag Branch
5. Laxmipuri Branch
6. Ruikar colony Branch
7. Sagarmal Branch
8. Rajarampuri Branch
9. Khari corner, Branch
10. Zonal Office near Pearl Hotel
11. Mahaxxxx Rani Laxmibai Chowk Branch
12. Extension counters
a) Tararani vidyapeeth
b) M.S.E.B.
11. New Bank of India : No Branch
12. Indian Overseas Bank : 1. Shivaji Udyamnagar Branch

13. -Oriental Bank of Commerce: 1. Shivaji Chowk Branch
14. Panjab National Bank : 1. Near Uma talkies
15. Punjab and Sind Bank : No Branch
16. Syndicate Bank : 1. Laxmipuri Branch
17. State Bank of India : 1. Desara chowk Branch
2. Market Yard Branch
3. Treasury Branch-
Dasara chowk
4. Timber Market Branch
5. Udyamnagar Branch
18. Union Bank of India : 1. Laxmipuri Branch
2. Regional office
3. Market yard branch
4. Station Road branch
19. United commercial Bank : 1. Station Road Branch
2. Shivaji University
Branch
20. United Bank : No Branch
21. Vijaya Bank : 1. Laxmipuri Branch
~~2. Near Uma talkies.~~