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B.B.A. BANKING
SECOND YEAR
PAPER - VII : BANK MANAGEMENT

Prepared by :
A.Dunstan Rajkumar
MBA, M.Phil., M.Com., PGDPM(NIPM) M.Sc.(Psy)., (Ph.D.)
Head, Department of Business Administrative
MGR College, Hosur – 635 109.
Krishnagiri – Dt.

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PAPER - VII : BANK MANAGEMENT

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Management – Management Principles and Functions – Environment for effective bank management – Role of a bank Manager – Planning in Banks – Need – Planning Process – Strategic Planning – Organisational Planning – Resource Planning – Profit Planning – Operational Planning – Types of Plans in Banks – Decision Making – Process of Decision Making in banks.

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Organisation – Principles – Departmentation in banks – Organisational Structures – Project Organisation – Matrix Organisation – Committees – Line and Staff Relations – Span of Control – Delegation – Decentralisation – Bank branch Organisation.

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Direction – Principles – Conflict Management in banks – Leadership – Functions – Styles – Theories – Motivation – Theories.

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UNIT V

Manpower Planning in Banks – Recruitment – Selection – Training in Banks – Need – Methods – Discipline – Grievance Redressal – Trade Unionism

BOOKS RECOMMENDED

1. C.B.GUPTA	- Principles of Management for Bankers
2. James B Bexley	- Banking Management – A guide to more profitable banking.
3. P.SUBBA RAO	- Principles and Practice of Bank Management
4. HAROLD KOONTZ	- Essentials of Management.

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UNIT I – MANAGEMENT AND PLANNING

1:1Management Meaning and Definitions

1:1:1 Meaning

Every organization is basically a group of people formed to achieve some common objectives. The people working together in a group perform different activities. Most of us may fail to say exactly what management is?

Management as the name goes, it implies ‘Manage’ ‘Men’ ‘T’actfully. Hence Management is basically concerned with managing people effectively, to manage them effectively, management needs to perform certain functions with appropriate principles. Any organization, whether it is manufacturing, service or trading concern, has to follow the management principles and functions.

Bank Management is inevitable in banking sectors whether nationalized banks, private banks or new generation banks. Effective Management only creates core competence and unique bench marking thereby the competitive advantage among banking sectors is assured in the era of LPG(Liberalisation, Privatisation and Globalisation)

Management is that process by which managers perform a series of interrelated functions which has the acronym of POSDCORB i.e., Planning, Organising, Staffing, Directing, Coordinating, Reporting and Budgeting.

1:1:2 Definitions of Management

Lawrence A.Appley defines Management as “Management is the art of getting things done through the efforts of other people”

As the definition is not clear with the status of people, Harold Koontz has modified the definition as follows:

“Management is the art of getting things done through and with people in formally organized groups”.

Koontz and O’Donnell defines that “Management is the process of designing and maintaining an environment in which individuals working together in groups efficiently accomplish selected aims.

Now-a-days the decision making and leadership are considered to be the key areas in management, which has been fore thought of by D.J.Clough in the following words to define the management

“Management is the art and science of decision making and leadership”.

To give the comprehensive definition, one can recollect the definition given by the Management Guru Peter F.Drucker. In his words, “Management is a multi purpose organ that manages a business and manages managers and manages workers and work.”

1:2 Features, Nature or Characteristics of Management

Management has the following characteristics which are studied to understand the natural and behavioural components of management:

A. Management is Universal – The principles of management is applicable anywhere, any country, any organization, any levels of management

B. Management is purposeful – Management exists in any organization to achieve mission, vision and other types of objectives, hence it is purposeful.

C. Management is integrating force – Organisation is the combination of individuals, groups and society. Hence the management is an integrating force to unify all the divergent parts.

D. Management is a social process – Management is by the people, for the people and through the people. Therefore, Management has to ensure interpersonal relations among all these social components.

E. Management is multi disciplinary - Management needs divergent knowledge from many disciplines, such as anthropology, sociology, psychology and other fields of management.

F. Management is a continuous process - Management is dynamic and ongoing process involving the series of functions such as planning, organizing, staffing, directing and controlling.

G. Management is Art – Management is the use of practical know-how and personal skills. It needs creativity, innovation and personal initiative and inquisitiveness.

H. Management is Science – Management has systematic body of theoretical knowledge pertaining to a particular field of enquiry. Management has lot of principles, policies, concepts which are the outcome of continuous observation and experiments.

I. Management is Profession – The features of profession such as advanced study, training, qualifications, service motive, code of professional ethics are equally applicable to management. Qualifications such as MBA, ICWA, CA, and ICS have attributed the management as profession.

1:3 Difference between Management and Administration

There are different views towards the distinctions between Management and Administration, namely

a) Administration is different from Management

b) Administration is a part of Management

c) Administration and Management are one

a) Administration is different from Management

This view is supported by Oliver Sheldon, Florence, Lansburg, Haimann, Milward, and McFarland. Their views are: Administration is the function concerned with the determination of corporate policy, the coordination of finance, marketing, production and other functions of business, whereas Management is the function concerned with the execution of policy within the limits set up by the administration.

b) Administration is a part of Management

This view is supported by Kimbal and Kimball, Richard and Copen. According to them, Management is the function concerned with the determination of corporate policy, the coordination of various functions of business, whereas Administration is the function concerned with the execution of policy within the limits set up by the administration.

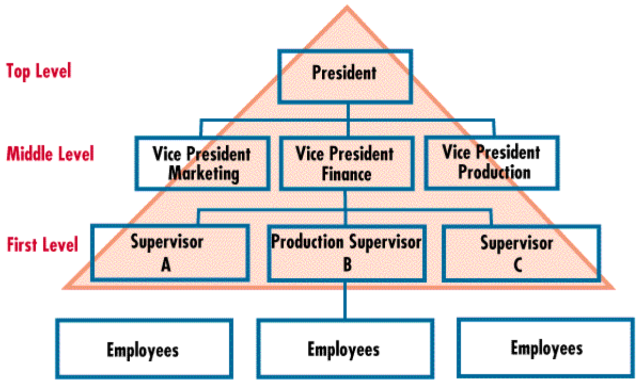
c) Administration and Management are one

This view is advocated by Henry Fayol, William Newman, Chester Barnard, George Terry, Louis Allen, Koontz and O'Donnel. These experts are of the opinions that the Administration and Management are one and the same in practice and they classify the Management into Administrative Management and Operative Management.

1:4 LEVELS OF MANAGEMENT

The number of levels of management in an organization will depend on its size, technology and diversity in its range of production. A large concern, for example, will need a number of levels of management so that activities at different centers can be properly planned, organized, directed and controlled.

Similarly, a concern which uses complex technology of manufacture in which a product passes through several stages to become the final product will need several levels of management.



Levels of Management

1:4:1 TOP LEVEL MANAGEMENT

It is difficult to give a precise definition of the term "top management". In a technical sense, it means the owners of an organization, i.e., sole proprietor, partners or shareholders.

The top level management generally performs the following functions:

1. Setting out general objectives and policies of the business.

2. Laying down guidelines for the departmental heads, i.e., policies as to production, marketing, finance, personnel, public relations, etc.

3. Organizing the business into various sections and departments for the efficient accomplishment of enterprise goals.

4. Marketing appointments to top positions in the company organization, such as the managing director, general manager, secretary, departmental heads, etc.

5. Reviewing the work of executives at different levels and ensuring that their performance is according to the pre-determined plans.

1:4:2 MIDDLE LEVEL MANAGEMENT

The main functions of middle level of management

1. To monitor and control the operating performance.
2. To train, motivate and develop the supervisory level.
3. To coordinate among themselves so as to integrate the various activities of a department.

1:4:3 LOWER LEVEL MANAGEMENT

The main functions of lower level management

1. To train and develop the efficiency of the workers.
2. To assign jobs to workers.
3. To give orders and instructions.
4. To maintain discipline and good human relations among workers.

To report feedback information about workers

1:5 FUNCTIONS OF MANAGEMENT

Business management consists of six important functions.

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Coordinating
6. Controlling

1. Planning

Planning in simple is looking ahead. It is preparing for the future. Effective planning leads efficient management. Effective planning provides answers to questions like- What to do? When to do? How to do? Who is to do?

The planning process involves the following activities.

(a) Determination of the goal of the organization.

(b) Formulating policies, rules. Procedures etc.

(c) Forecasting the future based on past and present activities.

2. *Organizing*

Organizing establishes harmonious relationship among all the workers of an organization by providing them with suitable authority and responsibility.

According to Louis A. Allen "Organization involves identification and grouping the activities to be performed and dividing them among the individuals and creating authority and responsibility relationships among them for the accomplishment of organizational objectives".

It involves as follows

(a) Identification and analysis of activities required. For the attainment organizational objectives.

(b) Assignment of duties to the individuals connected.

(c) Follow up the activities.

3. Staffing

Staffing process involves selecting candidates for positions, fixing salary, training and developing them for effective organizational functions. The manager performs the duties of job analysis, job description etc.

4. Directing

Once plans are made and the organization is created next step is to achievement of objectives of the organization.

Directing involves the activities like guiding, supervising and motivating the sub ordinates in their jobs. Motivation helps to increase the performance of the workers. Communication provides with proper information to improve the effective management. Leadership the process by which a manager guide and influences the work of his subordinates. Directing converts the plans into performance.

5. Coordinating

The tasks or activities of an organization are classified on basis on their similarity. They are divided among different individuals and departments to achieve the benefits of specialization by way of increased productivity and efficiency. Coordination is the process of integrating the work activities of various individuals and departments with the organizational goals.

6. Controlling

Controlling as a function of management deals with checking and verifying the activities against the predetermined standards. The process of ensuring that actual activities conform to planned activities.

Controlling process involves the following steps.

(a) Establishing standards.

(b) Measuring current performance.

(c) Comparing this performance to the established standards.

(d) Taking corrective actions of deviations of deviation are detected.

1:6 PRINCIPLES AND CONTRIBUTIONS OF MANAGEMENT

1:6:1 Frederick Winslow Taylor (1856 -1915) Principles of Scientific Management

F.W.Taylor has earned for himself an important place in the history of management thought. He is called the father of scientific management Movement which seeks to apply scientific methods to the problems of management.

Some of the important techniques of scientific management are as under:

1. Work study.

It consists of two main elements, i.e., time study and motion study

Time study is carried out by trained engineers by using a special watch to note the time of commencement and completion of each of the several elements of the job.

Motion study aims at studying the motions performed by a worker while executing a job.

The job itself is analyzed into individual movements and the standard time for each of the movements is determined as accurately as possible.

2. Application of scientific methods.

It consists of observation and recording of the facts of a problem situation with a view to determining the best method to perform a job.

3. Incentive method.

Taylor evolved the differential piece wage rate system to achieve increased productivity. He established two wages rates—one for the worker who achieved or exceeded the standard output, and the other for standard worker.

4. Principles of management.

Taylor developed a theory on functional authority. He believed that profitability and efficiency could be greatly improved through the use of specialized knowledge and skill. Accordingly, he divided the work of the single foreman into eight functions with a separate person in charge of each function.

5. **Experiments.**

Taylor carried out a number of experiments, important among which are:

(a) Shoveling, under which he designed different sizes of shovels for different type of materials; and

(b) Metal cutting, under which he developed the most effective way of cutting metals while keeping them cool.

6. **Standardization.**

Taylor laid down standards as to cost and time for each piece of work and evolved optimum process of production for different products.

7. **Mental revolution.**

Taylor was convinced that for effective management, workers and managers had to work in harmony, not as two hostile groups but as partners in mutual progress and prosperity. He emphasized the need for a mental revolution on the part of both workers and management.

1:6:2 Henry Fayol (1841-1925)/ Principles of Management/Modern Management

Henry Fayol, a French industrialist, father of Modern Management Theory concentrated on the administrative aspect of scientific management. His contributions are concentrated in his famous book "The general and industrial administration". Fayol's famous book falls into two parts.

Fayol divided the industrial activities into six categories.

1. Technical (Production, manufacture)
2. Commercial (Buying, Selling, Exchange)
3. Financial (Search for and optimum use of capital)
4. Security (Protection of property and Persons)
5. Accounting (Balance sheets, Cost statistics)
6. Management (Planning, Organizing, Coordinating, Directing, Controlling)

Fayol's fourteen principles of management are:

1. Division of work
2. Authority and responsibility
3. Discipline
4. Unity of command
5. Unity of direction

6. Subordination of individual interest to general interest
7. Remuneration of personnel
8. Centralization
9. Scalar chain
10. Order
11. Equity
12. Stability tenure of personnel
13. Initiative
14. Esprit decorps

1. Division of work

Work should be divided in a proper way with reference to the available time. In general worker on the same job and the managers on the same duty acquire ability and accuracy which increase their output.

2. Authority and responsibility

Authority is the power given to a person to get work from his subordinates.

Responsibility is the kind and amount of work expected from a man by his superior. One of the essential elements of a good management is delegation of authority to the lower levels of management and fixing responsibility on town.

3. Discipline

Discipline is very essential for the smooth running of organization. To Fayol, discipline will result from good leadership at all levels of the organization, fair agreements and judiciously enforced penalties for infractions.

4. Unity of command

An employee must receive orders and instructions from one supervisor only. Multiple commands will cause confusions. A sound management should avoid dual commands.

5. Unity of Direction

Unity of direction signifies each group of activities having the same objective must have one head and one plan. All the groups should coordinate and work together to achieve the common goal.

6. Subordination of individual interest to general interest

Every employee is working in an organization and interest is to earn money to meet his personal needs. The general interest of the organization is development and progress of the organization. The employees should give importance first to the general interest than his personal interest. It will lead to effective management of the organization.

7. Remuneration of personnel

Remuneration should be fair for both employees and employers. The wage payment systems should satisfy the employees.

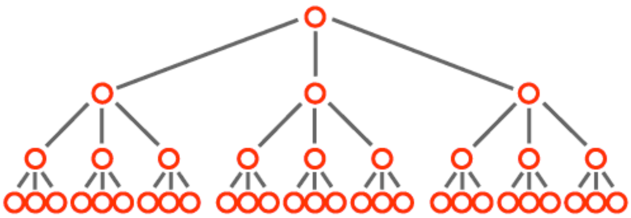
8. Centralization

The organization centralized when the power is concentrated with one person. If the power is fully distributes to the subordinates of the organization is fully decentralized.

For effective management of people decentralization is necessary. Decentralization helps to take a quick decision on all important problems.

9. Scalar chain

Scalar chain principle states that instructions and orders should be sent from the top management to the lower management.



10. Order

Two types of order are:

1) Materials order

2) Social order

Materials order "A place for everything and everything in its place".

Social order "A place for everyone and everyone in that place".

11. Equity

Equity refers to the treatment of employees equally. Equal treatment of the employees helps to achieve organizational goals.

12. Stability tenure of personnel

A high employee turnover rate is not good for the efficient functioning of any organization.

13. Initiative

It is concerned with thinking and execution of a plan. When employees come forward with new ideas, they must be encouraged by the superiors. It will create the morale of the employees.

14. Esprit de corps

This means union is strength. In organization employees should be harmony and unity. It improves employee moral.

1:6:3 Elton Mayo

Mayo was the leader of a team from the Harvard University which, in cooperation with the western electric company of Chicago, conducted the famous hawthrone experiments at the hawthrone work of the company.

The hawthrone experiments highlighted the importance of the worker's mental attitude in raising the level of output. They showed that workers would willingly accept any change in their jobs, work methods or technology, provided the need for such change was convincingly explained to them.

Mere logicality or rationality of a change would not cut much ice with them. They must be satisfied that the change was aimed at promoting the organizations as also their own interests.

Findings derived from the hawthrone experiments have been the source of the wealth of information on individual and group behavior

1:7 Environment of Bank Management

The term environment in banks has reference to the totality of all factors and situations which affect banks and most of them are beyond the control of individual banks. Environment Scanning will enable the bank managers to understand SWOT (Strength, Weakness, Opportunity and Threat) and assist them in taking managerial decisions more efficiently and effectively. The important among them are:

1. Economical environment
2. Social and cultural environment
3. Political and Legal environment
4. Government environment
5. Reserve Bank of India
6. Banking structure in the country
7. Demographic environment
8. Geographical and ecological environment
9. Technological environment

1. Economical Environment

The factors such as economic system, national income, per capita income, rate of consumption, rate of savings, distribution of income and wealth, structure of agricultural development, cropping pattern, deposit mobilization, need for finance, advances and banking services due to growth and deployment of various sectors and so on will influence the banks. The study of these will help the managers in analyzing the opportunities and threats exist in the environment.

2. Social and Cultural Environment

The study of the social and cultural environment involves classification of structure, mobility, social roles, nature and development of social organization and institutions, caste structure and occupational structure in urban and rural areas, socially forward and weaker sections, need for social upliftment, social values, women empowerment and so on. It also includes the analysis of attitude of customers towards banks, its operations, the way it functions, management and the alike.

Culture prescribes and teaches human conduct, all habits, values, ethics and norms. The banks should know the culture and cultural diversity in order to adapt with the cultural constraints and transformation.

3. Political and Legal Environment

All the bank operations, particularly granting of advances to the priority sector, are affected by the political conditions at the national and regional level. Political stability, ideologies, gimmicks influence the bank. The Banking Regulations Act 1949, The companies Act 1956 are few quite important legal legislations control the banking operations.

4. Government

Government affects the banks right from the appointment of commissions to establishment of various banking sectors in the banks.

5. Reserve Bank of India

The RBI being the central bank influence the commercial banks to a greater extent.It formulates the common policy, bank rate, reserves, and control mechanism for all the banks.

6. Banking structure in the country

The banking strategies are implemented within the structure hence the study of structure, authority and responsibility affect the banks a lot.

7. Demographic environment

The study of demographic environment involves the population rate, sex, education, occupation, marital status and so on which in turn act as the most influencing factor in deciding the growth and development of banks.

8. Geographical and Ecological environment

Banks formulate branch expansion plans, deposit plans, advances plan based on the needs in various parts of the country. Geographical distribution of banks affects the banking decisions.

9. Technology

An understanding of the technology is inevitable for effective banking decisions, especially, recent developments such as internet banking, on line banking, ATM banking, E'Bamking are influencing a lot in promoting customer services.

1:8 Role of Bank Manager

The Managers in banks play a vital role in executing their assignment. They are

Interpersonal - Necessarily bank managers should have relationship with the internal customers and external customers, for which they act as figurehead, leader, and liaison officer.

a. Figure Head role implies symbolic head of an organization performing all the

Ceremonial functions involving programmed duties and day to day activities.

b. Leader role includes hiring, training, motivating and guiding subordinates

c. Liaison role of manager involves interacting with other managers outside the organization to obtain favours and information

Informational role focuses on exchange of information for taking effective banking decisions, for which the manager collects the data playing the following roles

a. Recipient/monitor role implies seeking and receiving the information relating

to internal and external events to gain understanding of environment

b. Disseminator role involves transmitting information to subordinates, peers and

superiors within the organisation

c. Spokesperson includes speaking on behalf of organisation.

Decisional role motivates the managers to take effective decisions, under this, managers in banks play the roles as below:

a. Entrepreneur role insisting changes or improvements in the activities of banks

b. Distribution handler involves taking charge and corrective actions when organisation faces unexpected crisis

c. Resource Allocator plays the role of distributing organizational resources

d. Negotiator represents the banks in bargaining and negotiations with outsiders and insiders.

SELF ASSESSMENT QUESTIONS – I

1. Planning determines the______________ of the organization
2. Organising establishes _____________ among all the employees
3. Staffing Process involves___________ Candidates for positions
4. Directing converts the plans into ________________
5. Co-ordination is the process of ________________ the work
6. Controlling ________________ the activities.
7. F.W.Taylor is the father of _______________ management
8. ____________ is the father of modern management theory
9. The study of population is called ___________ environment
10. There are ___________ broad roles being played by the bank manager.

1:9 Planning In Banks

1:9:1 Meaning and Definition of Planning

The nature of planning in banks involves deciding in advance what is to be done for the banks? Who is to do it? Where it is to take place? When the activities are to be carried out? Why is it necessary? And How the planned activities have to be executed? Planning is pervasive, continuous, universal and intellectual activity.

According to George R.Terry, Bank plans contribute to the attainment of the bank's objectives and goals. Planning is the first and primary function of banks. Planning comes before all other functions such as organizing, staffing, directing and controlling.

Planning determines bank objectives, mission and vision, policies and strategies, procedures and rules and so on. The various **types of plans** are:

Purpose – accepting deposits and granting loans and advances

Objectives – qualitative, quantitative, long, medium and short term, top, middle and lower level and so on Strategies – contingent plans to fight with the sudden emergencies Policy - general statements or understandings serve as guides of action Procedure and rules are plans that establish a desired method of handling future bank activities.

Programmes are complex plans including, objective, policy, procedure, rules etc. Budgets are the numerical expression of banking organisation.

1:9:2 Need/Purpose/Significance/Importance / Merits / Advantage of Planning

Managers in banks plan for achieving the following:

1. Focuses attention on objectives and results of the banks
2. Basis for effective decisions
3. Ensures effective delegation and decentralization
4. Promotes innovation, creativity and organizational development
5. Reduces risks and uncertainties
6. Prevents competition
7. Serves as bench marking
8. Results in achievement of objectives and ensures competitive advantage
9. Helps in coordination
10. Provides sense of direction
11. Basis for effective control
12. Ensures efficiency, effectiveness, profitability

13. A thinking process
14. Forecasting
15. Pervasiveness in planning
16. Flexibility
17. Integrated process

A few objectives are given explanation.

1:10 Objectives of Planning

A. A Thinking Process

Planning is an intellectual exercise. Planning enables the mgt to make decisions as regards

(a) What is to be done?

(b) How is to be done

(c) When is to be done and

(d) By who is to be done?

B. Forecasting

Forecasting describes what one expects to happen if no changes are made to escape that happening. Planning describes what one wants to happen. Forecasting may encourage some people to do some planning, like forecast of exhaustion of natural energy resource has led some countries to plan for conservation of coal and oil.

C.Accomplish of Group Objectives

It is unlikely that these people will work effectively, harmoniously and consistently unless they have a plan which they consider to be their common property. Planning is essential to any goal directed activity. It enables people with divergent perception and motivation to work together to achieve common goals.

D.Choice between Alternatives

The first choice to be made by management is with regards to objective of business, e.g., profitability, growth, consumer satisfaction, man power development, prestige and so on. The next choice is in respect of the strategy to be adopted to the accomplish of objectives

E.Pervasiveness of Planning

Planning is a basic condition for goal directed organization. How ever it would be wrong to regard planning as a exclusive occupation of the top level managers only. It is true that top level managers have to devote considerable time and attention to planning for the org as a whole

F.Flexibility

Successful running of an org involves matching of its resource with the opportunities in the business environment. This calls for a careful composing of the mix of people's capabilities, knowledge, skill and motivation on the one hand and materials, tools and money on other

G.Integrated Process

Planning involves selection of achievable objectives and formulation of simple and realistic policies, programmes, procedure, etc for the accomplishment of those objectives.

The sales manager may prefer to plan for numerous models of the goods to satisfy individual consumer taste, the production manager may be keener to have a limited no of standardize models.

1:11 Steps in Planning or Planning Process

Plans are nothing and planning is everything, which means the planning process is inevitable in any concerns. Planning process answers 'How?' part of planning. The following are the standard steps to be followed in banks for the medium and long run plans.

Step:1 Analysing the Environments

Step 2 Determining the Vision, Mission and Objectives

Step 3 Establishing Planning Premises

Step 4 Developing the Alternative Courses of Actions

Step 5 Evaluating the Alternatives

Step 6 Choosing the Best and Feasible Alternative

Step 7 Defining Plans at all levels

Step 8 Implementing the plans

Step 9 Feedback and Follow up

A little briefing is required to understand these broader steps in banks

Step:1 Analysing the Environments

The environments are influencing factors such as Internal and External to the organization to be analysed so as to create a platform or foundation in which the vision, mission and objectives can be formulated for an organization. The Internal Environments show the STRENGTHS AND WEAKNESSES of the organization. The environments include '6 M's Man, Machinery, Money, Methods, Material and Management.

The external environments such as Demographic, Social, Cultural, Economical, Technological, Technical, Legal, Political, Government, Competitors, Customers are to be anlaysed so as to identify the OPPORTUNITIES AND THREATS

The banks are therefore doing SWOT (Strength, Weakness, Opportunity and Threat) Analysis so as to create a strong foundation for evolving the vision, mission and long run objectives.

Step 2 Determining the Vision, Mission and Objectives

The vision tells about long run goals of the organization. It is the long term mission, whereas mission assures the covenants to achieve the vision in the long run in segments so as to achieve the visions in short runs. Hence it is the short term mission. The objectives are formulated in the light of perceived opportunities and resources of the organization.

Step 3: Establishing Planning Premises

Planning premises are assumptions, limiting factors, boundaries within which the objectives, mission and vision can be achieved. It is controllable, semi controllable and uncontrollable in nature. Controllable or internal premises are resources, policies of the banks, whereas, uncontrollable or external premises are population growth, general economic conditions, government policies, political situations affecting the banking goals. Semi controllable premises are partly controllable and partly uncontrollable which include, suppliers, customers, competitors and so on.

Step 4: Developing Alternative Courses of Action.

There can be several ways of achieving the same objectives within the planning premises. For example in order to increase the savings bank accounts, a bank may intensify the customer service, offering lucrative interest rates, exploring new markets and so on.

Step 5: Evaluating Alternatives

The various alternatives are compared and measured in the light of objectives, premises and strategic constraints. Each alternative has its merits and demerits but all alternatives cannot be equally appropriate or practicable. Techniques such as cost benefit analysis, marginal costing and break even point analysis, decision trees, operations research techniques can be used in this regard.

Step 6: Choosing the best and feasible alternative

After evaluation, the most appropriate and feasible alternative can be selected. This is the point at which the plan is adopted. Sometimes, the evaluation will tell one or two combination of these two to be adopted in order to attain strategic advantage.

Step 7: Defining plans at all levels

Once the basic plan, ie., policies and strategies are decided, various supporting plans can be framed at top, medium and lower levels of management. Procedures, programees, budgets, schedule, methods can be derivated and which will integrate them

Step 8: Implementing plans

Once the plans are defined, it has to be installed and implemented, getting the support from top management, managers and employees. The revisions, alterations and adequate changes can be incorporated.

Step 9: Follow up and Feed Back:

The necessary follow up and feed back is inevitable inorder to fine tune the plans for effective implementation and maintenance which will help achieving the individual, group and societal ends

1:12 Strategic Planning

The concept strategy in business is borrowed from military which means a contingent or emergency plan. The purpose of making strategy is to outmaneuver the enemies or competitors. In banks, the scope of strategic planning is so wider as the banks are seen with merger, diversification, expansion and other competitive strategies. There is heavy and hectic competition among the nationalized banks, between public and private, commercial and industrial, national and foreign banks and so on. Hence, in the era of LPG (Liberalisation, Privatisation and Globalisation), the strategic planning is indispensable.

Strategic Planning is the process of planning as to how to achieve the bank's goals with the available resources and how it is undertaken by the top management. It is inevitable in banks to cope with the external environments and to use scarce resources efficiently and to plan more effectively.

1:12:1Kinds of strategies

1. Stability Strategy – aims at stabilization of goals, objectives and activities of bank
2. Growth Strategy – aims at development and growth of bank through expansion, diversification, adopting of new changes in technology.
3. Retrenchment strategy – aims at a cut in the banking branches, services, activities, operations and so on. The types include, divestment and closure
4. Combination Strategy – aim at adopting many strategies simultaneously
5. Integration strategy – aims at taking over or combining with other banks. The various types are horizontal, vertical, amalgamation, merger and conglomeration.

1:13 Organizational Planning

Banks should also plan the changes in the organizational structure with the introduction of new objectives, goals or plans as the existing structure may not suit the carrying out of the activities in future. Presently, most banks feel that their organizational structure is not suitable to carry out their changing activities, particularly after nationalization and after 1991 when we have entered into World Trade Organisation, signing General Agreement on Tariff and Trade and General Agreement on Tariff and services. There is hectic changes in the fundamental operations of banking activities like mass banking, regional banking, lead banking, net banking, electronic banking and so on.

1:14 Resource Planning

Organisational planning moves resources planning. Depending upon the organizational planning, deposit, credit and branch expansion planning and the external factors, the banks have to estimate the requirement of physical facilities like building premises, furniture and so on. The banks have to make necessary resources so as to achieve its missions and visions of the banks.

1:15 Operational Planning

Operational planning is programming of various strategies, objectives etc. This is essentially an action plan or execution plan or implementation plan. Operational Planning or Actual implementation helps in the review and division of strategies or objectives. Operational planning is done at regional/branch level. Scheduling, programming and detailed budgeting are the components of operational planning.

Detailed plans are prepared by the branch manager in consultation with the senior employees in the branches, with reference to deposit mobilization, loans and advances, credit allocation, jewel loans, agricultural loans, personal loans, home loans, clean loans and so on. Once the detailed operational plans are prepared and this will be sent to regional or divisional office for final approval for effective execution. A model phase of operational plans is illustrated as below:

1:16 Branch Expansion Plan

Branch expansion plan is vital for banking industry in order to minimize or avoid over banking and duplication in banking facilities and to see that banking activities are spread over through out the length and breadth of the country according to the needs. SWOT (Strength, Weakness, Opportunity and Threat) Analysis is undertaken by the bank before opening or starting a new branch. It considers the following factors in this regard.

1. Existence of branch offices of various banks
2. Potentialities of the areas
3. Demographic factors
4. External environments and their opportunities and threats
5. Internal environments and their strengths and weaknesses
6. Government subsidies and support
7. Infra structural facilities

8. Growth of regions in terms of industry, agriculture business and service.
9. Existence of various institutes like educational institutions, religious institutions, social organisation etc. and
10. Any other relevant factors (situational, contingent, compulsion and so on)

1:17 Profit Planning

Profit is the reward of any business activity, banks are not an exemption. Unless they earn profits, they could not meet out various expenditure in running the banking services and pay dividend to the various stake holders.

Of late, the gap between the lending rate and interest allowed to depositors is very small. The competition among the banks further challenges banks in determining the interest rate which is the component of profit to be planned by the banking orgnisations.

Profits act as a cushion for loan losses and risks arising from foreign exchange and rate of interest changes. Profits also generate internal capital.

1:18 Types of Plans in Banks - The plans can be divided into two broader heads only namely

1:18 A. Multi – Use Plans such as Objectives including MBO, Policies, Strategies, Procedure and Rule.

1:18 B Single use Plans such as Programmes and Budgets.

1:18 A :1 Objectives in Banks

Objectives may be defined as the future results or a desired state of affairs which the organization seeks and strives to achieve.

Objectives provide the organization with a purpose that keeps its attention and efforts focused in a particular direction so that it is capable of steering a steady course towards their accomplishment, taking corrective action when necessary to avoid obstacles.

Kinds of objectives: According to **Peter Drucker**, the objectives of an organization may be with respect to the following areas:

(a) Market standing;

(b) Innovation;

(c) Productivity;

(d) Physical and financial resources;

(e) Profitability;

(f) Managers performance and development;

(g) Worker performance and attitude; and

(h) Public responsibility;

1:18A:2 Management By Objectives (MBO)

Management by objectives is a management technique whereby managers at subordinate levels participate in the setting of targets so as to ensure their achievement in the basis of formal job specifications laying down key result areas.

There are three distinct steps in the MBO process, namely:

(1) Setting of objectives;

(2) Intermediate review; and

(3) Final review.

1. **Setting Of Objectives.**

To begin with, the corporate objectives are defined by the Board of Directors. This is followed by an analysis of management tasks by formal job specification, defining key result areas and formal responsibilities for the establishment of objectives, and the decisions to be taken by individuals. This involves meetings between superiors and subordinates throughout the organization for mutual establishment of performance targets for the subordinates.

For this step in the MBO process to be successful, it is necessary that subordinates express activities and tasks in specific and measurable terms.

Superiors also must do their home-work carefully at the objective setting sessions because they will have to set their own objectives with their superiors.

2. **Intermediate Review.**

Having co-ordinate the setting of individual targets with overall corporate objectives with a view to ensuring the achievement of optimum results, the next step is

(a) To provide adequate control information to enable the superiors and subordinates to review periodically the progress made by subordinates towards their performance targets or standards, and

(b) For superiors to provide appropriate direction and set new targets if and when it is found that any subordinate is not on the right course. The frequency of intermediate review will be different from superior to superior. The nature of remedial action in case of deviation from the standard will also be different.

3. **Final Review**

Final Review is made after the intermediate review and the final review is done and the agreement between superios and sub-ordinates will be arrived and the objectives are implemented.

Merits of MBO

Mgt by objectives leads to several benefits for the org. first, it result in better communication between superior and subordinate, because they actively participate in frequencies objectives-

Firstly setting session taking into consideration each others point of view, difficulties and conflict.

Secondly it makes for greater clarity in subordinate's job assignments. The subordinate knows precisely what is expected of him. In any case, in the determination of the targets set for him, he will have a full say.

Thirdly employees are effectively motivated. Because they are allowed considerable dissertation in the setting of targets to be achieved by them, they are totally committed to the achievement of their individual targets

Fourthly subordinate performance is monitored more effectively due to perfect clarity along what is expected of him in a given period.

Lastly it leads to improvement of planning activity.

Demerits of MBO

Mgt by objectives is not free from draw backs.

First it requires a lot of paper work. There are frequent sections for the purpose of mutual objectives-settings and detail records have to be kept of the results of the proceedings.

Secondly lower mgt levels are generally excluded from the programmed.

Lastly while deficiency in performance on the part of a subordinate is favorable noticed, there may not be adequate incentives for those whose performance is up to the desired level.

1:18:3 Policies

Policies may be defined as guide to thinking and action of those who have to make decisions in the course of accomplishment of the enterprise objectives. They provide ready answers to all questions faced in the running on the enterprise.

Merits

1. Guide to Thinking Action:

Policies provide the frame work within the managers have to make their decisions. Without them, managers will only group in the dark not knowing how to tackle the various issues facing them.

2. Consistency

Policies establish the limits within which managers at various levels have to make their decisions. This leads to predictability and consistently in managerial function. As such, managers are enabled to act in concert for the accomplish of enterprise objective.

3. Broader Applicability:

Policies are shaped after weighing and evaluating a no of factors. as such, these can be applied as equal effect to problems of all types and dimension.

4. Confidence Building:

With well formulated policies providing ready answers to all possible questions, managers can confidently face any problem situations.

Besides, if managers strictly adhere to policies, they may have nothing to fear even when some of their decisions do not produce the desired results because, in that event they can conveniently shift the blame to in adequacy of policies.

Limitations

1. No Penances for Problems:

Policies, however intelligently formulated, cannot provide a solution to every problem. This is so because each policy is formulated under a particular set of circumstances which may not remain the same for all times to come.

2. No Instant Solution to Problems:

Policies only serve as guidelines to thinking and action by managers. They point to the limits and constrains under which managers have to make decisions to solve the problems facing them. If a manager begins to look to them for solution of every problems, he may be disappointed.

3. No Substitute for Human Judgments:

Policies only indicate how and within what limits problem of different kinds have to be tackled. Even so, they cannot blindly be applied to all problems - situations. The needs for the managers own sense of judgment will remain even when he has a pre determined policy to deal with every problem.

4. No Room for Initiative:

Too many policies stifle individual initiative, managers may get so much used to follow policies that they may lose capacity to think for themselves.

1:18:4 Procedures

Objectives and policies may be well established but they seldom produce action. This is because they do not lay down ways through which objectives are to be accomplished and policies are implemented. This is made good by procedures which determine:

(a) The specific tasks to be performed;

(b) The time when these tasks will be performed; and

(c) The persons who will perform them.

Procedures lay down the process of establishment time-sequence for work to be done. They may be described as plans "prescribing the exact chronological sequence of specific tasks required to perform designated work." Thus, procedures are concerned with fixing a time-table for starting a given work, going through its different phases and its completion, within the framework of the objectives and resource position of the org.

Merits

1. **Basis of control**.

Procedures prescribe the time sequence of specific tasks to be performed to accomplish a given job. Thus, they can be used to know if the work is proceeding as planed.

1. **Standardization**.

Procedures lay down the sequence of tasks to be performed. They also enable systematic performance of work at every stage. This saves considerable time and energy on the part of managers and subordinates.

2. **Consistency**.

As the course of action to be performed with regard to each item of work is well defined, there is consistence and uniformity in performance at different levels. This leads to efficiency all around.

3. **Aid to communication and co-ordination**.

Establishment of any procedure is preceded by a great deal of communication and co-ordination of thinking and effort. Thus, it represents the collective wisdom of the persons concerned with putting it into effect. If any problem crops up at any stage of work, these same people will have to think and act together to find a solution.

Limitations

1. **Redundancy.**

Often age-old procedures are retained even after they have outlived their usefulness. As a result, they are not adequate for the purpose of meeting the requirements of a changed situation.

2. Updating.

Procedures need to be constantly reviewed and evaluated. They should also be suitably modified or altered. However, often there is hesitation to undertake this exercise to suit the current needs.

1:18:5 Rules

A rule means a decision made by the management regarding what is to be done and what is not to be done in a given situation. It applies to a specific situation and includes self-imposed principles of action. Rules do not leave any scope for decision-making. Nor do they permit any deviation.

Rules are different from policies which guide decision-making but do not eliminate discretion on the part of the manager. Rules either forbid or require particular kind of behavior, leaving no scope for discretion. Thus, " No Smoking ", or " No shipment or storage of goods without approval by the quality control section ", or " Always wear goggles while working on machines " are the examples of rules.

1:18B Single Use Plans

Single-use plans are designed to meet novel or non-respective situations, which have a limited scope. Once the specific situations in question have been met, the plans may be given up.

1:18B 1 Programmes

A programme denotes activities of a broad nature, including many different functions and inter-actions. It lays down the operations to be carried out to accomplish a given work. In this sense, it prescribes how enterprise resources are to be used.

Production of 500 tones of steel in January, or 1,000 bicycles in the fortnight ending 20th March is an example of a routine type of programme. There may also be programmes for some specific purposes as, for example, to reverse the downward trend in sales, or introduce a new product in the market.

Merits

1. Action-based.

Programmes are generally short range plans of action. Being action and result-oriented, they provide practical guides to managerial activities.

2. Greater motivation.

Programmes are result- oriented in a practical sense. They provide greater motivation than, say, policies or objectives, which deal with issues in abstract, theoretical terms.

Limitations

1. Greater risk of failure. Generally, programmes aim at securing immediate results. For this reason, they are often hastily devised without paying due regard to availability of resources. This increases the chance of their failure.

2. Inadequate motivation. For successful execution of a programme, involvement of all or many segments of the enterprise is necessary.

3. But everyone concerned with its execution may not be duly motivated to make it a success. A program to produce 1,000 units a month, may motivate workers in the production department, but may not have much effect on the workers in other departments

1:18B2 Budgets

A budget is a plan relating to a period of time, expressed in numerical terms. It may be defined as a pre-determined statement of management policy, during a given period, which provides a standard for comparison with the results actually achieved.A budget may cover projected activities of a firm for a definite period of time, providing predetermined standards of performance in the fields of sales, purchases, production income, expenditure and profits. The standards are set duly keeping in view the objectives and resource position of the enterprise. They also serve as the basis for evaluating performance in various fields, and for correcting the devotions and deficiencies, if any.

Merits

The following are the main merits of budgeting:

1. Instrument of management policy.

A budget lays down the enterprise goals and also points the means to realize them. It helps mgt to determine its future course of action.

2. **Time-bound**.

A budget has a definite time-frame. It may be designed for a month, a quarter or at the most a year, but seldom for a period longer than that.

3. Specific targets.

A budget aims at specific, well-defined targets which are often expressed quantitatively. Essay type description of the targets is generally avoided.

4. Right motivation.

Budgeting lays down attainable targets and also prescribes the means to achieve them. Once the employees known what they have to achieve and how, they can be suitably motivated to work for the desired outcome.

5. Basis of control.

A budget not only provides a future plan of action, but also lays down standards for various activities. It can be used to measure performance, detect deficiencies, and initiative corrective action, where necessary.

Limitations

Budgeting suffers from certain limitations, important among which are as follows:

1. Cabined and confined.

Once targets are set, and the resources are allocated for the purpose, action has to be within the prescribed limits. Thus, budgeting does not allow freedom to function in a flexible manner.

For example, it may be possible for the production department to produce the budgeted number of units within the resources allocated to it for the purpose.

2.Excessive reliance on past experience.

In theory, budget-making is an exercise in a synthesis in the past, present and future, However, since it is not possible to accurately interpret the present trends, or to predict the future events, budget-makers increasingly turn to their past experience. As a result, targets for the next year are little different forms those of the past years. Any radical change in them may invite a hostile reaction from the departments concerned.

3.Danger of in accuracy in estimates.

Despite due caution, budgeted estimates may turn out to be wrong. Some departments may be given targets which may be impossible to achieve. On the other hand, for some departments the targets may be fixed so low that their capacities may not fully utilize.

4.Curb on initiative.

Often, managers treat budgets a them. As such they may not take pains to engage in rational and pragmatic decision-making, other than what is permissible within the budgeted limits. In the event, initiative is stifled and excessive emphasis is placed on the latter rather than the sprit of the budgets.

1:19 Decision Making

1:19:1 Meaning and Approaches

Decision making is the process of choosing a course of action from available alternatives

Approaches in Decision Making: There are five approaches in decision making

1. Routine Approach
2. Scientific Approach
3. Decisional Approach
4. Creative Approach
5. Quantitative Approach

1. Routine Approach – solves the problems through traditional measures and by using standard operating procedures
2. Scientific Approach – involves the steps such as

a) Identifying the proposition

b) Acquiring the preliminary observation about the problems

c) Stating tentative solutions to proposition

d) Investigating, propositions thoroughly using knowledge and experiments

e) Classifying the data gathered

f) Stating a tentative answer to proposition and

g) Adjusting and Stating answer to proposition

3. Decisional Approach involves the stages in problem solving such as (a) Stating the desired results (b) Stating the problem (c) Listing the alternatives (d) Evaluating the probable outcome of each alternative interms of critical alternative and (e)Implementing selected decisions.

d) Quantitative Approach involves the following phases in finding solutions to various problems. They are (a) Formulating the problem (b)Building a mathematical model (c) Deriving the answer from the model (d) Testing the model and answering derived to ensure practicability and e) Placing needed constraints over the use of model and answer and implementing the solution.

e) Creative Approach involves the following stages

   a. Identify and state the problem
   b. Preparing for creativity
   c. Encouraging ideas to take place
   d. Permitting illumination of new ideas
   e. Verifying and evaluating the proposed solution and
   f. Applying the recommended solution.

1:19:2 Process of Decision Making in Banks

The decisions are taken following the processes given below; the end part of planning is decision making, hence the rear steps of planning are equally applicable for decision making. Accordingly, the first two steps in decision making are given explanation here, and the rest of the steps, planning can be recollected.

Step 1: Identification of the real and right problem

'Well defined problem is half solved' Problems are the difficulties the bank face in achieving the organizational ends. Managers in bank could explore the problems either in their walk of day to day activities or for the long run purposes.

Step 2: Diagnosis and Analysis of the problem

Once the problem is defined, it has to be well diagnosed and analysed so as to split the problem to attack easily and effectively, the causes of the problem can be identified. An effective MIS is required to diagnose and examine the problem.

Step 3: Developing Alternative Courses of Action.

There can be several ways of achieving the same objectives within the planning premises. For example in order to increase the savings bank accounts, a bank may intensify the customer service, offering lucrative interest rates, exploring new markets and so on.

Step 4: Evaluating Alternatives

The various alternatives are compared and measured in the light of objectives, premises and strategic constraints. Each alternative has its merits and demerits but all alternatives cannot be equally appropriate or practicable. Techniques such as cost benefit analysis, marginal costing and break even point analysis, decision trees, operations research techniques can be used in this regard.

Step 5: Choosing the best and feasible alternative

After evaluation, the most appropriate and feasible alternative can be selected. This is the point at which the decision is adopted. Sometimes, the evaluation will tell one or two combination of these two to be adopted in order to attain strategic advantage.

Step 6: Defining plans at all levels for implementing the decisions

Once the basic plan, ie., policies and strategies are decided, various supporting plans can be framed at top, medium and lower levels of management. Procedures, programees, budgets, schedule, methods can be derivated and which will integrate them

Step 7: Implementing Decisions

Once the plans are defined, it has to be installed and implemented, getting the support from top management, managers and employees. The revisions, alterations and adequate changes can be incorporated.

Step 8: Follow up and Feed Back:

The necessary follow up and feed back is inevitable inorder to fine tune the plans for effective implementation and maintenance which will help achieving the individual, group and societal ends

SELF ASSESSMENT QUESTIONS – II

1. SWOT is expanded as ________, ________, _______ and ________
2. LPG is expanded as ______________, __________ and ___________
3. ______________ is the process of planning as to how to achieve bank's goals with the available resources.
4. _____________ strategy aims at taking over or combining with other banks.
5. Organisational planning moves _________ planning
6. ___________ is the reward of any business activity.
7. MBO is expaned as ___________________________
8. The five multi use plans are______________________________________
9. The two single use plans are________________ and ___________
10. The two decision making approaches are_____________ and ______________

Answers to Self Assessment Questions – I

1. goals or objectives
2. harmonious relationship
3. selecting
4. performance
5. integrating
6. checks and verifies the
7. scientific
8. Henry Fayol
9. Demographic
10. three

Answers to Self Assessment Questions – II

1. Strength, Weakness, Opportunity and Threat
2. Liberalisation, Privatisation and Globalisation
3. Strategic Planning
4. Integration
5. resource
6. Profit
7. Management By Objectives
8. objectives, policies, strategies, procedures and rules
9. programmes and budgets
10. routine and scientific

Descriptive Questions

1. Identify the functions of management
2. Explore the principles of management
3. Write the roles of a bank manager
4. Write the process of planning
5. Discuss the steps in decision making

NOTES

UNIT II – ORGANISATION

2:1 Organising – Meaning and Definition

Organising is the process of systematic and logical grouping of activities, delineating authority and responsibility and establishing working relationships that will enable both the bank and the employees to realis their mutual objectives.

Organising is planned at top level. The most suitable plan for branch organisaion is dependent upon a number of factors such as Amount of authority at branch level, degree of delegation of authority, Amount of centralization and decision making power, attitude of management, leadership types, creation of teams, function of coordination and so on.

According to **Amitai Etzioni,** "an organization is a social unit or human grouping, deliberately structured for the purpose of attaining specific goals. Thus, corporations, armies, schools, hospitals, churches, prisons, etc. All are organizations. But tribes, ethnic and friendship groups and families are not organizations because they do not involve any significant amount of conscious planning or deliberate structuring".

2:2 Process of Organising

The term 'organization' is used in two different senses. In the first sense it is used to denote the process of organizing. In the second sense it is used to denote the result of that process, namely, the organization structure.

Management writers, such as Alfred D. Chandler refer to this phenomenon as one in which "structure follows strategy."

For example, the structure required for an army is different from the structure required for a business enterprise.

In view of this, consideration of objectives is the first step in the **process of organization** is;

A.Grouping Of Activities Into Departments:-

After the consideration of objectives, the next step is to identify the activities necessary to achieve them and to group the closely related and similar activities into divisions and departments.

For example, the activities of a manufacturing concern may be grouped into such departments as production, marketing, financing and personnel.

B.Deciding Which Departments Will Be Key Departments:-

Key departments are those which are rendering key activities, i.e., activities essential for the fulfillment goals. Such key departments demand key attention. Other departments exist merely to serve them.

Experience suggests that where key departments are not formally identified, the attention of top management is focused on the minor issues raised by vocal managers. This is known as the 'decibel system' of management. The key departments should be placed directly under higher management.

C.Determining Levels At Which Various Types Of Decisions Are To Be Made:-

After deciding the relative importance of various departments, the levels at which various major and minor decisions are to be made must be determined. Each firm must decide for itself as to how much decentralization of authority and responsibility it wants to have.

Extreme decentralization may lead to loss of control and effective coordination as a result of which the firm as a whole may fail to achieve its overall objectives.

D.Determining The Span Of Management:-

The next step to be taken in designing a structure is to determine the number of subordinates who should report directly to each executive.

The narrower the span, the taller would be the structure with several levels of management. This will complicate communication and increase the payroll.

E.Setting Up A Coordination Mechanism:-

Emphasizing the importance of coordination in an organization, **Peter Drucker** says that an organization is like a tune. It is not constituted of individual sounds but of the relations between them.

As individuals and departments carry out their specialized activities, the overall goals of the organization may become submerged or conflicts among organization members may develop. For example, production managers in a manufacturing company may press for a standardized product line to hold down costs, when the larger interests of the company may be the best served by a diversified product line.

2.3 Principles of Organising

In order to develop a sound and efficient organisation structure, there is need to follow certain principles.

In the words **E.F.L. Brech**, "if there is to be a systematic approach to the formulation of organisation structure, there ought to be a body of accepted principles."

These principles are as follows:

A. Principle of Objectives

The objectives of the enterprise influence the organization structure and hence the objectives of the enterprise should first be clearly defined. Then every part of the organization should be geared to the achievement of these objectives.

B.Principle of Specialization:

Effective organization must promote specialization. The activities of the enterprise should be divided according to functions and assigned to persons according to their specialization.

C.Principle of Span Of Control:

As there is a limit to the number of persons that can be supervised effectively by one boss, the span of control should be as far as possible, the minimum. That means, an executive should be asked to supervise a reasonable number of subordinates only say six.

D. Principle of Exception:

As the executives at the higher levels have limited time, only exceptionally complex problems should be referred to them and routine matters should be dealt with by the subordinates at lower levels. This will enable the executives at higher levels to develop time to more important and crucial issues.

E.Scalar principle:

This principle is sometimes known as the 'chain of command'. The line of authority from the chief executive at the top to the first-line supervisor at the bottom must be clearly defined.

F. Principle of Unity Of Command:

Each subordinate should have only one superior whose command he has to obey. Dual subordinates must be avoided, for it causes uneasiness, disorder, indiscipline and undermining of authority.

G. Principle of Delegation:

Proper authority should be delegated at the lower levels of organisation also. The authority delegated should be equal to responsibility, i.e., each manager should have enough authority to accomplish the task assigned to him.

H. Principle of Responsibility:

The superior should be held responsible for the acts of his subordinates. No superior should be allowed to avoid responsibility by delegating authority to his subordinates.

I. Principle of Authority:

The authority is the tool by which a manager is able to accomplish the desired objective. Hence, the authority of each manager must be clearly defined. Further, the authority should be equal to responsibility.

J. Principle of Efficiency:

The organisation structure should enable the enterprise to function efficiently and accomplish its objectives with the lowest possible cost.

K. Principle of Simplicity:

The organisation structure should be as simple as possible and the organisation levels should, as far as possible, be minimum. A large number of levels of organisation mean difficulty of effective communication and coordination.

L. Principle of Flexibility:

The organisation should be flexible, should be adaptable to changing circumstances and permit expansion and replacement without dislocation and disruption of the basic design.

M.Principle of Balance:

There should be a reasonable balance in the size of various departments, between centralization and decentralization, between the principle of span of control and the short chain of command, and among all types of factors such as human, technical and financial.

N. Principle of Unity Of Direction:

There should be one objective and one plan for a group of activities having the same objective. Unity of direction facilitates unification and coordination of activities at various levels.

O. Principle of Personal Ability:

As people constitute an organisation, there is need for proper selection, placement and training of staff. Further, the organisation structure must ensure optimum use of human resources and encourage management development programmes.

2:4 Departmentation

The horizontal differentiation of tasks or activities into discrete segments is called departmentation. As noted earlier, departmentation is one important step of building an organization. The aim is to take advantage of the divisions of labour and specialization unto a certain limit.

There are several bases for departmentation, each of which is suitable for particular corporate sizes, strategies and purposes. Following is a brief description of these bases:

2:4:1: Functions

By far the most widely used base for departmentation is function. Each major function of the enterprise is grouped into a department.

For example, there may be production, finance and marketing departments in a manufacturing company or underwriting and claims departments in an insurance company.

A sales manager in this kind of departmentation is responsible for the sale of all products manufactured by the company or a claims manager is responsible for dealing with all claims from different areas where the company operates.

Advantages

1. It is a simple form of grouping activities for small organizations which manufacture only limited number of products or render only a limited number of services.

2. It promotes excellence in performance because of development of expertise through specialization.

3. It leads to improved planning and control of the key functions.

4. It ensures economy, for there is only one department related to one function for the entire company. Manpower and other resources of the company are effectively utilized by time-sharing them across products or projects.

Draw backs

1. It fosters sub-goal loyalties. Each manager thinks only in terms of his own departmental goals and does not think in terms of the company as a whole. This results in inter-departmental conflicts and disagreements. Decision taken by one departmental head is poorly implemented by other heads.

They are seen as "who is right" rather than as "what is right". Thus there arises need for elaborate, expensive and clumsy management crutches called coordinators, committees and meetings which waste everybody's time without contributing much.

2. It does not offer a good training ground for the overall development of a manager. The manager gains expertise in handling problems of his particular department only.

3. It is unsuitable where either geographical dispersal of units is required or emphasis on separate product lines is called for.

2:4:2 Products

This form is eminently suited for a large organization manufacturing a variety of products. Under this method, for each major product, a separate semi-autonomous department is created and is put under the charge of a manager who may also be made responsible for producing a profit of a given magnitude.

Within each department, all the needed manufacturing, engineering, marketing, manpower and other facilities are assembled.

Product departmentation is the logical pattern to follow when each product requires raw material, manufacturing technology, and marketing methods that are markedly different from those used by other products in the organization.

Several companies in India, such as Hindustan Lever (manufacturing detergents, toiletries, chemicals and agro-based products), Richardson

Hindustan (manufacturing a range of vicks products, Clearasil cream and soap), and Johnson and Johnson (manufacturing a range of products for children and surgical sutures) have product-based departments.

Advantages

1. This form relieves top management of operating task responsibility. It can therefore better concentrate on such centralized activities like finance, R and D and control.

2. This form enables top management to compare the performances of different products and invest more resources in profitable products and withdraw resources from unprofitable ones.

3. In this form, since the responsibility for each product's performance is entrusted to a particular departmental head, he is better stimulated for improving his performance.

1.In this form, those who work within a department derive greater satisfaction from identification with a recognizable goal.

Drawbacks

1. This form results in duplication of staff and facilities

2. Extra expenditure is incurred in maintaining a sales force for each product line.

3. Employment of a large number of managerial personnel is required.

4. Equipment in each product department may not be used fully.

2:4: 3. Customers

An enterprise may be divided into a number of departments on the basis of the customers that is services. For example, an electronics firm may have separate departments for military, industrial and consumer customers.

A big automobile servicing enterprise may have separate departments for servicing cars, heavy vehicles and scooters or an educational institution may have separate departments for day, evening and correspondence courses to impart education to full-time students, locally employed students and outstation students, respectively.

One big advantage of this form is that it ensures full attention to major customer groups and this helps the company to earn goodwill. The disadvantages of this form are that (i) it may result in under-utilization of resources and facilities in some departments; and (ii) there may be duplication of facilities.

2:4:4 Regions or Territory

When several production or marketing units of an organization are geographically dispersed in various locations, it is logical to departmentalize those units on a geographical basis. The Indian Railways are departmentalized on this basis. Northern Railways, Western Railways, Southern Railways, Eastern Railways, Central Railways, etc., are departments in this sense.

Advantages

1. It motivates each regional head to achieve high performance.

2. It provides each regional head an opportunity to adapt to his local situation and customer need with speed and accuracy.

3. It affords valuable top-management training and experience to middle-level executives.

4. It enables the organisation to take advantage of location factors, such as availability of raw materials, labour, market, etc.

5. It enables the organisation to compare regional performances and invest more resources in profitable regions and withdraw resources from unprofitable ones.

Drawbacks

1. It gives rise to duplication of various activities. Many routine and service functions performed by all the regional units can be performed centrally by the head office very economically.

2. Various regional units may become so engrossed in short-run competition among themselves that they may forget the overall interest of the total organisation.

2:4:5: Time

In departmentation by time, activities are grouped on the basis of timing of their performance. For example, as a small machine shop grows in size, its owner has the choice of either adding extra shifts (thus separating identical sub-groups by time) or renting two more shops (thus separating the two sub-groups territorially). Generally, departmentation by time is found in the production function of the enterprise.

The major disadvantages of departmentation by time are as follows:

1. Accidental occurrences, such as, machinery breakdown when carried over from one shift to another affect the product of the following shift also.

2. Workers of one shift generally develop a tendency to pass on some portion of their incomplete work to the workers of the following shift.

3. It becomes difficult for the management to correctly measure the performance of a certain department when the performance of that department does not remain confined to one-shift period but extends to the next shift. For example, how can one measure the performance of the head of the maintenance department whose performance is not likely to be confined to a time period as short as one shift?

2:4:6 Process

Departmentation is here done on the basis of several discrete processes or technologies involved in the manufacture of a product.

For example, a concern engaged in the production of vegetable oil may have separate departments for crushing, refining and finishing. Similarly, a cotton textile mill may have separate departments for ginning, spinning, weaving, dyeing and printing and packing and sales.

In this way, whenever work that would otherwise be done in several different locations in an enterprise is done in one place because of the special equipment used, departmentation by process is involved.

Advantage

1. It facilitates the use of heavy and costly equipment in an efficient manner. There is very little chance for the equipment remaining idle or under-utilized because there is no duplication of the same.

2. It follows the principle of specialization-- each department is engaged in doing a special type of work. This increases efficiency.

3. It is suitable for organizations which are engaged in the manufacture of those products which involve a number of processes.

Drawbacks

1. It does not provide good training ground and opportunity for the overall development of managerial talent.

2. When the process is sequential, the dependent departments generally become hostile to other departments and they express their resentment either by complaining directly about other departments or by passing on inferior work to their successive departments.

1. It is difficult to compare the performance of different process-based departments, except in some notional way (for example, by calculating the profits of each department on the basis of transfer pricing).

2:4:7 Combined Base

It is quite typical to find an organization following a different base of departmentation at different organizational levels.

For example, an organization manufacturing agricultural machinery may follow 'product' as the base (tractor department, appliance department, generator department, etc) at the primary level (i.e., the level immediately below the chief executive), 'territory' as the base at the intermediate level and 'function' as the base at the ultimate level.

The benefits of such an organization are as follows:

1. The problem of coordination, which plagues most functional designs, is minimized here because the project manager acts as an integrator to relate personnel from diverse disciplines.

2. There is a reservoir of specialists which ensures availability of expertise to all projects on the basis of their needs.

3. There is economy in cost-each project is assigned only the number of people it needs, thus avoiding unnecessary surplus.

4. There is an effective information decision system which enables members to respond quickly to the change in project needs. In fact, this form is, eminently suited to an organization with a continuing mission in which the specific tasks change frequently.

If there is no continuing mission or if the tasks do not change or if their relative importance or sequence remains unchanged, there might be an ad hoc task force but there is no need for a matrix organization.

2:4:8 Departmentation in the central office/Regional/Zonal

There is no conditions to have uniform and number of departments, however the following departments are found incommon in the central or head office

1. Inspection Department
2. O&M (Organisation and Methods) Department
3. Internal Audit Department
4. Advance Department
5. Foreign Exchange Department
6. Investment Department
7. Economic and Planning Department
8. Personnel Department
9. Accounts Department
10. Estate Department
11. Public Relations Department
12. Secretarial Department
13. Legal Department

2: 5 Organisation Structure

In the second sense, organization is the structural framework for carrying out the functions of planning, decision-making, control, communication, motivation, etc.

The formal structure of an organization is two-dimensional--horizontal (Flat) and vertical (Tall). The horizontal dimension depicts differentiation of the total organizational job into different departments. The vertical dimension refers to the hierarchy of authority relationship with a number of levels from top to bottom. Authority flows downward along these levels. Higher the level, greater the authority and vice-versa.

The usual way of depicting a formal organization is by means of an organization chart. It is a snapshot of an organization at a particular point in time which shows the flow of authority, responsibility and communication among various departments which are located at different levels of the hierarchy.

The connecting lines on this chart show who is accountable to whom and who is in charge of what department. The chart has, however, certain limitations. It cannot show certain important aspects about the organization’s structure.

These are as under:

1. It does not indicate who has the greater degree of responsibility and authority at each managerial level.

2. People often read into the chart meanings that are not intended. For example, employees may infer status and power according to one's distance on the chart from the chief executive box.

3. It does not indicate the organization’s informal relationships and channels of communication.

2:5:1 Types of Organisation Structure

Organisation structure represents the hierarchical arrangement of various positions in the banks.

There are six forms of structure in banks. They are:

1. Line Organisation
2. Functional Organisation
3. Line and Staff Organisation
4. Project Organisation
5. Matrix Organization
6. Committee Organisation

a) .Line Organisation

Line organization is the oldest type. It is also known as Scalar or Military organization.

Under this, there is a vertical flow of authority from top level to lower level. It is classified into

a)Pure and

b)Departmental Line.

b) Functional Organisation

It is based on the concept of Functional Foremenship, developed by F.W.Taylor. Under this, the organization is based on Eight foremen, four from planning and four to the execution.

c) Line and Staff Organisation

Line and staff is a combination of line and functional structures. Under it, line authority flows in a vertical line, staff specialists are attached to line positions to advise them on important matters.

d) Matrix Organisation

Matrix is a hybrid grid structure where in pure project is superimposed on a functional structure. It is a two dimensional pattern developed to meet the problems of growing size and complexity of undertakings. It is diagrammatically represented

e) Project Organisation

Project organization is developed after World War II. When an organization has to execute large projects of long duration, it may prefer a project structure. Under this each project is organized as a semi-autonomous. The project offers a unique challenge. It has definite goals and well defined specifications. The project is complex with interdependent tasks with specified time limit. It is diagrammatically represented

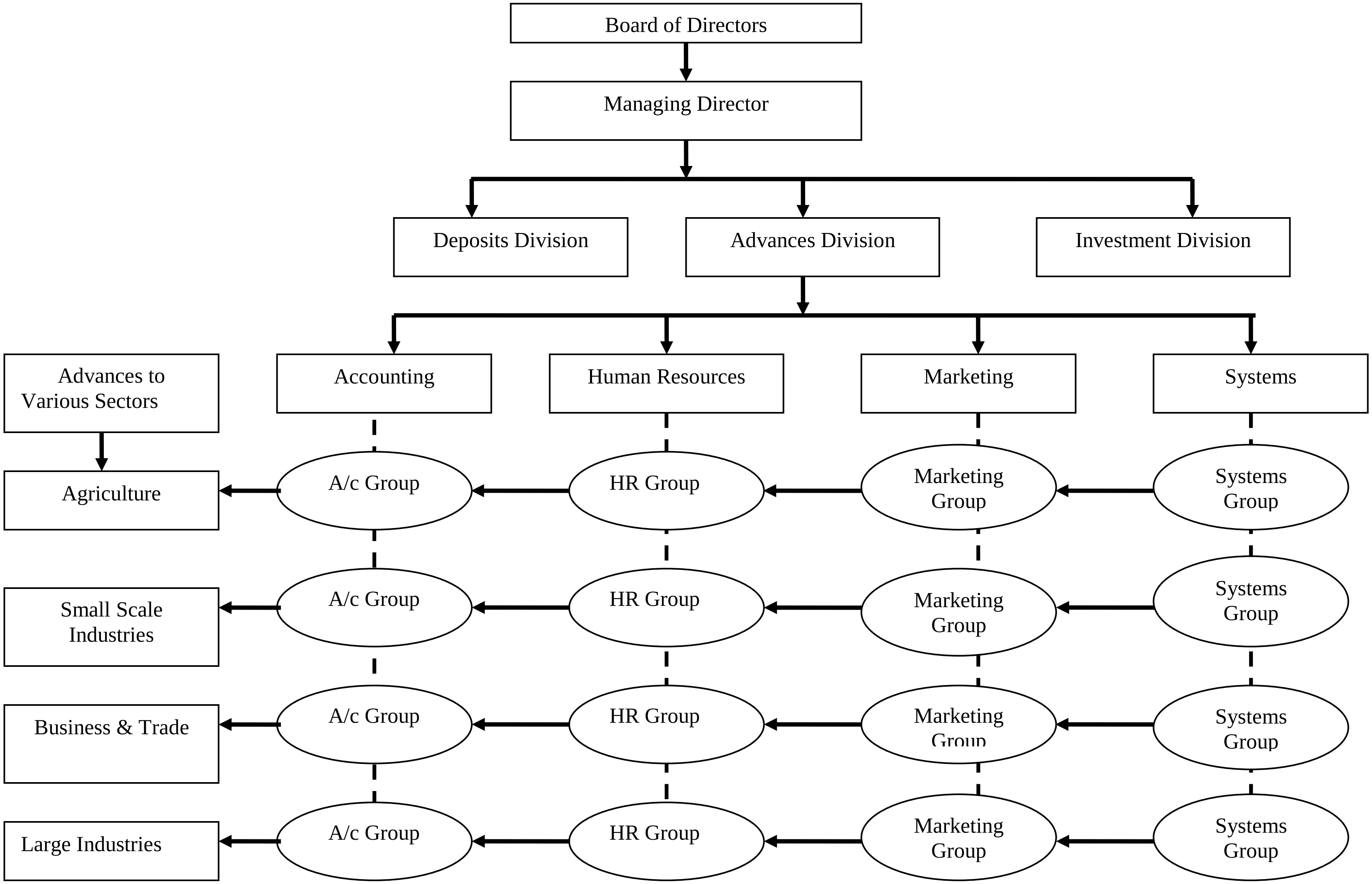


Figure: Matrix Organisation in Banks

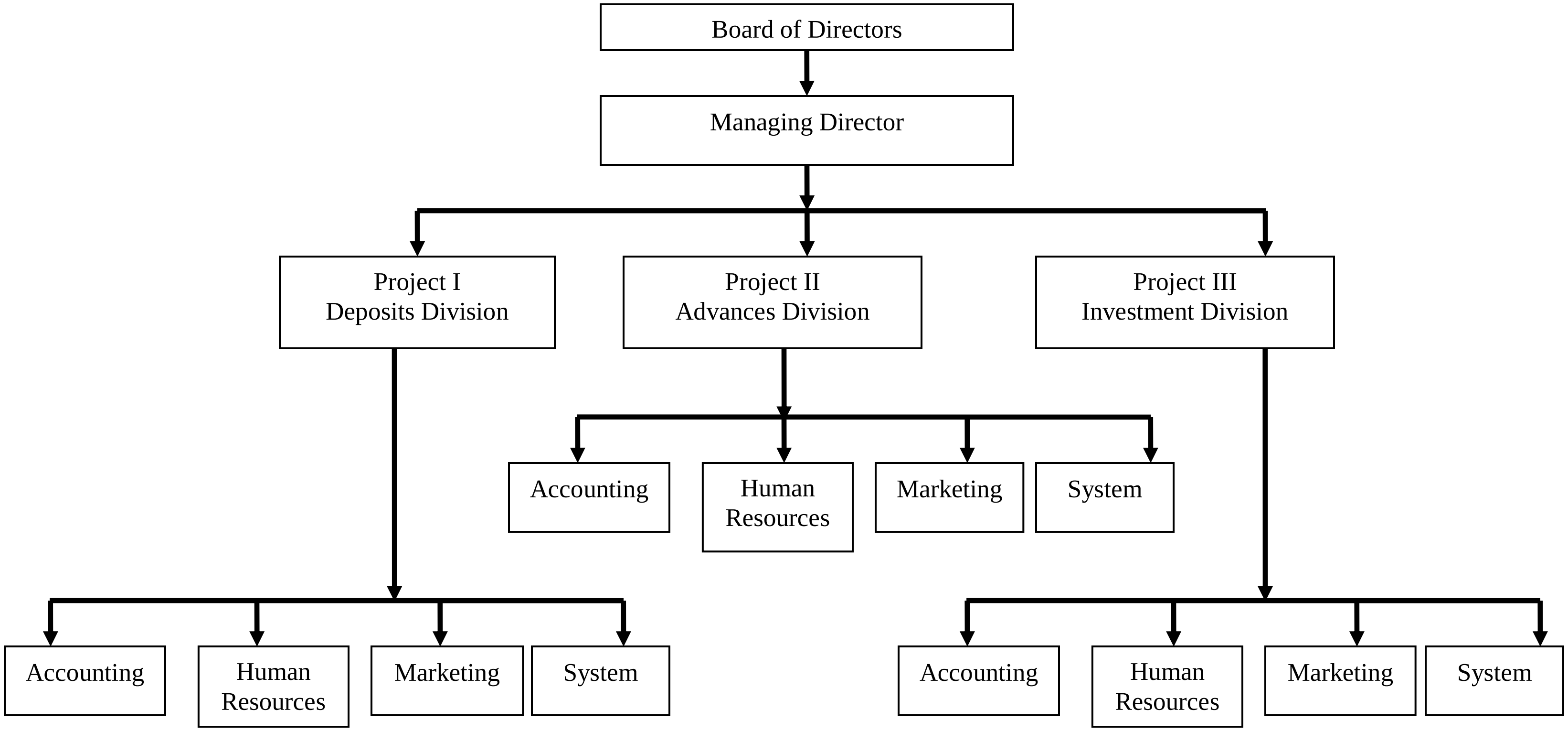


Figure: Project Organisation in Banks

f. Committee Organisation

A committee is a group of persons formed to discuss and deliberate on problem and to recommend or decide solution. It involves group judgment, effective communication and motivation. It secures view points and consultation of various persons in the organization. It gives participation and representation of various groups. It ensures synergy in decisions. The committees include, standing and adhoc committee; Executive or advisory committee; Line and Staff committee and Formal or Informal committee.

2:5:2 Line and Staff Relationships

The relationships with which the managers in the banks deal with one another are broadly classified into Line and Staff.

Line Relationships: The relationship that exists between two managers due to delegation of authority and responsibility, and giving or receiving instructions or orders is called line relationship. Thus line relationship generally exists between the superior and his sub-ordinates. Line refers to those positions of an organization which have responsibility, authority and are accountable for accomplishment of primary objectives.

Staff Relationships: The relationship between two managers is said to be staff relations when it is created due to giving and taking advice, guidance, counsel, information, help or assistance etc., in the process of attaining organizational goals.

Line and Staff Conflict : Line and Staff conflict arise when there are ego problems between these two ends. They are:

A.Line people complaint against staff: Line people have some complaints against the staff in terms of the following:

a. Encroachment of authority by the staff as they are qualified but not experienced
b. Staff People Fail to give advice at times of emergency
c. Staff People are not directly accountable to results
d. Staff People Fail to see the whole objective
e. Staff People have a lot of superiority complex

B. Staff people complaints against line : Sometimes staff people have lot of complaints as below:

1. Line people resist new ideas

2. Line people do not make use of staff people advice

3. Staff people lack authority to implement decisions as line people do not give whole hearted support.

C. Improving line and staff relationship **:** The relationship between line and staff can be improved by effective implementation of the following:

1. Limits of line and staff authority should be defined clearly,

2. Line people should give due consideration to the staff advice,

3. Line executives should seek staff advice,

4. Line managers should not take actions against staff without enquiring when they are connected with them,

5. Staff people should understand line problems

6. Staff people should educate line managers

7. Staff people should over come resistance to change

8. Staff people should evaluate their own suggestions before they are given to line people.

SELF ASSESSMENT QUESTIONS – III

1. Who is the one, defining the organization as the structure follows strategy?
2. Scalar Principle is also known as ________________
3. Span of Control _________________ of persons
4. Departmentation is the __________________ differentiation of tasks
5. When the organization is geographically dispersed, it follows __________ Departmentation
6. Line organization is also called ____________ or ____________ organization
7. Functional organization is based on ____________ foremanship.

2:6: Span of Management

2:6:1 Meaning

The term 'span of management' is also referred to as span of control, span of supervision, span of authority or span of responsibility. It includes the number of subordinates who report directly to a manager.

2:6:2 What is an Appropriate Span?

The search for guidelines by which we can determine the ideal number of subordinates directly reporting to a manager has long been a preoccupation of management writers. Different writers have suggested different number of subordinates for effective supervision by the managers.

2:6:3 Graicunas formula for span of management

V.A. Graiuunas Theory :

a) Direct simple relationship – n

b) Direct group relationship – n (2^n / 2 – 1)

c) Cross relationship – n (n-1)

d) Total relationship – n (2^n / 2 +n-1)

a) Direct One To One Relationships:

These are relationships which relate the superior directly and individually with his immediate subordinates. Thus, A with two subordinates B and C will have two direct one to one relationships, viz. A to B and A to C.

b) Direct Group Relationships:

Direct group relationships exist between the superior and each possible combination of subordinates. In the above example, A may talk to B with C in attendance or A may talk to C with B in attendance.

According to **Graicunas,** these two cases have different psychological implications, though the individuals are the same in both the cases.

c) Cross-Relationships:

Cross-relationships are created when subordinates consult one another. In the above example, the two cross-relationships created are B with C and C with B.

The formula for finding the number of these relationships is n(n-1).

d) Total Relationship:

The total number of relationship is arrived by adding all the above relationship or by the formula given above.

2:6:3 Factors Governing the Span Of Management

a) Ability Of The Manager:

Some managers are more capable than others and can, therefore, handle a large number of subordinates. In planning an organisation, the span of management should be based on a manager of average ability.

b) Ability Of The Employees:

If the employees are competent and possess the necessary skill and motivation to perform the task assigned, less attention from the manager is required and a larger span of management can be used. On the other hand, if the employees are dissatisfied with their jobs or are incompetent or untrained, close supervision by the manager is needed. This will reduce his span of management.

c) Type Of Work:

If employees are doing similar jobs, the span of management can be larger. If their jobs are quite different, a small span may be necessary. This is analogous to saying that a professor of a class in which every student does identical work can handle more students than one in which instructions, assignments and testing are individualized. Similarly, where the work is machine-paced, the employees will require less supervision.

For example, a supervisor can direct more employees if they are working on an assembly-line operation than if they are working in a warehouse or maintenance situation.

Woodward found that the span of control of the first-line supervisor was larger in firms employing mass production and assembly-line technology than in firms employing custom or continuous process technologies.

d) Well-Defined Authority And Responsibility:

If the authority and the responsibility of each employee are properly defined, they need not make frequent calls on their supervisors for guidance and instructions. This helps a superior to manage a large number of subordinates.

e) Geographic Location:

An office manager who has 25 employees, all located in one room may be able to supervise them very well. But a sales manager who has 25 sales people located in 25 different districts would find direct supervision impossible.

f) Sophisticated Information And Control System:

If the company uses a sophisticated information and control system and objective standards to detect deviations from established plans, the need for close supervision is obviated. This factor also helps the superior to control a large number of subordinates.

g) level of management:

Span of management also varies with each level in the organisation.

Gerald G. fisch has divided the management hierarchy for this purpose into four basic groups-- super managers, general managers, middle managers and supervisors.

The maximum span of management of super managers, whose functions involve only broad policy control rather than direct supervision, can be 50 subordinates. But in the case of general managers who are more closely involved with their subordinates than super managers, the span of management has to be comparatively narrow (say 10 to 12 subordinates only).

For middle managers, the appropriate span of management depends in part, on the precise mix of executive and operative supervision that their specific jobs require. Generally speaking, it can be 50 subordinates. At the supervisory level where the work involved is of routine nature, the span of management is normally quite wide, say 100 subordinates.

h) Economic Considerations:

Economic considerations also affect the choice of span. As we have already described above, smaller spans means a larger number of managers with the added salaries and other costs they entail.

But wide spans also involve extra costs in the inefficiencies that result from diminished managerial leadership. Hence, an economic balance has to be arrived at between cost savings that result from the largest possible span and the added costs that an organisation begins to incur as the span grows too wide.

2:7: Delegation Of Authority:

2:7:1 – Meaning and Definition

A manager in an enterprise cannot himself do all the tasks necessary for the accomplishment of group goals. Clearly, his capacity to do work and to take decisions is limited.

He, therefore, assigns some part of his work to his subordinates and also gives them necessary authority to make decisions within the area of their assigned duties. This downward pushing of authority to make decisions is known as delegation of authority.

In the words of **Louis A Allen,** "If the manager requires his subordinate to perform the work, he must entrust him with part of the rights and powers which he otherwise would have to exercise himself to get that work done."

It should be remembered, however, that by delegating authority the manager does not surrender his authority or give this authority away. The delegating manager always retains the overall authority which was assigned to him to perform his functions.

As **Terry** has observed, "it is something like imparting knowledge. You share with others who then possess the knowledge, but you still retain the knowledge too."

According to **Mary Parker Follet**, “the idea of delegating authority is a fallacy because many positions carry with them their own authority. The director of a hospital does not give authority to a surgeon; the position of surgeon already contains authority. If the director gives more or less authority, he is expanding or contracting the position itself.”

2:7:2 Advantages of delegation

The following are the benefits of delegating the work by the superiors in the banks

a. Proper distribution of work load
b. Quick decision
c. Improve job satisfaction, motivation and morale
d. Healthy relationship between people
e. Efficient functioning of the organisation
f. Specialisation
g. Continuity is assured.

2:7:3 Obstacles / Barriers / Limitations of delegation:

A. On the part of superior

a. Love for authority- The superior loves the authority, he will not delegate
b. Superiority of complex – The superior thinks that he is always correct
c. Fear of exposing weakness – The superior is scared of his weakness
d. Risk – The superior does not want to take risk as he is ultimately responsible
e. Sub ordinate are incapable- The superior finds the subordinates are not capable
f. Lack of ability-The superior lacks ability to delegate.

B. On the part of the sub-ordinates

a. Reluctant – The subordinates are reluctant or hesitant to get delegated
b. Unwilling to accept – The subordinates are unwilling and desirable
c. Afraid of committing mistakes – The subordinates are scared to take risk
d. Over burdened already-The subordinates are overburdened with heavy work

e. No incentives- The subordinates' needs are not met.

C. On the part of organisation

a. Inadequate planning – The organisation does not have full-fledged plans
b. Lack of unity of command – The organisation lacks unity of commmand
c. Absence of control techniques – The techniques of controlling delegation are absent
d. Lack of competent managers – The organisation possesses the incompetent managers
e. Lack of resources – The organisatrion is not physically potential to implement delegation.

2:7:4 Making delegation effective

The banks can make effective delegation by overcoming barriers said above through:

a. Establishment of definite goals
b. Clear definition of authority,
c. Proper motivation,
d. Appropriate environment
e. Proper training,
f. Proper communication and
g. Effective control mechanism.

2:8: Decentralisation Of Authority:

The delegation of authority by an individual manager is closely related to an organization's decentralization of authority. Every organisation has to decide as to how much decision-making authority should be centralized in hands of the chief executive and how much should be distributed among the managers at lower levels.

In a centralized set-up, the decision-making authority is concentrated in a few hands at the top and in a decentralized set-up, it is delegated to the levels where the work is to be performed.

Ernest Dale mentions four criteria to measure the extent of decentralization in an organisation. He states that whenever decentralization is greater,

1. The greater is the number of decisions made at lower levels;
2. The more important are the decisions made at lower levels;
3. The more is the number of areas in which decisions can be made at lower levels; and

4. The fewer are the people to be consulted and less is the checking required on the decisions made at the lower levels.

In the words of **Fayol,** "everything that goes to increase the importance of the subordinate's role is decentralization and everything that goes to reduce it is decentralization."

2:9 Branch Bank Organisation

The most suitable plan for branch organisaion is dependent upon a number of factors such as Amount of authority at branch level, degree of delegation of authority, Amount of centralization and decision making power, attitude of management, leadership types, creation of teams, function of coordination and so on. The departments seen at branch level include Deposit departments, Advance Departments, Accounts Departments, Cash and Clearing Departments, Remittance Departments, Bills Departments, Foreign Exchange Departments, and other relevant departments based on the requirements.

SELF ASSESSMENT QUESTIONS – IV

1. Span of control is also known as ______________ or ___________________
2. According to Graicunas Cross Relationship is =
3. Delegation is the process by which ________________ assigns authority to the sub-ordinates
4. Decentralisation is the process of _______________ authority through out the organization.
5. Now-a-days, Banks follow Centralisation or Decnetralisation

Answers to Self Assessment Questions – III

1. Alfred D.Chandler
2. Chain of command
3. limit the number
4. horizontal
5. region or territory
6. military, scalar
7. functional

Answers to Self Assessment Questions – IV

1. Span of Supervision, Span of Management
2. n(n-1)
3. superior
4. distributing
5. Decemtralisation

Descriptive Questions

1. Identify the principles of organizing
2. Discuss the factors of span of management
3. What do you mean by bank branch organization?
4. Write the various kinds of departmentation in banks.
5. Bring out the various forms of organizational structure.

NOTES

UNIT III

DIRECTING

3:1 Introduction to Directing

All managers at all levels in banks perform the functions of directions after having completed the functions of planning, organizing and staffing. Directing is the active function which converts the plans into performance.

Directing may be defined as the process of telling people what to do and ensuring that they do it to the best of their ability. It includes making assignments, issuing orders and instructions, providing guidance and inspiration to subordinates for the achievement of organizational objectives.

3:2 Elements of Directing

1. Communication
2. Motivation
3. Leadership
4. Supervision

3:3 Principles of Direction

While directing employees, the managers have to follow certain principles to make the direction more effective

1. Principle of maximum individual contribution
2. Principle of harmony of objectives
3. Principle of Unity of command
4. Principle of efficiency of direction
5. Principle of appropriate direction technique
6. Principle of managerial communication
7. Principle of comprehension
8. Principle of effective leadership
9. Principle of motivation
10. Principle of strategic use of informal organisation
11. Principle of direct supervision
12. Principle of follow through

3:4 Leadership

Leader is an integral part of management and plays a vital role in managerial operation. Leadership exists in any type of organization. If there is any single factor that differentiates between successful and unsuccessful organizations, it could be considered as dynamics and effective leadership.

Early notations about leadership dealt with it almost in terms of personnel abilities. Leadership is viewed as a characteristic of the individual.

3:4:1 Meaning and definitions of leadership

Leadership is the process of influencing the behavior of others towards the accomplishment of goals in given situation.

Knootz and O'Donnel have defined, "Leadership is the art of process of influencing people so that they will strive willingly towards the achievement of group goals.

3:4:2 Types Of Leader/Leadership Styles

The behavioral exhibited by a leader during supervision of followers is known as leadership style. It can be classified into three types on the basis of how leader uses their power. Autocratic, participative and free rein.

A. Autocratic or dictatorial leadership:

In this type of leadership, the leader takes all decisions by himself without consulting subordinates. Full authority is held himself alone. He loves power and never delegates authority. The subordinates have to follow his direction without any question. The leader uses threats and punishments to get work from subordinates. There are three types of autocratic leaders.

(a) **Strict autocrat**:

The leader follows autocratic styles in a very strict sense. He follows negative motivation for getting work from subordinates.

(b) Benevolent autocrat:

This leader also takes decisions by himself but his motivation style is positive.

(c) Incompetent autocrat:

Some times, leader autocratic leadership style just to hide their inabilities. i.e., incompetence. But this cannot be used for a long time.

Autocratic leadership style is appropriate where:

- The subordinates lack their knowledge of company goals.
- The subordinates are inexperienced or lack of training
- The company endorser fear and punishment as accecpted disciplinary techniques.
- The leader prefers to be active and dominant in decision making
- There is a little room for error in final accomplishment.

Advantages

- It facilitates quick decision making

- It provides strong motivation and satisfication to the leader who decades terms
- Highest productivity
- Less competent subordinates needed at lower level
- It can yield positive outcome under conditions of stress

Limitations

- Employee morale will be low
- Absence of leader will affect the output heavily
- Dissatisfaction will develop among employees
- Employee turnover will be more
- Full potential of subordinates and their creative ideas are not utilized
- One way of communication without feedback leads to misunderstanding and communications breakdown.

B. Participative or Democratic leadership

In this type of leadership, the subordinates are consulted and their feedback is taken into decision making process. Decisions are taken after group discussions.

Therefore, the authority is decentralized. The participative leader attaches high importance to both work and people. He provides freedom of thinking and expression.

Participative leadership is best suited where

- The leadership truly desires to hear the ideas of his employees before making decisions
- The organisation has communicated its goals and the objectives to the subordinates and the subordinates have accecpted them
- The workers are reasonably knowledge and experienced
- The time for task completion allows for the participation
- The subordinates desire active and true involvement in matters that affectd them

Advantages

- The subordinates are motivated by participation in decision making process. This will also increase job satisfaction
- Absence of leader does not affect output
- Labor absenteeism and turnover will minimum
- The quality of decision is improved

- The leader multiplies his abilities through the contribution of his followers

Limitations

- It is time consuming and may delays decision-making
- If subordinates are lazy and avoid work, then controlling them is difficult
- It cannot be successfully applied at lower level of management and production activity
- Some letters may be uncomfortable with this approach because they feel that there is an reduction of power and control over the labor
- It may yield positive results when subordinates prefer minimum interaction with the leader
- The leader requires considerable communicating and persuasive skill

C. Laissz – faire or free rein leadership

In this type, complete freedom is given to subordinates so that they plan, they motivate, control and otherwise be responsible for their actions. Leader does not take part in decision making process. The authority is completely decentralized

This type of leadership highly effective when

- The leader is interested in delegating decision making fully
- The subordinates are highly intelligent and are fully aware of their roles and responsibilities and have the knowledge and skills to accomplish these tasks without supervisor

Advantages

- Positive effect on job satisfaction and morale of subordinates
- It creates on environment of freedom, individuality as well as the team sprit
- Full utilization of the potential of subordinates

Limitations

- Lack of discipline
- Lowest productivity
- No control and co ordination. Hence, tense situation will be prevailed
- Some members may put their own interests above the group and team interests.

SELF ASSESSMENT QUESTIONS – V

1. Directing is the _____________ function
2. The elements of directing are
   __________,___________,_________ and___________
3. __________________ leader gives complete freedom to sub-ordinates
4. __________________ leader takes all decisions by himself
5. Give any two principles of direction

3:5: Leadership Theories

There are several theories to study the leadership:

a) Trait Theory of leadership

b) Behavioural theory of leadership

c) Situational Theories

a) Trait theory of leadership assumes that leaders are born, not made. It focuses on the characteristics or qualities of leader. The traits can be divided in to

(i) Intelligence and Scholarship

(ii) Quality of Head

(iii) Quality of Heart

(iv) Personality

(v) Social status and experience

(vi) Honesty, integrity, punctuality, moral qualities and so on

b) Behavioural theories advocate that the leaders behave based on their style which may focus on either production or people, Accordingly, the leadership styles can be

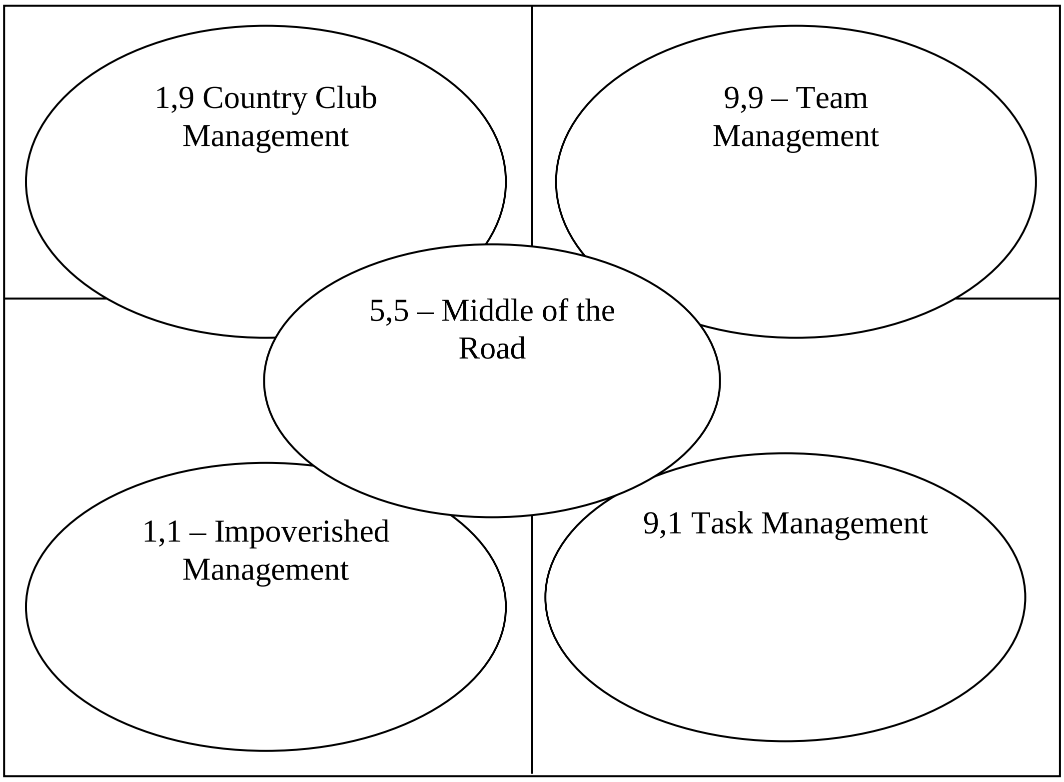
(i) Autocrative Leadership style

(ii) Democratic Leadership style

(iii) Laissez-faire leadership style

Blake and Mouton's Managerial Grid is so famous under this theory

He divides the leader as below:



1,9 Country Club Management implies that the leader will give more importance to the people rather than the production

1,1 Impoverised Management implies that the leader neither gives importance to the people nor production

]9,1 Task Management leader gives more concentration to the production than people

5,5, Middle of the road implies that the leader gives equal importance to both production and people

9,9 Team Management is the unique form of leader who is able to focus maximum attention for both production as well as people.

C. Situational Theories:

These theories believe that successful leaders depend on the relationship between the organizational situation and their leadership styles. Path goal theory, contingency theory of leadership are more important forms of situation theories.

3:6 Motivation

3:6:1 Concept of motivation

Management is the art of getting work done by the subordinates in order to attain common goals of the organisation. Getting work done is a difficult task.

For this purpose, the management should inspire and motivate the people for the accomplishment of organisational objectives.

The force of motivation is a dynamic force setting a person into motion or action. The word motivation is derived from motive which is an active form of a desire or need, which must satisfy.

All motives are directed towards goals and the needs and desires affect or change your behavior.

3:6:2 Meaning

According to Knootz and O'Donnell, "motivation is a general term applying to the entire class of drives, desires, needs wishes and similar forces that include an individual or a group of people to work.

Scott defines "Motivation means a process of stimulating people in action to accomplish desired goals".

3:6:3 Importance Of Motivation

Motivation is one of the important functions of the management without which organizational objectives are difficult to achieve. It is the integral part of the management process and every manager must motivate his subordinates to create in them the will to work. Motivation is necessary for better performance.

The importance are discussed below

- Motivation creates a willingness on a part of workers to do the work in a better way
- Proper motivation improves the efficiency of operation
- Proper utilization of human resources possible since it inspires employees to make best possible use of different factors of production
- Higher motivation leads job satisfaction. As a result of this, labor absenteeism and turnover are low
- Motivation helps to solve the labor problems and maintains a good labour relations
- Motivation is the basis of cooperation to get the best results out of the efforts of the men on the job. Efficiency and output are increased through cooperation
- High motivation helps to reduce resistance to change
- By providing proper motivation, all the members will try to be as efficient as possible and to improve upon their skill and knowledge
- Financial and non financial incentives not only retain the existing employees but also attract the competent employees from outside enterprise.

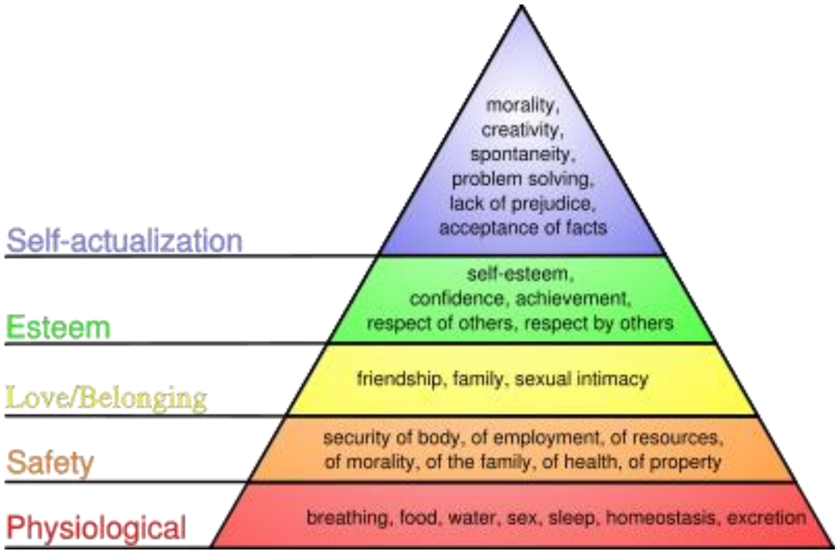
- A proper motivation scheme promotes closer relationship between enterprise and workers.

3:6:4 Hierarchy of Needs – Maslow's Theory

Maslow's hierarchy of need theory is one of the most popular theories of motivation in the management. This theory was developed by an eminent American Psychologist Dr. Abraham H. Maslow. Dr. Maslow was the pioneer in the proper classification of human needs.

Some of the salient features of this theory are as follows.

- Human liking are innumerable and never ending if one liking is satisfied, another liking emerges in that place.
- Adult motives are complex. No single motive determine behavior, rather, a number of motives operate at same time.
- Human needs form a hierarchy. Lower level needs must at least partly be satisfied before higher level needs emerge. In other words, a higher order needs essentially satisfied
- Satisfied wants do not motivate the workers. Only unsatisfied wants induce the man to work hard
- Various levels needs are inter dependent and overlapping
- Higher level needs can be satisfied in many more ways than the lower level needs.
- The urge to fulfill needs is a prime factor in motivation of people at work. People seek growth. They want to move up the hierarchy of needs. Usually, people seek the satisfaction or higher order needs.



Maslow's hierarchy of need theory

1. **Physiological needs**

Physiological needs are the biological needs to preserve human life. These needs include needs for food, clothing and shelter. These needs must be met atleast partly before higher level needs emerge. These needs are most powerful than others.

2. **Safety needs**

Once physiological needs are satisfied, the safety or security needs become predominant. These include (1) protection from physiological dangers. (2) economic security (health insurance) (3) Desire for an orderly, predictable environment and (4) To desire to know the limits of acceptable behavior. These safty needs are really provisions against deprivation in the future. It also involves a sense of protection against danger and threats.

3. **Social needs**

After the needs of the body and security satisfied, then a sense of belonging and acceptance becomes predominant in motivating behavior. These needs are for love, friendship, exchange of feelings and grievances, recognition, conversation, belongingness, companionship etc. social needs tend to be stronger for some people than for other's and stronger in situation.

4. **Esteem needs**

There are two types of esteem needs. Self esteem and esteem of others. Self esteem needs include those for self – confidence, achievement, competence, self respect, knowledge and for independence and freedom. The second group of esteem needs is those that related to one's reputation needs for status, for recognition, for appreciation and deserved respect of one's fellows.

5. **Self – actualization needs**

These needs are also called as self – realization needs. Self – actualization refers to the desire to become everything that one is capable of becoming. For example, a doctor thinks that he is capable of saving the life of the patient.

3:6:5 Herzberg's theory – Hygiene Approach to motivation

In the late 1950's, Fredrick Herzberg and his associate have conducted a study on motivation. They have developed a theory of work motivation that has broad implications for the management and its efforts towards effective utilization of human resource.

The theory, developed out of these studies, is known as Herzberg Motivation maintenance theory or Motivation hygiene theory or two factor theory of motivation.

Herzberg and his associate interviewed 200 engineers and accountants from 11 industries in Pittsburg area of USA. These men were asked to recall the specific incident in their experience which made them feel good or bad about their jobs. An analysis of their answer revealed that feelings of unhappiness or dissatisfaction were related to the environment in which people were working.

Also the factors responsible for job satisfaction are quite different from those responsible for job dissatisfaction.

These two feelings were not observed of each other. If a factor is responsible for job satisfaction, the absence of such a factor would not mean job – dissatisfaction, but it might be called no job –satisfaction. Similarly, the opposite of job – dissatisfaction is not job satisfaction but it might be no job – dissatisfaction.

Thus, these theories are based on **two** factors:

- **Motivational factors and**
- **Hygiene or maintenance factor.**

According to **Herzberg,** maintenance or hygiene factors are necessary to maintain a reasonable level of satisfaction among employees. These factors do not provide satisfaction to the employees but their absence will dissatisfy them. Therefore, these factors are called dissatisfies.

Herzberg identified some maintenance or hygiene factors as

(1) Company policy and administration

(2) Technical supervision

(3) Interpersonal relations with subordinates

(4) Salary

(5) Job security

(6) Personal life

(7) Working conditions

(8) Status

(9) Inter personal relations with superiors, and

(10) Interpersonal relations with peers. Maintenance factors mostly are related to environment, outside the job.

On the other hand, the motivational factors create satisfaction to the workers at the time of presence but their absence does not cause dissatisfaction.

Herzberg identified some motivational factors as

(1) Achievement

(2) Recognition

(3) Advancement

(4) Opportunity for growth

(5) Work itself. Since these factors increase level of satisfaction in the employees, these can be used in motivating them for higher output.

3:7 Conflict Management in Banks

Conflict Management implies the difference of opinions arising between line and staff and within their roles:

A) Line and Staff Relationship and Line and Staff conflict and Improving the Relationship or managing them have been discussed in organizing chapter

B) Role Conflict: Each Bank Manager experiences conflict of different roles as bank employees, managers, customers and the government officials perceive and expect differently ram his role and he can not meet all his expectations without limiting / resisting others. This is mainly because a human being has limited resources and time. Thus, every bank employee has a role conflict.

Role is defined as the action performed by the person to indicate the occupation on this position. Keith Davis viewed the role as the pattern of actions expected of a person in activities involving others.

Role conflict exists in the banks when roles either defined inadequately or substantially unknown. In this situation bank employees are not quite sure of playing their roles. The role ambiguity and role conflict reduce the job satisfaction and need fulfillment.

Bank Managers should set themselves as models in acting their roles as their followers tend to follow what and how the superiors play. Further they have to adopt different styles of leadership in different situations and while playing different roles.

SELF ASSESSMENT QUESTIONS – VI

1. The need hierarchy theory is propounded by ______________
2. According to Maslow, there are _________ needs of human being
3. Motivational factors are called _______________ factors
4. Hygiene factors are called __________________ factors
5. All ____________ are directed towards goals

Answers to Self Assessment Questions – V

1. Active
2. Motivation, Communication, Leadership and Supervision
3. Free rein
4. Autocratic
5. Principle of unity of command, Principle of motivation

Answers to Self Assessment Questions – VI

1. Abraham Maslow
2. five
3. job content
4. job contextual
5. motives

Descriptive Questions

1. Identify the Principles of direction
2. What are the styles of leadership?
3. Write the theory of Maslow's need hierarchy
4. Explain Hersberg's theory of motivation
5. Discuss the conflict management in banks

NOTES

UNIT IV

CONTROLLING

4:1 Meaning and Definition

Controlling is the part of managerial process. Control is one of the most important element of mgt control is a process of that guides activity towards some pre determined goals. Planning and controlling are twins of mgt functions. It means measuring actual performance and taking corrective action.

Definition

"Control is checking current performance against pre- determined standards contained in the plans with a view to ensuring adequate progress and satisfactory.

4: 2 Needs For Controlling

1. To minimize dishonest behavior of employees
2. To discover deviation inn the mgt
3. Control can minimize the mistake
4. To indicate corrective action

4 :3 Characteristic Of Control

4:3:1. **Control Process Is Universal**

Control is an essential function in any org whether it is an industrial unit, university, government office, hospital etc

4:3:2. **Control Is a Continuous Process**

Control is never ending activity on the part of managers. It is a non stop process. The managers watch the operations of the mgt and to see whether they are going towards the desired end and if not actions are not taken to correct them

4:3:3 **Control Is Action Based**

Action is essential element of control. It is the action which ensures performance according to the decide standards.

4:3:4 **Control Is Forward Looking**

Control is linked with future not past. a proper control system prevents losses, minimizes the wastages. It acts as a preventive measure.

4:3:5 **Control Is Closely Related To Planning**

Plans give the direction to various business activities while control verifies and measures the performance of these activities and suggests proper measure to remove the deviation.

4:4 Importance Of Controlling

1. **Policy Verification**

Control helps to review, revise and update the plans. In this process org and mgt can verify the quality of various policies

2. **Adjustment in Operation**

A control system act as an adjustment in organization operations. Control provides this clue by finding out whether plans are being observed and suitable progress towards the objective is being made to correct any deviations if necessary.

. **Psychological Pressure**

Control pressure puts a psychological pressure on the individual for better performance. The sound control system inspires employees to work hard and give better performance.

4. **Co-Ordination**

Control helps to emerge the co ordination of the subordinates in the organization. Control ensures coordination of the activities of different department through unity of direction.

5. **Employee Morale**

Control creates an atmosphere of order and discipline in the org. control contributes order and discipline in the organization.

6. **Efficiency and Effectiveness**

Proper control ensures organizational efficiency and effectiveness. The org is effective if it is able to achieve its objectives. Since control focuses on the achievements or organizational objectives, it necessarily leads to organizational effectiveness.

4:5 The Process Of Controlling

4:5:1. **Establishing Standards**

- ❖ This is the first step of the control process.
- ❖ Standards may be expressed in quantitative or qualitative terms.
- ❖ A standard is a criterion against which results can be measured.
- ❖ Generally standards shall be accurate, precise, acceptable and workable.
- ❖ Volume of products, man hour, costs, revenue, investment etc. they are quantitative standards.
- ❖ Good will, employee morale, motivation etc. these areas are qualitative standard.

4:5:2. **Measuring Performance**

- ❖ Measurement of actual performance does not mean knowing what was happened but also what is likely to happen.

- ❖ The performance should be in quantitative terms.
- ❖ The measurement technique may be personal observations, sample checking, performance report etc.

4:5:3. **Comparing Actual With Standards**

- ❖ To find out the deviations and identify the cause of such deviations.
- ❖ The employees' morale and effectiveness of human resources statements, charts help to compare the performance quantitatively against the already got standards which got.
- ❖ This approach will give the correct, quick and favorable results.

4:5:4. **Finding out Deviations**

- ❖ An efficient manager easily finds out locating the deviation points properly.
- ❖ To find out the cause of deviations the manager will have to depend on proper accurate and timely information.
- ❖ The deviation between standard and actual performance is beyond the prescribed limit an analysis of deviation is made to identify the cause of deviation.

4:5:5. **Correction of Deviations**

- ❖ Corrective action is essentially with correcting deviations from planned performance.
- ❖ Deviations may be in accurate forecast poor communication, defective machines, lack of motivations etc.
- ❖ For the correction of deviations, mgt should take necessary action and implement them so that in future these deviations and mistakes are minimized.
- ❖ If corrective action is not being taken properly in time it will lead to heavy losses.

4: 6 Methods and Techniques of Control

A large no of techniques have been developed for managerial control these techniques may be broadly be classified into two categories as follows

4:6:1 TRADITIONAL CONTROL AND TECHNIQUES

A. BUDGETARY control

B. personal observation

C. statistical data and reports

D. profit and loss control

E. external audit control

F. over all control criteria

G. break even point analysis

H. return on investment

4:6:2 MODERN CONTROL TECHNIQUES

(A) Management audit

(B) Responsibility accounting

(C) Human resource accounting

(D) Net work techniques-PERT

4:6:1 TRADITIONAL CONTROL AND TECHNIQUES

A) Budgeting and Budgetary Control

A budget is numerical statement expressing the plan, policies and goals of an org for a definite time period in future. It is generally expressed in financial terms, ex: - sales revenue, total expenditure, etc. Or in physical terms ex: - units of output, number of employees, etc. As a financial land, a budget indicates estimated revenues and cost for a certain future period. A budget serves as an important device of managerial control. It provides a standard by which actual operations can be evaluated.

A business enterprise may prepare and use various types of budgets some of which are given below:

1. Master Budget:-

It is the summary budget incorporating all functional budgets. It gives a comprehensive picture of the proposed activities and anticipated results for the entire organization. It is finally approved by the top management.

2. Functional Budgets:-

A functional or operating budget describes the program and responsibility of one particular department of the enterprise. Some of the important functional budgets are sales budget, production budget, cash budget and so on.

Sales budget gives a forecast of total volume of sales and its breakup product-wise and area-wise. It shows that products will be sold, in what quantities and at what prices. It is the basic budget as all other budgets are based on it. Sales budget is prepared on the basis of general market conditions, past sales trend, orders on hand, sales man's estimates.

3. Capital and Revenue Budgets:-

Capital expenditure budget gives estimated expenditure on fixed assets like buildings, plant and machinery, furniture and fixtures, etc. On the other hand, revenue budget shows estimates of income and expenses on routine operations

4. Fixed and Flexible Budgets

A fixed budget is prepared for a given level of activity and remains unchanged irrespective of the level of activity actually attained. It is rigid becomes unrealistic when the actual level of operations differs from the budget level .the main purpose of fixed budgeting is to co-ordinate sectional activities.

A flexible budget shows the cost behavior at various levels of activities. It is very useful as comparison of actual expenditure with budget expenditure can be made at different levels of operation

5. Zero Based Budgeting

The concept of zero based budgeting is based on the belief that the future is not a mere projection of the past .it advocates comprehensive analysis and review of budget proposals, every time such proposal are made.

Zero base budgeting represents a radical departure from traditional budgeting. under traditional budgeting current years budget is taken as the base for preparing the next years budget .but in case of zero base budgeting , the budget proposal are considered from the 'ground up' or from scratch .

Zero base budgeting forces manager to review the program every time afresh so as to justify it. It requires thorough and rational analysis of budget commitments. It offers a greater flexibility and freedom in allocating resources. But zero base budgeting is a very time consuming and difficult exercise.

Meaning of budgetary control

Budgetary control is a system of management control in which all operation are planned ahead in the form of budgets and actual results are compared with budgetary standards and the necessary actions are taken to ensure attainment of organizational objectives. It involves preparation and use of budgets to evaluate and regulate actual operation.

According to **H.J .Wheldon** , "by budgetary control ,every item of actual cost is so controlled by vigilant supervision as to make it conform ,as nearly as possible ,to the predetermined budgets standard"

Objetives of budgetary control

Budgetary control encompasses practically the whole range of managerial activity right from planning and policy formulation to evaluation and control.

According to **John Blocker,** "budgetary control is planned to assist the management in the allocation of responsibilities and authority, to aid in making estimates and plans for future, to assist in analysis of variations between estimated and actual results and to develop basic of measurement of standards with which to evaluate the efficiency of operations".

To be specific, budgeting serves the following important objectives:-

Planning

Budgeting provides a definite plan of action to be followed during a specified period. It is a statement of what the management intense to achieve. A budget is a written plan and it is designed to make the goals specific. Budgets are based on forecasts or projection of future events. Budgetary system forces managers to plan their activities in advance. Budgets are helpful in financial planning.

Coordination

Budgeting is aimed at harmonizing and integrating different activities of the enterprise. Master budgets seek to bring about effective cooperation and coordination between different departments. Budgets are prepared in consultation with all units of the organization.

Control

Budgets provide pre standards of performance for apprising actual results. Budgetary standards are set keeping in view with the objectives and resources of the organization.

Significance deviations from budget figures can be reported to top mgt. budgets are prepared for various department. This can be use to detect short comings and to avoid waste of time and money so as to keep cost under control.

Motivation

Budgeting provides specific targets which inspire the employees. They can know their responsibility and the standards by which their performance will be judged. Thus, budgeting serves as a great motivating force.

Efficiency

The ultimate purpose of budgeting is to enable the mgt to conduct the business in the most efficient manner. Budgets are designed to ensure optimum utilization of materials, machinery and man power.

Advantages of budgetary control

Budgeting is an all-inclusive mgt tool. An efficient system of budgetary control offers the following advantages:-

(1) Planned Approach

Budgets are an instrument of management policy. They lay down specific and time- bound targets and determine the future course of action. This eliminates uncertainty and maintains focus on org goals. Every action is directed towards the attainment of budget targets

(2) Combined wisdom

Budgets are prepared in consultation with different departmental heads. Therefore, the are the fruits of pooled judgment and experience. Budgets represents synthesis of past, present and future as they are prepare after careful analysis of events and realization assessment of future. Budgets are prepared after considerable thought.

(3) Incentive

Budgets provide realistic and challenging targets and there by serve as strong incentives to employees. Employees know what they have to achieve and how. Therefore, budgeting provides right motivation.

(4) Control by exception

Budgets provide standards that can be used to detect deficiencies and to initiates corrective action where necessary. Budgeting helps to focus the time the effort of mgt upon areas which are crucial for the success of the org. budgets are serves as a beacon light and a spot light on critical deviations.

(5) Optimum use of resources

Budgets provide allocation of resources according to the requirements and capacities of different units. They also indicate the direction in which resources are to be employed. Therefore, budgetary control enables management to ensure the most effective utilization of human and capital resources of the enterprise. Unproductive operations and waste of resources can be minimized.

(6) Fixation of responsibility

With the help of budgeting, accountability for results can be fixed on particular individuals. Budgeting makes the employees conscious about cost and results.

(7) Effective co-ordination

Budgets are an important tool of co-coordinating the efforts of various departments in the org. various executives participates in the budgeting process which promotes mutual understanding and co-operation among them

(8) Financial Help

Budgeting makes financial planning and control effective. Under it financial aspects of business are considered thoroughly so that the enterprise can arrange for adequate funds as and when required.

Cash budget may be used to convince the financial institutions that their loans will be paid back in time.

Limitations of budgetary control

The effectiveness of budgeting depends upon the accuracy with which estimates are made about the future. Despite all the care and caution there is danger of in accuracy in estimates. Future events can rarely be predicted with cent person accuracy. Every often excessive reliance is placed on past experience in preparing budgets. But future is not always a reputation of the past. When conditions change budget figures become un reliable

Standard costing provides pre determined standards for the valuation of operating cost. Standards are determined scientifically on the basis of technical estimates and experience. They are reviewed periodically in the light of changing conditions. Standard costing facilitates 'control by exception' by focusing attention on imp variances. Only significant variances from cost standards are reported to top mgt. standards costs point out weakness and in efficiency in performance. They create cost consciousness among employees. Standards costs are also helpful in work signification, budgeting and incentive wage plan.

B)Personal observation

Personal observation is the oldest and the most effective technique of control. No control device plan completely substitutes the role of personal observation. It enables a manager to take effective action immediately. Personal observation can detect information which other control devices may fail to point out. It also exercises a physiological influence on employees. They try to work better when they know what they are being observed.

A manager cannot always offer personal observation as a technique of control due to lack of time. He has to devote a lot of time on other activities like planning, organizing, staffing, etc. Personal observation may have a negative impact in the case of enlightened and self motivated employees who don't like to be closely supervised.

C) Statistical Data And Reports

Statistical data are being increasingly used for the purpose of managerial control. Statistical data are often expressed in the form of averages, percentages, ratios, correlation, etc. Statistical tables, graphical charts and reports are widely used in production control, quality control, inventory control, etc.

Some times special analyses are made to collect necessary information. The information so collected is presented in the form of a report which is presented to management for necessary action.

D)**Standard Costing**

Standard cost implies estimated cost under standard conditions. Standard costing involves preparation of standard cost and comparison of actual cost with standard cost to find out variation. The variances are then analyzed and necessary action is taken to correct them.

Standard costing provides predetermined standards for the evaluation of operating costs. Standards are determined scientifically on the basis of technical estimates and experience.

They are reviewed periodically in the light of changing conditions. Standard costing facilitates 'control by exception' by focusing attention of important variances. Only significant variances from cost standards are reported to top management. Standard cost point out weakness and inefficiency in performance. The great cost consciousness among employees. Standard costs are also helpful in work simplification, budgeting and incentive wage plans.

Standard costing is, however, not free from limitations. It is time – consuming and expensive to certain, record and use standard cost. Dual cost has to be maintained making record keeping difficult.

It is necessary to frequently revise standard cost to keep them up to date in the face of changing environment. Employees may resist setting and use of standard cost.

E)Profit and Loss Control

Profit and loss control implies control through comparison and analyses of profit or loss of different departments or divisions pr branches of the enterprise.

A separate performance of profit and loss statement is prepared for each product line or branch. Estimated cost and revenues are used in these statements. Such estimates are based on average level of efficiency expected of each division or branch. The actual expenses and revenues are then compared with estimates.

Profit and loss control can be applied for measuring over all performance as well as for individual divisions or departments. Its effectiveness can be increased when income and expense figures are compared with those of the past years.

Profit and loss control serves as a tool of feed forward control by enabling mgt to take preemptive measures for obtaining the desired results

F) External Audit Control

External audit control involves audit of the financial accounts of an enterprise by a qualified and independent chartered accountant. In case of joint stock companies external audit is compulsory under the companies act, 1956. its object is to ensure that the interest of share holders and other interested parties are protected against manipulations and mall practices by mgt.

G) Break Even Analysis

Break even point is the pointed at which total revenue is equal to total cost. It is a point of no profit and no loss. Break even point analysis involves analysis of inter relationships between cost, sales volumes and profits. Therefore, it is also known as cost volume profit analysis. This analysis is help full in determining the volume of sales at which total cost is fully covered and beyond which profits will be earned.

H) Overall Control Criteria

Most of the control techniques are designed to regulate specific aspects like costs, profits, etc. such piece meal control measures are not sufficient for a business enterprises. Control of over all performance is required to judge the total effectiveness of on org. such control evaluates mgt total efforts.

More over, control of over all performance helps to over come weaknesses of partial control measures. According to GEORGE R TERRY "controlling over all performance is advantageous in that it encourages a manager to see the forest not simply the trees. The over all point of view is encouraged. "Control of over all performance is all the more important in the case of large enterprises which have several autonomous units located in different parts of the country.

I) Return on Investment control

Profitability is an important measure of the efficiency of a business enterprise. Profit in relation to the size of investment is popularly known as return on investment (ROI). This approach has been on important part of the control system of DUPOINT Company of the USA since 1919. Since its successful application several companies have adopted it as the key measure of their control system

Return On investment control offers the following advantages:-

1. Return On Investment provides a sound basis for comparing the relative efficiency of different divisions or department of the company
2. This control system is help full in the de-centralization of authority as the responsibility for operational efficiency can be easily measured and fixed on semi autonomous divisions.
3. It puts restraint on demand for higher allocation of resources. Each division can be allocated resources according to its return. By providing a rational basis for resource allocation Return on Investment facilitates budgetary planning and control.
4. Rate of return is a measure of over all performance and reflects the objectives of business, therefore, it may be treated as a total control system

SELF ASSESSMENT QUESTIONS – VII

1. Controlling is the last but not the ______ function of management
2. Budgeting is the __________ method of controlling
3. Future is not a projection of past is the philosophy of ____________
4. Standard cost implies ___________________
5. BEP is expanded as _________________

4:6:2 Modern Control Techniques

External audit serves as a control mechanism over the financial aspects of business. It detects errors and frauds in the books of accountant. But it dose not serve as a check on managerial complacency.

Management audit is an independent critical examination of the entire management process to measure the effectiveness of mgt as a whole. Its object is to determine whether or not managerial functions are being performed efficiently. It shows how far the policies and programme of mgt are help full in the accomplishment of org objectives

A) Responsibility Accounting

It is an management accounting system where in cost are assigned to responsibility centers. A distinction is made between controllable and uncontrollable costs. Every manager is made responsible for cost of his department. Targets are cost and profits are laid down for each responsibility centre which may be a division, department or section.

B) Human Resource Accounting

None of the control mechanism is discussed so far measure the value of human resources which are critical to the success of every org. Human resource accounting (HRA) is designed for the measurement of the cost and value of employees in an organisation. It has been defined as “A process of identifying and measuring data about human resources and communicating this information to the interested parties”

C) Network Techniques

Net work analysis is being widely used for managerial planning and control. Under net work analysis a project is broken down into small activities which are arranged in a logical sequence. A net work diagram is then drawn to show interdependence and inter relation ship of various activities. The two most important network techniques are known as PERT and CPM.

D) Programme Evaluation And Review Techniques (PERT)

PERT is an integrated mgt control system designed to plan time and cost of completing a project. A programme consists of several activities and sub activities. This activities must be completed in a proper sequence to minimize time and cost involved.

The steps involved in PERT analysis are as follows:-

1. Identify the activities that must be performed in a project.
2. Arrange these activities in a proper and logical sequence in the form of a net work.
3. Estimate the time required to complete the individual activities and the entire project.

4. Determine the critical path involving that activity which if not completed in time will delay the entire project.
5. Improve upon the initial plan and control the project.

E) Critical Path Method (CPM)

CPM is used for planning and controlling the most logical sequence of activities for completing a project. It is help full in the optimum use of resources. It provides a standard method of communication project schedules and costs. Like PERT, it identifies the critical elements of a projects and facilitates control by exception. CPM is widely used for construction of project and plant maintenance.

4:7 Management Information System In Banks

Managers in banks at any level, branch, division, zonal or central level require complete information relating to a problem or issue in right time in order to make effective decisions. The proper collection, handling and providing the right information to the right manager in right time not only reduce the risk of wrong decisions but also work as en effective controlling technique.

Management Information System(MIS) is defined as ‘a formal method of making available to management accurate and timely information necessary to facilitate the decision making process and enable the organization’s planning, control and operational functions to be carried out effectively’. ‘The system provides information on the past, present and projected future and on relevant events inside and outside the organisation’.

Components/Elements of MIS

Generally MIS in banks consists of the following components

1. Transaction information system
2. Management information for operational, managerial functions
3. MIS for tactical planning
4. Decision support system
5. Artificial Intelligence system
6. MIS for strategic planning, policy planning and decision making

4:7:1 Forms/types of MIS in banks

Accurate information necessary to facilitate decision making is made available in right time to the management at different levels, namely branch office, divisional office, circle office and head office in the following forms

1. Memos
2. Circulars
3. Statutory returns

4. Control returns on deposits and advances
5. Control returns on other matters such as recovery performance, calculation of salary, cash holdings, bank drawings and so on

4:7:2 Design of MIS in banks

The MIS is required at various levels as below

A)Operating Management level (Branch and Regional level) – information required for taking decisions relating to planning and control.

Under planning, SWOT analysis requires high degree of MIS and the information is required for the following:

a. Obtaining deposits
b. Lending policy
c. Investment policy
d. Management levels and budgeting

Under controlling, MIS is required for the decisions such as providing statutory returns, accepting new business, recovery position and bad debts, performance of credit sanctions, controlling costs, complaints, training programme, actual staff levels, utilization and productivity of staff, budget staff levels in relation to level of business etc.

B)Executive Management level

Information required at this level relates to

a) Total deposits and their mix
b) Total and average cost of deposits
c) Credit-deposit ratio
d) Rate of recovery of advances
e) CRR and SLR requirements and liquidity position
f) Gross and net profits
g) Level of customer service

Information at this level is useful to correct the chronic problems or to correct the adverse conditions or situations relating to deposit level and mix, advance level and mix, recovery position, profitability, productivity or performance position etc.

C)MIS and Top Management

Decision making is deciding the destiny of the banks. Decisions at top level signifies the importance of strategic control of banks. MIS at this level required for the following reasons

To update data relating to trends in economic environment

To analyse the trends in social environment

To explore information relating to political environment

To update information relating to competitive banks

To anlayse the trends in demand for advances

To gather data relating to refinancing and its authorities

To equip awareness of the changing policies, procedures and other requirements from RBI

4:8 Productivity and Profitability in banks

4:8:1: Meaning of Productivity and Profitability

Productivity in general implies the ratio of output to input. In manufacturing industry, the measurement of productivity is easily done in quantitative terms. But in banks, the factors of productivity include the outputs of human and financial resources. In addition to that it is also influenced by the factors such as technology, trends and various environments.

Profit is the reward of any business activity, banks are not an exemption. Unless they earn profits, they could not meet out various expenditure in running the banking services and pay dividend to the various stake holders.

Profitability is the ability to earn profits over a period of several years. In banks, due to deteriorating profitability, integration strategy has been resorted to the banks facing bankruptcy

4:8:2 Measures of Productivity and Profitability

Productivity and profitability have been measured with the help of following factors

1) Rate of branch expansion
2) Growth rate of deposits
3) Growth rate of advances
4) Trends in recovery
5) Trends in profits

1) Rate of branch expansion:

Productivity or performance of the bank in terms of branch expansion is measured by calculating the growth rate and trends in branch expansion in foreign, metropolitan, urban, semi-urban, rural, unbanked and under banked areas.

2) Growth rate of deposits:

Productivity in terms of deposits is significant as the deposits influence the productivity greatly. Factors such as Type of deposits, Deposits per branch, Deposits per account, Deposit-Credit ratio, Deposit-population ratio are considered in this regard.

3) Growth rate of Advances:

As Advances get the revenues for the banks, the trend of advances influence a lot in productivity and profitability. Factors such as type of advances, borrowers, advances per branch, priority sector advances, Credit per account, Credit-population ratio, Credit employee ratio are considered in this aspect.

4) Trends in Recovery:

Performance of the bank in terms of recovery of advances is significant as it helps in recycling of funds and thereby creating credit. Trends in total advances recovered and recovery rate are reflecting the productivity and profitability and the performance.

5)Trends in Profit

Capital productivity or performance in terms of profits can be calculated with the help of the following ratios:

a) Gross Profit to Net Assets = (G.P/Net Assets) * 100
b) Net Profit to Net Assets = (N.P/Net Assets)* 100
c) Gross Yield on Assets = (Operating Income/Average Assets)* 100
d) Yield on Advance = (Total income on advances/Total Advances)* 100
e) Profit per employee = Net profit / Number of employees
f) Profit per branch = Net profit / Number of branches

4:8:3 Reasons for declining profitability

1. High cost of establishment expenditure
2. Granting more loans to priority sectors
3. Monetary policy of RBI and the SLR and CRR reserves
4. High wage structure, benefits
5. Absence of effective planning
6. Hectic competition from New generation banks
7. Government interference leads the genuine customers in delaying the repayment.
8. Inadequate training and development of managers and employees.

4:8:4: Boosting Productivity and Profitability

The banks can undertake a lot of measures to improve the productivity and profitability.

1. Equipping the employees
2. Formulation of Incentive schemes – Individuals, Groups as per the government directives

3. Human Resource Development Re engineering
4. Cost control and cost reduction
5. Improving the rates or trends in productivity and profitability
6. Emphasis on Customer Services
7. Innovative Banking Strategies
8. Bench Marking, Core Competence, Total Quality Management
9. Strategic Management Process

SELF ASSESSMENT QUESTIONS – VIII

1. ______ and _______ are network technology
2. PERT is expanded as __________ and CPM as ____________
3. A formal method of making available information to management is _________________
4. CRR and SLR are expanded as __________ and _____________
5. Give any two measures of productivity

Answers to Self Assessment Questions – VII

1. least
2. traditional
3. zero base budgeting
4. estimated cost
5. break even point

Answers to Self Assessment Questions – VIII

1. PERT and CPM
2. Project Evaluation and Review Technique, Critical Path Method
3. Management Information System
4. Cash Reserve Ration and Statutory Liquid Ratio
5. Rate of branch expansion and Growth rate of deposits

Descriptive Questions

1. Write down the Essentials of a good control
2. Write the process of controlling
3. Design the MIS for a banking industry
4. Write the various trends in profitability
5. Write the various measures of productivity

NOTES

UNIT V

MAN POWER PLANNING IN BANKS

5:1 Meaning and Definitions

Human resource Management is management functions that helps manager's recruit, select, train and develop members for an organization. HRM is concerned with the people's dimension in organizations.

The **National Institute of Personnel Management (NIPM**) of India has defined Human Resource / Personnel Management as,

"The personnel function is concerned with procurement, development, compensation, integration and maintenance of an organization for the purpose of contributing towards the accomplishment of an organizational major goals or objectives, therefore, personnel management is the planning, organizing, directing and controlling of those operative functions."

According to **Flippo**,

"Personnel Management or Human Resource Management is the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are accomplished."

5:2 Human resource Planning or Man power planning in Banks

5:2:1 Meaning

Human Resource Planning is the process by which an ion determines how it should acquire its desired manpower to achieve the organizational goals. Thus HRP helps the right number and kind of people at the right places and right times to successfully achieve its overall objectives.

5:2:2 Definition

In the words of **Beach,**

" Human resource planning is a process of determining and assuming that that organization will have an adequate number of qualified person's times, performing jobs which meet the needs of enterprise and which provide satisfaction for the individuals involved".

Man power planning is the process of determining the manpower requirements and the means for meeting these requirements in order to carry out the integrated plans of the organization.

- **Coleman Bruce .p**

5:2:3: Importance and Objectives of man power planning

The main objective of man power planning is to solve an accurate number of employees required, with mismatching skill requirements to accomplish organizational goals.

In other words the objectives of manpower planning are to;

- Ensure adequate supply of manpower as and when required.
- Ensure proper use of existing Human resources in the organization.
- Fore cast future requirements of man power with different levels of skills.
- Assess surplus or shortage, if any of human resources available over a specified period of time.
- Anticipate the impact of technology on jobs and requirements for manpower.
- Control the human resources already deployed in the organization.
- Provide lead time available to select and train the required additional human resources over a specified time period.

5:2:4 Uses and benefits of man power planning

a) Increase in size of business

With the expansion of the plant a large number of workers are required to be employed .It is very essential to know whether new responsibilities should be assigned among the existing personnel or they should be recruited fresh from outside to meet the challenges of the new responsibilities .For all this purpose Man Power Planning is essential.

b) Effective recruitment and selection policy

Future need can be predicted by Man Power Planning; hence only right man on the right job at the right time may be recruited and selected. The enterprise need not invest huge funds for training purpose. The employees are recruited after proper scrutiny. The rate of turnover is also reduced by effective manpower planning.

c) Reduction in labour cost

In order to maintain the super many over the other competitive firm it is in the interest of organization to control the cost of labour by effective use of manpower and thus reducing the wastage. This can be done by Man Power Planning.

d)Avoiding disruption in production

Man Power Planning may help the organization in procuring skilled and qualified workers because future needs of personnel may be estimated and they are recruited and trained, thus lowering the amount of expenditure on training. The production is carried on uninterrupted.

e) Maintaining good industrial relation

An effective Man Power Planning may help the management in developing the good employer and employee relationship. Thus industrial relations may be improved by an effective Man Power Planning.

f) Effective employee development program

While developing the employee development program, the talent, abilities and motivates of the individual as well as the organizational objectives in relation to the manpower should be taken into consideration.

An effective Man Power Planning can only help the organization make its employee development program effective.

5:2:5 Process of Man power planning

The process of the Man Power Planning is consisting of the following steps;

1. Preparing manpower inventory
2. Studying the employee turnovers
3. Forecasting manpower needs
4. Manpower plans

A. **Preparing manpower inventory**

It refers to the assessment of the present and the potential capacities of present employees qualitatively and quantitatively. It reveals the degree to which these capabilities are the employed optima lily and help to identify the gaps that exist in the firm.

Preparation of manpower inventory involves determination of personnel, cataloguing of the factual background information of each individual and listing the present and potential abilities and aptitudes of each.

B. **Studying the employee turnover**

From the available stock of manpower, a discount should be allowed for employee turn over during the period of planning.

Employee turnover may be caused by death, disability, resignation, dismissal, promotion; transfer etc.The study of employee turnover helps future needs of workforce.

C. Forecasting manpower needs

Forecasting of future manpower requirements is the important part of manpower planning; it is the forecasted on the basis of production and sales budgets workload analysis, workforce analysis, estimated absenteeism and turnover etc.

This fore cast depends upon the business objects.

D. Manpower Programme

On the basis of the analysis of manpower requirement, productivity and manpower cast action programmes covering the following subjects be prepared. Recruitment, redundancy, training, improvement and productivity, improvement in retention of employees'. In their way the storage of manpower can be avoided in the long-run.

5:2:6 Basis or factors affecting manpower planning

There are three factors affecting manpower planning.

This constitutes the basis of manpower planning which may be summarized as follows;

A.Existing stock of manpower:

This is the first basis of manpower planning and it is the starting point of all planning process to analysis the existing stock of manpower. One must study the position of total stock of the manpower.

A GroupWise detailed statement is prepared regarding the number of workers in the group their age, qualification, date of retirement and changes for promotion.

B. Wastages

The second basis of Man Power Planning is wastages for a good planning appropriate adjustment in the existing stock of manpower should be made for the possible wastage of manpower caused by any foreseeable changes in the organization.

In order to analyze the wastage of manpower rate of labour turnover and period of active management the work should be studied. In planning the manpower the factors such as promotion, transfer, retirement, expansion and modernization of plant and training of workers should be taken consideration to make the necessary adjustments in the requirements of personnel.

C.Future manpower requirement

After evaluating the existing stock of workers and analyzing the various factors of wastage, we can easily assess the future requirement of labour force taking into consideration the future plans, government policies, demand and supply of manpower in future, protecting of labour and factors of production.

5:3 Recruitment

5:3:1 Recruitment - Meaning

Recruitment is the generalizing of applications or applicants for specific positions to be filled up in the organization. In other words, it is a process of searching for and obtaining applicants for job so that the right people in right number can be selected.

According to **Edwin Flippo**,

"Recruitment is the process of searching the prospective employees and simulating them to apply for the jobs in an organization".

According to **Bergmann and Taylor**,

"Recruitment is the process of locating, identifying and attracting capable applicants".

5:3:2: Principle of recruitment policy

Every organization must establish acceptable recruitment policy must follow the under mentioned principles,

1. Recruitment of personnel for the whole organization should be centralized. Personnel department may be charged with his responsibilities.Internal and external sources of recruitment should be given due importance.
2. In establishing the recruitment policy for the organization, the recruitment policy followed in similar organization and in government undertaking should be thoroughly considered.
3. Stationary provisions regarding recruitment of personnel should also be given proper consideration.
4. The recruitment policy should be elastic, so that it may be amended suitably to achieve the organizational objectives.
5. Recruitment policy should be within the organizational policy.
6. Rules regarding recruitment of existing employees should be very clear.
7. The qualifications of the applicants should co-inside the job specification.
8. Merit should be the basis of recruitment and other considerations like friendship, relations etc should be ignored.

5:3:3 Sources of recruitment

The sources of recruitment may be classified as follows,

Sources of recruitment

Internal sources

1. Transfer
2. Promotion
3. Present employees

External sources

1. Advertisement
2. Employment exchange
3. Employee referrals
4. Campus recruitment

5. Jobbers or contractors
6. Unsolicited applicants

A) Internal sources:

1. Transfer:

Transfer off an employee of an organization from one workplace to another may be used as a source of recruitment to meet personal demand at the place to which the employee transferred.

2. Promotion:

Promotion means appointing an employee to duties and authority of the employee concerned as also his emoluments; it does not alter the number and kinds of employees of the enterprise. Promotion may be based on seniority as merit employees.

3. Present employees:

It is an internal source of recruitment of personnel. In the enterprise may be asked to recommend then friends and relatives for employment.

It will not only keep employees happy and in high morale, but also ensure recruitment of competent and sincere persons.

B) External sources

Advertisement

Advertisement is perhaps the most widely used method for generating many applications. This is because its reach is very high. This method of recruitment can be used for job like clerical, technical and management.

Employment exchange

An employment exchange is an office set up by the government for bringing together as quickly as possible those men who are in search of employment and those employers who are looking for men .Employment exchanges registered unemployed people and maintain the record of their names and qualification etc.

Employee reference

This is an important source of recruitment. The existing employees refer their family member friends, and relatives to the company potential candidates for the vacancies to be filled up in the organization.

Campus recruitment

Campus recruitment is a common phenomenon particularly in the American organizations and nowadays in our country also. Some organizations such as HLL, HCL, WIPRO, IBM, L&T, Reliance etc, in India have started visiting campuses for recruitment purpose.

Jobbers or contracts

In many industries workers are recruited through contractors who are themselves the employees of these organizations.

Unsolicited applicants

These are persons who gather at the factory gates to serve as causal workers or who send in the application without any invitation from the factory.

5:4 Selection

5:4:1 Meaning and Definition

Selection is a process, by which candidates for employment are divided in to two classes,

- Those who are to be offered employment and
- Those who are not.

Selection of employees is a decision-making process where the management desires certain norms and principles on the basis of which discrimination between qualified and unqualified candidates can be made.

In the opinion of **koontz,**

"Selection is the process of choosing from among the candidates from within the organization or from the outside, the most suitable person for the current position or for the future position ".

5:4:2 Principles of selection policy

An ideal selection policy should be based on the following principles,

1. The responsibility for the selection of employees should be assigned to an efficient and qualified based, so the right man can be selected.
2. Job first; man next; should be the basic and fundamental principle for selection.
3. Selection should be from internal as well as external sources and the management should not rely much on the single source.
4. Selection should be based on standards as set out by job analysis.
5. The different selection methods for different levels of post should be followed.
6. The selection policy should not surpass the organizational general policy. It should be with in the frame work.
7. The selection policy of the organization should flexible not rigid so that necessary amendments may be made whenever necessary.
8. The selection policy should commensurate the employment policy of the state.

9. The selection policy should provide guidelines to the perspective candidates.
10. The selection policy should be based and employment oriented.

5:4:3 Difference between Recruitment and Selection

Recruitment	**Selection**
Recruitment technically precedes selection.	Selection follows recruitment
Recruitment refers to the process of identifying and encouraging potential candidates to apply for jobs in the organization.	Selection involves choosing the best out of those recruited.
Recruitment is positive as it aims at increasing the number of job seekers for wider choice or increasing the selection ratio.	Selection is negative in its application in as much as it rejects a large number of unqualified applications in order who are suitable for job.
Recruitment involves searching.	Selection involves comparing those already searched.

5:4:4 Procedure for selection (or) selection process

Selection is the process of choosing the right person for right job, at right time and at right place. Selection follow recruitment, it is the managerial decision process so as to predict which job applicant will be successful if hired.

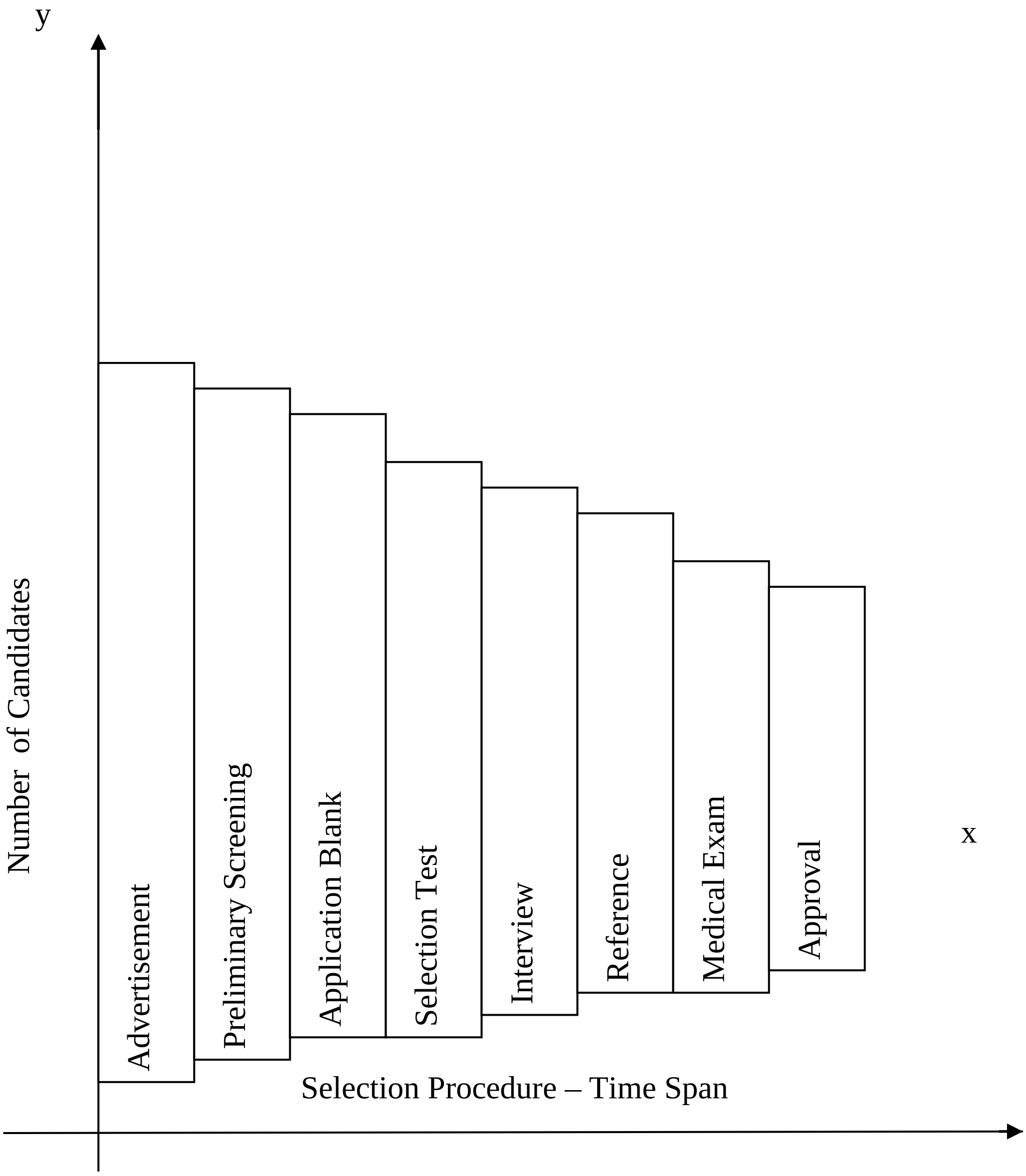
Selection – process

There can be no standard procedure to select different types of employees. Selection procedures differ from job to job, and from organization to organization.

An attempt is made to list down the various procedures in selecting the employees for various jobs.

Selection procedure or process

Step 1: Advertisement.
Step 2: Preliminary Screening.
Step 3: Issuing Application Blank.
Step 4: Selection Tests
Step 5: Employment Interview.
Step 6: Checking of Reference.
Step 7: Physical / Medical Exam.
Step 8: Final Approval.
Step 9: Selection.



Step1 Advertisement and Receiving Application:

Most of the organization follows advertisement in either print (Newspaper / Journal) or board cast (Radio or Television) or through websites to inform the general public about the vacancies raised in the organization.

Once the applicants apply for the post in an organization, the second step starts, i.e., the purpose of giving advertisement is to receive as many applications as possible, so that the second process "preliminary screening" can eliminate more number to select suitable applications.

Step 2 Preliminary Screening

The purpose of Preliminary Screening is to eliminate the totally unsuitable candidates.Though the purpose is similar, Preliminary Screening screen / eliminates the application form and preliminary interview eliminates the applicants in person. The applicants are eliminated in terms of job requirements. The factors normally considered are:

- Age
- Sex
- Qualification
- Experience etc.,

It helps to determine the deserved candidates to issue, “Application Blank”. It helps the organization to save the expense of processing unsuitable candidates and also helps the candidates to be free from the trouble of passing through the long procedure.

Preliminary interview provides basic information about candidates.

Step 3 Application Bank

Application Blank is normally issued to those candidates who got through preliminary screening. Application Blank is the unique and permanent record of the candidates,

- Education
- Age
- Date of birth
- Experience
- Interest etc., in his own hand writing.

It provides sample scope to decide the candidate’s suitability.

It serves the basic for other steps in selection such as Selection tests, Interview etc, As far as possible application blank should be brief and simple.

Step 4 Selection Test

Selection tests are used as the best instrument for reducing large number of candidates. Initially it was used to measure the needed skills and abilities. Now in large scale organization, it is being used to measure skills as well as to eliminate large candidates.

Several tests used in practice are,

- Aptitude test
- Proficiency test
- Intelligence test
- Personality test etc.

Step 5 Employment Interview

This is most complex and difficult part of the selection. The purpose of this interview is to determine the suitability of the applicant for the job. The interview must be conducted in a friendly atmosphere and the candidate must be made to feel at ease.

The candidates should also be given a chance to ask questions to satisfy him self regarding the history of the concern, future prospects, salary offered and nature of job etc.

Step 6 References

Employers generally provide a column in the application blank for references.

The applicant crosses all the above hurdles and investigation may be made on the references supplied by the applicant regarding,

- personal reputation,
- Past employment,
- Education,
- Character, etc.

Step 7 Medical Examination

In almost all the companies in India, Medical examination is a part of selection process. It is conducted before the final decision has been made to select the candidates.

It is very important because a person of poor health may generally be absent from work and the training given to him may go waste. A person suffering from any disease may spread it amongst other workers.

A through physical exam is also essential to be sure that the candidate is able to handle the job efficiently.

Step 8 Final Selection

It is a candidate successfully over comes all the obstacles are test given above he could be declared selected and appointment order will be given to him, monitoring the terms of,

- Appointment,
- Pay – scales,
- Post on which selected etc.

5:5 Tests

It is used as a best instrument for reducing a large number of candidates. It is used to measure the needed skills and abilities.

The important tests are as follows:

a. Aptitude test.
b. Intelligence test.

c. Interest test.
d. Knowledge test.
e. Projective test.
f. Personality test.
g. Judgments test.
h. Dexterity test.

a) Aptitude test:

Such tests are designed to measure the aptitude of candidates and their capacity to learn the skills required on a particular job. Now-a-days these kinds of tests are used to select the candidates for software industry in India.

b) Intelligence test

It is aimed to test the mental capacity. It measures the individual learning ability to grasp or understand instructions and also ability to reason and make judgment. There are verbal and non-verbal intelligence tests.

c) Interest test

It helps in determining the preference of applicants for occupations of different kinds.

d) Knowledge test

It helps to measure the in depth of the knowledge and proficiency in certain skills already achieved by the applicants such as,

- Engineering
- Accounting etc.

e)Projective test

Projective test which uses the projective technique where by the applicants projects him personality into force response about pictures shown to him which are ambiguous.

f) Personality test

It determines character such as cooperativeness as against dominance or to judge the emotional balance and temperamental ability of a person.

g) Judgment test

It evaluates the ability to apply knowledge judiciously in solving a problem.

h) Dexterity test

It is used to discover the ability to use the different parts of body in a coordinated manner. It is useful in identifying accident prome for certain manufacturing jobs.

5:6 Interview

5:6:1 Meaning

Interview is the face-to-face encounter with the purpose, it employs conversation. It means conversation between the interviewer and interviewee to assess the potentiality of the latter by,

- gestures,
- Facial expression and
- Communication skills.

5:6:2 Types of interview

a. Patterned or guided interview
b. Direct interview
c. Indirect interview
d. Stress interview
e. Group interview
f. Board interview
g. Exit interview

a. Patterned or guided interview

In this interview a series of question in relation with applicant's background are standardized in advance. This interview is generally based on the question set in advance along with their answers.

The main purpose of this interview is face finding. It measures,

- personality,
- motivation, and
- interest.

b. Direct interview

The Direct interview is a straight forward, face to face questions and answers situation. Questions are based on job duties and others facts including employees background information. It measures job knowledge and also provides opportunities to observe

- personal characteristics,
- abilities and
- motivation.

c. Indirect interview This type of interview is largely unplanned and the interviewee is allowed to take about himself in detailed. The objective of the type of interview is to find out the feelings, desire, and problems of the candidates.

d. Stress interview

The purpose of this type of interview is to put strain purposely on the candidate. It access the emotional strain of the candidate for such job where resistance to stress is important.

e. Group interview

Under this method a problem for discussion is given to a group of candidates. No leader is nominated the interviewer sit in the background and watches the process. He observes if any one among them could assume leadership and the process by which leadership is excessive and how it is accepted by the other members of the group.Group interview is conducted in situation where leadership ability is the important factor.

f. Board interview

In this type of interview candidates are screened by a group of interviewers who are specialist in their respective fields. They call upon the candidates one by one assess his qualities. The main drawback of this system is that the interviewee is frustrated by the rapid firing questions by several interviewees.

g. Exit interview

This type of interview is generally conducted at the time when an employee is leaving the organization. The main purpose of organizing such as interview is to know the feeling of the outgoing employees about his job, Interaction with each other, environment etc.

It also contains when and whom he should report for joining the duty. When he/she reports for joining, he/she needs to be placed in a particular section or division and introduced to the job and organization. This is done through Placement and Induction.

SELF ASSESSMENT QUESTIONS – IX

1. __________ ensures adequate supply of Human Resources
2. Preparing Manpower inventory is the task of selection-Say True or False
3. A process of selecting candidates for a job is Recruitment Say True or False
4. ____________ is the process of locating/attracting capable applicants
5. Promotion and Transfer are the external sources of Recruitment – Say True or False
6. When ___________ ends, Selection starts
7. Preliminary screening eliminates _____________ candidates
8. _____________ test measures the capacity to learn skills
9. ______________ interview is conducted while employee leaves the organization
10. ___________ interview is most common for recruiting candidates externally.

5:7 Training in banks

5:7:1 Training – Meaning and Definition

Training is a learning process involving the acquisition of skills and attitudes. The purpose of training to improve the current performance of work and it concerned with importing specific skills for particular purpose.

According to **E.Flippo**

"Training is an act of increasing knowledge and skill of an employee for doing a particular job"

5:7:2 Importance of training

1. It increases productivity.
2. Better and economical use of materials and equipment by trained employees.
3. Supervision and direction cost are reduced.
4. It increases moral of the employees.
5. It satisfies manpower needs.
6. Standardization of methods becomes possible.

7. Organizational stability and flexibility are increased.
8. It reduces learning time.
9. Lesser accidents by trained people.
10. Better management of trained workers is possible.
11. It provides mastery in new methods and technology.

5:7:3 Types of training

All the training programs can be anyone of the following types,

a. Induction or orientation training
b. Job training
c. Promotional training
d. Refresher training
e. Corrective training

a) Induction or orientation training

It is training programmed used to induct a new employee into the new social setting of his work. The new employee is introduced to his job situation, and to his co-employees.

He is also informed about the rules, working condition, privileges and activities of the company, what the company does how it serves the community and other particulars pertaining to the company.

b)Job training

The object of job training is to increase the knowledge of workers about the jobs with which they are concerned. So that their efficiency and skill of performance are improved. In job training, workers are enabled to learn correct method of handling machines and equipments, avoiding bottlenecks, minimizing waste etc.

c) **Promotional training**

Many concerns follow a policy of filling some of the vacancies at higher-level by promoting existing employees. This policy increases the morale of workers. They try to put up maximum efficiency so that they may be considered for promotion.

When the existing employees are promoted to superior positions in the organization, they are required to shoulder new responsibilities. For this training has to be given to them so that may not experience any difficulty to shoulder the responsibilities of the new position which they have been promoted.

d) Refresher training

At the time of initial appointment employees are formally trained for their job. But the passage of time, they may forget some of the methods which were taught to them or they may have become outdated because of technical development and improved techniques of management and production.

Hence, refresher training is arranged for existing employees in order to provide them an opportunity to review and also to improve their knowledge.

e) Corrective training

When an employee violate company rules or policies, such as by being absent often or by smoking in a "NO SMOKING" area ,the manager needs to find a way to deal with problem.

Sometimes he thinks that the situation to the problem is disciple, but the trouble with the word disciple is that implies punishment. His aim should be not to get even with the employee, but rather to reform the employee, but rather to reform the employee.

In other words, he should handle the problem with treatment that corrects rather than punish. By its very nature, corrective training implies criticism.

The manager should criticize his employee in private soon after the mistake but not before his own anger has cooled off. He should criticize the act and not the individual and should explain to the employee why it is important to both the company and the employee that he should change his behavior.

5:7:4 Methods of training

All training methods can be grouped into two category i.e.

1. Training methods for bank employees
2. Training methods for executives.

I Training methods for bank employees

1. **On job training**
    a. Coaching
    b. Understudy
    c. Job rotation
    d. Participation in management board.
    e. Vestibule training
    f. Apprenticeship training

On job training

On job training is the technique in which the employees are trained in the work spot itself and employees are given training while they carry out their work. That is why; it is otherwise called as training by doing.

The main forms under this are,

a. Coaching

The supervision gives direct instruction and guidance to the trainee. He demonstrates how to do the job.

b. Understudy

Under this, the candidate becomes an assistant to the current job holder, he learns by observation. The purpose is to fill the vacancy caused by the retirement, death, promotion, transfer of the superior.

c. Job rotation

In this method a trainee moves one job to another and from one department to another. This type of training method is more appropriate for developing multiskilling, operational, flexibility, providing satisfaction from routine job and broadening the overall perspective of the trainee.

d. Participation in management board

Under this, the employees are given opportunity to participate in the management board as members.

e. Vestibule training

This is a system in which employees learn their job on the equipment they will be using, but the training is conducted away from the actual work place.

This type of training is commonly used for training personnel; of clerical and semi-skilled grades.

f. Apprenticeship training

Under this, the trainee learns the work by observing the qualified senior worker. Generally it is given to technical worker/students. The period goes up to the maximum period of 5 years. During the training period the Apprentice receives a stipend. After training the operative will be paid more.

ll. Training methods for executives

1. Special project

Under this, a trainee is assigned a project closely related to his job. For instance the accounts officer may be asked to develop a system of cost control. The trainee can improve research skills, problem solving and innovative ability etc.

2. Committee assignments

Under this, a committee is constituted to study and solve specific problems. By participating in committee meetings and discussions every member gets an opportunity to learn from others.

The trainee can improve problem solving behavioral skill and general knowledge.

3. Simulation methods

a. Role play

This is just like acting out a given role as in a stage play. In this method of training, the trainees are required to enact defined roles on the basis of oral or written description of a particular situation.

This method is mostly used for developing inter personal interactions and relations among the employees working in sales, marketing purchasing and the supervisors who deal with people.

b. *Case method*

The case is an actual event or situation on organizational problems which is a written description for discussion purpose.

Trainees are asked to analyze the events or circumstances with an objective to identify the problem, trace out the causes for it and find out the solution to solve the problem.

c. Management games

The game is devised on the model of a business situation. Then trainees are divided into groups who represent the management of competing companies.

The game goes on in several rounds to take the time dimension into account.

d. *Brain storming*

Under this, a problem is given to a group of trainees and each trainee is stimulated to offer ideas.

Criticism of any idea is discouraged later on these idea are critically examined.

5:8 Discipline

Discipline is said to be good when the employees willingly follow rules of their superiors. Discipline is said to be bad when employees either follow rules unwillingly or actually disobey regulations.

According to Richard D.Calhoon, 'Discipline may be considered as a force that prompts individuals or groups to observe the rules, regulations and procedures which are deemed to be necessary for the effective functioning of an organization.

Objectives, Needs, Significance, Advantages, Importance of Discipline

1. Motivate an employee to comply with the company's performance standards:

An employee receives discipline after failing to meet some obligations of job.

2. Maintain respect and trust between the supervisor and employee

Discipline is one of the principles of Henry Fayol, he suggests that the forced discipline is necessary to maintain respect and create trust and confidence between employer and employee

3. Improve the performance of employees

Discipline improves the ability and willing ness to serve the organization and results in

Increased performance

4. Increase the morale

Morale is the positive attitude towards the banks, which can be mooted with the help of

effective disciplinary actions.

5:9 Grievance Redressal

Grievance is defined as 'any discontent or dissatisfaction, whether expressed or not, and varied or not arising out of anything connected with the company that employee thinks, believes or even feels it is unfair, unjust or inequitable'

Grievance arise in banks normally on overtime work, promotion, transfer, increments, levae, payment of bills, recovery of dues and so on.

Features of Grievance Redressal Procedure

a. Prompt Settlement
b. Settled from the point of origin
c. Settled on merit only
d. Settled with as many facts as possible
e. Settled to create mutual confidence and respect.

Steps in Grievance Redressal

Step 1: Dealt in lowest level – with immediate superior – branch level

Step 2: Next Higher Authority if not solved by immediate superior - regional

Step 3: If Regional Manager couldnot solve, it goes to Zonal Manager

Step 4: Within stipulated time, if it is not redressed, it goes to Head office

Normally many grievances are settled in branch itself.

5:10 Trade unions

The first trade union in the banking industry was formed in 1945 in Calcutta. According to Secion2(h) of the Trade Union Act, 1928, a trade union means "any combination, whether temporary or permanent, formed primarily for the purpose of

a) regulating the relations (1)between workmen and employers, or (2)between workmen and workmen and (3) between employers and employers; or
b) for imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more trade unions".

5:10:1 Importance of Trade Unions:

a) Job Security
b) Wage and Benefits
c) Working conditions
d) Ensuring Fair treatment
e) Need to belong
f) Powerlessness

5:10:2 Type of Trade Union in Banks

The basic form of trade union is Craft Union – Association of cahiers in a bank

The second one is the general union. It comprises of workers of any category]

The third one is Industrial union- consist of workers of any category

The fourth one is federation of trade unions-combination of various unions. Important among them are:

Indian National Trade Union Congress(INTUC)
All India Trade Union Congress(AITUC)
United Trade Union Congress (UTUC)
All-India Bank Employees' Association (AIBEA)
All-India Bank Employees' Federation (AIBEF)

5:10:3 Why Trade Union is not successful?

The trade unions find it very difficult to make collective bargaining a successful one because of

a) Politicalisation of Trade Unions
b) Multiplicity of Unions
c) Union Rivalry – Inter and Intra rivalries
d) Small size
e) Poor Finance

5:10:4 Measures to over come the problems include:

a) Maintaining unity
b) Free from political influence
c) Workers' education

d) Adequacy of funds

e) Welfare activities for workers

SELF ASSESSMENT QUESTIONS – X

1. Training is the act of increasing ______________ and ____________
2. The new employee is introduced with the help of ___________ training
3. There are _________ and __________ methods of training available for bank employees
4. ___________ method of training helps the employees to increase their problem solving skills.
5. ____________ is said to be good when the employees willingly follow rules of their superiors.
6. Any discontent refers to ____________
7. INTUC is expanded as____________________________________
8. AITUC is expanded as_____________________________________
9. UTUC is expanded as ____________________________________
10. The first trade union in the banking industry is formed in ____________

Answers to Self Assessment Questions – IX

1. Man power planning
2. False
3. False
4. Recruitment
5. False
6. Recruitment
7. totally unsuitable
8. Aptitude
9. Exit
10. Campus

Answers to Self Assessment Questions – X

1. Knowledge, Skills
2. induction
3. On the job and Off the job
4. Case
5. Discipline]
6. Grievance
7. Indian National Trade Union Congress
8. All India Trade Union Congress
9. United Trade Union Congress]
10. 1945

Descriptive Questions

1. Trace out the steps in Manpower Planning
2. Identify the sources of recruitment
3. Evolve the procedures in selection
4. Discuss the methods of training of bank employees
5. Write the objectives of disciplinary actions
6. State the procedures of Grievance Redressal
7. Elucidate the trade union movements.

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