

CHAPTER - I

RESEARCH DESIGN

This chapter contains the research design of the study. At the outset an attempt has been made to elaborate the justification for taking up this study in the background of the growth of commercial banking in India, the new dimensions in the role of the banks that have emerged during the post nationalisation period, and the changing organisational needs at the bank level to enable them play their role more effectively and in consistence with the official policy and regulatory frame. This justification for the study has been presented in section I of the chapter entitled "Rationale of the Study". This chapter has been divided three sections and the section II contains the main objects of the study, the main and sub-hypothesis formulated to achieve the identified objectives, the scope and coverage of the study, the sample and its justification, the sources of collection of secondary and primary data and information and the techniques used to analyse the data. In the last section the scheme of presentation of the remaining part of the thesis has been given.

SECTION I

RATIONALE OF THE STUDY

An organisation can be conceptualised as a function of power system. Certain quantum of power rests at the highest management level in the organisation. This quantum gets distributed to various levels at varying degree and in

diversified methods depending upon the growth, the nature of the industry and the culture of the organisation, etc., with the ostensible objective of optimizing performance. In other words, just as there is division of work amongst the organisation's key positions and the task force gets divided accordingly, there can be division of power on similar lines.

In an organisation like a large Indian commercial bank, where vertical and horizontal growth takes place at a phenomenal rate, delegation of powers in key or pivotal decision making areas becomes inevitable especially in lending function, mainly because this has been the core function of the bankers.

In India significant structural and functional changes have taken place in the commercial banking system beginning since the establishment of the State Bank of India in 1955 and in a more vigorous and directed manner during the post-nationalisation period. The banks, especially those in the public sector, have been vested with the responsibility of functioning as institutions for socio-economic transformation of the society, of course within the statutory, regulatory and policy frame. It may be worth mentioning here that the nationalisation of the 14 major banks in July, 1969 was really a landmark in the history of Indian Banking as it had profound impact on the growth of the banking system. The progress which followed, was both phenomenal and multi dimensional. Table 1.1 depicts the growth of commercial banking in India during the post nationalisation period.

Table : 1.1PROGRESS OF COMMERCIAL BANKING 1971-1987

(Rs. crores)

Last Friday of March	1971	1981	1987
1 Number of banks.	73	165	275
2 Liabilities to the Banking System	-	1,752	5,120
3 Aggregate deposits	5,906	37,938	1,02,724
4 Borrowings from Reserve Bank	368	589	1,293
5 Cash in hand and Balances with Reserve Bank	364	4,858	15,555
6 Assets with the Banking System	-	1,207	5,068
7 Investments	-	13,186	33,582
8 Bank Credit	4,684	25,371	63,308
9 Cash-Deposit Ratio	6.2	12.8	15.1
10 Investment-Deposit Ratio	23.1+	34.7	37.6
11 Credit- Deposit Ratio	79.3	66.8	61.6

Note: + Relates to investments in Government securities only.

Source: Reserve Bank of India :
Report on Currency and Finance 1987-88. Vol. II.

The table is self explanatory and highlights the overall growth which has been not only ^{un}precedented but also unparalleled. However, it does not elaborate the qualitative changes that have taken place in structure of the system as well as its role. Table 1.2 depicts some of these qualitative aspects of structural changes.

Table : 1.2 LOCATION PATTERN OF COMMERCIAL BANK OFFICES
(1969-87)

Location Centre	As at the end of June		
	1969	1981	1987
Rural	1,832 (22.4)	17,650 (49.4)	29,920 (55.8)
Semi-urban	3,322 (40.1)	8,426 (23.6)	10,612 (19.8)
Urban	1,447 (19.5)	5,126 (14.4)	7,220 (13.5)
Metropolitan	1,661 (20.0)	4,505 (12.6)	5,813 (10.9)
Aggregate	8,262	35,707	53,565

- Note : 1. Figures in bracket indicate percentage to aggregate.
 2 Rural centres : Places with population upto 9999
 3 Semi urban centres : Places with population upto 10,000 & upto 99,999.
 4 Urban centres : Places with population upto 1,00,000 & upto 9,99,999.
 5 Metropolitan centres : Places with population upto 10,00,000 & above.

Source : Report on Trend and Progress of Banking in India. 1984-85 and earlier issues. Report on Currency and Finance, 1985-86. Vol I.

The table reveals that in terms of expansion and geographical coverage, banks have largely expanded in the hitherto

neglected areas and the growth in the number of rural and semi-urban areas is significant. This is indeed, change achieved on account of official policy and regulatory measures. In terms of population per office also, there has been a remarkable improvement. Table 1.3 contains the qualitative change in the role performed by banks.

Table : 1.3 SECTORAL ALLOCATION OF ADVANCES
(Rs. crores)

Item/Sector	Outstanding at the end of June			
	1969	1971	1981*	1987
Gross bank credit	3,599	4,805	24,804	62,445
Public food procure- ment credit	233	379	1,759	4,337
Non-food gross bank credit	3,366	4,426	23,045	58,108
(A) Priority Sectors	505	1,026	8,504	25,358
(i) Agricultural	188	382	3,584	10,992
(ii) Small scale industries	286	500	3,229	9,300
(iii) Others	31	144	1,691	5,466
(B) Industry (Large & Medium)	-	-	9,960	22,361
(C) Wholesale trade	2,861	3,400	1,994	3,142
(D) Other sectors	-	-	2,587	7,247
Including export credit**	258	382	1,540	3,377

Source : Report on the Trend & Progress of Banking in India. 1986-87 and earlier issues.

Note : * Relates to March 1981

* Relates to April 1987

** Export credit is included in the total non-food gross bank credit and items A to D.

It is evident from the table that there has been a significant change in the structure of bank advances during the post nationalisation period with a decline in the share of C & I advances and of remarkable improvement in the share of agricultural advances and other priority sector advances.

It may be pointed out here that banks now have to finance the poorest of the poor as well as the largest of the business undertakings. Further, after nationalisation there has been a revolution in expectations of the people from the banking system. The society now expects that the banks must take minimum possible time in the sanction and disbursement of loans. However, it cannot be ignored that this unprecedented growth and diversification had led to some imbalances in the system and called for some effective measures for improving the organisational efficiency.

In their endeavour to meet the new challenges public sector banks have made some efforts to revamp their internal organisational structure and re-design their operating systems and procedures. As a result, most of the banks are now organised into three to four management tiers consisting of Head Office, Zonal Offices, Regional Offices and Branches classified into metropolitan, Urban, Semi-urban and Rural branches. A number of banks have grown significantly not only in terms of the size of their deposits and advances but also in terms of the

number of offices and coverage of the vast territories. The geographical expansion necessitated structural and organisational decentralisation accompanied by delegation of powers from the Board of Directors to the Chairman and Managing Directors, flowing further to different levels of management upto the grass root level over a period of last 17 to 18 years.

The profile of delegation in different functional areas and especially in the lending areas has also changed to some extent. However, inspite of the fact that the ownership of all the nationalised banks is vested in the Government of India and all of them are governed by a common policy to achieve the common objectives, the success of different banks differs both quantitatively and qualitatively. Also, the profile of delegation in lending area is different in different banks.

Under these circumstances and especially in view of the crucial importance of banks in the economy, it may be relevant to know through an in depth study of the changes that have taken place in the delegation of lending powers in different banks, the present status of delegated powers in the area of lending, and the relationship, if any, between the 'delegation of lending powers' and the size of the bank advances, deposits and their operational efficiency, measured in terms of profitability.

Though a sizeable literature and research output in banking is available today, the area of delegation of powers has remained relatively neglected and thereto, especially, the area of lending. However, a few studies of delegation of authority in Banks in India that deserve mention are reviewed here to understand the research gaps in the field of delegation of powers for lending purposes.

REVIEW OF EXISTING RESEARCHES

As our study deals with the delegation of lending powers in Indian commercial banks, we have identified for review only such studies which are related to the lending function in banks. Also, a major consideration in the identification of the studies for review was that they must be based on reliable and authentic data and must have been carried out by acknowledged persons of high competence. Although, there are a number of studies carried out by highly competent professionals in U.S.A., U.K. and some other countries, they all have relevance either to the unit banking system or they suit the typical banking structures and the functional environment prevailing in those countries. Most of these studies have more or less similar methodology and there is no new methodological contribution that may have relevance to our study. As such, after a thorough survey of the existing literature in the University library and the libraries of the National Institute of Bank Management, Reserve Bank of India, State Bank of India, Indian Bank's Association and the Indian Institute of Bankers, the following studies have been identified for the purpose of our a review:

- (i) Report of the Committee on Delegation of Authority: State Bank of India, 1973 (Unpublished) for restricted circulation only;
- (ii) Delegation of powers in Indian Banks: A Study based on the data collected for the study undertaken by the NIRM for the Banking Commission (1976), Prajnan, Vol. VI No. 4, 1977.
- (iii) Report of the PBP Committee on Banking: Reserve Bank of India; (for restricted circulation) 1977.
- (iv) Report of the study group on Bank Procedures; Government of India; 1971.

In view of the space limitation it has been thought appropriate to concentrate on the methodology and limitations of each study. Also, some recommendations/findings directly relevant to this work have been covered a brief review of each of the identified studies has been attempted in the following paragraph.

State Bank of India Committee Report

The committee of senior officials of the bank was constituted for the purpose was required to consider and suggest changes in the scheme of delegation of authority in the SBI to suit the new management and other positions consequent upon the reorganisation of the Bank and to suggest the magnitude of authority that may be vested with the different functionaries at the central, circle, region and branch level's of management.

The committee conducted an 'observation survey of the delegates and the controlling authorities at different levels of management. The survey covered identified officials at all the Local Head Offices and a sprink line of large, medium sized and small branches, distributed all over the country. Two of the regional offices and of course the central office of the Bank were also included in the recovery.

The committee in its report, running into 13 chapters examined the various organisational and procedural aspects relevant to its terms of reference and offered a number of suggestions for improving the procedures related to the delegation of powers and control system at different levels of management in the Bank. The main finding of the committee relating to the adequacy of the then existing delegated powers, was categorically expressed by the committee as :

"The existing pattern of delegation of powers has, by and large, function well and no business is going past the Bank at the moment merely on the ground of inadequacy of powers vested in any particular position, although enhanced powers at certain large branches would increase their effectiveness. The lending powers have been delegated to only a few Branch Managers, and this relative conservatism has been attributed to the comparative inexperience of junior officials. This lack of expertise has led to a certain degree of reluctance to exercise delegated powers".

The Committee also felt that the then existing level of powers at the branches were more or less adequate in view of the relative inexperience ^{of} junior officials and the very limited business potential in a large number of places. The Committee also felt that there were a large variety of reasons for the reluctance on the part of the delegates^e to exercise discretion of the extent prescribed. It may be observed here that this study, which proved to be extremely useful for the SBI at that time, was essentially an opinion based, procedure oriented work. The study was not carried out through appropriate sophisticated research methodology and the observations of the respondents to the questionnaire were neither scaled nor technically analysed. The entire work is deprived of the empirical support and is confined to only one single institutions, viz. the SBI. At the academic front also, this study does not contribute much. Neither it provides new research methodology nor any new finding or fresh interpretation of the facts, that may enrich the discipline. Lastly, the study was carried out about one and half decade ago and therefore is suitable for a casual reference only, as situation has significantly changed over the time.

NIRM Study

This study was based on the data collected by the NIRM for the Banking Commission (1976) which consisted of mainly the 'Schedules' of powers officially delegated to various functionaries from the Chairman to the Branch Manager of the banks.

The study covered ten public sector banks and 3 broad functional areas, viz. lending expenditure and staff administration. The study examined the profile of delegation pertaining to lending area and for that purpose, six categories of advances viz. the clean advances, pledge of goods, Hypothecation of Mercantile produce, term loans, purchases and discounting of documentary demand bills, and letters of credit, were considered. The study examined the powers of the Chairman, Zonal Office heads and the small Branches and at the first stage of analysis ranked the banks into 3 categories namely top group, middle group and lower group, on the basis of the size of the powers delegated by the Board to the Chairman for each category of advance. At the second stage, the lending powers of branches have been analysed through ranking method; and at the third stage, the relationships of lending powers amongst the Chairman, Zonal Office head and the small branches, have been calculated and prescribed presented in relative functions.

It may be observed that like the earlier study, this study is also a static one. Secondly, it has considered only three decision centres, where as, in practically all the banks, there are eight to ten decision centres at present. The analysis is based on the one point of time data only and therefore leaves no scope for any inter-temporal comparison of the delegation of powers. Although, rank analysis is

an accepted technique for comparison, its application in this study conceals more than revealing the real situation. Further, due to limited analysis, the study fails to give a real insight into the extent and magnitude of delegation in the area of bank lending. This study therefore, while having its own merits, leaves a significant gap in the knowledge about the delegation in banks, which has to be filled up by other researches.

PEP COMMITTEE REPORT⁴

The committee appointed by the RBI under the chairmanship of Mr. J.C. Luthar, Submitted its report in Oct. 1977. The committee while dealing the delegation of lending authority in banks stressed that certain principles and norms for the evaluation of a system of delegation of authority in banks must be laid down, decision centres must be identified, and on a uniform basis for different categories of banks and categories of branches, and adequate discretionary powers must be given to operating personnel in banks and speed up the process of decision making, it recommended that the power structure in the banks must be so designed that atleast 80% of the decisions may be taken at the primary levels and only 20 per cent are passed on to the next higher authority. The committee was of the opinion that the delegation of powers to officers in banks for granting loans and advances was fairly comprehensive as such the committee did not suggest any specific modifications in the system.

PEP COMMITTEE⁴ : Productivity, Efficiency and Profitability

It may be observed here that the committee did not deal with the problem of delegation of lending powers in banks in a comprehensive manner. Its observations were not based on any specific studies in the area and as such there were no specific findings on the subject in the report of the committee. There has been no specific academic contribution in terms of research methodology or even in terms of interpretation of factual situation revealing at that time. As such, it can be conveniently observed that this study does not contribute in any manner what so ever towards bridging the gaps in the field of knowledge on delegation of lending powers in banks.

THE STUDY GROUP ON BANK PROCEDURES

The Study Group on Bank Procedures appointed by the Banking Commission, examined the problem of organisation decentralisation in banks with a view to ensure the effective delegation of power for enabling the banks to improve their efficiency in the field of non traditional business, specific lending to the priority sector. The Study Group recommended certain general principles which could serve the banks as useful guidelines in regard to the delegation of discretionary powers to sanction advances.

It may be pointed out here that the recommendations of this Study Group were not based on any detailed investigation

into the problems of delegation of lending powers in banks. As such, the report does not make any academic contribution and does not give any insight into this area. The need for a detailed analytical study of lending powers in banks in India remained undisturbed inspite of this report.

The study review above, inspite of their high quality do not reveal the present status of the delegation of authority in bank lending area and leave a number of important questions unanswered. Thus, so far there has not been a single study that could scientifically and systematically analyse the extent and magnitude of delegation of lending powers in commercial banks at the different levels of management. It is not known in a systematic manner atleast, as to what are the discretionary powers that have been delegated to the functionaries operating at different levels of decision centres in banks. It is also not known as to what relationship exists amongst the different decision centres, from top level management to the grass root level of management in respect of the discretionary powers that are vested in them. Further, there is no empirical evidence available to ascertain the degree of change in the delegated lending powers at different levels of functionaries as well as for different types of advances also there is not a single source available to know the procedures that are generally followed by functionaries in different banks in the exercise of their

lending powers. It is also not known if there is any relationship between the size of banking institution and magnitude of lending power.

Further, there is no research work available in this country to empirically substantiate the relation that exists between the size of the discretionary lending powers enjoyed by the functionaries at different hierarchy levels and the important operational banking variables such as the volume of lending, secured, unsecured, or discount and purchase of bills, etc. In brief, it can be stated that so far as applied research in the field of delegation of lending powers in banks in India is concerned, the field is virgin and the canvas is blank. In view of the critical role of banks which is not only to control the commanding heights of the economy but also to operate effectively significant role in the socio-economic transformation of Indian economy through effective financial intermediation, it is all the more necessary that their organisational efficiency must improve continuously, which cannot be achieved unless the required insight is available into the complex organisational and functional aspects of their management through a systematic and scientifically carried out simultaneous investigation. This study is just an humble effort in this direction which has been designed to throw some light, on some of the problems atleast, which have remained so far unanswered

OBJECTS OF THE STUDY

In view of some important dimensions of the problem of delegation of lending powers in banks which deserved a systematic and analytical probe and some of the relevant questions raised above which have remained unanswered so far. The main objects of the study are :

- (1) to find out the present status of the discretionary lending powers vested in different functionaries in the organisational hierarchy of banks, with a view to ascertain the distribution of delegated powers among the top level management, middle level management and the grass root level of management and thereby determine the magnitude of the delegation amongst different decision centres in a bank.
- (2) to find out the relationship between the size of banks and the magnitude of MDLPs; the size of MDLPs at different management levels for different types of ^{ad} advances and the volume of lending in the respective categories of advances;
- (3) to ascertain the degree of change in the MDLPs enjoyed by different functionaries for different types of advances in different banks over a period of time and find out the relationship between change in MDLPs and change in the size of advances;
- (4) to identify the weaknesses, if any, in the existing systems and profile of delegation; and

- (5) to suggest the measures for streamlining the systems and procedures of delegation of authority in banks with a view to improve their organisational and operational efficiency in the area of lending through effective delegation of powers.

HYPOTHESES

In order to achieve the identified objectives of the study, a number of hypotheses have been formulated.

(A) The first object is essentially related with the present status of the delegation of powers in banks and accordingly the following hypothesis has been formulated:

Main Hypotheses for Objective I :

"In spite of uniformity in the organisational goals, regulatory environment and functional ^{sub}profiles, there is no organisational and operational uniformity in the Delegation of Authority in the lending area".

In order to test this main hypotheses, the following sub-hypotheses from $H_0 1$ to $H_0 4$ have been formulated :

($H_0 1$) "There is no uniformity in the number of decision centres in the organisational hierarchy from one bank to another".

i.e. $i_A \neq j_B$

where i_A = number of decision centres of bank A
 $(i = 1, 2, 3, \dots, n)$

j_B = number of decision centres of bank B
 $(j = 1, 2, 3, \dots, m)$

(H₀2) "There is no uniformity in the size of MDLPs across the banks".

i.e. $x_{MDLP}^A \neq x_{MDLP}^B$

where x_{MDLP}^A = size of lending powers of bank A's
 i th decision centre.

x_{MDLP}^B = size of lending powers of bank B's
 i th decision centre.
 $(i = 1, 2, \dots, n)$

(H₀3) "There is no uniformity in the MDLP fractional relationship amongst the decision centres in a bank".

i.e. $x_{ij} \neq x_{ij}$

where x_{ij} = power of x_i with respect to $x_j (x_i/x_j)$.

x_i = size of the i^{th} decision centre.

x_j = size of any other decision centres
other than the i^{th} decision centre.

$j > i$

(H₀4) "There is no uniformity in the time gaps in the revisions made in MDLPs by different banks".

i.e. $t_{MDLP}^A \neq t_{MDLP}^B$

where T_{MDLP}^A = time taken to make revision in MDLPs
by Bank A.

T_{MDLP}^B = time taken to make revision in MDLPs
by Bank B.

(B) The second objective is related to the size aspect of banks, lending powers and volume of lending. Accordingly following main hypotheses has been formulated :

Main Hypotheses for objective II

"There is no positive correlation amongst the three size variables namely the size of banks, the size of MDLPs and the size of loans and advances".

In order to test this hypothesis, the following sub-hypotheses from H_{05} to H_{06} have been formulated.

(H_{05}) "There is no positive relationship between the size of banks and size of lending powers".

i.e. $H_0 : r_{XY} = 0$

where r_{XY} = coefficient of correlation between X and Y.

X = size of the banks

Y = size of the lending power.

(H_{06}) "There is no positive correlation between the size of MDLP and the volume of lending business".

$$\text{i.e. } H_0 : BY = 0$$

where BY = coefficient of correlation between B and Y.

B = Volume of lending Business.

Y = Size of the lending power.

(C) The third objective of the study is related to the changes in the maximum delegated lending power (MDLPs) and the changes in the size of advances during the period, the base year and the current year. Accordingly following main hypothesis has been formulated.

Main Hypothesis for Objective III

"There is no positive correlation between the growth of MDLPs and the growth in advances".

In order to test this hypothesis, the following sub-hypotheses have been formulated :

(H₀₇) "There is no uniformity in the change in the size of MDLPs across the banks".

$$\text{i.e. } x_{MDLP}^A \neq x_{MDLP}^B$$

x_{MDLP}^A = change in x_{MDLP}^A over t period of time.

x_{MDLP}^B = change in x_{MDLP}^B over t period of time.

t = current year - base year.

(H₀9) "There is no positive co-relation between the change in the MDLPs and the change in the volume of lending business".

i.e. $H_0 : B Y = 0$

where $B Y$ = correlation coefficient between change in B and change in Y.

B = percentage change in volume of lending business.

Y = percentage change in the MDLPs.

COVERAGE OF THE STUDY

The coverage of the study has been defined in terms of institutions, time, location pattern and functions as given below:

Institutional Coverage

At present there are so many commercial banks in the country. These banks can be broadly classified into public sector banks and private sector banks. The public sector banks again put into the categories in the basis of distinction of ownership pattern SBI and its seven associates banks constitute one category, where the ownership of the institutions is not entirely vested in the government and the twenty nationalised banks belong to the second category. They are fully owned by the government of India. In the public sector banks, there is a third category of Regional Rural Banks also, which is of recent origin and their share in the total banking business is rather insignificant. We therefore confine ourself to the institutions belonging to the first and second category only. The other segments of commercial banking system in India is

constituted by private sector banks. These segment include foreign banks, other scheduled and non-scheduled banks. It may be pointed out that all the public sector banks, foreign banks and other banks are scheduled banks which are included in the second schedule of RBI Act, 1934. At present there are only three non-scheduled banks in the country and their share in terms of deposits and advances in total commercial banks system is very very small. So far as the foreign banks are concerned, they are also very few in number and have high degree of centralisation in terms of locations and distribution of power among decision centres. Till recently they were exempted from some of the regulatory conditions related to the asset portfolios compared to the Indian banks. We have therefore confined ourselves to the following four categories of institutions (a) SBI (b) Associate Banks of SBI (c) Nationalised Banks and (d) Private Sector scheduled commercial banks.

Temporal Coverage

This study covers a period of seven years from 1980-81 to 1986-87. The rationale of taking this period may be found in the fact that it was during these years when most of the banks revised their lending powers. Another reason for taking a minimum period of seven years was that for certain types of analysis, this is the minimum time period required and it was during this period that number of new schemes involving bank finance were introduced.

Geographical Coverage

For the purpose of this study only such branches of identified banks that are located in India are considered. In other words the powers delegated by banks to their functionaries located at overseas branches are beyond this study. The main reason for excluding overseas branches was that such branches have to operate under totally different policy and legal environment and as such because of environmental dissimilarity with Indian branches, the delegation pattern may not be comparable and even if a comparative analysis is undertaken, the findings may not be really useful in policy formulation in this country.

Functional Coverage

As this study is only with one aspect of the functions of commercial banks viz. their lending function. We have considered the delegation of authority in banks in the area of lending only. There are a large number of schemes under which banks give loans and advances and provide other supportive facilities. The loans and advances of banks can be classified on the basis of security or the nature of the facility or the target beneficiary sectors. In order to ensure manageability, five categories of loans and advances and facilities have been taken for purpose of analysis. These five types of facilities are unsecured advances, secured advances, discounting and purchase of Bills/cheques, letters of credit(Inland) and guarantees. The analysis of lending powers for these five categories of advances has been done in respect of four out of

five identified banks and for the remaining one bank the delegation of powers for loans and advances to borrowers belonging to industry (including SSI and Trade), priority sector (other than SSI and agriculture), and agriculture has been done. The emergency advances, business abroad and staff advances have not been covered.

SAMPLE

A sample of four public sector banks and one private sector bank has been drawn out of the population, which consist of the SBI, the Associate Banks of SBI, the nationalised banks and all the other scheduled commercial banks, except foreign banks. The table 1.4 shows the share of our sample banks in the total population in respect of the number of officers, number of employees, deposits, working funds and total advances

Table : 1.4 SHARE OF SAMPLE BANKS IN THE SYSTEM

Particulare	Universe Data +	Sample Data *	Sample as % of Universe
1 Total No. of Offices	53,526	12,292	22.00
2 Total No. of Staff	8,81,039	3,27,457	37.16
3 Total Deposits (Rs. in Crores)	1,02,744	49,810	48.47
4 Total Working Funds(Rs.in Crores)	2,09,704	65,589	31.26
5 Total Advances (Rs. in Crores)	63,236	32,848	51.94

+ All public sector banks and scheduled commercial banks and other scheduled commercial banks.

* Identified four public sector banks and one private sector bank.

It is evident from the table that the sample is fairly representative of the population as in terms of total advances its share is about 52 per cent and it is about 48.47 per cent in the total deposits. The share of the sample banks in the identified universe in total number of offices, total number of employees and total working funds is 22 per cent, 37 per cent and 31 per cent, respectively. The main consideration in the selection of the banks for this study was the response of the banks to cooperate and provide the required data and information for the study. At the first stage in the identification of the sample banks, letters of request to provide some basic data and some information relating to the procedures for the exercise of delegated lending powers were mailed. The banks were short listed on the basis of their response and then again some detailed information was solicited through personal interviews with the top level management personnel and branch level personnel. The banks which agreed to provide the solicited details were finally selected. It was agreed with the banks that as far as possible their identity will not be explicitly disclosed to the public.

COLLECTION OF DATA

The data required for the analysis has been collected from unpublished but secondary sources such as the handbook of instructions, operating manuals and power charts prepared by the banks for their own use. Information on the procedures

for exercising the delegated lending powers was collected through personal interview method. Also, in some of the banks, where the management agreed to provide a copy of the instructions given to the functionaries such written, printed or cyclostyled materials were collected. The data and the information so collected were mainly for the two points of time; the current year data which means such information, guidelines and delegated powers that are inforce at present and the data, information etc. related to the delegated powers that were in force prior to the last major modifications introduced by the concerned banks. In certain cases, where the power charts have not been revised over a reasonably long time an outer cut-out point was determined by calculating of backward time lag of seven years. Thus, the data and information collected for the period of last seven years determines the period of study and the two points of time for analysis viz. the current year and the base year. An opinion survey was also conducted to elicit the views of the learned academicians and experienced bankers on the problem. The outcome of the survey has been used in new formulation of hypothesis and in understanding the problem from different angles. No secret information or data of highly confidential nature was solicited from the banks.

Data pertaining to the functional profiles of banks have been drawn from the statistical statements relating to banks

in India, annual reports of Reserve Bank of India, Reports on Currency and Finance and analysis of banking statistics and other publications of the Indian Banks' Association. The annual financial statements of the identified banks have also been used, where necessary.

TECHNIQUES OF ANALYSIS

At the outset the procedures of the individual banks, identified for the analysis, for the exercise of delegated lending powers were systematically recorded on a comparable 28 point chart, as these procedures did not have the complete uniformity in all the banks, the distinct procedural features of each bank were recorded separately. After a careful examination, the common procedures were identified for inclusion in the report of our study. Since it was felt that a clear understanding of the general procedures for the exercise of delegated lending powers in banks was sine quo non for an analytical probe into the power structure of banks, the common procedures have been systematically presented in chapter II of the thesis. The maximum delegated powers and the aggregate lending powers for each type of advance and for each functionary respectively have been tabulated for the base year and current year in respect of each bank. Also the percentage change in MDLPs and ALPs have been calculated and presented for each bank. For the purpose of analysis, it was felt necessary to measure the size of the banks through the composite index of size and assign them ranks in a descending order, Table 1.5 contains the composite size index of banks and their ranks.

Table : 1.2 COMPOSITE SIZE INDEX OF IDENTIFIED BANKS

Bank	No. of Offices	Score	Manpower	Score	Working Funds (Rs. in Lakh)	Score	Advances (Rs. in Lakh)	Score	Total Score	Size Rank
Q	1,863	19	48,404	48	9,67,267	952	4,65,928	466	1,495	3
R	680	7	12,753	13	1,85,773	186	91,869	92	298	4
S	1,950	20	49,881	50	11,43,068	1,143	6,36,157	536	1,849	2
T	7,537	75	42,083	212	42,11,587	4,211	20,67,685	2,068	6,566	1
U	303	3	7,509	8	86,725	87	40,626	41	139	5
V	262	3	4,346	4	56,243	56	23,167	23	86	6
									<u>10,433</u>	

Note : (I) As per data of 1987

(II) Working Funds is equal to equity, reserves, deposits and borrowings.

In order to conceal the identity of banks all the identified banks have been given alphabet codes from 'Q' to 'U'. Here again, the codes have been assigned not in order of ranks but randomly. It was felt necessary to identify the decision centres in each bank at the three levels of management, viz. the top level management, the middle level management and the grass root level management. For assigning the decision centres to the three levels of management, it was decided that the bank offices (branches of all categories) directly dealing with the public be treated as grass root level decision centres; the offices controlling and monitoring the grass root level decision centres in the given geographical territories have been treated as middle management level decision centres and the functionaries located at Head office/Central office of the banks have been taken as top management level decision centres. In the entire analysis, the powers of the decision centres have been determined in accordance with the powers vested in the head of each decision centre at the grass root level management and middle level management. But at the top level management the CSC/COS/CMD/MD, the BD and the GM (credit/operations) have been designated as decision centres, depending on the hierarchy levels and designations given in the banks. Each banks delegated powers have been analysed in a separate chapter, from chapter 3 to chapter 7. The profile of each bank has been given in section I of the chapter, while in Section II, the MDLPs of all the decision centres for each category of advances have been analysed. In order to ascertain the extent and magnitude of delegated lending powers in each bank, for

all the categories of advances, fractional analysis has been done in Section III of each of the chapters assigned to the banks, by using the matrix table and the following mathematical formula :

$$X_{ij} = \frac{X_i}{X_j}$$

where X_{ij} = Powers of X_i with respect to X_j
 X_i = i^{th} decision centre of bank X.
 X_j = j^{th} decision centre of bank X.
 i = 1,2.....N
 j = 1,2.....N

j i

After analysing the MDLPs and ALPs of individual banks and ascertaining their extent and magnitude, a comparative analysis of all the banks, taken together, has been done. For the purpose, rank analysis has been done and case pearsonian co-efficient of correlations have been calculated and the results of the same have been used to test some of the sub-hypotheses. It was felt that use of other higher sophisticated statistical techniques such as regression analyses and factor analysis were not required in view of the nature of the problem the data available, and the type of analysis that was needed for the purpose of the study.

The findings of analysis of individual banks and their comparative analysis have been used to arrive at the concluding observations and findings, on the basis of which some

suggestions have been offered in the last chapter of the thesis believing in their usefulness in improving the system of delegation of authority in lending area in banks.

SECTION - III

The study has been presented in three parts, Part I contains this chapter on Research Design and another chapter on Procedures Relating to the Exercise of Lending Powers in Banks. In the second part of the study detailed analysis of delegation of lending powers in selected five banks coded 'Q Bank', 'R Bank', 'S Bank', 'T Bank' and 'U Bank' is presented. These chapters are further sub-divided into three sections. Section I gives a brief profile of the bank. A detailed analysis of purpose-wise delegated powers to different decision centres is given in Section II while the section III describes the extent and magnitude of delegation. Thus, the remaining part of the study has been presented as given below:

PART - I

Chapter - II Procedures relating to the exercise of lending powers in banks.

PART - II

Chapter - III Delegation of Lending Powers in 'Q Bank'
 Chapter - IV Delegation of Lending Powers in 'R Bank'
 Chapter - V Delegation of Lending Powers in 'S Bank'
 Chapter - VI Delegation of Lending Powers in 'T Bank'
 Chapter - VII Delegation of Lending Powers in 'U Bank'

PART - III

Chapter VIII Comparative analysis of selected Banks and
Main Findings.

Chapter IX Main Observations and Suggestions.

For the remaining part of the work, we now turn to
Chapter - II.