

FROM:
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George J. Kelly, Director
12 East 36 St., New York 16, N. Y.

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BANKING'S NUMBER ONE PROBLEM

Address of M. Monroe Kimbrel, Vice President of The American Bankers Association, before the Annual Convention of the New Mexico Bankers Association, Western Skies Hotel, Albuquerque, Saturday Morning, June 9, 1962. Mr. Kimbrel is chairman of the board of the First National Bank, Thomson, Georgia.

June is graduation time, and across the nation the graduates are being treated to the traditional commencement addresses.

Now I don't believe President Tusha is going to present any sheepskins today, but what I want to discuss this morning might be classified in the commencement category. You may recall that "The American Scholar," the well known commencement address by Emerson, was delivered at the beginning of a new school term at Harvard. It was not at graduation. I still like to think of commencement as the beginning.

In this sense, we in banking must commence to educate and train the high school and college graduates who will be entering the banking industry. These young men and women will be running our banks in the near future.

This problem--banking education--is to my way of thinking the number one problem facing the banking industry.

This year the industry will hire 150,000 new employees to fill new jobs, replace those who retire, or replace those women who leave banking to get married or for other personal reasons.

Over 90 per cent of the new employees will be right out of high school. They will know little or nothing about the workings of a free enterprise economy. They will know still less about the banking system of which they will be a part.

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A survey in the state of New York showed that very few high school students take courses in economics. Teachers of social studies are not prepared to teach economics. In courses in American history or problems of democracy, very little attention is paid to economic reasoning; and instruction on financial institutions is largely descriptive and does not require any thinking on the part of the student.

Some of the newcomers to banking will be college graduates. But that does not necessarily imply a background in banking and economics. Opinion Research Corporation of Princeton, New Jersey, recently questioned 4,500 freshmen and seniors at 12 midwestern liberal arts colleges. Here are some of the results:

The typical freshman enters college knowing nothing about the basic facts and principles of our economic system.

Only a minority of college students take even a little economics.

After four years of college, seniors without economics training show very little improvement over freshmen.

Of the seniors who did not take economics, only 34 per cent knew that the most practical way for workers to improve their standard of living is to produce more.

Prospective teachers were found to be among the weakest groups, with only one in five taking courses in economics.

The remainder of the new people joining the banking industry will, of course, come from our adult population. How well are they qualified? A survey of a representative cross section of the American public came up with these results:

Five Americans out of six think our economy is growing as fast as it should.

Over 40 per cent think rising interest rates are inflationary.

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Only one person out of three thinks that investment in factory and machinery makes a major contribution to economic growth.

More than half of the adult population believes that net profits of most business firms are equal to or exceed total wages paid, and less than one-tenth knows that payrolls substantially exceed profits.

About 40 per cent believe that business profits have been too high in recent years, and less than 2 per cent think they are too low.

I could probably stop here and claim that I have made a good case for the need for banking education. But that is far from accurate. I don't think we can overlook the fact that we must find 6,000 new bank officers each year.

One other point that we should take note of is this: During the decade of the fifties, the number of people employed in banking increased by 56 per cent, while the total population increased by 19 per cent. Census experts are estimating that the total population will increase by another 19 per cent during the sixties. In view of the profit squeeze, it seems obvious that we are not going to be able to increase our staffs by another 56 per cent during this decade.

The answer must lie in increased efficiency. We cannot afford to continue to increase our staffs three times as fast as the rate of population growth.

Fortunately, the advent of automation in the banking industry should help us to handle increased volume with the same number of people. This is particularly true of the check-handling function. It should not take over 50 per cent more people to handle the 22-billion checks that will be written in 1970 than are now needed to handle an annual volume of 14-billion checks.

As automation and new techniques are adopted to improve our efficiency, we will, in effect, be upgrading the responsibilities of the newest employees in banking. This in turn will require higher performance standards all the way up the line.

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Two other factors also bear on the need for better banking education. One is the element of competition that will force us to keep our banks as efficient as possible. The other is the rapid changes that are going on in industry that we must keep up with, if not ahead of, if we are going to meet changing demands for banking services.

This background, although not complete, gives us a pretty fair idea of the scope of the problem.

Now I hope that in my effort to emphasize the extent of our future educational needs I have not created the impression that banking education is now a complete void. Nothing could be further from the truth. We probably have recognized the need for continued education more than any other industry in the country.

The American Institute of Banking is the largest adult education program in the world serving a particular industry. This year the total enrolment in A.I.B. courses was 92,405.

The broad-based A.I.B. program is probably the most important phase of banking education. In the first place, it can provide the orientation necessary to get young people thinking about banking and our economic system. If the orientation is successful, it might make the difference between a career employee and one who decides to look elsewhere for work. If it is successful, the individual will be a better citizen regardless of what he does in later life.

The A.I.B. is constantly thinking of new ways to improve its educational program. Some of you might have heard or read about the new study team approach that is being implemented by A.I.B.

Under this plan, students can complete Institute correspondence courses in partnership with other students. Instead of working entirely alone, the students can benefit from the stimulation of discussion with others. The plan

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also injects the element of discipline since the discussions are held on definite schedules. This study team approach, in effect, is utilizing two principles-- discussion and discipline--that have long been recognized as advantages of classroom courses.

But the A.I.B. is not limiting its attention to new programs. It is constantly revising its programs and is constantly trying to upgrade its over-all performance.

For example, last month I was down in Atlanta for the annual A.I.B. Convention. One of the speakers on the program was Dr. Henry J. Engler, Jr., dean, College of Business Administration at Loyola University in New Orleans. Dr. Engler evaluated the A.I.B. against criteria set up by the American Association of Collegiate Schools of Business. He said he might have made the appraisal in qualitative terms, using language like excellent, superior, thorough, well balanced, high-level, etc.

However, he went through the list of criteria used by the association so his appraisal could be complete. Nine standards applied to A.I.B. Of these, six were met completely and three were met partially, but all were substantially proper. Those who devote time and energy to the Institute should be proud of this appraisal.

Yet, I think the A.I.B.'s objective attitude of inviting constructive criticism is just as significant as the results. The A.I.B. was started in 1900 and has gone through many changes and improvements through the years. If it didn't, it wouldn't be useful to banking today. I hope this healthy approach will continue to be pursued in the future.

With A.I.B. as the starting point, the routes of further banking education go out and up in many directions. To boil it down, in addition to The Stonier Graduate School of Banking, which convenes Monday, there are three

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regional schools--at Madison, Seattle, and Baton Rouge--12 general banking schools conducted by state associations or groups of state associations, plus a number of specialized schools like the National Trust School, F.P.R.A. and NABAC. There are also many seminars, workshops, study conferences and clinics.

As you can see from this list, the present educational activities are not limited. In fact, the opportunities for professional education for bankers were growing so fast that in 1959 the A.B.A. decided that it was time to make a study of the entire network of banking schools.

The study by the Welman Committee took almost two years to complete. The report stated: "Past accomplishments in banking education are substantial, and much of the random criticism of some aspects of this program appear to be ill-founded when analyzed carefully. However, the challenges to banking, which can best be met by higher professional competence based upon sound education, require this concentrated attempt to strengthen all aspects of banking education."

The Banking Education Committee is now hard at work trying to resolve some of these questions posed by the Welman Committee study:

1. How to remove duplication of effort.
2. How to decide on uniform terminology used in banking educational activities--schools, conferences, workshops.
3. How to divide educational activities into strata so there can be a logical progression.
4. How to establish better prerequisites for various schools so students can get more out of the courses.
5. How to help officials of schools establish objectives, select students, plan teaching methods, and evaluate student accomplishments.
6. How to improve the curricula of various schools.

These are just a few of the many problems that must be considered by the Banking Education Committee. But they give you an idea of tremendous efforts that will be needed to improve the whole range of banking education.

The B.E.C. has been working closely with the A.I.B. and representatives of the various state and regional schools to see what can be done to implement the recommendations of the Welman Committee.

Several meetings have been held in the past few months to see if answers could be found to some additional questions. Should state schools view themselves as preparatory schools for the more advanced programs at S.G.S.B. or the regionals? Or should they think of themselves primarily as terminal programs and concentrate on doing the best job they can for the student who will not be going on to another school? What should be done about instruction on problems peculiar to a given area? Schools in some areas are trying to figure out how they can meet increasing enrolment pressures without diluting their educational efforts. How can the schools find additional qualified teachers?

All the various school representatives seem to agree that they can use all the A.B.A. help they can get in upgrading their programs. They agree that certain A.I.B. courses should be taken before a student enrolls in a resident session. They also agree that they can improve their performance by developing syllabi or course plans for key subjects. They recognize the need for new and shorter texts. A.B.A. is now experimenting with new types of material.

I wanted to point out some of the ideas that are now being explored by those who are responsible for the administration of the various schools to show that much is being done. But we bankers cannot sit back and let someone else do all of the work for us. We have to take an active interest in banking education, and it must be a sustained interest.

The challenges facing the whole network of educational facilities are many and complex. But I think there are many things that bankers everywhere can do to help improve the whole picture.

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The most obvious thing is this: We must cooperate with the high schools and colleges to make sure that education about economics and banking is started before students become bank employees.

In this respect the A.B.A. can be quite helpful. If you have not looked into the pamphlets and films that are available for high school use, you should do so. These educational aids can do much to stimulate interest in economic education.

On the college level, we can do much more than we are now doing to cooperate with those who teach banking and economics. We can make sure they are invited to our conferences and workshops so they know the problems we face. We can offer our services as guest lecturers on problems that are particularly pressing for banking. We can invite them to our banks and let them give their students some on-the-spot instruction.

Once the student joins the bank there are many more things that we can do.

One of the first things is recognize the importance of education. We can do this by making sure that every member of the staff is aware of the many educational opportunities available to him. We should be particularly emphatic about this with new employees. As I mentioned earlier, the A.I.B. courses are fundamental. Without these a new employee does not have the background which is necessary to appreciate more advanced work.

Since the fundamentals involve a lot of work by the student on his own time, we should make our efforts continuous so the student does not lose interest along the way.

One way we can help stimulate individual efforts is through libraries. If you don't have a small library where employees can find books for background information, you should consider establishing one in the employee lounge or any other space that might be available.

Once the employee has progressed through the basic courses, he should be encouraged to go on to further educational activities. Here again you play an important role. You can make sure that the employee is selecting the right school--the one that will do him the most good.

Looking at the other side of this particular picture, we should make sure that we are selecting the right students to go on to higher and more advanced schools. If the student is not prepared or is not capable of getting the maximum benefit from advanced educational activities, we are wasting his time and the time of the school and possibly denying the opportunity to others who could gain more from it.

This problem of stimulating our people is particularly important in a small bank where there are relatively few staff members to engage in educational activities. It is the same principle as the study team plan. Others can help an individual develop the self-discipline necessary to stick with his studies once they are started. Then too, in a smaller bank the management at times cannot afford to spare the services of an officer while he is away at one of the schools.

Of course, one of the most obvious ways that those of you who are qualified can help is by offering your services as teachers at the A.I.B. chapter or as a coordinators of study teams. This takes time, but it is one of the pressing problems that must be met if we are to upgrade our total efforts.

I could talk about education for several more hours without exhausting the complete range of points that should be made. But I think touching on some of the major challenges points out the efforts that are necessary to meet these challenges. The problem will not be solved overnight. We must resolve ourselves to continuous reappraisals and improvements. But knowing bankers, I am sure that when you examine this problem you will show the same sense of purpose in finding answers as you have shown in solving similar problems in the past.