

MAIN OBSERVATIONS AND SUGGESTIONS

In this chapter, an attempt has been made to highlight some of the issues which have emerged during the process of our analysis of data and in course of opinion survey and offer a few suggestions which may be considered at the policy level in the banks.

SUGGESTIONS(1) Bank-wise differences in extent of delegation

The environment in which the banks operate today is by and large the same. However, the study of the delegation of powers amongst various banks reveals that there are glaring differences in the extent of delegation. For instance - the type of credit proposals which a Manager - say, in a rural branch of a bank - is required to handle is, by and large, the same as his counter-parts in other banks are required to handle. However, it is observed that powers vested in a Branch Manager differ very widely. The skill and experience levels of the Branch Managers in various banks do not have significant differences. Hence differences in the extent of lending powers become illogical. There is, therefore, need to bring about atleast broad uniformity in such powers so as to satisfy the criteria that atleast 70 per cent to 80 per cent of the proposals are dealt with at the bottom tier level of management itself.

(2) Optimum utilisation of ^{man} power commensurate with their scale and seniority

As stated earlier, banks have three four-tier structure. In case of branches, the managerial posts thereat have been classified according to the business handled by them. Broadly the branches have been classified into five categories- viz. Small, Medium, Large, Very Large and Exceptionally Large. These branches are headed respectively by officers in Scale-I, II, III, IV and V. In case of Divisions/Regions, they are generally headed by officers in Scale-IV/V. In case of Zones/Circles, they are headed by officers in Scale-V/VI and at Head Office there are various functional departments which are headed by officers in scale-VII. Above officers in scale-VII at Head Office/Central Office, there are posts of Executive Director and Chairman & Managing Director. In most of the banks, lending and non-lending powers upto the Zonal level have been vested in only the head of the office, i.e. the powers are required to be exercised by the Branch Manager, Regional Manager and Zonal Manager. No other officers in the office enjoy the lending at most of the banks. This system leads to less than optimum utilisation of the powers on account of the reasons mentioned hereinafter.

For instance in many banks Head of Credit Department in EL branch, who is in Scale-III, does not have any sanctioning powers. Similarly, officer in Scale-III or IV heading Credit Department in Regional Office or Zonal Office also does not have any sanctioning powers. As against this,

Branch Manager in Scale-III heading Large Branch enjoys the power. It may be appreciated that Heads of Credit Department in Exceptionally Large Branches, Regional and Zonal Offices handle advances of larger volume, greater variety and higher complexities, in comparison to that of a Branch Manager of a Large branch. Further, dealing exclusively with credit leads to specialisation and development of higher skills in them as compared to the Branch Manager who has to deal with not only the advances, but other operations of the branch. Notwithstanding this, non-delegation of powers to the Departmental heads in say Exceptionally Large branches, Divisional Officers, etc., leads to less than optimal utilisation of manpower commensurate with their scale and seniority. The powers should, therefore, be delegated and should sink atleast upto second level in branches, Regional offices and Zonal offices.

(3) Over-loading of certain points

As mentioned in earlier, in most of the banks, powers have been vested only in the heads of the branch, Region and Zone. For instance - in Exceptionally Large branches lending powers have to be exercised by the Chief Manager only. On account of this, the Chief Manager has to sanction advance proposals ranging say from Rs. 500/- to, say, Rs. 25 lakhs. In some Exceptionally Large branches, the advance accounts are large in number. As a result, it becomes difficult for the Chief Manager to give justice with his job alongwith other diverse and multifarious duties and responsibilities. Same is the case with the Regional Managers and Zonal Managers. There

is a need for reducing over-load of work and responsibility on certain points for smooth and efficient functioning of the various tiers.

(4) Need Vs. Status

In banks the powers have been related to the scale of the delegates officers instead of the organisational and environmental needs. This linkage is not rational. For instance - Regional Manager in Bombay Region has the same powers which a Regional Manager in Himachal Pradesh Region has. From the need point of view, the Regional Manager in Bombay Region is required to handle more proposals of larger size in comparison to that of the Regional Manager in Himachal Pradesh. Since he does not have higher powers, the proposals are referred to the next higher tier. Further, Regional Manager in Bombay may also have to compete with other banks, which have their Head Offices at Bombay, if the Head Office of his bank is elsewhere. The system results in delays, thereby making it inefficient. It also exposes the Bank to higher risk and loss of good business, as timely decisions are, many a time, very crucial in the area of credit.

(5) System of Delegation Vs. Motivation

In the delegation system prevailing in most of the banks, when an officer in a particular scale is transferred from a branch to the Regional or Zonal office in the same category of post he, in most of the cases, loses his sanctioning powers. This obviously affects his motivation, particularly

when his assignment at the Regional Office/Zonal Office is more important and requires him to exhibit higher skill in processing of proposals of larger size and diverse nature. For instance - when a Manager of a Large branch is posted in Regional office as Manager-Credit, he is not vested with any lending powers though his assignment at the Regional Office is more important and it requires dealing with bigger and more varied lending proposals. Thus the system unintendedly demotivates the officer.

(6) Role, responsibility and accountability

In the present delegation system prevailing in banks, role, responsibility and accountability do not match. For instance, Field Officers in many banks have not been vested with lending powers. In reality such Field Officers pay visit to the field of the farmers, interview them and give their report to the Branch Manager. The Branch Manager normally sanctions or declines the proposal based on the report of the Field Officers. Independent verification by the Manager is usually not feasible. Responsibility-wise, however, sanctioning authority becomes more accountable. In view of this, although the role of the Manager in processing of the proposal is only secondary to that of the Field Officer, his accountability is primary. This anomalous position needs rectification by vesting reasonable lending powers to the Field Officers and other officers in similar category, subject to appropriate controls.

(7) Hierarchy of organisational tiers

Delegation system in banks does not recognise hierarchy in organisational tiers. Instead, it relates the powers to the scale of the delegates irrespective of where he is posted. Certain anomalies arise on account of non-recognition of differences in hierarchy of organisational tiers. To elucidate hierarchy-wise the Regional Office is higher than the branch, Zonal Office is higher than the Regional Office and Head Office is higher than the Zonal Office. Anybody who is delegated powers represents the tier in which he is posted and not his individual self. This distinction has not been recognised in delegation of powers in the Banks. For instance - the Asstt. General Manager in Scale-V heading the Zone and the Asstt. General Manager in Scale-V in the Credit Department at Head Office enjoy the same powers. In view of this system, the Asstt. General Manager in Head Office heading the Credit Department in reality does not have any powers, as he is not required to exercise lending powers for the reason that all the proposals which emanate from the Zones fall beyond his powers. He simply becomes a processing and recommendatory authority instead of a sanctioning authority. His role and responsibility, however, warrant vesting of higher powers in him than that of his counter-part in the Zone. Since the Asstt. General Manager heading Credit Department at Head Office does not have higher powers, the proposals necessarily have to be put to Dy.General Manager and/or General Manager for sanction. This system on the one hand

demotivates the Asstt. General Manager, whereas on the other hand it overloads the next higher authority. It is, therefore, felt that since the delegation is a scheme for meeting the needs of the organisation instead of distributing powers amongst the people, the powers should be related to the post instead of the scale of the officer by recognising differences in hierarchy of the organisational tiers.

(8) System of expressing the powers

In most of the banks, the powers have been expressed in monetary terms only. However, in some cases it may be more realistic to relate the powers and express them in numerical and quantitative terms. For instance - the powers for finance against trucks, tractors, pumpsets, etc., are expressed in monetary terms. It is sometimes found that the powers so vested in the delegatee do not enable him even to finance one item. This situation arises on account of the reason that revision of powers does not keep pace with inflationary trends in economy. As a result, at times, the cost of an item increases to a level which is more than the power delegated to a particular delegatee. In such cases, the powers in practice become redundant and all the proposals are required to be forwarded to the next higher authority for sanction. It is, therefore, desirable to express the powers in terms of numbers instead of the amount in certain types of advances. Such linkage will make the system subject to better administration control also.

(9) Lack of adaptability to special situations and circumstances

Environment in which the branches of a Bank operate differs widely. But such differences have not been recognised in system of delegation of powers. For instance - some Small category branches are located in industrial estates and some in areas which are predominantly agricultural. The Managers of both these branches enjoy the same powers. But the nature of business handled by them is different. The Manager posted in industrial estate branch requires higher powers to process and sanction proposals of the industrial units established there. But since these powers are not vested in him, the proposals have to be forwarded to the next higher authority for sanction resulting in delays. The delegation system should have inbuilt provision for vesting of additional powers commensurate with the need in which the delegatee operates.

(10) Structural differences

There are wide differences in the structure adopted by the banks for delegation of powers. Some banks have expressed powers security-wise and facility-wise, whereas in some other banks the powers have been expressed in relation to the purpose i.e. working capital, term loan, etc. Further, some banks have described the powers in great detail, whereas some others have classified the various items under a few homogeneous heads. Since the type of securities, type of facilities and the purpose for which the advances are made

by the banks are, by and large, the same, such glaring differences in delegation structural are anomalous.

To conclude, the issues discussed above underscore the need for rationalising the delegation system in banks on the following lines :

- (a) The powers delegated should be adequate and enable the delegatee at the bottom tier to deal with 70 per cent to 80 per cent of the borrowal proposals at that level itself.
- (b) Delegation should be done in such a manner that it leads to optimum utilisation of officers commensurate with their scale and seniority.
- (c) Delegation should promote efficient functioning and should not overload certain points in the organisation with undue work and responsibility.
- (d) Delegation should be need-based rather than status-based.
- (e) To the extent feasible, delegation system should not adversely affect the motivation of the officers consequent on their placement in different posts in the same category by depriving them of their powers.
- (f) Delegation should ensure shouldering of the responsibility matching with the role and introduce accountability at all levels.

- (g) Delegation system should recognise hierarchy of organisational tiers.
- (h) The powers delegated should be realistic in relation to the purpose.
- (i) System should have an element of flexibility and should permit adaptation to special situations and circumstances.
- (j) Delegation should be subject to effective administrative control to prevent its misuse and,
- (k) To the extent feasible, delegation structure should be uniform in different banks handling identical business.