

CHAPTER - IIIDELEGATION OF LENDING POWERS IN 'Q BANK'

In this chapter an attempt has been made to examine the extent and magnitude of delegation of authority in the area of lending in respect of the bank called 'Q Bank'. The identity of the bank has been concealed in order to honour the commitment given to the bank in this regard. As a background to the analysis, the structural functional profile of the bank, based on the current year's data has been given very briefly in Section I. The present status of the Bank has also been compared with its status in the base year to find out its growth related to important structural functional parameters. As the delegation of lending powers in force at present were revised in 1987-88, this year 1987-88 has been taken as current year for the purpose of analysis and for determining the base year to ascertain the changes, a time gap of five years from the current year has been calculated accordingly, 1983 has been identified as the base year for our analysis. Section II contains the detailed analysis of the purpose-wise delegated powers to different decision centres, and the extent and magnitude of delegated lending powers for each type of advance have been analysed in Section III. For the purpose, all the decision centres have been considered to do 'Fractional Analysis' of powers delegated by each decision centre to its subsequent lower decision centre(s). It is now proposed, to examine the profile of the Bank first in the pages that follow.

Section - I A Brief Profile of the Bank

This is one of the south based banks with Head and Central Administrative office at Bangalore. At the end of the current year, it had 1863 offices located all over the country. Out of these offices, 318 were located in Metropolitan areas, 365 in urban areas, and 490 and 690 were in the Semi-urban and Rural areas, respectively. In the same year, the total staff strength of the Bank was 48,404 comprising 11,272 officers, 28,434 clerks and 8,698 subordinates. The profile of this bank has significantly changed during the period of this study in terms of different operational parameters. Table 3.1 depicts the same in terms of some important structural and operational parameters on two points of time, namely, the base year and the current year and the changes recorded in these variables during the period.

Table : 3.1 PROFILE OF THE 'Q BANK'

Profile Variables/ Parameters	Base Year (Rs.in Lakh)	Current Year (Rs.in Lakh)	Change in Current Year over Base Year	
			Absolute	%
1 Equity	700	4,150	3,450	492.85
2 Reserves	3,000	20,000	17,000	566.66
3 Deposits	3,44,881	7,87,843	4,42,962	128.43
4 Working Funds	3,95,023	9,62,267	5,67,244	143.59
5 Total Assets	4,41,891	10,89,823	6,47,932	146.62
6 Total Advances	2,14,025	4,65,928	2,51,903	117.69
7 Total Income	33,594	90,785	57,191	170.24
8 Spread	9,439	23,263	13,824	146.45
9 Total Expenditure	33,098	86,288	53,190	160.70
10 Net Profit	496	4,497	4,001	806.65

Source : Financial statements of 'Q Bank' for the base and current years and Financial Analysis of Banks (IBA) for 1983 and 1987.

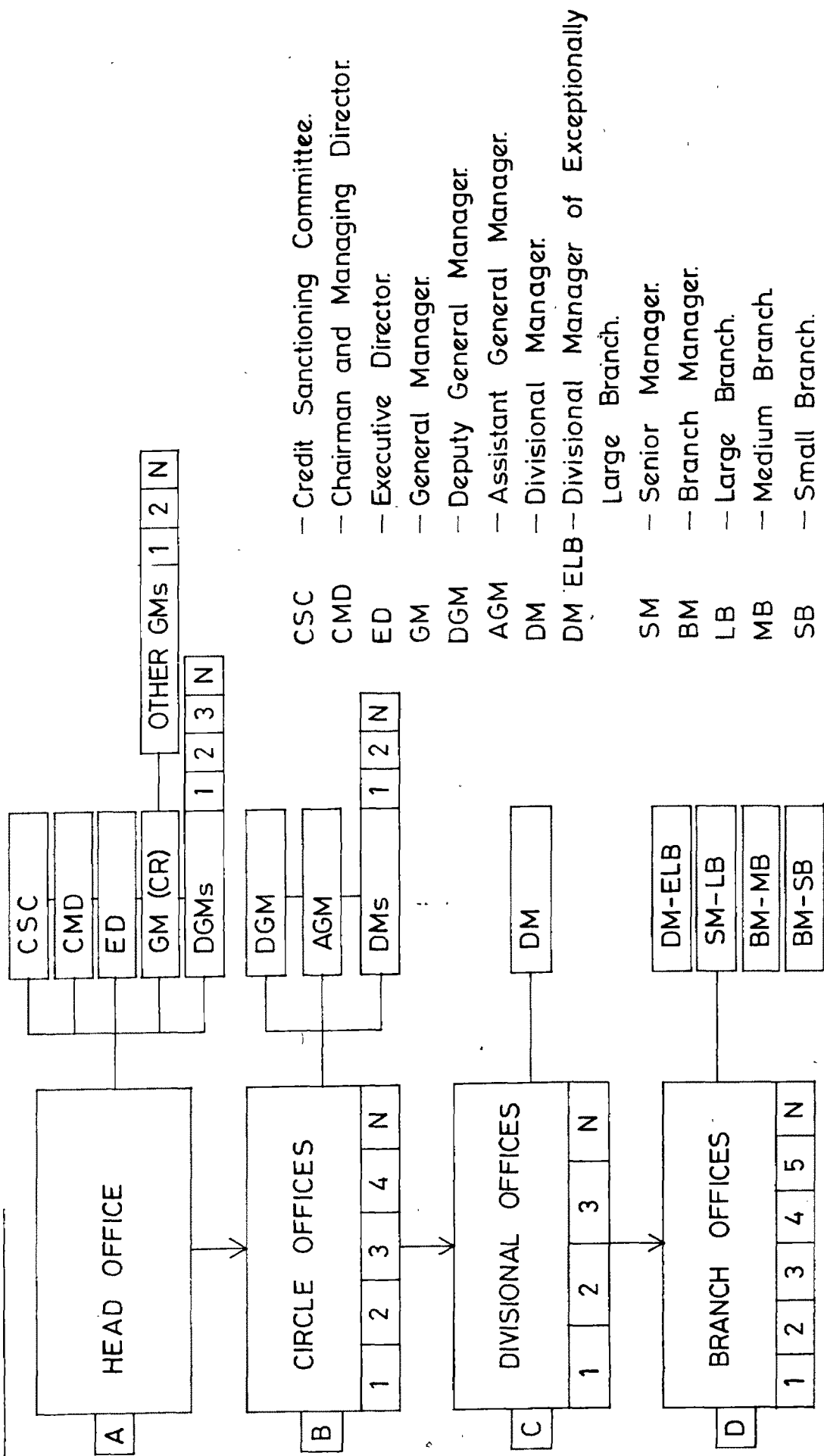
While the above table is self explanatory and clearly depicts the changes in the profile of the Bank. However, it may be noted that while the performance of the bank has been exceptionally good in respect of strengthening of the equity base, reserves and in the area of improving the size of its working funds and net profit, it has not been able to demonstrate a proportionate achievement in the field of extending credit. As the efficiency in the field of lending depends on the availability of funds with the institution and its organisational efficiency which includes delegation of lending powers, it will be desirable to understand the organisational set up of the Bank; and the extent and magnitude of delegation of lending powers at different decision centres, from top to the grass-root level.

ORGANISATIONAL AND DECISION CENTRES

The internal organisation of this bank is based on a four tier structure consisting of the Head Office, Circle Offices, Divisional Offices and Branch Offices, as shown in Figure 3.1

FIGURE 3:1

INTERNAL ORGANISATION OF Q BANK DEPICTING FUNCTIONARY LOCATION AND HIERARCHY IN LENDING POWERS.



As is evident from Figure 3.1, there are four decision centres at grassroot level, three at the middle level and again four at the top management level. A code number has been given for each functionary enjoying DLPs. In the analysis designed to reveal the extent and magnitude of delegated lending powers all the eleven functionary based decision centres, from A to J, have been included.

On the basis of the information contained in Figure 3.1 and keeping in view the extent and magnitude of delegation of lending powers in this Bank, the functionaries from top to bottom have been identified as 'Decision Centres' for the purpose of detailed analysis of delegated lending powers.

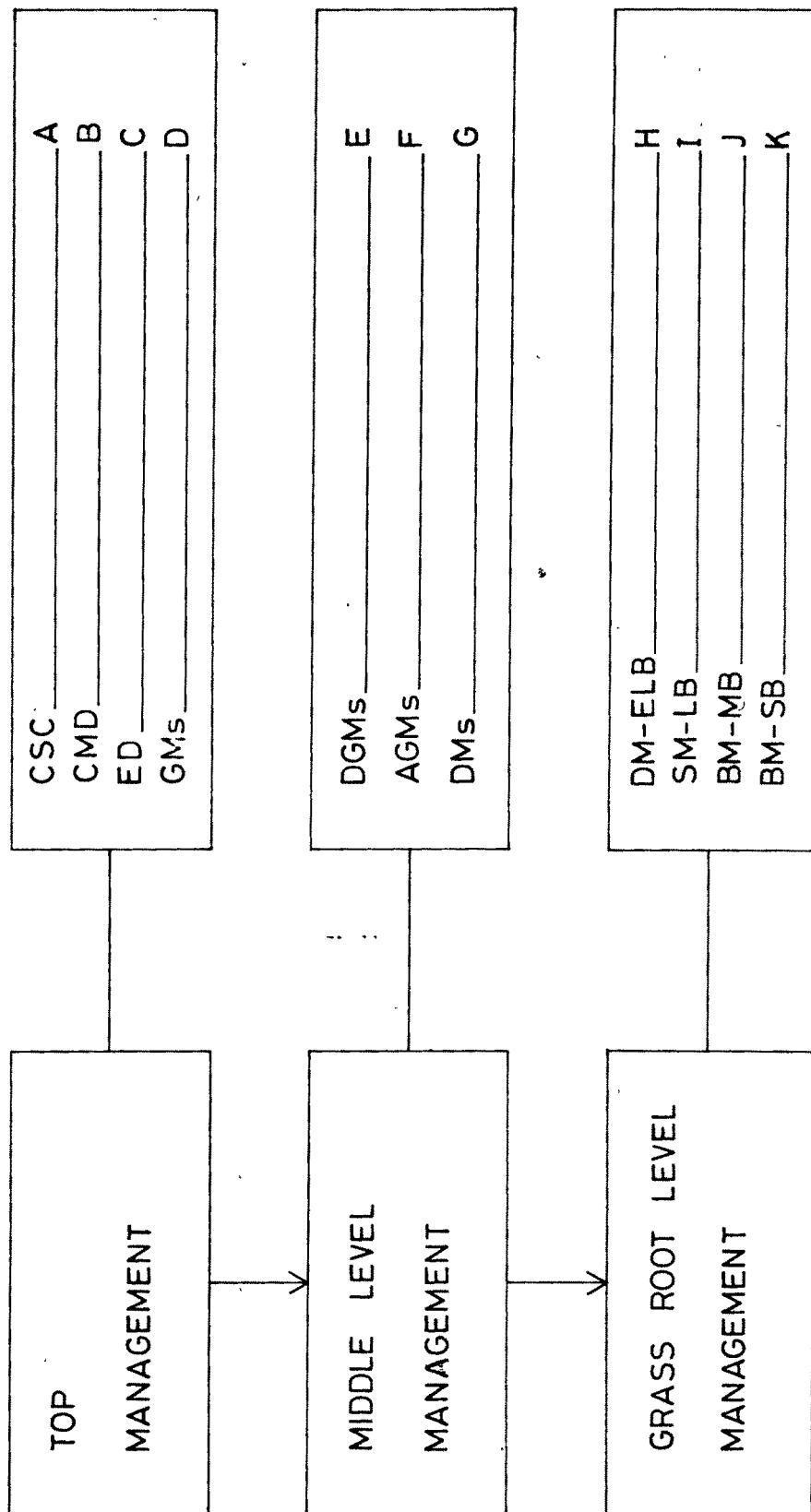
Figure 3.2 shows the decision centres and their classification into top management, middle level management and grassroot level management.

FIGURE 3:2

DECISION CENTRES IN Q BANK FOR EXERCISING MDLPs – CLASSIFIED INTO HIERARCHY LEVELS IN DECENDING ORDER.

HIERARCHY LEVEL OF
MANAGEMENT.

FUNCTIONARIES AND DECISION CODES USED
IN THE ANALYSIS.



As in any other organisation, the delegation of lending powers in this bank is also from top to the bottom. The Board of Directors of the Bank enjoys unlimited lending powers.

The lending powers delegated by the Board to its next lower authority has therefore to be the base from where further delegation process to the lower categories of functionaries starts. In many banks, the Chairman and Managing Director of the Bank is delegated the maximum lending powers (MLP) by the Board and all other functionaries are given lending powers; reduced at every next tier towards the bottom. However, in this Bank, there is one additional intermediate level between the Board and the CMD, called the Credit Sanctioning Committee (CSC), which enjoys the maximum delegated lending powers (MDLP).

In this Bank, there is a provision that at the top level management, i.e., from CMD to GM, in the absence of CMD, the ED has the authority to exercise the powers delegated to MD. In the absence of ED, the GM (Credit Wing) is empowered to exercise the powers delegated to the ED and in the absence of GM (Credit Wing) any other GM can exercise the powers delegated to GM (Credit Wing).

Such a provision certainly removes the constraints arising out of the absence of some functionary and facilitates faster disposal of credit proposals in the bank. However, since such a provision has not been made at the middle level management

and at the grassroot level management where it is needed most, it is only the borrowers seeking larger credit limits/loans who will benefit from the reduction in waiting time arising due to the absence of the concerned sanctioning authority at the top level. At middle and grassroot decision centres the waiting time is bound to increase as and when the concerned authorities at these decision centres may not be available even if their non-availability may be for a short period.

The delegation of powers in a bank for the purpose of lending can be either based on the type of advances such as secured, unsecured, etc., or on the basis of lending schemes identified with beneficiary sectors such as agriculture, SSI, Priority Sector, etc.. In this bank, the lending powers have been delegated and specified in accordance with the types of advances. As the number of schemes and the different types of advances and their sub-classifications make a large number of categories, we have covered all the important type of advances and their sub-categories under five major categories, namely (i) Unsecured advances (ii) Secured advances (iii) Discounting and Purchase of Bills/Cheques (iv) Letters of Credit and (v) Guarantees.

FIGURE
~~Exhibit~~ 3.3 shows the components of ends major category of advances.

Figure : 3.3

COMPONENTS OF VARIOUS TYPES OF ADVANCES

- | | |
|--|---|
| 1. Unsecured Advances include- | Those advances which do not have any chargeable asset as a security base such as supply bills, FBE's (DA bases) clean demand Bills, EPC's, Duty Drawback advances, advances against cash incentives, etc. |
| 2. Secured Advances include- | Secured bills purchased (excluding that of Letter of Credits, Guarantees and Purchase of cheques), advances against tangible security and book-debts. |
| 3. Discounting and purchase of cheques/ Bills include- | Purchase of approved cheques, Bank DDs/PO's/TTs, cheques drawn by central/state government departments and government undertakings. |
| 4. Letters of Credit include- | All types of inland letters of credit. |
| 5. Guarantees include- | For co-acceptance of bills and issue of deferred payment guarantees. |
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It may be observed here that Figure 3.2 does not show certain types of advances such as advances to the staff, emergency advances and credits related to business abroad, as the same, have not been covered under any of the identified categories of advances to ensure comparability.

Thus in an attempt to examine the extent and magnitude of lending powers of this Bank, Code numbers have been used in the tabulation for decision centres and the maximum delegated lending power for each decision centre and for each category have been considered. Further, under each category there are sub categories and for each sub category, lending powers have been delegated to the decision centres. In the following analysis, aggregation of lending powers for the sub-limits categories has not been done and the maximum lending power of the sub category having highest MDLP within the concerned category of advances has been considered.

SECTION - II Analysis of Delegated Powers at Decision Centres

In this section, an attempt has been made to examine the extent and magnitude of lending powers in 'Q Bank' using the determined code numbers for the decision centres. The Maximum Delegated Lending Powers at each decision centre have been examined at two points of time, viz., the base year and the current year and changes in the lending powers for each category of advances and the aggregate lending powers at the decision centres have been calculated and analysed. Table 3.2 depicts the delegated lending powers at decision centre A.

Table : 3.2 MDLP at Decision Centre 'A'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	75.00 (8.57)	100.00 (10.0)	25.00	33.33
Secured Advances	200.00 (22.85)	300.00 (30.00)	100.00	50
Discounting & purchase of Bills/ Cheques	200.00 (22.95)	200.00 (20.00)	Nil	00
Letters of Credit	200.00 (22.85)	200.00 (20.00)	Nil	00
Guarantees	200.00 (22.85)	200.00 (20.00)	Nil	00
Aggregate	875.00	1000.00	125.00	14.28

Note : Figures in bracket indicate percentage of aggregate powers of the same year.

The table reveals that the MDLP in respect of unsecured advances increased by 33.33 percent where as it increased by 50 percent in respect of secured advances. It may be mentioned here that during the period of analysis, there has been absolutely no increase in the MDLP related to all the other categories of advances. As a result of changes in the unsecured and secured advances only, the aggregate MDLP increased by 14.28 per cent. It may also be noted that the MDLP for secured advances has been highest in the current year compared to the relatively low MDLP for all the other categories of advances except unsecured advances during the base as well as the current years. A more or less similar situation may be found in the next lower decision centres which may be confirmed on the basis of the data given in table 3.3 given below.

Table : 3.3 MDLP AT DECISION CENTRE 'B'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	50.00 (9.80)	75.00 (12.82)	25.00	50
Secured Advances	150.00 (31.91)	200.00 (38.46)	50.00	33.33
Discounting and Bills/ Purchase of Cheques.	110.00 (23.40)	110.00 (21.15)	Nil	00
Letters of Credit	100.00 (21.27)	100.00 (19.23)	Nil	00
Guarantees	100.00 (21.27)	100.00 (19.23)	Nil	00
Aggregate	510.00	585.00	75.00	14.70

Note : Figures in bracket indicate percentage of aggregate powers of the same year.

The table reveals that there has been absolutely no change in the MDLP in respect of Discounting and Purchase of Bills/Cheques, Letters of credit and guarantees at Decision Centre B. The change has taken place only in the case of unsecured and secured advances as at decision centre A.

Further, like the situation in spex Decision Centre, the Maximum Delegated Lending Powers in this centre also, have been highest in respect of secured advances both in the base year as well as the current year followed by other category of advances wherein the unsecured advances have the lowest MDLPs.

The aggregate lending powers at this decision centre, taking all the categories of advances together, has increased by Rs. 75 lakhs only in absolute terms by 14.70 in terms of per cent change. The percentage change, however, is due to 50 per cent increase in the MDLPs for unsecured advances, which may appear impressive but is actually misleading for the reason that the base year MDLP was actually very low.

Table 3.4, similarly depicts the MDLP of functionaries at decision centre C.

Table : 3.4 MDLP AT DECISION CENTRE 'C'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	40.00 (10.52)	50.00 (11.76)	10.00	25
Secured Advances	115.00 (33.09)	150.00 (39.21)	35.00	30.43
Discounting and Bills/ Purchase of Cheques	75.00 (21.58)	75.00 (19.60)	Nil	00
Letters of Credit	75.00 (21.58)	75.00 (19.60)	Nil	00
Guarantees	75.00 (21.58)	75.00 (19.60)	Nil	00
Aggregate	380.00	425.00	45.00	11.84

The decision centre C also belongs to the top level management in the hierarchy of the Bank. During the period covered for the purpose of analysis, there has been increase in the MDLPs

of 25 per cent for unsecured advances and 30.43 per cent in respect of secured advances. As in the case of decision centres A and B, at this level also there has been absolutely no change in the MDLP for other category of advances. At this decision centre, both in the base year as well as in the current year, maximum MDLP has been for secured advances and minimum for unsecured advances. The aggregate MDLP of this centre increased by Rs. 45 Lakhs giving a positive percentage change of 11.84, which is lower both in terms of absolute amount and in terms of percentage, compared to the changes in decision centres B and A.

Table 3.5 depicts the Maximum Delegated Lending Powers of decision centre D. This decision centre is of the bottom in the top management group but is a very important centre functionally.

Table : 3.5 MDLP AT DECISION CENTRE 'D'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount	Change (%)
	Base Year	Current Year		
Unsecured Advances	30.00 (11.53)	40.00 (12.69)	10.00	33.33
Secured Advances	80.00 (34.04)	125.00 (44.64)	45.00	56.25
Discounting and Purchase of Bills/ Cheques	50.00 (21.27)	50.00 (17.85)	Nil	00
Letters of Credit	50.00 (21.27)	50.00 (17.85)	Nil	00
Guarantee	50.00 (21.27)	50.00 (17.85)	Nil	00
Aggregate	260.00	315.00	55.00	21.15

The table reveals the highest place of secured advances in respect of MDLP amongst all the five categories of advances considered, both in the base and the current year. The MDLP have been increased during the period of our study in respect of secured advances and the unsecured advances. Such increases give a positive percentage change of 56.25 and 33.33 in respect of secured and unsecured advances, respectively. In absolute terms, the Maximum delegated lending power for secured advances changed from Rs. 80 lakhs in the base year to Rs. 125 lakhs in the current year, resulting into an increase of Rs. 45 lakhs. During the process of our personal interview with bank officials, no one could give as satisfactory justification of this change, especially, when for the same category of advances the increase at decision centre 'C' was of Rs. 45 lakhs only, inspite of the fact that this decision centre is at a higher level. In terms of percentage, the aggregate Maximum delegated Lending Powers at this centre increased by 21.15 per cent compared to the decision centre 'C'. Where it was 11.84 per cent only. As in the case of decision centres A, B and C, at this centre also there has been absolutely no increase in the MDLP for the remaining three categories of advances, viz., bills discounting, letters of credit and guarantees.

On the basis of the above analysis of all the four decision centres belonging to the top management level, it can be inferred that in this Bank, the MDLPs have not been increased for the three categories of advances, viz., Discounting and

Purchase of Bills/Cheques. Letters of Credit and Guarantees during the period under review. Thus, only in case of 40 per cent of the categories of advances, the MDLPs have been increased. However, there too, the change has been much higher in absolute terms for secured advances compared to the unsecured advances. One interpretation that can be made from this scenerio is that even at the top management level, more powers have been given for the security based lending decisions compared to the decisions where security is secondary to the judgement of the functionary. Further, inspite of the fact that the use of bills in financing industry and trade is being encouraged the powers in that respect have not been changed even at the top management level.

After analysing the position of top management, in respect of MDLP, We now propose to examine the situation at middle management level. Table 3.6, contains the Maximum delegated Lending Powers at decision centre 'E', which is the appex centre at the middle management level.

Table : 3.6

MDLP AT DECISION CENTRE 'E'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	15.00 (10.71)	15.00 (8.57)	Nil	00
Secured Advances	50.00 (36.23)	75.00 (46.01)	25.00	50.00
Discounting and purchase of Bills/ Cheques	40.00 (28.98)	40.00 (24.53)	Nil	00
Letters of Credit	25.00 (18.11)	25.00 (15.33)	Nil	00
Guarantees	20.00 (14.49)	20.00 (12.26)	Nil	00
Aggregate	150.00	175.00	25.00	16.66

The table reveals that at this centre the MDLP for secured advances both at the base and the current year respectively accounted for 36.23 per cent and 46.01 per cent of the aggregate MDLPs. It may also be noted, that this decision centre is using the base year powers in the current year also, except in respect of secured advances, as there has been no change in them over the period. In case of secured advances also the MDLP has increased by Rs. 25 lakhs only and this decision centre cannot sanction even secured advances of more than Rs. 75 lakhs to a single party even in the current year. The aggregate MDLP at this centre has increased by 16.66 per cent only, which is much less compared to the lowest Decision Centre at the top management level.

Table 3.7 depicts the position of MDLP at the base year and current year for decision centre 'F'.

Table : 3.7 MDLP AT DECISION CENTRE 'F'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	7.50	10.00	2.50	33.33
Secured Advances	25.00 (32.67)	30.00 (36.58)	5.00	20.00
Discounting and purchase of Bills/ Cheques	30.00 (39.21)	30.00 (36.58)	Nil	00
Letters of Credit	12.50 (16.33)	12.50 (15.24)	Nil	00
Guarantees	7.50 (09.80)	7.50 (09.14)	Nil	00
Aggregate	82.50	90.00	7.50	9.09

The table reveals that this centre, which is the middle tier of the middle management level, the aggregate MDLP has increased by 9.09 per cent and in absolute terms it has increased by Rs. 7.5 lakhs only. Here again, the increase in respect of secured advances has been double the increase in unsecured advances. At this centre also the three MDLP has not been changed in respect of the other three categories of advances and this centre is operating at the base year MDLPs only.

Table 3.8 depicts the position of Decision Centre 'G' in respect of MDLPs.

Table : 3.8 MDLP AT DECISION CENTRE 'G'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	5.00 (11.11)	5.00 (11.11)	Nil	00
Secured Advances	10.00 (22.22)	10.00 (22.22)	Nil	00
Discounting and purchase of Bills/Cheques.	20.00 (44.44)	20.00 (44.44)	Nil	00
Letters of Credit	5.00 (11.11)	5.00 (11.11)	Nil	00
Guarantees	5.00 (11.11)	5.00 (11.11)	Nil	00
Aggregate	45.00	45.00	Nil	00

It can be seen in the table that though this centre belongs to the Middle management level, the bank has not increased the MDLP in any of the five categories of advances, during the period of our analysis. As a result, the Aggregate MDLP has also remained at the base year level. At this centre, the highest MDLP is in respect of Discounting and Purchase of Bills/cheques i.e., Rs. 20 lakhs per borrower. This situation is totally different from the MDLP pattern at all the four decision centres of the top management level and the two

decision centres above this centre of the middle management level. At all the decision centres from A to F, the MDLP was highest in respect of secured advances followed by other categories of advances. At this centre, the position of secured advances is 'second' in the ranks. The MDLP in respect of Letters of Credit, Guarantees and unsecured advances are of Rs. 5 lakhs only, for each of them.

Thus, of the aggregate MDLP at this centre, 44.44 per cent are for the third category of advances, viz.. Discounting and Purchase of Bills/cheques and the remaining powers have been distributed over the remaining four categories of advances.

Table 3.9 deals with the MDLP at decision centre 'H', which is the apex of the grass root level management.

Table : 3.9 MDLP AT DECISION CENTRE 'H'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	3.00 (11.53)	3.00 (11.53)	Nil	00
Secured Advances	6.00 (25.53)	6.00 (25.53)	Nil	00
Discounting and purchase of Bills/Cheques	12.00 (51.06)	12.00 (51.06)	Nil	00
Letters of Credit	2.50 (10.63)	2.50 (10.63)	Nil	00
Guarantees	2.50 (10.63)	2.50 (10.63)	Nil	00
Aggregate	26.00	26.00	Nil	00

It is really surprising that at the grassroot level where there is a greater need for delegation of sufficient powers to ensure a higher degree of operational efficiency and for reducing the waiting time of the customers, the MDLPs have not at all been revised during the period of our analysis, which is not too short indeed. It may be further pointed out here that the powers at this centre are comparatively very low. At this centre also, the highest MDLP is for the Discounting and Purchase of Bills/cheques and the lowest is for the Letters of Credit and Guarantees. The MDLP for secured advances of Rs. 6 lakhs is just 50% of the MDLP for Discount and Purchase of Bills/cheques, followed by unsecured advances and other categories. There appears to be no justification in not increasing the Lending Powers at this decision centre, especially when the MDLP for practically all categories of advances was very low even at the base year.

Table 3.10 contains information pertaining to the Lending Powers at Decision Centre 'I'.

Table : 3.10 MDLP AT DECISION CENTRE 'I'

Advances Category	M.D.L.P. (Rs.in Lakh)		Change in Amount (Rs.in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	1.00 (6.88)	1.00 (6.28)	Nil	00
Secured Advances	3.00 (21.78)	3.00 (21.78)	Nil	00
Discounting and purchase of Bills/Cheques	7.52 (54.61)	7.52 (54.61)	Nil	00
Letters of Credit	1.50 (10.89)	1.50 (10.89)	Nil	00
Guarantees	1.50 (10.89)	1.50 (10.89)	Nil	00
Aggregate	14.52	14.52	Nil	00

It is evident from the table that the MDLP at this decision centre also has not changed during the period of our study and the structure of MDLP is more or less similar to that of the Decision Centre 'H'.

The aggregate MDLP at this centre, was Rs. 14.25 lakhs in the base year and remains the same even in the current year.

The highest MDLP has been in respect of Discounting and Purchase of Bills/cheques, which is Rs. 7.52 lakhs and in terms of

percentage it is 54.61 per cent of the aggregate MDLP both in the base year, and the current year. At this centre the MDLP for unsecured advances is the lowest, which is altogether a different phenomena, when compared with all the other Decision Centres from 'A' to 'H'. Secured advances have second position in respect of MDLP both in terms of absolute amount and the percentage. The other categories of advances mainly the Letters of Credit and Guarantees, have equal weightage in the structure of MDLP at this centre.

Table 3.11 contains MDLP in respect of various categories of advances at the Decision Centre 'J'.

Table : 3.11 MDLP AT DECISION CENTRE 'J'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change %
	Base Year	Current Year		
Unsecured Advances	0.50 (5.20)	0.50 (5.20)	Nil	00
Secured Advances	2.00 (21.71)	2.00 (21.71)	Nil	00
Discounting and purchase of Bills/ Cheques	5.11 (55.48)	5.11 (55.48)	Nil	00
Letters of Credit	1.00 (10.85)	1.00 (10.85)	Nil	00
Guarantees	1.00 (10.85)	1.00 (10.85)	Nil	00
Aggregate	9.61	9.61	Nil	00

At this centre also the MDLP has not changed during the period covered under study and the highest MDLP has been in respect of Discounting and Purchase of Bills/cheques. The MDLP for DPBC has been 55.48 per cent of the aggregate MDLP at the centre and in terms of absolute amount it has been Rs. 5.11 lakhs. Lending powers for secured advances are less than 40 per cent of Lending Powers for Discounting and Purchasing of Bills/cheques but this category occupies second position. The MDLP for Letters of Credit and for Guarantees have been Rs. 1 lakh for each category and for unsecured advances it has been only Rs. 50,000/-. Thus, at this centre belonging to the grass root level of management, the Delegated powers have not been enhanced during the period and the functionaries have to operate and achieve the results with the base year powers only.

Table 3.12 highlights the MDLP position in respect of Decision Centre 'K' which is at the bottom of grassroot level management.

Table : 3.12 MDLP AT DECISION CENTRE 'K'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	0.25 (5.20)	0.25 (5.20)	Nil	00
Secured Advances	1.00 (21.73)	1.00 (21.73)	Nil	00
Discounting and purchase of Bills/ Cheques	2.55 (55.43)	2.55 (55.43)	Nil	00
Letters of Credit	0.50 (10.86)	0.50 (10.86)	Nil	00
Guarantees	0.50 (10.86)	0.50 (10.86)	Nil	00
Aggregate	4.80	4.80	Nil	00

Here also, there is no change so far as the aggregate MDLPs, are concerned during the period between the base year and the current year. The advance sanctioning powers remain unchanged in absolute terms as well as percentage wise. However, as compared to the previous centre, i.e., Decision Centre 'J', the Lending Powers here in respect of aggregate MDLP and also in respect of various categories of advances, in absolute

terms, are less by 50 per cent. This table reveals that Lending Powers given to this centre for risky business like unsecured advances are only Rs. 0.25 lakhs, constituting only 5.20 per cent of the aggregate MDLP, whereas for all other categories of advances, their share in aggregate Lending Powers is much higher, e.g., 21.71 per cent in case of secured advances, 55.48 per cent in the case of Discounting and Purchase of Bills/cheques, and 10.8 per cent for Letters of Credit and Guarantees. The aggregate MDLP of this centre remained unchanged at Rs. 4.80 lakhs only during the period.

The above analysis in respect MDLP at the eleven Decision Centres reveal that (1) at the grassroot level centres, there has been absolutely no change in MDLP during the period of our study. In spite of the fact that the scale of financing has been changed for various activities towards higher side and the demand for credit in terms of amount per activity per person also increased at the borrower level, on account of the impact of inflation on cost and prices, the Lending Powers of these Decision Centres have remained unchanged.

(2) At the middle level management Decision Centres, the powers have not changed during the period in respect of Discounting and Purchase of Bills/cheques, Letters of Credit and Guarantees. There has been a very small increase in the MDLP for secured advances but, that too is at only two Decision Centres, viz., Decision Centre 'E' and 'F'. The MDLPs at Decision Centre 'G' for all categories of advances remain unchanged. So far as

the unsecured advances are concerned, there has been an increase of Rs. 2.50 lakhs only at the Decision Centre 'F', leaving Decision Centre 'E' to 'G' to operate at base level MDLPs.

(3) At the top level Decision Centres, the MDLPs have changed at all the four Decision Centres viz. A, B, C and D, but in respect of two categories of advances only viz. secured advances and unsecured advances. The increase in the MDLP for secured advances is much higher compared to the unsecured advances. The at all the top level Decision Centres. The MDLPs in respect of all other categories of advances have remain unchanged even at the top level management decision centres.

The following Table No. 3.13 shows the consolidated position of change in MDLPs in this Bank.

Table : 3.13 Changes in MDLP at different Decision Centres during the period of Analysis.

Advances Category	(Amt. Rs.in Lakhs)										
	DECISION CENTRES										
	Top Level			Middle Level			Grass Root Level				
	A	B	C	D	E	F	G	H	I	J	K
1. Unsecured Advances	25.00 (33.33)	25.00 (50.00)	10.00 (25.00)	10.00 (33.33)	Nil (00)	2.50 (33.33)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)
2. Secured Advances	100.00 (50.00)	50.00 (33.33)	35.00 (30.43)	45.00 (56.25)	25.00 (50.00)	5.00 (20.00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)
3. Discounting and purchase of Bills/ Cheques	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)
4. Letters of Credit.	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)
5. Guarantees	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)
6. Aggregate	125.00 (14.28)	75.00 (14.70)	45.00 (11.84)	55.00 (21.15)	25.00 (16.66)	7.50 (9.9)	Nil (00)	Nil (00)	Nil (00)	Nil (00)	Nil (00)

Note : Figures in Bracket indicate percentage of Change.

The table reveals that out of 55 MDLP points at the bank level, the change has been brought at eleven points only. Out of these eleven points, where the change has been introduced, eight points belong to the top level management Decision Centres and three points belong to the middle level management Decision Centres. Thus, it can be concluded that inspite of the fact that there is unanimity of expert opinion about changing the MDLPs at banks within a period of two or three years, in this Bank there has been absolutely no change in 80 per cent of the decision points and whatever changes have been introduced, they appear to be for the benefit of the large sized borrowers, whose proposals go beyond the competence of grass root level management and partly middle level management.

Having examined in detail the changes in MDLPs at different centres from 'A' to 'K'. We now propose to analyse the concentration/decentralisation of aggregate lending powers in this bank amongst the top level management, middle level management and grass root level management.

Table : 3.14 Distribution of Aggregate Lending Powers of
All Authorities of Q Bank Centre-wise.

Levels of Management	Aggregate Lending Power.		(Rs. in Lakh)	
	Base Year	Current Year	Change in current year over base year	
			Amount	%
Top Level	2025.00 (85.89)	2325.00 (86.43)	300.00	14.81
Middle Level	277.50 (11.77)	310.00 (11.52)	32.50	11.71
Grass Root Level	54.93 (2.33)	54.93 (2.04)	Nil	-
Total	2357.43	2689.93	332.50	14.10

Note : Figures in bracket indicate percentage of the total amount of that year.

The distribution of Aggregate Lending Powers reflects the concentration of lending powers at the top level of the management. It commanded 85.89% and 86.43% of the ALP during base year and current year, respectively. The percentage change was only 14.81 but in absolute amount, it amounted to Rs. 300.00 crores. In comparison, the middle level management constituted only 11.77 per cent and 11.52 per cent of the ALPs at both the years of our study. Last comes the grass root level, having only 2.33 per cent and 2.04 per cent of the ALPs during base year and current year respectively. It is surprising to note that despite such a low share in the ALPs of the base year, it has not been raised even once during the period of our study.

SECTION - IIIExtent and Magnitude of Delegation

In order to find out the magnitude of delegation starting from DC 'A' to 'K', the data of MDLPs has been put on a matrix type table. For the purpose of analysis the powers delegated by the Board of Directors to the apex DC have been taken as the maximum powers. As the powers are delegated from the apex DC to the subsequent DC, the last centre to which the powers have been delegated has been taken as the extent of delegation point. Then in order to measure the magnitude of delegation in matrix table, the MDLP at each subsequent lower DCs at each subsequent lower DC has been compared with the apex DC powers and with all the DCs above it. In this manner the MDLPs for each DC has been shown as percentage of all the higher level DCs. The DCs for the purpose of this analysis also have been divided into three categories namely, the top level DCs, the middle level DCs and the DCs at the grass root level. This methodology facilitates the analysis of the magnitude of delegation to the extent of last DC and also depicts the relative position of each DC as well as each level of management. Table 3.15 contains the extent and magnitude of MDLPs for the unsecured advances.

The above matrix reveals that at every subsequent lower DC, the magnitude of delegation declines relative to the apex DC and all other DCs above a particular DC. At the top management level the magnitude of delegation is very high, at the middle management level, it substantially comes down and at the grass root level the delegation is extremely low and poor. It is evident from the table that while DC 'B' enjoys 75 per cent of the MDLP of DC 'A', the DC 'K' enjoys MDLPs of 0.25 per cent only of the DC 'A'. Similarly, if we examine the table carefully, we find that the magnitude of delegation at the grass root level is too small and there is heavy concentration of decision making powers in a few hands only and that too at the top level; while the functionaries. Who are directly involved in the lending function and who are constantly in touch with the customers knowing them fully are deprived of taking decisions involving even a reasonably good amount of money.

Having examined the extent and magnitude of MDLPs for unsecured advances, now it is the turn of the next category, namely the secured advances, given in Table 3.16.

Table : 3.16

EXTENT AND MAGNITUDE MATRIX OF MDLP FOR SECURED ADVANCES
FOR CURRENT YEAR

Levels of Management	Extent of Delegation		Magnitude of Delegation as percent of higher decision centres										
	Decision Centres	MDLP (Rs. in Lakh)	Top				Middle			Grass root			
			A	B	C	D	E	F	G	H	I	J	K
Top	A	300.00 (33.25)	-										
	B	200.00 (22.17)	66.66	-									
	C	150.00 (16.62)	50.00	75.00	-								
	D	125.00 (13.85)	41.66	62.50	83.33	-							
Middle	E	75.00 (8.31)	25.00	37.50	50.00	60.00	-						
	F	30.00 (3.32)	10.00	15.00	20.00	24.00	40.00	-					
	G	10.00 (1.10)	3.33	5.00	6.66	8.00	13.33	33.33	-				
Grass Root	H	6.00 (0.66)	2.00	3.00	4.00	4.80	8.00	20.00	60.00	-			
	I	3.00 (0.73)	1.00	1.50	2.00	2.40	4.00	10.00	30.00	50.00	-		
	J	2.00 (0.22)	0.66	1.00	1.33	1.60	2.66	6.66	20.00	33.33	66.66	-	
	K	1.00 (0.11)	0.33	0.50	0.66	0.80	1.33	3.33	10.00	16.66	33.33	50.00	-
Total :		902.00											

Note : Figures in brackets indicate the share of the specified item of the aggregate ALP.

The table 3.16 depicts the extent and magnitude of MDLP in respect of secured advances. This matrix type table also reveals that every successive DCs share of the higher DC declines progressively. Since all DCs have been divided into three categories namely Top level, Middle Level and Grass Root Level of management, it becomes very easy to observe that from top to bottom line DCs, under all the three successive levels of management, there is a decline in share of each successive DC's share in MDLP of its higher DC even within the same level of management as well as in the higher level of management. For example, the share of DC 'D', which is the lowest at the top level is 41.66 per cent, 62.50 per cent and 83.33 per cent respectively of its higher DCs in the same level of management. Whereas the lowest DC of middle group i.e. DC 'G''s share is 3.33 per cent, 5.00 per cent, 6.66 per cent and 8.00 per cent respectively of the higher DCs belonging to the top level management similarly the share of DC 'K' is 0.33 per cent, 0.5 per cent, 0.66 per cent and 0.8 per cent.

In contrast, the highest DC at grass root level, i.e., 'H''s share as percentage of the DCs of top level is 2.00, 3.00, 4.00 and 4.80 per cent and 8.00, 20.00 and 60.00 per cent of its higher DCs in the middle level management. In other words, the highest DC of grass root level i.e. DC 'H' enjoys around 60 per cent of the powers commanded by its immediate higher DC 'G', belonging to the middle level management.

Analysing the powers as per levels of management, we can say that the top group DCs have relatively quite high share in the powers of its higher DCs, which range between 66 to 83 percent, the middle level DCs display sharp decline ranging between 33 per cent to 60 per cent and the grass root level DC's share ranges between 50 per cent to 60 per cent.

After this the ALPs have been examined for the next category of advances. Table 3.17 provides the basis for understanding the extent and magnitude of MDLPs for advances concerning Discounting and Purchase of Bills/cheques.

Table No. : 3.17

EXTENT AND MAGNITUDE MATRIX OF MDLP FOR ~~SECURED ADVANCES~~

FOR DISCOUNTING AND PURCHASE OF BILLS/CHEQUES

DURING CURRENT YEAR

Levels of Management	Extent of Delegation		Magnitude of Delegation as per cent of higher decision centres										
	Decision Centres	MDLP (Rs. in Lakh)	Top				Middle			Grass Root			
			A	B	C	D	E	F	G	H	I	J	K
Top	A	200 (36.22)	-										
	B	110 (19.92)	55.00	-									
	C	75 (13.58)	37.50	68.18									
	D	50 (9.05)	25.00	45.45	66.66	-							
Middle	E	40 (7.24)	20.00	36.36	53.33	80.00	-						
	F	30 (5.43)	15.00	27.27	60.00	40.00	75.00	-					
	G	20 (3.62)	10.00	18.18	26.66	40.00	50.00	66.66	-				
Grass Root	H	12 (2.17)	6.00	10.90	16.00	24.00	30.00	40.00	60.00	-			
	I	7.52 (1.36)	3.76	6.83	10.02	15.04	18.80	25.00	37.60	62.66	-		
	J	5.11 (0.92)	2.55	4.64	6.81	10.22	12.77	17.03	25.55	42.58	67.95	-	
	K	2.55 (0.46)	1.27	2.31	3.40	5.10	6.37	8.50	12.75	21.25	33.90	49.90	-

Total : 552.18

Here also the trend of the change is in the share of DCs of their higher level DC is on the same pattern but the magnitude of change is much less. For example, DC 'D's share at the top level is only 25.00 per cent, 45.45 per cent and 66.66 per cent only of its higher level DCs. Whereas the share of DC 'G' which is the lowest DC at middle level management enjoys less than half powers of DC 'D'. In sharp contrast, the lowest DC 'K' of grass root level enjoys around 80 per cent to 12 per cent of the powers of DC 'G'.

The overall group-wise analysis reflects declining trend in the DCs of top level management and some improvement in the share of DCs belonging to middle level and grass root level as compared to the analysis of Secured advances.

The Table No. 3.18 reflects the extent and magnitude of MDLPs for Letters of Credit and Guarantees. The powers of Letters of Credit and Guarantees have been aggregated because they are almost identical in money terms at most of the DCs and hence it would not serve any meaningful purpose even if they are analysed separately.

Table : 3.18

EXTENT AND MAGNITUDE MATRIX OF MDLPS FOR LETTERS OF CREDIT
AND GUARANTEES FOR CURRENT YEAR

Levels of Man- agement	Extent of Delegation		Magnitude of Delegation as per cent of higher decision centres										
	Decision Centres	MDLP (Rs.in Lakh)	Top				Middle			Grass root			
			A	B	C	D	E	F	G	H	I	J	K
Top	A	200.00 (42.28)	100. 00	-									
	B	100.00 (21.14)	50. 00	-									
	C	75.00 (15.85)	37. 50	75. 00	-								
	D	50.00 (10.57)	25. 00	50. 00	66. 66	-							
Middle	E	25.00 (5.28)	11. 25	22. 50	30. 00	45. 00	-						
	F	12.50 (2.64)	5. 00	10. 00	13. 33	20. 00	50. 00	-					
	G	5.00 (1.05)	2. 50	5. 00	6. 66	10. 00	20. 00	50. 00	-				
Grass Root	H	2.50 (0.52)	1. 25	2. 50	3. 33	5. 00	5. 00	20. 00	50. 00	-			
	I	1.50 (0.31)	0. 75	1. 50	2. 00	3. 00	6. 00	12. 00	30. 00	60. 00	-		
	J	1.00 (0.50)	0. 50	1. 00	1. 33	2. 00	4. 00	8. 00	20. 00	40. 00	66. 66	-	
	K	0.50 (0.10)	0. 25	0. 50	0. 66	1. 00	2. 00	4. 00	10. 00	20. 00	33. 33	50. 00	-

Total : 473.00

Note : As the lending powers for 2Cs and Guarantees are almost identical at most of the Dcs, the higher of the two is taken up for analysis.

The table provides a strange pattern as regards percentage changes of lending powers of different levels of management are concerned.

The range of change in the DCs belonging to the top level management varies between 50 to 66.66 per cent, the range at middle level is between 40 to 50 per cent and it varies between 50 to 60 per cent at the grass root level DCs. The obvious similarity is observed if we look at the share of DC 'G' at top level and that of DC 'K' at middle level of management. In other words, it reflects that the lowest DCs at the middle and grass root level represent almost identical share in percentage of MDLPs of the DCs belonging to their higher DC centres. Otherwise, the horizontal range of changes is almost similar to that of Discounting And Purchase of Bills/cheques at top management level but is substantially lower at middle and grass root level management.

The following Table No. 3.19 provides a detailed view about the aggregate MDLPs of all the DCs of this Bank for the base year and current year, the change in absolute terms as well as its percentage. Besides it also provides the percentage share of each DC of the aggregate lending powers of all DCs during that year all the three levels of management.

Table : 3.19

AGGREGATE MDLPS OF ALL DECISION CENTRES OF 'Q BANK'

Levels of Management	Lending Authority Decision Centre.	Aggregate Lending Powers		Change in Amount (Rs.in Lakh)	Change (%)
		Base Year (Rs.in Lakh)	Current Year		
Top	A	875.00 (37.11)	1000.00 (37.17)	125	14.78
	B	510.00 (21.63)	585.00 (21.74)	75	14.70
	C	380.00 (16.11)	425.00 (15.79)	45	11.84
	D	260.00 (11.02)	315.00 (11.11)	55	21.15
Middle	E	150.00 (6.36)	175.00 (6.50)	25	16.66
	F	82.50 (3.49)	90.00 (3.34)	7.50	9.09
	G	45.00 (1.90)	45.00 (1.67)	Nil	00
Grass Root	H	26.00 (1.10)	26.00 (0.96)	Nil	00
	I	14.52 (0.61)	14.52 (0.53)	Nil	00
	J	9.61 (0.40)	9.61 (0.35)	Nil	00
	K	4.80 (0.20)	4.80 (0.17)	Nil	00
Total :		2357.43	2689.93	332.50	14.10

Note : Figures in brackets indicate per-centage of aggregate Aggregate Lending Powers of that year.

The changes reflected in column No. 3 are indicative of the substantial increase at DCs belonging to the top management level, almost negligible increase at middle level and no change at all at DCs belonging to the grass root level. Almost identical pattern is observed at the share of each DC of the ALP of that particular year.

If the percentage changes of column No. 4 are observed, it is very clear that the changes at top level management are nominal simply because the base of ALPs is quite substantial as well as the amount in Rupee terms as reflected in column No. 3 is very high. It should be noted that the aggregate ALPs of all DCs during current year have risen by 14 per cent, which is also reflected in ALPs of the DCs, belonging to the top management level.

The DCs belonging to grass root level do not get any addition to their ALPs of the base year, although they deal directly with the public for the purpose of its credit needs and are also very well acquainted with the problems of the borrowers belonging to different sectors of the economy.

Table : 3.20

EXTENT AND MAGNITUDE MATRIX OF MDLPS OF ALL LENDING

AUTHORITY OF 'Q BANK' DURING THE CURRENT YEAR.

Levels of Man- agement	Extent of Delegation		Magnitude of Delegation as per cent of higher decision centres										
	Decision Centres	MDLP (Rs.in Lakh)	Top				Middle			Grass root			
			A	B	C	D	E	F	G	H	I	J	K
Top	A	1000.00	-										
	B	585.00	58. 50										
	C	425.00	42. 50	72. 64	-								
	D	315.00	31. 50	53. 84	74. 11	-							
Middle	E	175.00	17. 50	29. 91	41. 17	55. 55	-						
	F	90.00	9. 00	15. 38	21. 17	28. 57	51. 42	-					
	G	45.00	4. 50	7. 69	10. 58	14. 28	25. 71	50. 00	-				
Grass Root	H	26.00	2. 60	4. 44	6. 11	8. 25	14. 85	29. 88	57. 77	-			
	I	14.52	1. 40	2. 48	3. 41	4. 60	8. 29	16. 13	32. 26	55. 84	-		
	J	9.61	0. 96	1. 64	2. 26	3. 05	5. 49	10. 67	21. 35	36. 96	66. 18	-	
	K	4.80	0. 48	0. 82	1. 12	1. 52	2. 74	5. 33	10. 66	18. 46	33. 05	49. 94	-

This table provides us useful indicators as regards the extent and magnitude of aggregate MDLPs of all the DCs belonging to all the three levels of management. It clearly depicts that the vertical variations at the top level of management are nominal among different DCs, it is quite substantial at the middle and grass root levels of management. But the triangular variations varies between 58 to 74 per cent at the top level management, 50 to 55 per cent at the middle level management and between 49 to 57 per cent at the DCs belonging to the grass root level of the management.

To conclude for the 'Q Bank', it can be observed that the size of MDLPs are very high at the top level management and there is a high concentration of powers at that level compared to the middle and grass root levels of management. Further, the bank has not revised the MDLPs for the last five years in most of the decision centres, especially at the middle level and grass root level. The MDLPs have been increased for the top level decision centres only and at two DCs of middle level management. It is suggested that the bank should look into delegation profile pertaining to the credit area and find out the impact of increasing and not increasing the delegated powers on its different operating parameters, and take a suitable decision accordingly.