The Changing Profile of Indian Banking

by

J. N. Saxena

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The A. D. Shroff Memorial Trust
Piramal Mansion, 235, Dr. D. N. Rd.,
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THE A. D. SHROFF MEMORIAL TRUST

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(i) Publication of one or more books in English, Hindi, and regional languages annually on some of the great builders of Indian economy aimed primarily at educating the younger generation in high standards of building the national economy as practised by those great entrepreneurs and placing the example of their lives for emulation by India's youth.

(ii) Organising one or more memorial lectures annually on subjects which were of interest to the late Mr. A. D. Shroff, namely, banking, insurance, and industrial finance, the subjects to be chosen in rotation and the lctures to be delivered by persons eminent in these fields.

(iii) Awarding annual scholarship or scholarships to outstanding student or students in the field of management.

(iv) Instituting a prize to be known as The A. D. Shroff Memorial Prize for the student standing first in Banking at the Sydenham College of Commerce, Bombay.

(v) Doing all such acts, matters and things as are incidental or conducive to the attainment of the above aims or objects or any one or more of them; and

(vi) Without prejudice to the above charitable objects or any of them, the TRUSTEES shall have the power to spend, utilise and apply the net income and profits of the TRUST FUND for the TRUST FUND for the charitable object of education or such other objects of general public utility not involving the carrying on of any activity for profit as the Trustees may think proper, it being the intention of the SETTLOR that the income and/or corpus of the Trust Fund shall be utilised for all or any of the aforesaid charitable objects without any distinction as to caste, creed, or religion.

INTRODUCTION

Every year the A.D. Shroff Memorial Trust invites an eminent person to deliver a public lecture — the subject being, generally, banking, industrial finance or insurance. In April 1977, the Trust was fortunate in being able to arrange a lecture on banking by the outstanding authority on the subject — Mr. J. N. Saxena, who is now the Chairman of the Industrial Development Bank of India.

Our banks have a crucial role to play in the economic regeneration of the country. In view of the many vital changes and innovations made in the banking industry in recent years, particularly in their orientation to the varying needs of the economy, the observations of the veteran professional banker, Mr. Saxena, are bound to prove highly interesting and profitable to bankers, policy-makers and the public. The Trustees have pleasure in publishing the text of Mr. Saxena's remarkably perspicacious lecture.

Bombay
1st June 1977.

N. A. Palkhivala
Chairman, Board of Trustees

A. D. SHROFF

(1899 - 1965)

A. D. Shroff's achievements in the field of business. industry and finance were many and varied. A large number of enterprises owe their origin and development to him. As an economist, his predictions have proved right over the years. Through the Forum of Free Enterprise, which he founded in 1956, as a non-political, educative organisation, he sought to educate the public on economic affairs. It was his firm conviction that a well-informed citizenry is the foundation of an enduring democracy.

George Woods, former President of the World Bank, paid the following tributes to A. D. Shroff:

> "In every age and in every society men must express anew their faith in the infinite possibilities of the human individual when he has freedom to develop his creative talents. For this is in large part how the message of freedom is passed from generation to generation. A. D. Shroff spoke eloquently in a great tradition, and thanks to him we can be sure that other great men of India will continue to speak this message in the unknown context of our future problems."

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THE CHANGING PROFILE OF INDIAN BANKING

J. N. Saxena

It is my proud privilege to be called upon to deliver the A. D. SHROFF MEMORIAL LECTURE this year. And, at the outset, I would like to pay my homage to the great man whose memory is enshrined in this Trust. Of the many achievements to Mr. Shroff's credit, mention would perhaps be most opportune today of the Forum of Free Enterprise, a non-political educative organisation, which he founded in 1956, because of his firm conviction that 'a well informed citizenry is the foundation of enduring democracy'.

I did not have the good fortune of knowing Mr. Shroff personally, although I did have occasion to meet him and to listen to a few of his lectures to different audiences. Yet I could, if I may, claim a linkage or connection — even if indirect and distant. Mr. Shroff provided the penultimate link in the galaxy of the illustrious Chairmen the Bank of India had the privilege to have in its first 65 years. And, it is this Bank that I was privileged to serve for five years between 1970 and 1975.

Mr. Saxena is a professional banker, having served in various capacities the Imperial Bank of India and subsequently State Bank of India, from 1938 to 1970, and Bank of India as Chairman and Managing Director from 1970 to 1975. He is now the Chairman of the Industrial Development Bank of India (IDBI). This is the text of the public lecture delivered under the auspices of the A. D. Shroff Memorial Trust, in Bombay, on 25th April 1977.

Coming to the subject of this lecture today, the title, as you know, is 'THE CHANGING PROFILE OF INDIAN BANKING'. Indian Banking has undergone a sea-change, particularly in the last 10-15 years. I use the term 'sea-change' because the changes have been of an order which could not have been imagined, much less foreseen, in the fifties. What is more, the changes have been multi-dimensional — structural, physical, qualitative and conceptual. The picture, which Indian banking, presents today, is thus far different from what it was in 1951. What are these changes?

Public Sector in Banking

Let us consider the structural changes. A major change has been the emergence of the public or state sector in banking, which now controls commanding heights in the industry, covering as it does about 85 per cent of the banking business.

It would be of interest to examine why the public sector at all emerged in banking. Commercial banking in India was concentrated in the port towns of Bombay, Calcutta and Madras and a few other important centres. Even as late as 1951, the bias in favour of larger population centres continued, inasmuch as 63 per cent of the bank offices were in towns having a population of over 25,000 and only 37 per cent at centres with a population of 25,000 and less. Also, commercial banks were mainly undertaking wholesale banking, apart from commodity financing in mandi towns. The huge buildings and the style of their operations scared the common man. Banks also considered small accounts a costly proposition. The savings of the common man were channelled mainly into unproductive areas and his credit needs were met by the unorganised money market where the interest rates were exorbitant.

This lopsided nature of banking development, the absence of institutional avenues for savings particularly in rural areas, and the urgency to take care of their investment needs required remedying. The Rural Banking Enquiry Committee and the Committee of Direction of the All-India Rural Credit Survey made valuable recommendations in this respect. This led to the creation of the State Bank of India in July 1955, which took over the undertaking of the Imperial Bank of India and which was given the mandate to open 400 branches within five years of its inception, mainly in rural and semi-urban areas.

Shortly after its establishment, the State Bank of India took over, as its subsidiaries, the State sponsored Banks of the erstwhile Princely States of Bikaner & Jaipur, Hyderabad, Indore, Mysore, Patiala, Travancore and Saurashtra. Other smaller ones were merged with the State Bank of India. Likewise, a number of other smaller and weak banking institutions were merged with some of the other larger banks.

Nationalisation of the Imperial Bank of India in July 1955, gave the much needed 'push' for it to extend its operations in the interior of the country: that was why the mandate given to it of opening 400 branches in rural and semi-urban centres within a span of 5 years. The State Bank fulfilled this requirement a little ahead of schedule. The State Bank also undertook the promotion and financing of small industries, and support to rural credit operations through assistance to land mortgage and other co-operative banks.

However, the other banks did not change their policies, to adapt themselves to the new requirements. A further 'push' had therefore to be given, in 1968, through the introduction of 'Social Control' on banking. 'Social Control' envisaged, **inter alia,**

(a) changes in the constitution of Boards of banks, aimed at giving a professional bent to bank management,

(b) imposition of certain restrictions on grant of loans/advances by banks,

(c) extension of credit to small industries, agriculture etc.

(d) giving additional powers to the Reserve Bank of India and

(e) setting up of an All-India Training Institute for improving the technical and managerial skills of bank executives.

Although the 'push' so given did have effect, it was considered inadequate. A final 'push' was then given, in July 1969, through Nationalisation of 14 major banks, viz., those with deposits of Rs. 50 crores or more, who accounted for 57 percent of the aggregate bank deposits. As with 'Social Control', apart from removing control by a few and giving a professional bent to bank management, the objectives were mainly, —

i) Extension of credit to those segments of economy that were being neglected, for example, agriculture, small-scale industries, small business etc.

ii) Encouragement of new entrepreneurs;

iii) Removal of regional imbalances or reducing inequalities between different groups or regions; and

iv) Rural development.

Looking back, in retrospect, I am afraid I will have to state that it was the philosophy that then guided bank managements that forced the entry of public or state sector in the banking system. And, the results achieved will perhaps justify the means, from the discussion to follow.

Regional Rural Banks

Another major structural change was the launching, in October 1975, of the scheme of Regional Rural Banks. As these banks could combine the 'local feel' of co-operatives and the 'management skills' of commercial banks, they were expected to provide a better instrument for rural development. The scheme envisaged operations of each bank to be confined to one, two or three districts, while its principal responsibility was specified to be provision of credit and other facilities to the small and marginal farmers, agricultural labourers, artisans etc. in rural areas. The scheme also envisaged sponsoring of each Rural Bank by a public sector bank, with provision for its capital to be subscribed by the Government of

India, the State Government and the sponsoring bank in the ratio 50:15:35.

40 Regional Rural Banks had been established by the end of 1976, covering 72 districts and spread over 15 states. Their branch network had already reached the number 491.

While some had reservations about this scheme of Regional Rural Banks, I had welcomed it. I congratulated the then Finance Minister for reviving a proposal which I had mooted way back in 1971. At that time, even with the blessings of the then Finance Minister and Reserve Bank Governor, the scheme could not take off the ground, as the Banking Department had some reservations about it.

The scheme I proposed was a little different. It envisaged setting up of 'District' banks but without the participation either of the Government of India or of the State Governments. The share capital was to be taken up by the sponsoring bank (30%), the other banks operating in the concerned district(s) (30%), the State financing agencies (20%) and the residents of the district(s) (20%). The subscription of the residents of the district(s) was intended to secure their involvement and was to be as widely spread as possible. Among the residents, I also included the village money lenders. My experience had shown that it was not easy to replace the village money lender. Howsoever hated he might be for his usurious rates of interest, etc. the fact remains that he is ‘one of them’. He shares their joy as well as their grief. Above all, he is available at any time — even at odd hours at night. I did not see that it would be possible for any institutional agency to provide such service at any odd hour. And, I toyed with the idea of roping him in, with the hope that some way might be found of using him as an agent in an endeavour that he gives up his much maligned practices. However, I had indicated that if his or the private shareholding as such was objected to, there would be no problem. The proposal could easily be modified, by arranging for the balance of 20% to be taken up by the participating banks.

Rural Banking

I am convinced that having regard to the dimensions of the problems to be tackled in rural banking, the scheme of “district banks” or “regional rural banks” is the one that offers the best solution. Let us consider the dimensions. The number of rural bank offices presently stands at nearly 9,000. To provide banking services to about 6 lakh (active) villages on the basis of one office to 10 villages, 60,000 rural bank offices will be required. That would mean that the banking system would have to open another 50,000 rural bank offices. At the rate of approximately 3,000 offices per year, which is the maximum banking system has so far opened within a year (in 1976), and assuming that all offices are opened in rural centres, it will take 17 years to complete the programme. This is far too long a period. People cannot be expected to wait that long or have that much patience. Besides, one shudders at the enormity of the problems that the banking system would then have to face in management— of communication, coordination and control. After all, there is always an optimum for any organisation to manage efficiently in any given circumstances. The optimum can be varied, on varying the circumstances, but, not merely by increasing the 'input of men'. And, there is always a limit, any expansion beyond which affects efficiency in operations, unless resort is had to modern management aids. One such aid, that can help contain expanding organisations, is the data processing technique. The State Bank of India does have a data processing centre but the technique has so far been made use of only for branch clearing and statistical compilations. Even deposit accounting has not yet been taken up. What is more, for quite some time to come, it does not seem likely that it would be possible for tele-processing to become available, an essential requirement for managing, administering and controlling a branch network of that magnitude.

Then, there is the requirement of a different staffing pattern, with a 'local' bias and on different scales of pay. And, there is the question of decision making as well. Even in the best organisational climate conducive for exercise of discretionary powers, some hesitation is discernible, may be, because of a feeling that the boss expects the delegatee to take the same view of things which he would take.

Regional Rural Banks provide for a decentralised set-up, backed by the financial support and technical as well as management skills of the sponsoring banks. The staffing problem gets automatically solved, while decision making is virtually on the spot, with the highest decision making authority, viz., the Board, located at the district headquarters.

I must, however, point out that it would not be correct to confine the operations of Regional Rural Banks to provision of credit and other facilities to small and marginal farmers, artisans and other weaker sections of the society in the rural areas. While there can be a preponderance of such loans/advances in their credit portfolio, there should be no bar to their entertaining other 'local' banking business. They may only take a small share of such **other** business and pass on the balance to the sponsoring bank or some other commercial bank operating in the neighbourhood, on an 'agency' basis. This would ensure that Regional Rural Banks do not get handicapped in so far as deposit collection originating from such other sources is concerned.

In addition, there should be provision for 'selling' and 'buying' 'participations **with risk'**— as distinct from 'participations **without risk'** which are really tantamount to refinancing. Participations **with risk'** could even be considered on term loans. In this manner, on the one hand, Regional Rural Banks will be enabled to achieve a spread of risk in their credit portfolio and, on the other, it can be ensured that the other banks continue to be involved in rural credit.

With these facilities at their command, supported by good cash management, I am sure, Regional Rural banks can become viable propositions. And, I will commend their establishment even in districts where co-operatives are strong. For one thing, the field is so vast and there is so much to be done that both can exist side by side and, for another, an element of competition will do good to co-operatives as well.

Profile of Growth

Looking at the physical changes, I do not think I really need to make the point that the banking system today is far different from what it was, say, in 1951. I must, however, quote certain basic statistics to bear this out, —

(a) The number of commercial banks' offices rose by 19,479 from 4,151 at the end of 1951 to 23,630 at the end of 1976.

(b) As a result, during the period an improvement was recorded in the population served per bank office, which came down from 71,500 to 26,000.

(c) Illustrating the dispersal of bank offices, the percentage of rural offices in the total bank branch network went up from 13.5% to 37.3% during the period, to take the number of such offices to 8,820 at the end of December 1976.

(d) Aggregate deposits of scheduled commercial banks rose from Rs. 843 crores at the end of 1951 to Rs. 17,132 crores at the end of 1976. **Per capita** deposits of commercial banks amounted to Rs. 245 in December 1976 against Rs. 36 in December 1951. The proportion of deposits to national income at current prices also went up from 9% to 25% during this period.

(e) Aggregate advances rose from Rs. 584 crores to Rs. 12,909 crores.

(f) The pattern of advances also registered a change. Advances to industries rose from 33.4% of the total in December 1951 to 62.2% in December 1975.

As bulk of this progress was achieved in the post nationalisation period, I also quote certain indicative figures covering this period, —

(a) The number of offices of scheduled commercial banks went up by 15,368 between June 1969 and December 1976, to stand at 23,630. The contribution of the 22 public sector banks in this respect was 9,892 offices.

(b) Of the total, offices opened in rural areas numbered 6,988, taking the total number of rural offices to 8,820 at the end of December 1976. Rural offices of the 22 public sector banks numbered 6,877 in December 1976.

(c) Offices of the scheduled commercial banks in the backward states of Assam, Bihar, Orissa, Madhya Pradesh and Uttar Pradesh also went up from 1,537 to 5,640 improving the position with regard to the population served per bank office in the case of Assam from 1,98,000 to 51,000; Bihar 2,07,000 to 57,000; Madhya Pradesh 1,16,000 to 40,000; Orissa 2,12,000 to 51,000 and Uttar Pradesh 1,19,000 to 38,000.

(d) The aggregate deposits rose from Rs. 4,646 crores to 17,132 crores between June 1969 and December 1976.

(e) The contribution made to aggregate deposits by the rural branches went up from 3.1% in June 1969 to 8.1% in June 1975.

(f) The aggregate advances rose from Rs. 3,599 crores in June 1969 to Rs. 12,909 crores in December 1976.

(g) The disbursement of credit in the backward states also went up from Rs. 349 crores in December 1969 to Rs. 1,146 crores in December 1975.

(h) The share of the priority sectors in the total credit went up from 14% at the end of June 1969 to 26.6% at the end of December 1975.

It will thus be observed that the branch network of commercial banks has expanded rapidly and extensively. Banks have moved into semi-urban and rural areas in a large way. They have also expanded their branch network in the backward states in an endeavour to reduce regional imbalances.

It is also significant to note that even at rural branches, credit-deposit ratio has been consistently improving. From 37.5% in June 1969, the figure had come up to 52.6% in December 1974. The ratio would have since further gone up.Viewed in the light of the fact that the liquidity requirements today siphon off as much as 41% of deposits, this will dispel the impression that prevails in some quarters that deposits collected at rural centres are being drained out to urban and metropolitan centres.

Qualitative Changes

The qualitative changes have two distinct aspects — firstly, from wholesale banking, banks have taken up retail banking. Secondly, there have been changes in philosophy and techniques, particularly in the area of bank lending.

Getting into retail banking, banks have, over the past two decades, gone in a big way to extend credit for small industry, agriculture, small business and other weaker sections of the society, called collectively the 'priority sectors'. The share of these priority sectors to total credit, which was 14% in 1969, stood at 26.6% in 1975. Agriculture now accounts for about 11% of total credit and small industry covers approximately 12% of the total.

It should be noted in this respect that the percentages get distorted because of the emergence of a new class of customers in wholesale banking, such as the Food Corporation of India and the Cotton Corporation of India. Advances for food procurement alone have risen from Rs. 233 crores at the end of June 1969 to Rs. 2,164 crores in December 1976, raising their share in total bank credit from 3.5% to 16.8%.

The impact of retail banking is seen in better perspective on looking at the composition of accounts by size of advances. There were over 56 lakh accounts with limits upto Rs. 10,000, placing their share in the total number of accounts (61 lakhs) at 90.8% at the end of June 1976, as against 10.5 lakh accounts covering 88.9% in June 1969.

The change in philosophy and techniques first took place in the sphere of bank lending. The concept of viewing a balance-sheet from the point of view of 'liquidity' had to give way to an evaluation as a 'going' concern. This meant a change in the method of analysis of company balance-sheets, and involved a study of trends rather than merely of the position as at a particular date. The philosophy also changed and the purpose became more important than the security aspect, the other credit factors, in sequence of their order, being payment (source of payment), people, prospects and protection, the last named covering the security aspect.

The concept that, as bank deposits are largely repayable on demand, banks should not make any term loans, was also abandoned. It was realised that short term loans were not really as liquid as they were believed to be, as they have normally to be rolled over, and often with higher limits when expansion takes place in production and turnover. It was also realised that deposits, even those repayable on demand, are not so volatile as apprehended, and that, in any case, savings bank balances, comprising small accounts, were the least volatile. This led to the banks entering into term lending.

My personal view in this respect has, of course, been that term loans, if properly appraised, are more liquid in that repayments come in on scheduled dates, except when the assumptions on which the surplus generation is based go awry with a drastic swing in economic conditions.

In the past three years, bank lending has received further sophistication in pursuance of the Tandon Committee Report. Not only is the advance granted related to the actual needs of the borrower, the periodical follow-up returns enable a continuous review of their operations **vis a vis** their quarterly budgets, which makes it possible for banks to keep a close watch on the use of the funds lent. This has brought about sophistication in credit administration and control.

Insofar as this is concerned, there could be no difference of opinion. However, I have always held the view that what is financed is not the 'inventory held' or 'receivables carried', but the 'activity' in which the borrowing company is engaged. And, it is the scale of the activity which determines the working capital requirements. Viewed from this angle, I do carry an apprehension that bankers may be led into regimentation by the Tandon Committee Report, because of the emphasis laid therein on the levels of different items of inventory to be carried etc. I only hope that this does not happen.

There is one other aspect of the Tandon Committee Report which warrants mention. It is admittedly necessary that some part of the working capital requirement should be brought in or provided by the borrowing company. I had termed this part of working capital, in the early sixties, as 'long-term working capital'. Difficulty, however, arises when the borrowing company does not have adequate long-term working capital. The company can then either look to a term borrowing for that purpose or to raising equity. In the present position of the capital market, it is not easy to raise capital, except where there are prospects of above-normal profitability. For borrowing, the company will have to fall back on banks, as financial institutions do not entertain requests for term loans against **existing** fixed assets. With the emergence of new claimants on bank loanable funds, coupled with the enhanced liquidity requirements, currently enforced at 41%, the availability of funds with banks is limited and it may not be easy for banks freely to entertain requests for such loans. I hope, therefore, that the financial institutions will soon take a fresh view in this regard and agree to grant term loans for long term working capital requirements against **existing** fixed assets.

Conceptual Changes

Conceptually, since the introduction of 'social control' bank managements have become conscious of their social responsibility and public accountability. They understand today that profit maximisation cannot be the sole objective of their operations and that a fair balance has to be maintained between profit maximisation and achievements in the socio-economic field. The weightage for profit motive cannot obviously be unduly reduced as, if banks begin to lose, their capacity to do work in the socio-economic field will itself get impaired.

It is in this view of things that bankers have gone, in a big way, to grant loans to small farmers, small business and other small borrowers belonging to the weaker sections of the society, aimed at improving their income and, in turn, their economic condition. Such loans are, therefore, granted on easy terms and at concessional rates of interest. Often, ancillary occupations are devised and loans granted therefor. There is also an effort to support programmes which create self-employment — and the effort at promoting entrepreneurship and providing financial assistance wherever potential is located. Removing inequalities and/or imbalances and village adoption are also programmes with the same objectives.

This is as it should be. And, every thing possible needs to be done to see that the gains of economic development are also shared by the weaker sectors of the society. It is, however, necessary to ensure that money is 'lent', and not 'pushed'. Bankers must distinguish 'pushing' money from 'lending'. What is more, it is necessary for the banker to distinguish between 'dynamic' lending and 'static' lending — the former results in increased output and return, while in the case of the latter there is no effect on output or income. Obviously, what is needed is 'dynamic' lending, so that bank assistance may lead to higher output and incomes. And, it is now time that a survey is made to ascertain the position in this regard in respect of the loans/ advances made in the last few years.

There are a few other words of caution. It is necessary for the banker to draw a line where the proposition converts itself into a purely welfare function. For that is a function of the State, not of bankers. Also, and this applies mainly to public sector bankers, while attuning their programmes and policies to subserve the national priorities and objectives, bankers must guard against succumbing to political pressures.

However, certain propositions do come up which are socially desirable and, although not immediately bankable, hold out promise of becoming so in course of time. There may also be an idea which has potential of being converted into a worthwhile commercial application. Such propositions would need to be considered, may be after devising appropriate steps for screening, so that the number of propositions that fail does not render such assistance unworkable. Then, there may be programmes for, say, slum clearance and the like, which it may be worthwhile to support. For all such purposes, bankers may like to consider the creation of separate 'socio-economic development fund' through allocations from their profits. It is not unlikely that Government may be pursuaded to grant an exemption from income-tax for such allocations.

Strength and Weaknesses

As we see today, banks have built up by now a good infrastructure of branch network. Banks have also succeeded in bringing into their fold the small man in a big way. They have gained worthwhile experience in financing small industries, small business and agriculture. All these will stand them in good stead in the future.

Banks have also geared their organisations for them to be able to cater to the changing needs, they have taken to performance budgeting, apart from credit planning.

Yet, there are some weaknesses too. A major weakness stems from the terrific pace at which branch expansion has been resorted to, without pre-planning personnel requirements. This has inevitably resulted in a dilution in the quality of leadership banks can provide at their branches — an important factor for efficiency of operations at branches. This is apart from the lack of adequate technical skill and experience. Unfortunately this has led to a deterioration in the quality of customer service provided, for which there has been continuing criticism from all quarters. But, I am aware, this matter is receiving the serious attention of all bank managements. And, I am confident, the steps they have taken for manpower planning, training and development, would soon yield fruitful results.

Speaking specifically of collection and clearance of cheques, which has been a continuing grievance of customers, I am also aware, several measures are being considered by bankers to speed up clearance and I hope the position will soon appreciably improve. To my way of thinking, however, the real solution would lie in giving immediate credit **subject to realisation,** of all cheques tendered for collection, it being clearly understood that cheques dishonoured will have to be recovered from the customer's account. This should be possible once the law is passed making it an offence to draw cheques without adequate funds in the relative accounts.

There is one other development which I cannot, but mention before closing. For the last two years or so, there has been talk about sensing warning signals of units becoming sick, and of rehabilitation of sick units. It is not easy to read and interpret the signals as a warning for sickness. This needs, apart from technical skill, a lot of experience and maturity. And, it has to be realised that credit administration and control are not confined to head-offices of banks, but are spread over at different levels. In the present state of management development, it may not be easy for all officers, handling credit administration and control at various levels, to read and interpret the signals correctly.

As for rehabilitation of sick units, I find emphasis on all sides seems to be on grant of additional credit, where feasible, in the form of soft loans. Quite often the interest burden, even taking into account the softness of the additional loan, is too heavy for the unit to bear. This, apart from other factors, seems to me to be the main reason why it has not been possible for the Reconstruction Corporation of India to revive into health any significant number of sick units. Rehabilitation of sick units often needs a multi-pronged approach covering operations such as the conversion of part loans into capital, when if necessary, after reduction of existing capital; reduction of existing loans; funding, reduction or waiver of unpaid interest, and the like. Even mergers may need to be considered with the healthy units in the event of an amendment of tax laws permitting tax relief in respect of the carry forward losses brought in by the sick units.

To sum up, banking operations deal with money and money is an inherent ingredient of every aspect of human activity. It is natural therefore that banking operations should change to keep in tune with the changes in the economic, social and political environments. The changes in the profile of Indian banking, I have discussed, have so far **followed** the **latter** changes. But, time has long passed when bankers could merely wait to 'adapt to change'. They will now have to so gear the organisations that they are enabled to **anticipate** and **prepare** for change. This is the number one problem bankers face today.

Consider, for instance, the attitudes to work, which have undergone a change in recent years. The traditional view of work is now being challenged by new social and cultural values. There has virtually been a transformation in work **ethics**. Most employees now feel the necessity for more satisfaction from, and challenge in, their jobs. What is more, some discretion and decision making at their level, naturally accompanied by responsibility and accountability, makes the job more meaningful and worthwhile. Have we done anything so far to tackle this problem? I know the answer is 'No'. But, it is time that this matter is now given urgent attention. May be in the solution may lie the answers to improving productivity as well as quality!