CHAPTER-2

REVIEW OF LITERATURE RELATING TO LEADERSHIP STYLES

2.1 REVIEW OF LITERATURE:

The propose of this chapter is to present the historical view and current literature derived from articles, research documents, and journals and introduces how it came into existence and the purpose for their existence. The Historical Overview section will center on indentifying styles of leaders their accomplishments and failures. The success and growth of an organization today depends on effective leadership at all levels in the organizational hierarchy. The influence of leadership on a number of organizational outcomes has been well established. A vast amount of research has been conducted on leadership, which explores the behaviour of leaders and the effectiveness of their leadership. Leadership involves many components that comprise its definitions. Leadership may involve: the effect of personality, influence, compliance, designated behaviour, power and results. Before discuss the leadership styles in the select organization, some of the important studies conducted by the researchers are presented hereunder:

Mullen (1965) compared the leadership styles of managers in three divisions of a large automobile insurance company, and its relationship to each division’s efficiency and effectiveness. Each manager showed a distinct leadership style: one was democratic, another laissez faire, and the third was authoritarian. It was concluded that all three divisions were operating at an equally high rate of efficiency and therefore measures of effectiveness did not show any difference between divisions.

Rensis Likert (1967) and his associates of the University of Michigan have developed four leadership systems of management: exploitative autocratic (system 1)
benevolent autocratic (system 2), participative (system 3), and democratic (system 4). On the basis of intensive research, Likert has concluded that high producing departments in several organizations were followed by system 4 (democratic) leadership form of management.

Sinha and Chowdhary (1969) have studied 165 male executives in the State of Bihar, to test the effectiveness of leadership style. They have concluded that for less prepared subordinates, nurturing task leadership style is expected to be used more often and with greater effectiveness. Whereas, in case of better prepared subordinates, participative leadership style is anticipated to be effectively employed and an authoritarian leader is considered to be ineffective.

Sinha (1976) in this study it is hypothesized that before an organization achieves moderate degree of productivity, it requires nurturing-task style of leadership, which can move employees towards harder efforts and work commitment. Once moderate level of productivity is achieved and the normative structure of the organization is interjected in the employees, then the organization is ready for the participative style of management.

Based on the study of 280 managers from two public-sector and four private-sector units, Singh and Das (1977) found that “bureaucratic” style was the most predominant, followed by the style ‘benevolent autocrat’, ‘developer’, and ‘democratic’ styles of leadership. They highlighted that leadership style was associated with the type of organization, executives’ age group, their level in the organization and their exposure to management programs. In the public sector, leadership style was in the order of ‘compromiser’, ‘developer’, and ‘autocratic’ style. Whereas, in case of private sector organizations ‘benevolent autocracy’ was followed by the ‘bureaucratic’, ‘democratic’ and ‘developer’ styles. Hierarchy-wise, top-level managers were more ‘benevolent autocrats’ followed by ‘democratic’ and ‘developer’ in behaviour. At the organization level, the middle and lower level managers are more towards ‘bureaucratic’ followed by the ‘benevolent autocratic’, followed by ‘developer’, ‘bureaucratic’ and ‘democratic’ leaders; whereas, the young executives are more democratic followed by ‘benevolent autocratic’ and
“bureaucratic”. The executives who are exposed to formal management education are more democratic as compared to those who do not have such exposure.

Sinha and Sinha (1977) noted in their study that the nurturing leaders were close to the authoritarian leaders is being strict, in pushing their ideas through, and in controlling other ideas and activities. The nurturing leaders were close to the participative ones in encouraging the members, giving due consideration to their ideas, and yet maintaining control over them.

Through a study of 120 managers, Jaggi (1978) observed in his analysis that prevailing leadership styles were between ‘benevolent autocracy’ and consultative’ type, and the leadership style was associated with various factors such as the age of the executives, their position, functions and size of the organization. Younger managers and managers in larger-sized companies were less authoritarian than the managers in production and technical areas.

Singh (1979) studied 100 managers of public sector enterprises and concluded that 3 percent of the managers adapted democratic style, 7 per cent autocratic style, 23 percent compromiser style, 31 percent bureaucratic style and 21 percent developer style. He found that differences in the leadership styles were due to the procedural rigidity in the public sector enterprises.

Muthayya and Vijaya Kumar (1985), by taking a sample of 68 scientific personnel belonging to different research institutions, identified five styles, viz., directive, negotiate, consultative, participative and delegate styles. The study indicated that the predominant style is ‘directive’ followed by ‘delegate’ and participative.

Singh and Pandey (1986) conducted a study to explain the pattern of relationship among three leadership styles (participative, authoritarian and authoritative) with different strategies of control, need-satisfaction and commitment with the organization. The study concluded that the participative style leads to greater need-satisfaction and organizational
commitment, and authoritative style is closer to participative leadership but it does not lead to commitment. The study also brought out that participative and authoritative are positive styles of leadership.

Omer Bin Sayeed (1990) attempted in his study to examine the conflict-handling strategies, leadership behaviour and style in a common framework. The study was conducted on 79 middle level managers, who were undergoing various training programs at National Institute for Training in Industrial Engineering, Bombay. It was found that conflict management strategies represented two main conflict management styles, viz., Reciprocal Problem Solving Style and Authoritative System Supported Style, which tended to relate selectively with five leadership dimensions. Reciprocal conflict management style significantly related with Participative, Nurture, and Task-oriented leadership behavior, while Authoritative Conflict Management Style had significant relationship with authoritarian and bureaucratic leadership style.

Bass (1990) stated, “Leadership is one of the world’s oldest pre-occupations. Leadership is the most critical measure to determine whether an institution becomes and remains successful or not. Styles of leadership include: transactional, transformational, autocratic, democratic, directive, participative and laissez-faire. The study will focus on relationship between styles of leadership and on the effectiveness of managerial performance.

Kotler, 1990 defined leadership as “The efficiency of strategic planning may be affected when leaders identify the effect of a particular leadership style on performance, allowing for an adjustment in development.

Panchanatham (1993) attempted to explore the leadership and problem solving styles of executives of public sector organizations. They opined that the executives dominantly used democratic, authoritative and coaching styles of leadership. There were no significant relationships between leadership styles and problem solving styles. The study suggested that the organization should design separate training programs on problem solving and
leadership styles and the executives of different branches should be considered equally for developmental programs.

Goleman (2000) observed that leadership style has an impact on organizations, departments, and teams as well as on the organizational environment. Gradually, organizations are now realizing the significance of leadership as a managerial skill and are therefore making leadership training as an important element in the soft skills training for their managers. In fact, apart from developing the leadership skills of employees, it is also necessary for every organization to take of the inherent leadership styles of their subordinates. It is seen that the role of leadership and of leadership style varies from industry to industry. For instance, the significance of leadership and the type of leadership required in a manufacturing company is different from the one required in a software company. Even within the same company, the type of leadership style required varies from function to function. In general, situational or contextual factors determine the desired leadership style in a manager.

Kershaw (2001) said that Leadership involves characteristics that promote the ability to lead a group of people. There has been much discussion about whether leadership is learned or if people are birthed into this world to be leaders. Leaders are crafted out of a need of a particular group based on their current conditions. The degree of significance of need determines how important the leader becomes to the group of people. Success of a leader depends on the leader’s ability to bring a group of people or together to a particular cause and requires commitment, innovation and energy by the leader. A discussion of leadership in the minority community is normally related to the lack of rights or a social or political situation of injustice spearheaded by a leader with charismatic trait and the leadership been tied to the financial and economic development of communities.

Syed Vazith Hussain (2002) sought to analyze the different leadership styles in small scale industries at micro level. He identified five styles, viz., benevolent, autocrat, consultative, democratic and delegation. He collected data from 98 owner-managers of small scale industries and concluded that owner-managers are adopting different styles depending
upon the situation even though they are free from adopting any style. The results of the study strongly confirm the view that leadership is situational and effective leader should be flexible enough to adopt at different situations. Leadership is not a new concept and has been discussed for years. One main difference between leadership and management is the process of obtaining results through individuals. Management relates to planning, organizing, controlling and implementing work to obtain desired results. Leadership takes the process a step further by involving how the employees think and feel.

According to Bass, the following definition provides an overall view of leadership:
Leadership has been conceived as the focus of group processes, as a matter of personality, as a matter of inducing compliance, as the exercise of influence, as particular behaviors, as a form of persuasion, as a power relation, as an instrument to achieve goals, as an effect of interaction, as a differentiated role, as initiation of structure.

2.1.1 Essence of Leadership:

Grinnell, 2003 suggested that a substantial amount of research has been conducted on the various leadership styles, such as transformational leadership. Most of the research about CEOs of small business has been based on transformational leadership and other styles, such as transactional leadership, have been ignored. A significant amount of leadership research is based on psychology and does not address leadership structure. A limited amount of current sources of information related to studies on leadership within banks exist. The results of the research for the review: A relationship between leadership styles of managers of commercial banks in India may be determined. Many articles that related to leadership styles of managers of commercial banks in India have been evaluated. In order to provide a number of historical information have been included.

The essence of leadership involves changes that result in accomplishing specific goals. Planning is not representative of leadership, because planning involves providing order for present circumstances. Strategic (long-range) planning is representative of leadership, because strategic plans prompt future action. Effective leaders are critical to the
success of an organization, and leadership development is important to developing good leaders. The development process is not the primary focus of leadership because leadership is a model that includes individual relationship (Hernez-Broome & Hughes 2004). Successful leaders must be proficient in adjusting the attitudes and actions of followers. Infantino (2004) developed 15 general leadership principles for leading without magic that will allow assigned tasks to be completed in time of crisis and improve leadership skills. Motivation as a part of leadership involves addressing the needs of followers so they are inspired to achieve the desired results of the leader. Leadership involves being a role model, coaching, inspiring, analyzing, providing reassurance and meeting the needs of followers.

Mavrinac (2005) suggested that Leaders are human beings who are expected to perform superior. Leader possesses various traits such as: intelligence, integrity, trustworthiness and dependability. Leaders possess styles that involve motivating individuals to accomplish desired tasks and establishing relationships with individuals. The ability to control others by using power in a leader and follower situation can develop into a relationship of power abuse. Whether power is abused or not depends on the outcome of the (a) intentions of the leader, (b) actions of the followers, and (c) combined relationship. Whittington argued, “Thus, the greater the level of dependency a follower has on a leader is, the greater the power that leader would have over the follower”.

2.1.2 Leadership Styles:

The literature on leadership shows significant change from time to time. This literature starts from the theory of “Great Man” and comes to the most recent styles of transactional and transformational leadership and between of these two has been focusing on leader’s traits, beavhours, and the situational/contingency factors.

The theory of “Great Man” is the starting point of the concept of leadership which states that leaders are always born and cannot be made. They have inborn qualities to become leaders that cannot be learnt. The word “Man” was used because initially men were only though to be leaders (Bolden, 2004). Early research on leadership focused on
leadership traits that state that if anybody has traits such as adaptive, ambitious, achievement-orientated, assertive, decisive, energetic, etc. then he is a leader or prospective leader. After that leadership theories focused on leaders’ behaviors they showed in the past. Their behavioral patterns were studied so that other people could be provided training to act like leaders (Robbins & Coulter, 2009). The next view about leadership came in the form of situational theory. According to this theory leader should analyze the situation and adopt his behavior according to the situational variables to improve leadership effectiveness. Important situational variables include characteristics of the followers, characteristics of the work environment and followers’ tasks, and external environment. Situational theory was sometimes also called as contingency theory (Daft, 2005). But modern literature on leadership generally takes into consideration two main styles of leadership that are transactional and transformation leadership.

2.1.3 Transformational Leadership:

Transformational leadership is what that motivates employees to achieve more rather than what was originally planned. It means to go beyond expectations (Krishnan, 2005). Transformational leadership has high impact on followers and changes their attitude and beliefs for their own interest and at the same time this change in behavior benefits the organization (Burns, 1978). Transformational leadership focuses on promoting development and strategic thinking in the organization and carries on the change process more effectively than others. Transformational leaders take care for others and never discriminate on the basis of race, color, sex, religion, age or social class (Chemjong, 2004). The research on transformational leadership shows that high productivity, a decrease in the rate of job leaving and high level of job satisfaction are all due to this leadership style (Deluga, 1992; Marshall et al., 1992; Masi and Cooke, 2000; Medley and Larochelle, 1995; Sparks and Schenk, 2001).

2.1.4 Transactional Leadership:
Transactional leadership is based on leader-follower exchange where the follower acts according to the instructions of leader and leader rewards the followers. The main thing of exchange is compensation which may be positive or negative, positive like praise or recognition if follower obeys the instructions of leader and negative like disciplinary actions if follower neglects to obey leader’s instructions (Bums, 1978). Transactional leaders maintain stability in the organization by recognizing followers’ needs and desires and then clarifying how those needs and desires will be satisfied in exchange for meeting specified objectives or performing certain duties. This satisfaction of needs improves employees’ productivity and morale (Daft, 2005).

Both transactional and transformational leadership showed different relationship with the job satisfaction in different scenarios. In some case transformational leadership proved itself as having significant relationship with job satisfaction and in other cases transactional leadership showed the same pattern. According to research studies conducted by (Wu, 2009) and (Epitropaki and Martin, 2005) that showed transactional leadership style provided high satisfaction as well as organizational identification compared to transformational leadership style. On the contrary, another study showed that the impact of transformational leadership style on followers’ performance and innovation was more than transactional leadership style (Boerner et al., 2007).

Omar Bain Sayeed, Meera Shankar (2009), in their study attempted to examine multivariate relationships between emotional intelligence and transformational leadership. The canonical correlation between emotional intelligence and transformational leadership dimensions revealed significant relationships, which confirmed emotional intelligence as an important element of managerial temperament.

According to Goleman (2010), there are six basic styles of leadership; each makes use of the key components of emotional intelligence in different combinations. As all six leadership styles have a measurable effect on each aspect of climate. Hence, the Authoritative leadership style has the most positive effect on climate, but three others affinitive, democratic and coaching follow close behind authentic leadership is another
leadership style that holds promise as a potentially effective leadership style. For instance, recent qualitative research has shown that it is important for senior managers to be perceived as sincere, ‘walking the talk’ and delivering on their promises (Roger, Flin, Mearns, & Hetherington, 2010).

The majority of authors stress the advantages of democratic leadership style over autocratic leadership at various levels. Interestingly, Dukakis et al. (2010) argue that the negative impacts of autocratic leadership are starkly evident in private sector organizations compared to public sector organizations. To explain this point, Dukakis et al. (2010) reason that leadership issues in private sector organizations associated with the application of autocratic leadership style would be reflected in the level of revenues, whereas leadership ineffectiveness in public sector organizations might be tolerated for longer periods of time.

Davies of Brundrett (2010) warns not to dismiss autocratic leadership style as totally inappropriate referring to specific cases where autocratic leadership might prove to be effective. Davies and Brundrett (2010) further elaborate that occasions were the application of autocratic leadership might prove to be effective include, but not limited to emergency situations and crises that can be resulted impacted by a wide range of factors. The literature review has found a consensus among authors about inappropriateness of application of laissez-faire leadership style, regardless of the sector, public or private.

At the same time, the overall idea of dividing leadership into different categories is dismissed as impractical by Schermerhorn et al. (2011) and Griffin (2011). Specifically, Schermerhorn et al. (2011) argue that each leadership case is different as a subject to a range of unique circumstances, and therefore categorising leadership into rigid moulds would not be appropriate.

Vimal Babu (2011), studies have emphasized that expatriates leadership styles play a pivotal role. It has been considered as a prime criterion to be successful and effective in the host country. Study has examined 25 Japanese and 23 American expats in India focusing on their leadership styles. In order to determine the leadership styles of these managers from
altogether different countries, the study has investigated ten leadership components. Results were analysed to identify the differences and similarities between the leadership styles. Statistical tests revealed that there were significant differences on four leadership components out of ten and the remaining six leadership components had no significant differences. Results showed that American managers and good communication skills. Japanese managers often motivated their subordinates to work harder by stating clearly what the desired performance is and what is not. American managers had more knowledge and skills to transfer and train their subordinates. The study also sheds light on the implications for expatriates with regards to leadership effectiveness.

Rezvan Mirsafaei Rizi, Aida Azadi, Maryam Eslami Farsani, Shahram Aroufzd (2013), relationship between leadership styles and job satisfaction among physical education organization employees in Isfahan. Results showed that the positive correlation between overall leadership styles and job satisfaction was significant at the level of $P<0.05$. Also, the correlations between leadership styles sub-scales such as transactional leadership, transformational leadership and passive/avoidant leadership and job satisfaction was significant at the level of $P<0.05$. Based on these results, among determinants of job satisfaction, leadership is viewed as an important predictor and play's central role.


This study is the analysis of the leadership styles in Turkish Republic of Northern Cyprus Banking Sector. This study contains test of some hypothesis relating to leadership styles and test the model, which explains the effect of task oriented and people oriented factors to the authoritarian behavior of managers in banking sector in a small island economy, which is the main purpose of research.
Findings of the research: This study is one of the first studies in North Cyprus to analyse the leadership styles in the banking sector and contributed towards explanation task oriented and people oriented behavior of managers. The understanding of leadership styles will improve new skills in taking better decision which will increase the efficiency of the employees. Results of this research show that task oriented factors, which were tested at the model, constant, controller and encouragement factors have the utmost effect on the authoritarian behavior of managers. The main contribution of this research is the test of model of factors can also be tested in other countries as well. Banking sector and human resources department may use their results in managerial development programs.

“Leadership styles of Bank Managers in Nationalised Commercial Banks in India (A case study of selected banks in Delhi-NCR Region), study made by research scholar, is concerned with the leadership styles of middle and senior level managers of commercial banks in India. The study is concerned of Independent variables like-situational. Personality centered and personality variables and leadership styles as dependent variables. The major objective of the study is to establish relationship between-personality traits, behavior and other attributes of Bank Managers. Seven hypotheses have been taken and sample of 178 Bank Managers have been taken, t, ‘F’ and variance analysis tests have been applied. The main contribution of the study is, the effective use of, leadership styles can make the role of bank managers, more effective.

2.1.5 Leadership and Employees’ Job Satisfaction:

There are many factors that may enhance job satisfaction of employees like working conditions, work itself, supervision, policy and administration, advancement, compensation, interpersonal relationships, recognition and empowerment (Castillo and Cano, 2004) but leadership has a major relationship to enhance employees’ job satisfaction (Wexley and Yukl, 1984).

The quality of leader-employee relationship has a significant relatedness with employees’ job satisfaction (DeCremer, 2003) and employees feel satisfied and comfortable
with leaders who are supportive (Yukl, 1971). Employees feel stress when they have to work with a leader who is unsupportive and whose behavior is negative (Wilkinson and Wagner, 1993). Negative leader-employee relationship has various adverse impacts on the employees as it reduces productivity, increases absenteeism and the turnover to the organization can also be quite high (Keashly 35 al., 1994; Ribelin, 2003).

2.2 LITERATURE RELATING TO BANK INDUSTRY:

The literature available to the researcher on the application of Information technology in Indian banks are classified according to the related topics as mentioned below:

1. Technological development in banking sector
2. Application of IT in banking
3. IT framework for Indian banking
4. Technological developments in cooperative banks
5. Indian banking sector : challenges and opportunities

2.2.1 Technological Development in the Banking Sector:

The technological development in the banking sector began with the use of Advanced Ledger Posting Machines (ALPM) in the 1980s and nowadays banks are using core banking solution (CBS) for providing better services to their customers. Over the years several studies have been conducted both at the industry and academic level to examine the impact of IT on banking productivity and profitability.

Dos et al (1993) studied statistical correlation between IT spending and performance measures such as profitability or stock’s value. It is found that there is an insignificant correlation between IT spending the profitability measures, implying thereby that IT spending is unproductive.

Brynjolfsson and Hitt (1996), however, cautioned that these findings do not account for the economic theory of equilibrium which implies that increased IT spending does not
imply increased profitability. More recent firm level studies, however, point a more positive picture of IT contributions towards productivity. These findings raise several questions about mismanagement of output by not accounting for improved variety and quality and about whether IT benefits are seen at the firm level or at the industry level. Such issues have been discussed in detail by Brynjolfsson (1993) and to a lesser extent by Brynjolfsson and Hitt (1996).

The study conducted by Gotlieb, and Denny (1993), is one of the studies that deals with the impact of IT on banking productivity per se. Computerisation is one of the factors which improves the efficiency of the banking transactions. They concluded that higher performance levels have been achieved without corresponding increase in the number of employees. Also, it has been possible for Public Sector Banks and Old Private Banks to improve their productivity and efficiency by using IT.

2.1.2 Committee Reports:

Information Technology and the Communication Networking Systems have revolutionized the functioning of banks and other financial institutions all over the world. Reserve Bank of India has played an important role in implementation of information technology in banking sector. Various researchers have also contributed in this regard. In addition to the work done by various scholars in the area of Information Technology and Banking organization, RBI and appointed various committees to work in this area. The reports of various committees are briefly summarized below.

2.2.3 Dr. C. Rangarajan Committee (1983):

Dr. Rangarajan committee had drawn up in 1983-84 the first blue print for computerization and mechanization in banking industry and looked into modalities of drawing up a phased plan for mechanization for the banking industry covering period 1985-89. The committee in its report in 1984 recommended introduction of computerization and mechanization at branch, regional office/zonal office and head office levels of banks.
In 1988 another committee was constituted under the chairmanship of Dr. Rangarajan for making plans for computerization for the next five years from 1990-94 for the banking industry. It identified the purpose of computerization as improvement in customer service, decision making, housekeeping and profitability. The committee observed that banking is a service industry and improved efficiency will lead to a faster rate of growth in output and help to expand employment all around. The work force in the banking industry must, therefore, look upon computerization as a means to improve customer service and must welcome it in that spirit.

2.2.4 W.S. Saraf Committee (1994):

In 1994, the Governor, Reserve Bank of India had appointed a committee on technology issues under the chairmanship of W.S. Saraf. The committee looked into technological issues related to the payment system and to make recommendations for widening the use of modern technology in the banking industry. The Saraf committee recommended setting up institutions for electronic funds transfer system in India. The committee also reviewed the telecommunication system like use of BANKNET and optimum utilization of SWIFT by the banks in India.

2.2.5 Shere Committee (1995):

In 1995, RBI formed a committee under the chairmanship of K.S. Shere, to study all aspects relating to electronic funds transfer and propose appropriate legislation. The Shere committee had recommended framing of RBI (EFT system) regulations under section 58 of the Reserve Bank of India Act 1934 (RBI Act), amendment to the RBI act and to the bankers book evidence act, 1891 as short-term measures and enacting of a few new acts such as EFT act, the computer misuse and data protection act etc. as long-term measures.

2.2.6 Narasimhan Committee (1998):
In order to examine the various issues related to the technology upgradation in the banking sector, the Reserve Bank of India appointed Narasimhan committee in September 1998. The committee consists of representatives from the Government, Reserve Bank of India, banks and academic institutions associated with the information technology. The committee dealt with the issues on technology upgradation and observed that the most of the technology that could be considered suitable for India in some form or the other has been introduced in some diluted form or as a pilot project, but the desired success has not been achieved because of the reasons inter-alia lack of clarity and certainty on legal issues. The committee also suggested implementation of the necessary legislative changes, keeping in the view the recommendations of Shere committee. The need for addressing the following issues was also emphasized:-

- Encryption on Public Switching Telephone Network (PSTN) lines.
- Admission of electronic files as evidence.
- Treating Electronic Funds Transfers on par with crossed cheques/drafts for purposes of Income Tax etc.
- Electronic Record keeping
- Provide data protection
- Implementation of digital signatures
- Clarification on payment finality in case of EFT

Taking into consideration the recommendations by various committees appointed by RBI and guidelines of RBI, banks have started using IT to automate banking transactions and processes.

**WAVES IN BANKING TECHNOLOGY:**

As per the Reports of RBI, the first wave in banking technology began with the use of Advanced Ledge Posting Machines (ALPM) in the 1980s. The RBI advised all the banks to go in for huge computerization at the branch level. There were two options: automate the front office or the back office. Many banks opted for automating the front office in the first
phase. Whereas banks like State Bank of India also concentrated on the back office automation at the branch level.

The Second wave of development was a Total Branch Automation (TBA) which came in late 1980s. This automated both the front-end and back-end operations within the same branch. TBA comprised of total automation of a particular branch with its own database.

In the third wave, the new private sector banks entered into the field of automation. These banks opted for different models of having a single centralized database instead of having multiple databases for all their branches. This was possible due to the availability of good network infrastructure. Earlier, banks were not confident of running the whole operation through a single data center. However, when a couple of private sector banks showed that it can be done efficiently, other banks began to show interest and they also began consolidating their databases into a single database. The banks followed up on this move by choosing suitable application software that would support centralized operations.

The fourth wave started with the evolution of the ATM delivery channel. This was the first stage of empowerment of the customer for his own transactions. The second stage was the Suvidha experiment in Bangalore. This showed the power of technology and how the reach can be increased amazingly at a great pace. Seeing these, all the banks started revamping their retail delivery channels. Their core focus became increasing the number of customers they can service at a lower cost. The main channels for these were internet banking and mobile banking. After this, came the alliances for payment through various other gateways. The third important development is happening now in the real-time gross settlement system of the RBI. Once this was in place, transaction between banks could be done through the settlement system.

ATM, internet banking and mobile banking have improved customer convenient by providing anywhere any time banking services. The utility bill presenting and payment has helped customers to pay their bills online at the click of a button. Electronic clearing system
and electronic funds transfer have facilitated faster funds movement and settlement for the customers of different banks and different centers. The electronic data interchange and cash management service facilities have enabled better funds management for the customer.

Very few banks offered customers the ability to access their accounts and perform at least simple money transactions using internet banking. Advancements in information technology have made it possible for the banks to use the internet as a delivery channel for banking services. Technological developments have introduced tremendous changes in the ability of financial and non-financial firms to efficiently collect, store, use and sell information about their customers.

Balasubramanya S. (2002) in his study analysed that the automation in the banking sector has come a long way starting with the Rangarajan Committee report on the banking sector reforms during the eighties, followed by reports of the Narasimhan Committee in the nineties. With over 65,000 branches of the banks (public, private and the cooperative sector) in the country, the author found that the percentage of branches covered by automation was very low. Though many banks had claimed that more than 70% business has been automated due to the enforcement of RBI guidelines, in reality it was much lower, as many functions in each branch were still done manually or with partial automation. Hence, there was a significant amount of automation work to be achieved in the banking sector.

2.2.7 Reserve Bank of India and Impact of Liberalisation on Banking System:

With liberalization in the telecom industry and its improved reliability at a reduced cost, many banks and financial sectors at that time were going forward with large-scale networking of their branches and implementing the centralized core banking solutions. As a result, banks were able to provide their products and services to their customers anywhere, any time. With these developments, bank customers could avail these services across different locations with improved transaction realization and reduced cost. With increasing proliferation of ATMs, tele banking, and availability of internet banking facilities, the
customer contact points had increased enormously, thereby resulting in increased services to customers. This has been possible solely due to the implementation of technology.

RBI has set up Department of Information Technology (DIT) which works for:

- Computerisation in RBI (Regional Offices and Central Office Departments)
- Design and development of projects for use of banks and financial institutions and
- Monitoring progress of technology in banks.

**Current Focus of DIT:**

(i) **Computerisation in RBI**

DIT has been concentrating on computerization of all activities undertaken in the Banking Department (Deposit Account Department, Public Accounts Department, Public Debt Office, Establishment Section and Central Accounts Section) and the Issue Department (Currency Chest Management and Accounting) which impact on the balance sheet of the Reserve Bank. These departments also extend customer service. Computerisation of these departments, therefore, aims at ensuring better housekeeping and efficient customer service.

(ii) **Design and Development of Projects for use of Banks and Financial Institutions**

The projects developed so far and those listed for developments are as under:

Projects already developed:

- MICR cheque processing at four metros (Mumbai, New Delhi, Calcutta and Chennai) with image technology (July – October 1999).
- Electronic Clearing Services (debit and credit) at 15 centers where RBI has its offices and 30 centers managed by SBI.
- Electronic Funds Transfer at four metros and its extension to Hyderabad, Ahmadabad and Bangalore.

Projects in the Process of Development:
• Indian Financial Network (INFINET)
• Securities Settlement System (SSS) and Negotiated Dealing System (NDS)
• Centralized Funds Management System (CFMS)
• Structured Financial Messaging Solution (SFMS)
• Real Time Gross Settlement (RTGS)

(iii) Monitoring

• Progress in computerization and networking to achieve targets set by the Central Vigilance Commission of coverage of 70% of their business by computerization.
• Setting up MICR Cheque Processing centers at non-metros
• Adoption of standardization in the area of hardware, operating system and communication platforms.
• Development of generic architecture (tree or star topology for domestic and cross border connectivity).

2.2.8 Applications of IT in the Banking Sector:

Rajshekhar K.S. (2004) described the adoption of IT in banking was undergone several changes with the passage of time. Today IT has become an inseparable segment of banking organization. The application of information technology in the banking sector resulted in the development of different concepts of banking such as – E-banking, Internet Banking, Online Banking, Telephone Banking, Automated teller machine, universal banking and investment banking etc. Information technology has a lot of influence on banking transactions. It ensures quick service with low transaction cost to the customers. The real success of IT in the banking sector depends upon the customer’s satisfaction. Therefore banks should organize and conduct customer awareness program in their service area. Security is an important issue in the context of E-banking. The development of technology for the identification of customers with different means of communication devices is a must for successful business and also to reduce frauds in banking. In this paper the author has
studied customer related aspects only. This paper do not present any study related to the bank employees and their problems regarding bank computerization.

The study conducted by Vij Madhu (2003), presents the changing profile of Indian banks with the help of a comparative study of three private sector banks in India namely ICICI Bank, HDFC Bank and IDBI Bank. The comparative analysis of the three private sector banks shows that HDFC stands out as a clear winner with ICICI at number two. In the study the researcher concludes that the challenge for the future will be the synergetic use of internet, proper understanding, measuring of risk management as also nurturing and retaining the intellectual capital. The author suggested the following strategies that need to be focused on:

- Develop and innovate new products so as to widen customer base
- Strategic alliances
- Setting up of an effective software system for ALPM the way banks in most of the developed countries are using

This study is limited only to 3 private sector banks. This paper do not present any information related to the problems of bank computerization and future of the computerized banks.

Gulati V.P. listed the following possible applications that can be easily implemented by the Indian financial sector.

- Quick disposal of loan/investment proposal
- Forex information from branches to the office dealing with foreign exchange.
- Fund information from clearing centers to the fund management office for optimal allocation of funds
- Inter-branch interbank reconciliation
- Fund transfer/payment messages (EFT/EDI) (inter-bank and inter-bank)
- E-mail
• Organizational bulletin boards may contain the following: circulars, undesirable parties, hot list, bulletins, missing security items, confidential circulars on attempted frauds.
• Organizational/customers database may include statutory returns, control returns, standardized returns, adhoc reports
• Banks-corporate customers connectivity
• Management information systems: Borrower’s profile; Branch profile; employee’s analysis; products/services profile; business profile of branches
• Banks owned ATM/credit-debit card and other applications on the financial network.

2.2.9 Customer Services:

Ananthakrishnan G. (2005) described customer’s services in the banks. The discriminating customer’s expectations have begun to change in terms of quality and service. With the advent of computers and ATMs, the gap between the customers and the banking personnel is widening. Unless a change of heart occurs, even the largest banks will find it hard to survive on their assumed false glory. Banks which take care to see the reality and react early will survive and prosper, while those who continue the traditional path will find their market share eaten away.

Nowadays customers are no longer willing to wait in long queues or tolerate arrogant behaviour of the employees. As applicable to banking, “customer service” may be defined as the ability to satisfy the customer’s requirements and needs to the fullest extent and be able to replicate this on an on-going basis. The four factors for ensuring customer service are:

• What satisfies the customer?
• Devising quantifiable determinants.
• Continually monitoring and improving these parameters.
• Seeking customer feedback to ensure alignment with customer needs.

These four approaches can go a long way in helping the banks to achieve its quality goals.
Customers, who are central to the banking service, are not a homogeneous class. They come from varying socio-economic and cultural backgrounds. Their perception about the banking services is so dynamic that it may differ from customer to customer and even for the same customer at different points of time, depending on their mood and mind-set. Successful banking relationships are formed at a human level. Factors which help in retaining the existing customers are:

- Past experiences with the bank.
- Familiarity with the services offered by the bank and simplified procedures.
- Knowledge of or experience with competitor’s products and services.
- Brand image—banking with a particular bank is regarded as a status symbol.
- Overall ambience at the bank premises.
- Extra services or value addition provided by the bank.

In this article the author also studied the factors which irk (trouble) the customers and they are:

- Poor service attitude
- Long queues
- Inability of the bank to meet customer needs
- Lack of proper ambience
- Lack of humility that prevents bank from meeting customer needs.

Author also mentioned that by adhering to the following factors customer’s complaints could be avoided:

- Prompt collection of cheques
- Faster payment/receipts in cash counter
- Positive attitude of the counter staff
- Proper adherence to the standing instructions to the customers
- Correct crediting of interest on deposit accounts and avoiding fraudulent withdrawals
- Timely honoring of invoked LCs, guarantees, etc.
- Seeking only required documents for processing loan applications
- Timely sanctioning of loans at reasonable market related interest rates.

A study conducted by Mishra A.K. examined the reasons for the satisfaction of the customers with the services rendered by the Urban Cooperative Banks. The author described that, urban cooperative banks are operating in a more competitive environment and therefore, the need to take care of customer requirements has become more important. The branches of UCBs must cater to the betterment of the customers. They should also improvise on their own image, customer satisfaction and their profits. The time norms for specific business transactions should be displayed prominently in the banking hall so that it attracts the customers’ attention. In the ultimate analysis, what is necessary for improving customer services is the active participation of employees at all levels in the bank functions. The author also raised some points which can be a plus point for UCBs to impress & attract their customers. These points are: effective board of management, efficient employees/staff, cordial personalized services, proper guidance, provision of loan facilities, good systems, computer systems, prompt services, good work culture, convenient timings, proper clearing services for outstation cheques and demand drafts, split hour facilities, Sunday working day, discounting facilities for outstation cheques, and good location of the bank.

Uppal R.K. described that in the post-LPG (Liberalization, Privatization and Globalization) era and Information Technology (IT) eta, transformation in Indian banks is taking place with different parameters and the curves of banking services are dynamically altering the face of banking, as banks are stepping towards e-banking services in the changing environment. With different statistical tools such as weighted average method and ranking, the paper concludes that most of the customers of e-banks are satisfied with the different e-channels and their services, but the lack of awareness is a major obstacle in the spread of e-banking services. The paper also suggests some measures to make e-banking services more effective in the future.

Kamakodi et al. discussed that, it is almost 15 years since the Indian banking sector was liberalized and paradigm shift happened in the Indian banking services. All banks have
either totally implemented ‘core banking systems’ or halfway through. The results of a survey, obtained from 292 respondents about their views on electronic banking channels, indicate that the banks are exceeding the expectations in technology based services; and their perceived service level on branch network is below the expected levels of the respondents. This result is in tune with the respondents’ opinion on the perceived ‘gap’ with the bank because of the introduction of technology, and on the necessity of human contact with the clients by the banks. This throws up a challenge to banks. Technology alone cannot give a sustainable competitive advantage for the banks. When all banks introduce IT, it will lose its position as a differentiator. Beyond a point, IT along with ‘personal tough’ will be necessary for the banks to retain existing clients and to attract new ones. Banks have to incorporate this in their operational strategy.

Sakalya Venkata et.al analyzed the factors that affect the choice of customers in choosing the retail banks by the customers. In the study, the authors have tried to identify various factors and also analyzed as to which of these factors exert the greatest, moderate and relatively lower influence as choice criteria. It is an attempt to study the consumer behavior with respect to the people’s choice of retail banks. Efforts are made to dwell deep in the psychology by talking to the customers surveyed, wherever possible. The 15 different factors that could be identified, approximately in the order of their importance, are (1) Safety of Deposits, (2) Size and Strength, (3) Accuracy, (4) General Service Quality, (5) Speed of Delivery, (6) Proximity, (7) Security of Environment, (8) Cordiality of Staff, (9) Price and Service Charges, (10) Product Packaging, (11) General Public Impression, (12) Peer Group Impression, (13) Face Lift (Structural), (14) Friendship with Staff and (15) Advertisement and Publicity. According to the findings, based on the empirical study, the first six factors exert the greatest influence, next four have moderate importance, and the rest five have relatively lower influence. Thus, retail banks must reorganize their activities to achieve their corporate mission through customer orientation. In the competitive and capitalistic markets consumer is sovereign and therefore the bankers must reengineer their view and recognize the predilection and tang of the retail customers.

2.2.10 IT and Manufacturing Industry:
Morrison and Bernlt (1990) found that in the manufacturing industry, estimated marginal benefits of investment in IT are less than the marginal cost, implying the problem of over investment. More specifically they found that for each dollar spent on IT, the marginal increase in output was only 80 cents. Similarly Loveman (1994) found insignificant contribution of IT expenditure to the output of manufacturing firms. Lichtenberg (1995), on the other hand, concludes that there are significant benefits from investment in IT to the firms. It is also found that one information system (IS) employee is equivalent to six non-IS employees in terms of marginal productivity. Brynjolfsson and Hitt (1996) found that computerization aids significantly, to the firm’s level of output. In fact they found that computer related capital investment contributes 81 percent to the marginal increase in output, whereas non-IT capital contributes only 6% to the marginal output. It is also found that IS labour is more than twice as productive as non-IS labour. Most of such studies related to the contribution of IT towards the firm’s level of productivity have been restricted to the manufacturing industry.

2.2.11 IT Framework for Indian Banking Sector:

IT planning is an ongoing effort intended to match the bank’s technology capabilities with its changing strategic objectives. It is necessary for a bank to identify technology gaps and develop a plan that supports the bank’s long/medium term-strategic goals in order to bridge the gaps. It is imperative for banks to have a clearly defined technology planning process that is based on a well founded technology action plan for the following reasons:

- Increasing competition, new products and changing distribution channels.
- Banks currently spend a huge amount of their budget annually on technology. Such investments will only continue to escalate.
- Effective technology management requires an underlying technology plan. Without it, scarce resources are likely to be wasted and opportunities missed.

Gulati et al (2002) suggested IT policy framework for Indian banks as follows. IT strategies need to be formulated by banks taking into consideration the critical aspects of long/short-term planning to align technology systems with business objectives. Conscious
efforts must be made to place the entire organization’s proper perspective and to have a holistic approach to planning. The following strategic evaluation needs to be made:

- Current state (Where are we?): There should be a self-assessment process which analyses the present/current technology in use. It also involves evaluation of staffing, training, organizational processes and controls, communication and management reporting. To successfully integrate new technologies, banks must objectively confront internal operating issues and be willing to make changes.

2.3 CONCLUSION:

This chapter has explained overall review of various authors, regarding leadership styles. The most important classification is, democratic, laissez faire and authoritarian. It is also observed that leadership styles were associated with various factors such as the age of the executives, their position, functions and size of the organizations. Goleman observed that leadership style has an impact on organizations, departments and teams as well as on the organizational environment. Reports of various committees have been included in this study. Report of RBI and impact of liberalization on banking systems has been discussed.