CHAPTER I

ORGANISATIONAL STRUCTURE

1.0 Introductory

Over the last eight years, 1969-1977, there has been a significant increase in the Banking business, both in scope and content in our economy.

The number of offices of 14 nationalised banks increased as follows:

Table I

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1969</td>
<td>4134</td>
</tr>
<tr>
<td>December 1972</td>
<td>7802</td>
</tr>
<tr>
<td>June 1976</td>
<td>20698</td>
</tr>
<tr>
<td>June 1977</td>
<td>24802</td>
</tr>
<tr>
<td>June 1978</td>
<td>28016</td>
</tr>
</tbody>
</table>

The role of banks in promoting banking development has also been changed. The banks have taken up responsibility for banking development in regions far removed from their areas of operation, under the Lead Bank Scheme. Similarly, the banks are extending their operations in new fields such as, financing of Small
Industry or business and agricultural sectors. The Banks have also realised their social responsibility, to sponsor, support and take up programmes which help to translate the gains of economic progress for the benefit of common man, to assist in ensuring that the fruits of progress are shared by all.

1.1 Management Problems

All these factors cumulatively have thrown up a number of management problems. The problem is not only of providing new people and training and equipping them with the requisite technical skills but also, orientation of attitudes for handling the new class of clients and catering to the changing needs and developing new marketing concept. There are other problems such as those associated with administration and operations which have multiplied manifold, which indicate the need for more effective communication and 'co-ordination' and increased delegation accompanied by a better system of 'control' in the management. Increased decentralisation of functions and wider delegation of authority would not only help growth but also ensure that the decisions are expeditiously taken. Now-a-days, increasing demands are made on the banking system for the speedy economic development of the nation. In this context greater emphasis is laid on banks as serving all parts
of the country and all sections of the community so as to reduce regional and sectional inequalities. Banks, in recent years, have a vast net-work of branches and are assigned with districts in different states and banks will have to expand their activities still further in every direction. It is essential therefore, to carry out certain major reforms of an organisational character to be able to handle the tasks lying ahead. The Boards of all Banks have prepared a scheme for the re-structuring of their organisation, with specified functions attached to every rung of ladder, so integrated with each other, as to lend strength and support to the whole institution, making it conducive for generating efficiency with speed.

1.2 Restructuring : Its Objectives

In branch banking system, it is the individual branch at the grass-root level which is the operative king-pin of the entire system. While preparing a re-structuring plan, following objectives must be kept in mind:

(1) The most important objectives of any organisation which are also valuable for a banking institution are:

(a) Profit: Though banks are assigned with social responsibilities, they are also commercial institutions which must not be forgotten. Therefore, the organisational set-up must be such as to help to increase the profits.
(b) **Growth:** Any institution must be a growing one and the organisational set up must be conducive to growth.

(c) **Public Service:** This is the most important from the point of a banking institution. Customer is a king and banks must lend excellent service.

(2) As far as possible, every Branch must be made complete unit of operation. The Branch Manager must be given sufficient powers so that he need not look to the Head Office for guidance in each and every case.

(3) It must provide for a greater co-ordination through decentralisation of authority and delegation of adequate administrative and financial power.

(4) The whole organisation must receive competent direction and control through its Central Office. The Central Office must be free from routine functions and capable of adjusting the course of action from time to time to suit the numerous and newer tasks assigned to the banking industry as a whole.

(5) The organisation must be such, that will centralise its policy and decentralise its administration.

(6) It must provide working conditions through an efficient, tasteful and economic environment.

(7) Introducing a participatory and consulting style of management at all the levels.

(8) Accelerating deposits and widening diversifying credit.
Concentration upon credit to priority sectors and improve its proportion to total credit.

Intensive training and better selection.

Unified control of Branch operation and review of performance.

Undertaking of operational and developmental work in all the spheres of banking activities.

1.3 Restructuring : Its Need

Since nationalisation, the role of banks has been changed considerably. The banks have to shoulder the responsibility of developing hitherto neglected sectors. At the same time, they are extending credit facilities to agriculture, small-scale industries, etc., which requires understanding and skillful handling. New credit instruments have therefore, to be devised. The existing clientele, too is becoming more demanding and there are growing demands for increasingly better and more varied services. The organisational structure of the banks, therefore, need suitable modifications to be able to manage change. However, the process involves some fundamental changes in concepts. At the same time, there has been acute shortage of trained staff to direct and control the activities of branches and to measure the effectiveness of each unit in relation to the attainment of the objectives of the banks. The system of Performance
Budgeting must be introduced at Branches. For this, the Branches must prepare their own business plans. While preparing their plans, Branches must take into account their past performance, the economic outlook generally and for their areas, and any special development plans envisaged or being implemented therein. After the business plans are ready, budgets will be prepared. The actual performance would be periodically reviewed against these budgets by the Regional controlling authorities and in turn on a Region-wise basis by the Head Office. These reviews will provide a useful tool for management control. For the Branches too, the business plans and budgets would provide the goals for which to work for, while the reviews would operate as a tool for self-appraisal thereby providing the necessary stimulus for motivation.

1.4 New Management Philosophy

In some banks Performance Budgeting has already been introduced in each of the functional departments at the Head Office and Regional offices in order to function them on an action oriented basis. However, in such a system of management, the Branch Managers/Agents must be given reasonable freedom to operate in their areas, subject to the policy directions, the broad guidelines and instructions laid down or issued from time to time. In fact,
the Branch Agent/Manager is the important functionary in such a system. The ultimate responsibility of servicing the weaker sections of the society falls on the Branch Manager/Agent. Therefore, they must be armed with suitable powers for them to take quick and on the spot decisions on most of the routine matters. The Bank Managements must recognise the importance of this and the fact that the business activity has now grown to such a pitch that the old framework of highly centralised control can no longer deliver the goods. The managements must also recognise the fact that, now-a-days creativity has assumed a fresh dimension of importance and that the need of the hour is to provide 'Creative Banking'. This should be the management philosophy. Within the organisation, the management must provide a climate which will stimulate initiative, investiveness and innovation.

1.5 Restructuring: Important factors

The process of decentralisation of functions and delegation of authority has been very gradual. For the scheme of delegation to be effective, it will be essential that the executives at all the levels exercise the powers entrusted to them. The seniors are expected to encourage decision-making among their juniors and provide necessary guidance whenever necessary. The control envisaged is
not to be used as a tool for 'needling' by the seniors or controlling officers, but for ensuring that the delegates exercise their discretion wisely or judiciously and that they are developing into good executives.

The reorganisation must be designed to secure:

(a) **Branches**

1. Unified command of branch operations and review of performance.

2. Sufficient administrative and financial authority must be entrusted to the Branch Managers/Agents and if necessary to some other officials too at the branch.

(b) **Regional Offices**

1. Each Regional Office must have under its control 100/150 branches and they must be entrusted with a good deal of autonomy and provided with adequate support of the specialists.

2. The Regional Offices would undertake promotional and developmental work in all the spheres of the activities of the banks.

3. Regional Offices would maintain close contacts with branches with the help of Area Managers, each of whom will have under his control 25/30 branches. He would help and guide the Branch Managers/Agents in development of the business.
(c) **Head Office**

With the above reorganisation the pressure of the routine or operational work on Central Office will be substantially reduced and the Central Office will be free to devote more time to vital functions such as Planning, Policy Formulation, Direction, Budget Performance Review, Control and Co-ordination, handling of proposals of large advances, investments, accounts, audit and inspection and guidance to the Regional Offices.

1.6 **Management by Exception**

With the tremendous expansion of banking offices, the important change that has taken place is more and more decentralisation. However, the banks have yet to learn the technique of managing an industry through so many establishments. In the past, when a bank had 100-200 branches it could afford to manage them by the rule of thumb method or personal contact, knowledge and initiation. But with 600-1000 branches, banks would need more systematic and scientific methods. This lesson has been underlined by the unhappy results that flowed from managing the growing number of branches in the same old ways. The principles of business administration and scientific management are now being applied by creating suitable regions and areas for control, supervision and reporting. But banks find it difficult to fill up the
void created by the sudden growth for which they were unprepared, to rebuild the middle management where it had broken down. The Branch and Regional Managers, have been granted wide powers. But they have yet to learn to exercise the authority that is delegated to them. Through the years of centralisation, they have forgotten the skills and arts of taking decisions locally. Moreover, even the central office has decentralised decision-making because it appears to be a necessity. But they have not yet absorbed the philosophy of delegation with the result that many questions regarding why and how the decisions were taken are asked—questions which destroy the initiative at the local manager’s level. Further, the central offices have yet to realise that, decentralisation also means power and right for branch managers to make mistakes. As an essential ingredient of the structural changes to meet new functions, decentralisation of decision-making and therefore delegation of authority and assignment of responsibility was crucial. In order to effectively discharge the banking functions and tasks and even more to develop managerial capabilities of bankers’ discretionary element at the management and decisional centres should be expanded. This expansion should not be merely in terms of credit decisions and the limits thereof, but all areas of banking operations so that the management centre is enabled to discharge its
activities effectively. This would imply a degree of operational freedom on matters like personnel and administration.

In a pamphlet published by National Institute of Bank Management on Decentralisation and Delegation, it has been stated:

"..... The fundamental element of delegation should be that, each management centre should as nearly as possible be a complete unit of banking operations. Only policy matters and those matters which necessitate co-ordination at higher level should be referred to the superior authority. As a result of such delegation 80% to 90% of the work of the centre, be it a branch or region, should possibly be disposed off without reference to the higher level. ...........

Such a system of delegation implies an effective review system. Delegation and review are, in fact, two sides of the same coin. The existence of delegated authority would greatly depend upon the top management attitude. The top management should encourage the exercise of delegated authority explicitly as well as implicitly or it would have repercussions on the psychology of its exercise at the lower levels. In order to enable the banker to exercise his full authority; his self-image in many cases needs to be changed. He must be encouraged to look himself as a manager or a decision maker rather than as a tool for carrying out orders dictated by the
higher authority. In some of the banks till the early sixties the set up was predominantly functional with little or partial territorial supervision assigned to senior executives. Later, during the sixties the set up became functional-cum-regional with the regional bias becoming pronounced. The new role of the bank as a development agency created new problems of control and administration. The organisational set-up was, therefore, changed recently to solve these problems and achieving this new role.

In some banks, in the light of the emphasis on departmental functions, three new management levels of Regional Managers, Development Managers and Group Managers have been introduced to provide extensive developmental machinery at the field level.

1.7 Head Office : Its Organisation

In some banks, line and service functions are completely separated e.g. the service, inspection and vigilance, development and planning are entrusted to the individual senior executive, large credit proposals beyond the powers of the Zonal Managers and received from zonal head-quarters will be put up before the Board or the Management Committee of the Board by the senior officer.

In addition to the above in some banks various committees have been formed such as Credit Committees,
Personnel and General Administration, Executive Committee, Business Development Committee, etc. In addition to these, sometimes number of sub-committees are formed either permanently or for a specific task. They work on behalf of the Executive or other committees. Generally the sub-committees are:

(i) Branches - new and upgrading.
(ii) Review and enquiries, etc.
(iii) The tasks of the sub-committees are such as
(a) Deposit mobilisation and Incentives.
(b) Simplification of forms and Returns.
(c) Expenditure Control.
(d) Delegation of powers.

The aim of forming various committees is to create wider participation in decision making, in inter-disciplinary examination of problems and a deeper involvement by managers of younger and junior levels by giving them an opportunity to work as equals with their seniors. Banks are trying to make more and more compact regions for centralised field attention and on the spot decisions. To assist the large number regions in dealing with head office, a regional co-ordination division has been opened to communicate between regions and the head office. The Chief Regional Co-ordination is the regional managers' representative at the Head Office and he also levels extensively for identifying regional problems in the
regions. He is also a member of the Executive and Personnel Committee. Communications have been improved, both at the mechanical and information levels. All the big branches and regions have been connected with the Head Office through a telex-teleprinter network. In some banks in order to speed up information flow, mechanical and electrical accounting methods are used.

Generally there are following departments (please see the Chart on next page).

The various departments are placed under the charge of a senior officer designated as the Chief Manager. Between the Chief Manager and the Senior Management, generally there is no intermediary. Then various departments are grouped under General Manager, Deputy General Managers and Assistant General Managers. Each member of the Senior Management is made responsible for the total functioning of the department placed under them and is accountable to the Chairman and Managing Director. The Chairman and Managing Director may at any time change the grouping of the department or entrust additional functions to any member of the Senior Management and/or department heads. Reports from the Senior Managements will come direct to the Chairman and Managing Director and in his absence to the person next in seniority.

The various committees may meet once in a week or once a month.
<table>
<thead>
<tr>
<th>Department</th>
<th>Assistant General Manager</th>
<th>Development Department</th>
<th>Economic and Statistical Department</th>
<th>Administrative Department</th>
<th>Inspection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations Department</td>
<td></td>
<td>Development Department</td>
<td>Economic and Statistical Department</td>
<td>Administrative Department</td>
<td>Inspection</td>
</tr>
<tr>
<td>Servicing (1) Deposit and other Services (2) Resources</td>
<td></td>
<td></td>
<td>(1) Help Management in policy</td>
<td>(1) Personnel</td>
<td>(1) Report conducted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) Agricultural and other priority policy</td>
<td></td>
<td>Bank Investments</td>
<td></td>
</tr>
</tbody>
</table>

Deputy General Manager

Assistant General Manager

Operations Department

Development Department

Economic and Statistical Department

Administrative Department

Inspection

(1) Report conducted
1.7/4 Regional Offices: Their Pattern

The criteria adopted for forming regions vary from bank to bank. But general criteria are:

(a) Linguistic homogeneity.
(b) Administrative convenience.
(c) Balanced territorial and Branch-wise distribution.
(d) Potential for growth.

The Regional Manager will be in complete charge of and be responsible for the totality of the banking activities in his Region. He is responsible for:

(a) The business in his Region.
(b) Administration and control of Branches.
(c) Guidance to the Branch Managers/Agents.
(d) Reporting to the Chairman and Managing Director.

In Regions, a regional manager has one or more staff officers, an assistant regional manager, one or more area managers, development managers, technical and agricultural officers. He is also provided with requisite advice and specialist personnel. The regional manager must be given adequate administration and financial powers in respect of business, administration and personnel in order to operate the region as a complete unit of banking operations. However, he has to work within the framework and guidelines issued from time to time by the Head Office.
Chart II

Regional Manager

Assistant Regional Manager

Assistant Regional Manager

Area Manager

Inspection and Audit Department

Admin. Dept.

Personnel Department

Operations and Resources Development Department

Credit Department

Development Department

Branch Agents/ Branch Agent Manager

Branch Manager

Branch Agents/ Branch Agent Manager

Branch Manager
1.8 Area Officers: Their Functions

The Regional Managers are assisted by the Area Managers to maintain close contact with the Branches under their control. The Area Manager has under his charge a group of Branches generally not exceeding thirty. He is expected to visit the Branches under his charge, as often as he can and help the Branch Managers/Agents in discharging their responsibilities. He has to interpret to the Branches various communications and circulars issued by the Head Office and also provide feed-back so necessary for policy formulation or corrective action. Where the Area Manager has within his jurisdiction any district in which the bank has the 'Lead Bank' responsibility of implementing the Lead Bank role in these districts. He has to prepare District Survey Reports, formulate plans and programmes for banking development in that district. In addition to the Lead Bank responsibility, where applicable, the Area Manager's special responsibility would be to cover developmental and promotional activities of the bank. He has to associate himself with the formulation of the business plans and budgets of the branches in his area.

In the light of his duties and responsibilities the staffing of the Area Offices would be very compact. The officer is assisted by Field Officers and Technical Officers.
1.9 Branches: Their Role

In some banks, Branches were classified as A, B, C, etc. even before nationalisation, but after nationalisation because of significant change that has taken place in the scope and content of the activities of the banks, the classification has been revised. Before nationalisation, the criterion for classification was advances, business at the Branch—both present and potential. However, this yardstick is no longer adequate as it does not take into account some other relevant factors like Deposits, Location, Staff, etc. The powers delegated to the Branch Managers/Agents differ with the classification of the branches. Lending powers also differ with the type of the branch. The most important ingredient of the entire reorganisation scheme is much larger and wider delegation of discretionary powers all along the line and at all the levels. It shall, therefore, be the duty of Branch Agents to sanction credit facilities within the discretionary powers vested in them subject to usual scrutiny and observances of prescribed rules and regulations. If the Branch Agents avoid responsibility by pushing up proposals which fall within their own discretionary powers to any higher decision making authority for disposal, it would defeat the very purpose of decentralisation and reorganisation.
1.10 **Zonal and Divisional Offices**

In some banks, Divisions and Zones have been formed. In these banks, the Chief Agents in charge of Groups will be replaced by divisions and Divisional Managers. The Divisional Offices are envisaged as compact units offering a unified control over all the branches within the Division in the field development. The Divisional Manager is expected to provide guidance and leadership to the branches under his charge. He has to give on-the-spot decisions regarding development of business, processing of proposals, deposit mobilisation, etc. He must in addition to the above, improve the efficiency and working of the branches. The Divisional Manager may have an assistant officer with the experience of holding independent charge of a Branch and an Agricultural or Industrial Officer. The functions of the Divisional Manager are nearly the same that of the Regional Manager such as, provide guidance to the Branch Managers/Agents, accelerating Deposits, to locate the centres of branch expansion, to participate in discussions, conferences, seminars, etc., to submit annual reports on agents of the branches with divisions. In some banks, before nationalisation all proposals in excess of the powers of the Chief Agents and all administrative matters were being sent up to the Central Office. However, a very large and vastly diversified organisation cannot be effectively managed by a single authority at
the Central Office. The new type of organisation, meeting the needs of the changing time has been evolved and a self-contained zonal set-up has been created with the Central Offices remaining as the apex body. The entire country has been divided into zones like Western Zone, Eastern Zone, Central Zone, etc. Generally, each zone covers 250-300 branches. The Zonal Manager is in charge of the zone and where necessary, he is assisted by another officer namely, Deputy Zonal Manager. Large powers are delegated to the Zonal Managers and are responsible for managing the affairs of the branches under their charge. They enjoy a large measure of autonomy which will give them ample powers in respect of business, administration, personnel, legal matters, expenditure, branch expansion, etc. The aims of the Zone is to function as a more or less homogeneous unit except for reference to and from the Central Office in relation to the general policy matters. Generally, the Zones are organised on functional basis. The various departments are Advances, development, agricultural finance, accounts, personnel, legal matters, lead district work, etc. The Zonal Manager may hold interdepartmental meetings at regular intervals, provide the necessary leadership and co-ordinate effectively the work of the various departments.
1.11 **Designations and Titles**

In addition to the above, while reorganising, the banks have changed the designations of the various officers e.g. now i.e. after nationalisation the Chairman is also the Managing Director and the post is designated as the Chairman and Managing Director, instead of calling him only as Chairman as before nationalisation. His job is also made full-time after nationalisation. The reasons for this are many. Due to the new role entrusted to the Banks and increase in their business it has become necessary that there should be a full-time officer. It is not an easy task to get highly qualified two persons for each bank one as a Chairman and other as a Managing Director. Not only this but it will also be too costly to appoint such two officers of a very high rank. Some other designations were also changed keeping in view the public opinion e.g. the person who is now called Chief Officer was designated as Superintendent before nationalisation. The post is of a high rank having wide powers. But when you call it as Superintendent it feels that the post is not so high as it is. Thus, while reorganising, the designations are also changed in order to have correct sense of the ranks.

1.12 **Lead Bank**

Based on the recommendations of the Gadgil Study
Group and the Nariman Committee, the Reserve Bank formulated towards the close of 1969, the Lead Bank Scheme, with a view to give concrete shape to the area approach to development. To enable banks to assume the role of the leadership in its effective and systematic manner, all the districts of the Indian Union except the metropolitan areas of Greater Bombay, Calcutta, Madras and Union territories of Chandigarh, Delhi and Goa, were allocated among the public sector banks and a few of the private sector banks. Each bank is expected to devote intensive attention to the districts allocated to it and provide leadership in initiating or quickening the process of development. To fulfil the immediate task of acquiring a basic knowledge of their districts allocated to them and enabling them to formulate suitable schemes of action, the banks were required to conduct a quick survey of the resources and potential of the districts and also identify central areas in the districts that are in need of banking services and offer potential for development. It was apparent that decentralisation of the decision-making both in the geographic and function sense and co-ordinating these at each higher level was the general direction in the banking industry.

The question to be considered in using these organisational evolution in the banking industry as an instrument of developing managerial personnel.
1.13 **Controlling Officers**

In some banks, in order to reduce administrative remoteness a controlling office is established for a number of branches. This affords the controlling office every access to the branches under its jurisdiction and frequent contacts can be maintained with each of the Branch Managers. However, having controlling offices for every group of branches situated close to it automatically means that there would be quite few such offices. The major constraint here is the cost of running these offices. Their number may be large in case of a bank, having hundreds of branches. There thus, arises a fresh problem of coordinating and administering these controlling offices spread over a wide area. Another drawback of this system is that these controlling offices, as they are situated far from the Head Office, would not be in a position to contribute significantly to policy-making function of the banks management. The Head Office in turn would not be able to communicate satisfactorily its thinking on various matters to the numerous zonal or regional controlling offices.

1.14 **Decentralisation and Delegation**

With the rapid expansion of the banking activities, decentralisation of decision making authority had become imperative. After nationalisation, the need to delegate
the authority, particularly in the field of lending was felt more than even before. Delegated authority so far as lending at branches is concerned, covers 'discretionary' powers i.e. authority to lend for only casual and temporary requirements and sanctioning powers. However, as an initial step towards greater decentralisation, in some banks, Branch Managers of 'A' category branches have been authorised to sanction limits on regular basis in respect of advances to non-priority sectors as well. It is realised that if the Branch Managers are to play their developmental role effectively, they should be encouraged to exercise their delegated authority without undue constraints. In following the policy of wide decentralisation, it was expected that the decisions will be taken promptly, as the regional and branch managers need not refer to the Head Office for every decision to be taken or as decisions are not directed by the Head Office. But actually when decentralisation is practised the picture is not at all encouraging. Instead of taking prompt and quick decisions, after nationalisation, there is too much delay. But as the time passes, the regional managers will exercise the authority delegated to them and take decisions on their own and let us hope that the time lag will be minimum.

The fear of the top management, while delegating powers and authority is that, the Branch and Regional Managers may not take the same decision as would have
been taken by the Top Management. However, while delegating, the superior must be aware of the fact that his subordinate will not take the same decision as he himself would have been taken. The only thing that he can do is to see that the decision taken by the subordinate is not entirely contradictory to the broad policies of the Top Management. This he can assure simply by giving the subordinate the detailed information about the board policies and objectives of the organisation. Further, before the Branch and Regional Managers receive the powers and authorities they will be given training. Thus, they will be able to take right decisions though not exactly the same as that of the 'Top Management' and if, still they make any mistake, the Top Management must come forward and rectify it.

For the effective delegation and successful decentralisation the control must be more strict than at present. As is clear from the above, in such a system of management, the Branch Manager/Agents will be given reasonable freedom to operate in their areas subject of course to the policy directions, the guide-lines and instructions laid down or issued from time to time. In fact, it is the Branch Manager/Agent, with his team, who is the most important functionary. He provides the first point of contact with the customer, builds up the base on which to develop the business of the bank. The
task of servicing the weaker sections of the society also falls firmly on the Branch Manager/Agent as he is in the best position to devise, indicate and direct programmes best suited for the local community. Within the organisation the management must constantly endeavour to provide climate which will stimulate initiative and innovation. In the process of decentralisation of function and delegation of authority, it would be noted that the process has necessarily to be gradual as the capabilities of the executives and managers have yet to be developed, while it will have to be accompanied by the appropriate system of control. Even in the scheme of delegation for it to operate effectively, it will be essential that executives at all levels exercise the powers entrusted to them. To this and the seniors will be expected to encourage decision making amongst their Juniors and provide as and when necessary to required guidance. The delegatee may of course always seek guidance whenever there is any doubt but not with a view to shrinking responsibility. And it must be appreciated by the Seniors that the decisions of the delegates need not necessarily be the same as they themselves would have taken.

1.15 Risks of Decentralisation

Thus, the structure and organisation of the banking
industry, had undergone a significant change. To deal with the new functions like loans to agriculture, small-scale industries it was no longer possible to have a restricted geographic net-work or offer a limited range of banking services. Dispersion of banking offices and co-ordinating them at each level has had a dramatic impact on the structure and organisation of banking. As organisation based on a combination of the area and the functional principle is by far the most significant structural development in recent years. While it was recognised that different banks were at different stages of evolution in their organisation structure, it was apparent that decentralisation of decision making and co-ordinating these at each higher level was the general direction in the banking industry.

1.16 New Role

The future and actual survival of any banking organisation depends upon its development of managers. One of the responsibilities of the bank management is that of the development of future executive leadership. Failure on the part of the top management and directors to provide for management replacements or reserves is one of the most serious weakness in our present banking system. One of the problems is the failure of bank officials to delegate authority and failure of the management to offer
challenging and stimulating responsibilities to younger management. In branch banking organisation, the most logical place for managerial development is in the branch banking themselves. Here is where the individual has opportunity of developing independent command at the middle or lower managerial level and in a position under which his performance can be objectively analytical. In order for men develop themselves as managers they must be given a certain freedom under which to operate. This requires a decentrally organised organisation.

A bank must be organised in a manner which will bring out talents within the organisation. Men must be encouraged to take initiatives to demonstrate capabilities and to be placed in an area in which there is adequate room to grow. Decentralisation will develop, train and test a fair number of managers for tomorrow without any additional management development activity as such.

Under a decentralised organisation, managers who formerly shrink responsibility by continually 'going to the head office' with every branch problem, are forced to develop their own thinking. This forces them to grow. By learning to exercise independent judgement they will be equipping themselves to further responsibilities. Branch Managers are encouraged to seek out answers themselves rather than turning to main office staff, department for their decisions. This is not to imply that the
seeking of staff advice is discouraged. Staff advice is sought but staff decisions making is not.

A branch manager has an advantage of knowing the customer and obtaining first hand judgement of the man's character and ability. He has the advantage of visiting the customer at his place of business. Decisions made by competent managers on a first hand basis can generally be expected to be more reliable than those made by staff officers who must view the problem as an isolated observer.

1.17 Executive Leadership - Its Role

However, there are risks inherent under this system. The Manager who has freedom but who has difficulty in saying 'no' can get himself and the bank into real trouble. Persuasive borrowers who have more enthusiasm than ability may succeed in transferring their unwarranted enthusiasm to the branch managers. Once the customer has taken money, repayment depends not only on his wish and willingness to repay it but on his ability to do so. If a bank has to employ decentralisation it must reconsign itself to the fact that a certain percentage of mistakes is inevitable. It is when managers do not learn from their mistakes that they should be considered liable to be from their positions. Just as consistent good performance must be rewarded, consistent poor performance must be penalised. It cannot be disputed that decentralisation provides relief to
senior management. When the top management becomes burdened essential executive functions will be neglected. One of the principal reasons for business failure is the fact that some executives have been making decisions on day to day functions that would be better delegated to subordinates. The daily problems are the pressing problems, for they must receive immediate attention. Executives who do not delegate responsibility and give their subordinates the authority required to discharge their responsibilities are constantly overwhelmed with daily problems crying for attention. As a result, major problems scarcely receive the study that they deserve.

1.16 Effective Management Need

As banking becomes more competitive, the need for sound management becomes more important. Every bank must adopt a workable form of organisation and be managed in accordance with some basic philosophy of management able to meet the challenges of banking future.

Decentralisation will create the atmosphere to the greatest possible growth of individual managers and the development of individual responsibility. It will encourage men to take initiative, to demonstrate their abilities and thereby to develop themselves to assume future responsibilities. Decentralisation based on broad freedom, the sharing of responsibilities and the establishment of clearly
defined aims will create the climate needed to meet and fulfil the goals.

Under decentralisation the individual branch stands accountable for its own results. Each branch will be measured against the progress of bank's other branches as well as being measured against competing unit banks. The branch is held responsible for the profits that it earns and the losses that it sustains.

In a decentralised bank, decisions are constantly pushed down to the level where they are implemented. The attempt is to concentrate authority as far as possible, consistent with good judgement at points where decisions are to be activated. This manner of management distributes decision making throughout the organisation. Branch managers are encouraged to make decisions, to practise delegation themselves and to bring all of their creative talent and ability to the solution of the bank problems.

In the pamphlet on 'Decentralisation and Delegation' published by National Institute of Bank Management it has been stated:

"... In order to effectively discharge the banking functions and tasks and even more to develop managerial capabilities of bankers the discretionary element at management and decisional centres should be expanded. This expansion should not be merely in terms of credit decisions and limits thereof but in all areas of banking operations so that a management centre is enabled to
to discharge its activities effectively. This would imply a degree of operational freedom in personnel as well as administrative matters..."

The fundamental objectives of such delegation should be that each management centre should as nearly as possible be a complete unit of banking operations. Such a system of delegation would not work unless it is accompanied by an establishment of proper criteria for delegation.

Delegation of authority and assignment of responsibility should be essentially a style of management of banking rather than an incidental phenomena in it. Without such a style neither management development would be possible in any adequate measure nor it would be possible to implement the new banking tasks effectively.

1.19 Summing up

Thus, several options are open and any structure that could be devised would have its own merits and demerits. Ideal structure is a near impossibility. It is sometimes said that we should have one bank for each district. This would mean the formation of 341 banks in India and we would have considerable difficulty in developing the existing personnel to work in branches in these districts.

One can give the other possible alternatives also--from the extreme of having a single banking monolith for the whole country with 20,000 or 30,000 branches, to the
other extreme of creating a large number of small independent units, each operating in an area broadly identical with a district. In between the two extremes there may be a number of alternatives—a regional commercial bank for each state, a structure of the type that the Banking Commission recommended or one all-India bank and 5 or 6 zonal banks. There is no escape from the position that the present system has to be changed, retaining the multi-service character of the commercial banking sector.