

Professionalism in Co-operative Banks

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ABSTRACT: *There can be no denying the fact that the image of the co-operative banks has suffered in view of the events of the past few years. In fact the process started with the collapse of the Madhavpura Co-operative Bank in Gujrat. The south Indian Bank, a co-operative Bank of high repute shut down with the looming threat of high NPAs. The confidence of the people in the co-operative banking has shaken to such an extent that even a bank with excellent performance is not spared. How to regain the lost confidence of the public? One way to solve this and enforcing the faith and confidence of depositors is application of professionalism in the management of co-operative banks.*

Professional Management is a process of performing the managerial functions with specialized skills and expertise through formal training and specialized knowledge. That is induction of all employees and managers with adequate education and training in order to update themselves. One of the major reasons for the failures in the case of co-operative banks can be attributed to lack of professionalism. The modern concept which is accepted among organizations is either flourish or perish. Only professionals will flourish and non professionals will definitely perish.

What is professionalism?

Professionalism is the expert characteristics of a person or organization with the conscientious awareness of the role, manage skills, knowledge and commitment to quality and client oriented service. This shows that how focused the employees should be in an organization, with a sense of urgency and responsibility, towards the specific goals of an organization. Professionalism is thus a focused, accountable, confident, competent motivation towards a particular goal, with respect to hierarchy and humanity with less of emotion. Let us analyse the need of professionalisation among the co-operative banks.

Need for Professionalism in Co-operative banks.

In India the practices of management is evident from Vedic age, through Kautilya's Arthashastra, Chanakya neeti etc. But the techniques of management used in those days are not sufficient today since the entire scenario has been changed drastically. Due to the LPG (Liberalisation-Privatisation-Globalisation) regime urban co-operative banks are facing three faced competition from Public sector, private sector and foreign banks. Modernization, expansion and diversification, application of latest technology, adapting as per the requirements Regulatory norms, requires specialized knowledge and skills by the managers. Only a professional manager can think about innovations and inventions. A professional will be in a position to

think solutions at the right time and at right place. He can predict about the future developments and adjust his own policies accordingly.

Another factor which calls for innovation is Finding out new product policies and marketing strategies for his bank, according to changing financial environment. Finding out solutions for the complicated problems of marketing can be done only by an effective manager. To make him effective professionalism is a must.

In a country like India which, has a largest network of co-operatives, it is a pitiable situation that urban co-operative banks are mismanaged or under-managed. It cannot attract the professionals since the salary structure and facilities offered to the personnel are much below the market rates.

How can a bank become professional I

A service industry is basically intangible as well as perishable. Therefore professionalism is something which has got a primary concern. Every process and service delivery should be perfect otherwise, chances are there that it may even affect the survival. Professionalism includes not only efficiency in management but also effectiveness, so that the firm can achieve its goals and objectives. Therefore being in service industry co-operative banks should try to achieve excellence by systematically following certain parameters given below:

1. Rules and Regulations

The whole organization should follow the rules and provisions of various acts very strictly. Regular meetings of shareholders managing committee members etc should take place regularly. Follow up actions should be taken. Nobody should act with an intention of any vested interest.

Bye laws Bye- laws of any organization includes the objectives, mission and vision statements which will be achieved by that organization in the near future as well as in distant future.

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2. Strategic Management

Professional management is a process of planning, organizing, monitoring and controlling of banking activities in effective and efficient manner to achieve the objectives of the bank. In reality most of the board of directors of co-operative banks does not possess any qualification and does not possess knowledge about the banking business. They are getting appointed either because of the community or as relatives. Since the environment is becoming complex the board of directors and Chairman should be highly qualified so that professionalisation can be incorporated very easily. They should know how to apply management techniques such as Business Process Re - Engineering (BPR), Kaizen management, bench marking, as well as Total Quality Management (TQM). Along with the board the employees should also be highly competitive with knowledge, foresight and insights. The HR policy of the organization should be well designed and structured towards this effect.

3. Technology

The traditional managers are unaware of the current trends in technological advancements. Most of them are not interested in updating themselves as per modern trends and tendencies. Lack of adoption of modern technology binds their progress and they are not able to cope with the transformation in the banking system.

This is another important area towards professionalism. Many of the urban co-operative banks have adopted very minimum technological upgradation. But research and development activities are not at all undertaken by these banks. Banks should adopt Marketing Information system (MIS) as well as Marketing Research (MR) mechanisms so that market sentiments can be understood very easily.

4. Corporate Governance

Professionalism and corporate governance are closely related with each other. The three pillars of corporate governance such as transparency, responsibility and accountability, should be practiced by the banks. The management philosophy should be based on values and ethics.

Problems of Professionalism in Urban co-operative banks

There are very few urban co-operative banks which have employed professional managers. Let us analyze the problems which are confronted by these Banks in implementing professionalisation in management.

1. Recruitment and selection

There is no scientific recruitment or selection in urban co-operative banks. The author herself came to know about this while interviewing the managers personally. Most of the employees including managers are selected based on relations or political connections not on the basis of merit. This will definitely affect the performance of employees. These managers lack knowledge about current trends in banking, international competition and the complex functioning of liberalized

economy. Sometimes the retired employees of nationalized banks are selected and even though they are knowledgeable about banking rules and laws they lack experience in co-operative structure and principles. It is also experienced that several managers of urban co-operative banks are forced to follow the instructions of some of the board members blindly. They cannot apply their discretion or 'justice in any of their decisions.

1. Lack of performance Appraisal

Most of the urban co-operative banks have very poor salary structure as compared to nationalized banks. The traditional managers are neither trained nor undergoing performance appraisal techniques. They cannot even accept bank marketing because traditionally banks followed only conventional banking methods not marketing strategies. They are not capable of preparing strategic planning process and methods. Therefore proper training along with performance appraisal can only inculcate professionalism among the employees.

3. Development Agents'

The modern managers are expected to act as liaison officers as well as development agents'. The traditional managers are lacking the professionalism and they are not able to cope with the transformation in the banking system. They are not familiar with investment analysis and portfolio management, proper asset liability management, scientific appraisal and scrutiny of loan appraisal as well as effective human resource management. Therefore they are not in a position to motivate their subordinates.

The Role of Board of Directors

Historically, person nominated for a director of a co-operative bank should agree to serve for the reputation of the organization. Now the role of directors has become more complex than the previous time. They have got more responsibility to take care of the interest of depositors and society. Therefore professionalism should be adopted as main policy among the board of directors, so that they can manage the bank as well as the managers.

The urban co-operative banks in Maharashtra are working better than other states because of the dedicated, sincere and honest board of directors. In the same place many banks were failed because of the mismanagement, and dishonesty of the board members. For e.g. in the case of south Indian co-operative bank the NPA % was more than 55% because of the irrational approach of board members.

Measures to improve Professionalism in Urban co-operative banks.

Now a days due to failure of series of urban co-operative banks, people are loosing faith in the co-operative banking. The policy makers, government and co-operators have to rebuild the faith of the public. There should be some modification in the legislations.

The Professionalisation of management will definitely help the banks to overcome the current problems and difficulties. The law should prevent the banks from letting loose from unnecessary

nurturing and protecting in several factors and law should also have provisions of fixing of responsibility, accountability and authority to disburse and recovery of loans. The laws should be stringent enough not to have any loopholes as such training and education is the most important aspect of professionalism which is lacking in most of the urban co-operative banks. The employees and board lacks training facilities systematically. Need based training programmes for officials as well as non officials of the urban co-operative banks should be organized regularly. The existing training programs are not at all sufficient. When the author has conducted personal interview with the employees of Saraswat Co-operative Bank, many of them are not at all familiar with the training methods adopted by the training institutes. Apart from the regular training programmes to the clerical staff officers and board members should undergo leadership training programmes as well as leadership development programmes. It is a truth that most of the co-operative banks are not even aware of training requirements and its importance and they don't even send or sponsor the employees. This will hamper the growth of personnel very badly. Therefore the policy makers and training institutes must find out the gap between required knowledge and skills and design an appropriate strategy for officials as well as non-officials. Also the banks should insist on 360 degree appraisal for every employee as well as Board members which can incorporate professionalism very easily.

If professionalism is inducted in every bank it can bring the positive effects like adoption of new technology, proper management of funds, human resources development, expansion and diversification of banking business.

Conclusion

In the 21st century it will be the manager's knowledge, innovation and skills which will determine the survival and growth of urban co-operative banks. The conventional managers are not in a position to handle different situations prevailing in the changed economic environment. The managers should be far more creative and enterprising to face the diverse socio-cultural, political environment. The qualities, values, ethos are also deficient in a traditional manager. The modern day requirements from a manager are conceptual skills, human skills, leadership skills as well as managerial skills. Only professionalism can

bring in all these qualities. The finance minister of Maharashtra Mr. Jayant Patil has advised the co-operative banks to adopt more professional approach towards their functioning in order to withstand competition else state dole outs would be difficult. Mr. Patil also assured to help the co-operative banks with all legal reforms, including speeding up of Memorandum of Understanding with RBI which can help to avoid dual control of co-operative banks. (Economic Times 12'h Jan 2006).

Another notable press release was given by Union Agriculture Minister Sharad Pawar on May 8th 2006. Co-operatives should adapt to changing times and become professional by implementing the Vaidyanathan committee recommendations for improving their functioning. He also said that any improvement in the working of co-operatives would definitely contribute to the development of the state.

In the era of economic liberalization, the demand of more freedom, autonomy for urban co-operative banks is increasing. But there should be government intervention that can protect the interests of general public. It is also experienced that there is no strict law or implementation system in co-operative banking system, which can protect the interests of depositors. Therefore it is the need of the hour that there should be strict law and its effective implementation system in co-operative banks. The regulatory bodies should take initiative in making a compulsory provision towards professionalism in co-operative management. If professional management can be inducted, urban co-operative banks have got a bright future in India.

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