

CHAPTER - IVDELEGATION OF LENDING POWERS IN 'R BANK'

In this chapter, an attempt has been made to examine the delegated lending powers of the bank called 'R Bank'. The identity of the bank in this case also, is not revealed in order to honour the commitment given to this bank. As a background to the analysis, the structural functional profile of the bank, based on the current year's data has been given very briefly in section I. The present status of the bank has also been compared with its status in the base year to find out its growth, during the period. As the delegation of lending powers in force at present were revised in 1987-88, this very year has been taken as the 'current year'. for the purpose of analysis. The year 1982-83 has been identified as the 'base year' as the delegated powers were revised in that year only prior to the current revision in force.

Section II contains a detailed analysis of the purpose-wise delegated powers to different decision centres, and the extent and magnitude of delegated lending powers for each type of advance have been analysed, in Section III. For the purpose, all the decision centres have been considered to do 'Fractional Analysis' of powers delegated by each decision centre to its subsequent lower decision centre(s). It is now proposed to examine the profile of the Bank first in the pages that follow.

SECTION - IA BRIEF PROFILE OF THE BANK

This is one of the nationalised banks located in southern part of India. During the current year, this bank had 680 offices, out of which 119 offices were located at metropolitan areas, 164 at urban areas, 144 at semi-urban areas and 253 at rural areas. During the same year, its total strength of staff was 12,753 comprising 3231 officers, 7113 clerks and 2409 subordinates. The structure and organisation of this bank also has changed to some extent during the period covered under study of this bank. The Table 4.1 clearly brings out the salient changes.

Table : 4.1CHANGES IN PROFILE OF 'R BANK'

(Amt. Rs. in lakhs)

Sr. No.	Profile variable Parameters	Base Year	Current Year	Change in current year over base year	
				Absolute	Percentage
1.	Equity	118	1,900	1,782	1,510
2.	Reserves	273	645	372	136
3.	Deposits	68,917	1,67,112	98,195	142
4.	Working Funds	79,791	1,85,773	1,05,982	132
5.	Total Assets	89,975	2,26,377	1,36,402	151
6.	Total Advances	40,614	91,869	51,255	126
7.	Total Income	7,308	18,468	11,160	152
8	Spread	2,719	4,949	2,230	82
9	Total Expenditure	7,303	17,914	10,611	145
10	Net Profit	5	554	549	10,980

Note : Fractions of percentage are ignored.

As is evident from this Table, the bank shows an extra-ordinary growth of 10,980 per cent in its net profit. Similarly, it shows a growth of 1,510 per cent in its equity during the period under review. This percentage growth both in the equity and the net profit is completely misleading as in absolute terms their amounts were very small during the base year. This observation can be further substantiated by examining the ratios to Net Profit/Working Funds and Equity/Total Liabilities or total assets. The ROBF in this bank during the current year was 0.30 per cent only while the Equity base in relation to total assets/liabilities was less than one per cent or to be more precise only 0.83 per cent. However, the growth in other functional variables is reasonable and deserves consideration as the base year data was not too low. The bank has increased its reserves by 136 per cent, deposits by 142 per cent, working funds by 132 per cent, total assets by 151 per cent. However, its total advances have increased by 126 per cent only.

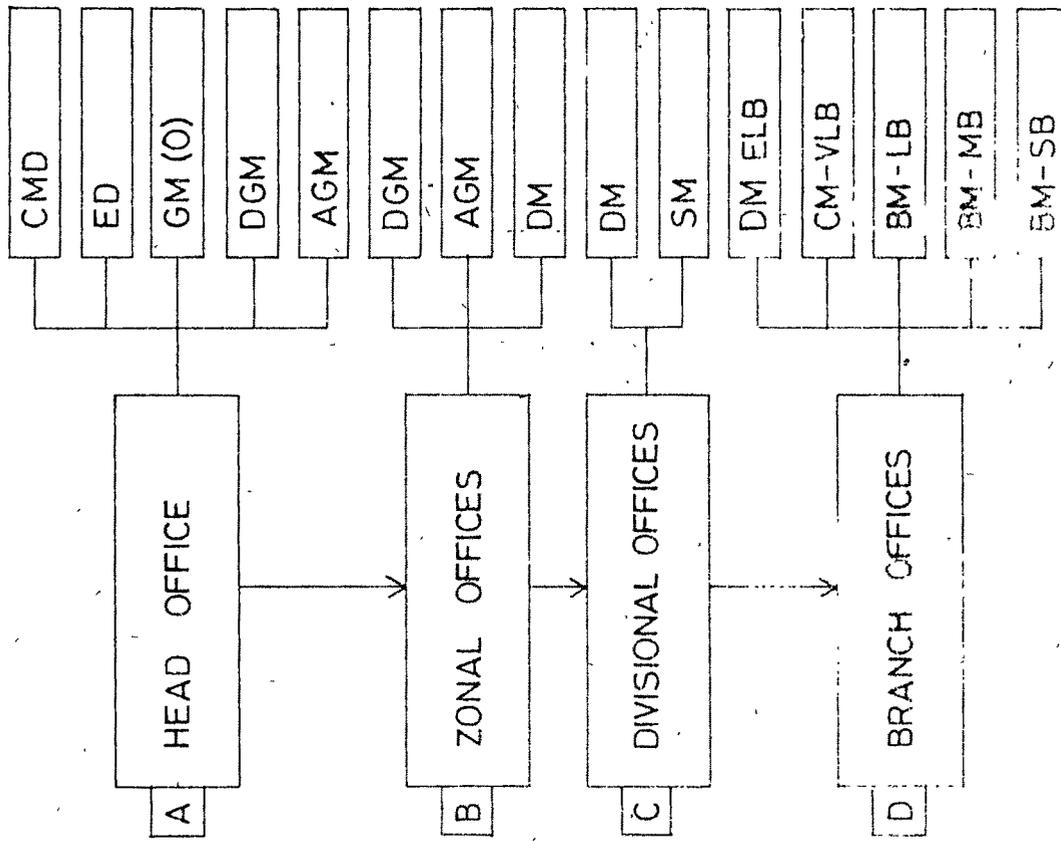
In other words, its total advances are less than 50 per cent of its working funds and constitute only 40.58 per cent of its total assets during the current year. The ratio of total advances to total working funds and total advances to total assets during the base year were 50.90 per cent and 45.13 per cent respectively. The decline in these ratios in the current year over the base year has been responsible for low growth in the spread during the period.

#### ORGANISATION AND DECISION CENTRES

The internal organisation of this bank designed for lending function is illustrated in Figure. 4.1

**FIGURE 4:1**

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



- CMD - Chairman and Managing Director.
- ED - Executive Director.
- GM (O) - General Manager (Operations).
- DGM - Deputy General Manager.
- AGM - Assistant General Manager.
- DM - Divisional Manager.
- SM - Senior Manager.
- CM VLB - Chief Manager of Very Large Branch.
- BM - Branch Manager.
- LB - Large Branch.
- MB - Medium Branch.
- SB - Small Branch.

This bank has four tier internal organisational structure consisting of Head Office, Zonal offices, Divisional offices and Branch offices. At present it has five Zonal offices, twenty three Divisional offices and more than seven hundred branches. It has two branches in the city of Vadodara. It's branch structure is split up into five categories as shown below, which is based on average aggregate deposits and advances for last two years :

- (a) Exceptionally Large Branch has average aggregate of deposits and advances of Rs. 100 crores and above.
- (b) Very Large Branch has average aggregate of deposits and advances of Rs. 15 crores and above but below Rs. 100 crores.
- (c) Large Branch has average aggregate of deposits and advances of Rs. 7.5 crores and above but below Rs. 15 crores.
- (d) Medium Branch has average aggregate of deposits and advances of Rs. 1.5 crores and above but below Rs. 7.5 crores. It also includes Main Branches at State capitals/ District Head Quarters, irrespective of their business.
- (e) Small Branch has average aggregate of deposits and advances below Rs. 1.5 crores.

Hence, the categorisation of branches change as per volume of business handled for last two years. Accordingly a person with appropriate designation is posted in charge of a particular branch. For example, a person of the rank of AGM is made incharge of exceptionally large branch. Divisional Manager is

working at very large branch also. Similarly, chief manager and senior manager are ranking below divisional manager.

At the bottom level managers are posted at large branch, medium branch or small branch as per the seniority of the incumbent.

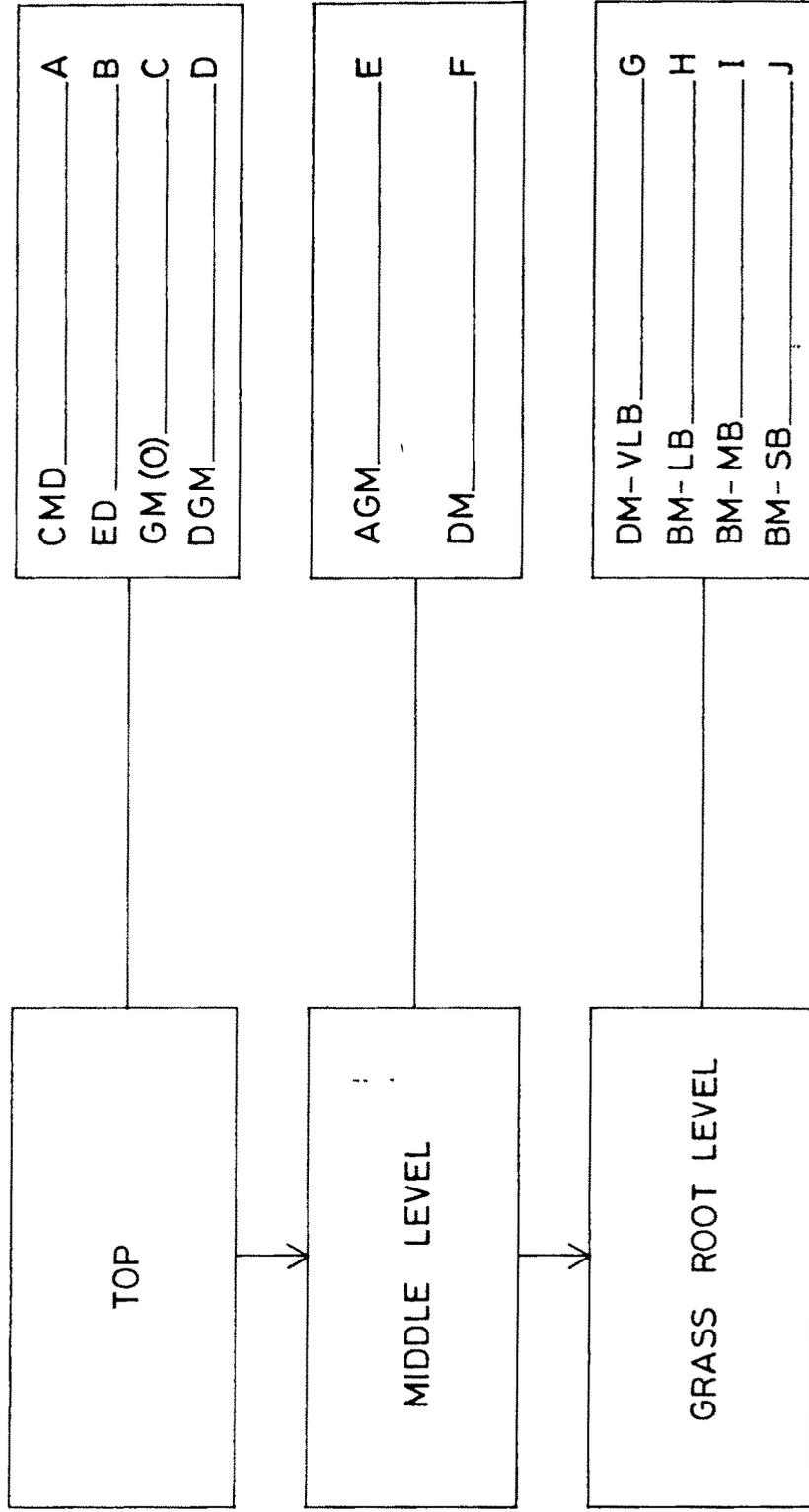
As is evident from Figure 4.1, there are five functionaries from CMD to AGM operating at Head office, three functionaries at Zonal office, two at Divisional office and again five at branch level.

On the basis of information contained in Figure 4.1 and keeping in view the extent and magnitude of delegation of lending powers in this bank, the functionaries from top to bottom have been identified as 'Decision centres' for a detailed analysis of delegated lending powers. There are ten main functionaries engaged in lending operations in this bank, who are taken up for a detailed study here.

**FIGURE 4:2**

DECISION CENTRES IN 'R BANK' FOR EXERCISING MDLPs - CLASSIFIED INTO HIERARCHY LEVELS IN DESCENDING ORDER.

HIERARCHY LEVELS OF MANAGEMENT. FUNCTIONARIES AND THEIR DECISION CODES USED IN ANALYSIS.



GM(O) - General Manager (Operations)

Figure 4.2 shows clearly as to how the different functionaries of this bank are classified as per the levels of management to which they belong, like top level, middle level and grass root level and each one of them is allotted a decision centre code. Hence forth only decision codes shall be referred to indicate the different designations in our analysis. In this bank, lending powers have been delegated in accordance with the types of advances classified as per 'security' offered by the borrowers. As such, all the important types of advances like (i) Unsecured (ii) Secured (iii) Discounting and purchase of Bills/Cheques (iv) Letters of credit, and (v) Guarantees are taken up for a detailed analysis. Powers are also delegated separately for agricultural advances and business abroad but these powers are not in conformity with our security-wise classification of advances especially the agricultural advances and lending powers for business abroad are not allotted to all functionaries. Hence, they are not used in our analysis.

Figure 4.3 depicts the components of each major category of advances.

Figure 4.3

Components of Various Types of Advances.

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- (1) Unsecured Advances    Loans and advances which are not include -                    sanctioned on the basis of tangible security of the borrower.

- (ii) Secured Advances include - Loans and advances sanctioned against Bank's own term deposit, Government and Trustee Securities; stock exchange securities, LIC Policies, NSC etc; pledge of goods or documents of title to goods; hypothecation of goods, machines, equipments, vehicles etc; Mortgages; Book Debts and Receivables; Trust Receipts; Hire purchase/lease documents; estate development loans etc.
- (iii) Discounting and Purchase of Bills / cheques include - Loans and advances against clean demand trade bills; documentary D/P and D/A Bills, supply bills on Government and semi-government bodies, public undertakings and reputed companies; third party cheques; clean usance bills, bills accepted by other banks, bills against confirmed and irrevocable LCs and bills of machinery manufacturers/dealers, accepted by other banks.
- (iv) Letters of Credit include - Letters of credits on D/A Terms and D/P Terms.
- (v) Guarantees include - D.P. Guarantees/co-acceptance of usance bills by banks fully secured by plant-

machinery etc. with margin of not less than 25 per cent on the invoice value inclusive of margin provided to the supplier (cash margin provided to the bank should not be less than 10%) and guarantees which are partly secured/unsecured (with minimum margin of 5 per cent).

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For the purpose of examining the extent<sup>e</sup> and magnitude of lending powers, the same methodology is used as in case of 'Q Bank' for the purpose of selection of Decision Centres, coding of DCs and computing lending powers.

SECTION - IIANALYSIS OF DELEGATED POWERS AT DECISION CENTRES

After explaining the profile of the bank, its organisation and Decision Centres and components of advances, we now proceed to analyse the delegated lending powers of all the Decision Centres of this bank i.e. 'A' to 'J'. The MDLP at each decision centres has been analysed at two points of time namely the base year and the current year for all the important types of advances as described in Figure 4.3. The Table 4.2 describes the delegated lending powers at decision centre 'A' which is at the apex of the top management level of the bank.

Table : 4.2 MDLP AT DECISION CENTRE 'A'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	7.50 (2.55)	10.00 (1.23)	2.50	33.33
Secured Advances	100.00 (35.39)	300.00 (37.03)	200.00	2
Discounting and purchase of Bills/ Cheques	100.00 (35.39)	300.00 (37.03)	200.00	200.00
Letters of Credit	25.00 (8.84)	100.00 (12.34)	75.00	300.00
Guarantees	50.00 (17.50)	100.00 (12.34)	50.00	100.00
Aggregate	282.50	810.00	527.50	186.72

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

If we view the highest growth rate from Table 4.2, it is in the category of Letters of Credit i.e. 300 per cent, though in absolute terms, it comes second among all categories of advances. The second highest growth is recorded by Secured advances and discounting and purchase of Bills/cheques, which is 200 per cent over a period of nearly five years. It is followed by unsecured advances and then guarantees. Taking the position in absolute terms, during current year, the secured advances and DPBC rank first followed by letters of credit and Guarantees. The unsecured advances have the last position in the rank where the absolute amount is only Rs. 10.00 lakhs. The aggregate MDLPs of this DC have increased by a sizeable amount of Rs. 527.50 lakhs constituting an increase of 186.72 per cent. Table

Table 4.3 shows the delegated lending powers for different type of advances at decision centre 'B'

Table : 4.3 MDLP AT DECISION CENTRE 'B'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	5.00 (2.35)	7.50 (1.32)	2.50	50.00
Secured Advances	75.00 (35.29)	200.00 (35.24)	125.00	166.66
Discounting and purchase of Bills/cheques	75.00 (35.29)	200.00 (35.24)	125.00	166.66
Letters of Credit	20.00 (9.41)	80.00 (14.09)	60.00	300.00
Guarantees	37.50 (17.64)	80.00 (14.09)	42.50	133.33
Aggregate	212.50	567.50	355.00	167.05

Note: Fig. in brackets indicate % of aggregate powers of the same year.

This centre occupies second position at the top level management of the bank. The composition of this centre's ALP shows that both the secured advances and the DPBC have equal share of 35.24 per cent each, of the ALP. The second position is again occupied by the secured advances and by the L/Cs and guarantees to the extent of 14.9 per cent each, of ALP of this decision centre. The minimum share in the ALP is that of the unsecured advances, which constitute a meagre 1.32 per cent of the ALP in the current year. Taking the change in current year over the base year in absolute terms, it is highest in case of secured advances and DPBC, followed by Letters of Credit, Guarantees, and unsecured advances, respectively. However, the percentage growth is again maximum in case of L/Cs like decision centre 'A'. The overall increase, in the NDLPs of this centre is Rs. 355 lakhs, constituting a growth of 167.05 per cent over its base year position.

Table 4.4 depicts the NDLP position of decision centre 'C', which also belongs to the top level of management.

Table : 4.4

MDLP AT DECISION CENTRE 'C'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	3.00 (2.09)	5.00 (1.26)	2.00	66.66
Secured Advances	50.00 (34.96)	150.00 (37.97)	100.00	200.00
Discounting and purchase of Bills/ cheques	50.00 (34.96)	150.00 (37.97)	100.00	200.00
Letters of Credit	15.00 (10.48)	40.00 (10.12)	25.00	166.66
Guarantees	25.00 (17.48)	50.00 (12.65)	25.00	100.00
<b>Aggregate</b>	<b>143.00</b>	<b>395.00</b>	<b>252.00</b>	<b>176.22</b>

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

The table reveals that at the base year secured advances and DPBC, each having a share of 34.96 per cent in the aggregate lending powers of the decision centre were having the highest MDLP followed by Guarantees, L/C and clean advances. In the current year also the pattern remains unchanged although the MDLPs for all types of advances have been changed in the range of 66 per cent to 200 per cent. The percentage of increase in the ALP of this decision centre is almost identical to its previous two decision centres. Having examined the position of first three decision centres belonging to the top level management, we now take on the decision centre 'D' which is at the bottom of the top level management.

Table : 4.5 MDLP AT DECISION CENTRE 'D'

Advances Category	M.D.L.F. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	1.50 (1.59)	3.00 (1.05)	1.50	100.00
Secured Advances	30.00 (31.91)	100.00 (35.27)	70.00	233.33
Discounting and purchase of bills/cheques	30.00 (31.91)	100.00 (35.27)	70.00	233.33
Letters of Credit	20.00 (21.27)	50.00 (17.63)	30.00	150.00
Guarantees	12.50 (13.29)	30.50 (10.75)	18.00	144.00
Aggregate	94.00	283.50	189.50	201.59

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

It is evident from the above table that the maximum share in the ALP during both the base year and the current year is that of secured advances and DPBC, followed by L/C, guarantees and lastly the unsecured advances. The percentage change in current year over base year is also in the same order so far as different categories of advances are concerned. However the ALP at this decision centre has increased by 201.59 per cent which is a little higher than its all the previous three decision centres. After analysing the lending powers of all the four decision centres belonging to the top level management, we now shift to the decision centres belonging to the middle level management.

Table : 4.6 MDLP AT DECISION CENTRE 'E'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	0.75 (1.25)	1.00 (0.71)	0.25	33.33
Secured Advances	20.00 (33.47)	50.00 (35.84)	30.00	150.00
Discounting and purchase of Bills/cheques.	20.00 (33.47)	50.00 (35.84)	30.00	150.00
Letters of Credit	12.00 (20.08)	25.00 (17.92)	13.00	108.33
Guarantees	7.00 (11.71)	13.50 (9.67)	6.50	92.85
Aggregate	59.75	139.50	79.75	133.47

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

The above table depicts lending powers of the decision centre 'E'. Here, the MDLPs have risen minimum in case of unsecured advances i.e. Rs. 0.25 lakhs and maximum i.e. by 30 lakhs in case of secured advances and DFBC each during the period of our analysis. The ALP of this decision centre has been <sup>or</sup> raised by 133.47 per cent over that of base year. It may be recalled that the rise here is of much smaller order as compared to the rise of all the decision centres belonging to the top level management, which increased by the range of 167 per cent to 200 per cent approximately. Having examined the MDLPs of this decision centre, we now proceed to another decision centre belonging to the same level of management.

Table : 4.7

MDLP AT DECISION CENTRE 'F'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	0.50 (1.25)	0.50 (0.71)	Nil	00
Secured Advances	15.00 (37.50)	25.00 (35.71)	10.00	66.66
Discounting and purchase of bills/ cheques	15.00 (37.50)	25.00 (35.71)	10.00	66.66
Letters of Credit	6.50 (16.25)	12.00 (17.14)	5.50	84.61
Guarantees	3.00 ( 7.50)	7.50 (10.71)	4.50	150.00
Aggregate	40.00	70.00	30.00	75.00

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

The table 4.7 gives us the position of MDLPs of decision centre 'F' which is at the bottom of the middle level management of this bank. Here, also the share of different categories of advances in the ALP is on the same pattern i.e. the highest in case of secured advances and DPBC, followed by L/C, guarantees and lastly unsecured advances, which has 0.71 per cent of ALP during the current year. There is no change at all in case of unsecured advances of this decision centre unlike all the higher decision centre examined so far. <sup>Having</sup> examined the position of both the decision centres of the middle level management, it is now the turn of the grass root level management.

Table : 4.8

MDLP AT DECISION CENTRE 'G'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	0.25 (1.26)	0.25 (0.91)	Nil	00
Secured Advances	7.50 (37.97)	10.00 (36.69)	2.50	33.33
Discounting and purchase of Bills/ Cheques.	7.50 (37.97)	10.00 (36.69)	2.50	33.33
Letters of Credit	3.00 (15.18)	3.00 (11.00)	Nil	00
Guarantees	1.50 (7.59)	4.00 (14.67)	2.50	166.66
Aggregate	19.75	27.25	7.50	37.97

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

As is evident from the table, even at the apex tier of the grass root level of management, the delegated powers have remained unchanged during the period of our study in respect of unsecured advances and the letter of credit. The MDLP of secured advances and DPBC have increased from Rs. 7.50 lakhs to Rs. 10 lakhs. It means the rise in the delegated lending powers in each of the above two cases has been 33.33 per cent only. However, the MDLP in case of guarantees have increased from Rs. 1.50 lakhs in base year to Rs. 4 lakhs in current year. Although the delegated lending powers in respect of all the three types of advances viz., the secured advances, DPBC and L/C have increased by Rs. 2.50 lakhs in each case, the percentage change in respect of guarantees

appears very high in case of guarantees compared to the other two types for the simple reason that the powers at the base year were very low at this decision centre. The ALP has increased by Rs. 7.5 lakhs only giving a percentage change of 37.97. The pattern of the delegated powers has not changed during the period. The share or secured advances and DPBC in the current year ALP of this centre is 36.69 per cent in each case followed by guarantees, L/C and Unsecured advances.

Thus, it can be inferred that at this grass root level decision centre, the delegation of powers is much less and the change in the delegated powers during the period is also much less compared to the decision centres at the middle and top levels of management. Now we turn to the next lower level decision centre belonging to the same level of management which is given in Table 4.9.

Table : 4.9 MDLP AT DECISION CENTRE 'II'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	0.07 (0.66)	0.20 (0.93)	0.13	185.71
Secured Advances	5.00 (47.30)	10.00 (46.72)	5.00	100.00
Discounting and purchase of Bills/cheques	5.00 (47.30)	10.00 (46.72)	5.00	100.00
Letters of Credit	Nil	Nil	Nil	-
Guarantees	0.50 (4.73)	1.20 (5.60)	0.70	140.00
Aggregate	10.57	21.40	10.83	102.45

Note : Figures in brackets indicate % of aggregate powers of the same year.

This Decision Centre is the second decision centre of the grass root level management. Its lending powers have increased in case of all types of advances, except for L/Cs, where this decision centre is not given any power in base year and current year as well. The highest growth is in case of unsecured advances i.e. 135.71 per cent, followed by guarantees 140 per cent, secured advances and DPFC each have risen by 100 per cent. The share of secured advances and DPFC types of advances in ALP have decreased slightly, whereas it has increased in case of unsecured advances and guarantees. The ALP of this decision centre has increased by 102.45 per cent, which is fairly impressive but again the reason seems to be low powers at the base year. Now it is turn of decision centre 'I', which is given in Table No. 4.10.

Table : 4.10                      MDLP AT DECISION CENTRE 'I'

Advances Category	M.D.L.P. (₹. in Lakh)		Change in Amount (₹. in Lakh)	Change %
	Base Year	Current Year		
Unsecured Advances	0.07 (0.95)	0.10 (0.93)	0.03	42.85
Secured Advances	3.50 (47.81)	5.00 (46.72)	1.50	42.85
Discounting and purchase of Bills/cheques	3.50 (47.81)	5.00 (46.72)	1.50	42.85
Letter of Credit	Nil	Nil	Nil	Nil
Guarantees	0.25 (47.81)	0.60 (5.60)	0.35	140.00
<b>Aggregate</b>	<b>7.32</b>	<b>10.70</b>	<b>3.38</b>	<b>46.17</b>

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

The Table above depicts the MDLPs of decision centre 'I'. Here also, the overall trend of growth is found in of different types advances in current year over base year in all types of advances except L/C, where there was no lending power at all in base year as well as current year. The highest growth is found in case of guarantees, which is 140 per cent, while unsecured advances, secured advances and DPBC have risen by 42.85 per cent. The share of every type of advance except unsecured advances in the ALP of current year shows a decline, which is very unusual trend compared to all the previous decision centres. Having overviewed all the decision centres of grass root level now we analyse the decision centre 'J', which is at the bottom of the grass root level as well as the Bank.

Table : 4.11 MDLP AT DECISION CENTRE 'J'

Advances Category	M.D.L.P. (Rs. in Lakh)		Change in Amount (Rs. in Lakh)	Change (%)
	Base Year	Current Year		
Unsecured Advances	0.07 (1.71)	0.08 (1.25)	0.01	14.28
Secured Advances	2.00 (49.14)	3.00 (47.02)	1.00	50.00
Discounting and purchase of bills/ cheques	2.00 (49.14)	3.00 (47.02)	1.00	50.00
Letter of Credit	Nil	Nil	Nil	Nil
Guarantees	Nil	0.30 (4.70)	0.30	-
Aggregate	4.07	6.38	2.31	56.75

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

The table above depicts MDLPs of this decision centre, where lending powers have increased in all types of advances except L/C again. The range of increase has been within 14.28 per cent to 50 per cent. If we view the share of different types advances in the ALP during the period of our review, the unusual trend noticed at the previous decision centre i.e. decline in current year over base year continues. The ALPs have also registered a growth of 56.75 per cent little more than its immediate higher decision centre 'I'.

Table No. 4.12 Changes in MDLP at different Decision Centres during the period of analysis.

Advances Category	DECISION CENTRES									
	(Amt. Rs. in Lakhs)									
	Top Level		Middle Level			Grass Root Level				
A	B	C	D	E	F	G	H	I	J	
1. Unsecured Advances	2.50 (33.33)	2.50 (50)	2.00 (66.66)	1.50 (100)	0.25 (33.33)	Nil (00)	Nil (00)	0.13 (185.71)	0.03 (42.85)	0.01 (14.28)
2. Secured Advances	200.00 (200)	125.00 (166.66)	100.00 (200)	70.00 (233.33)	30.00 (150.00)	10.00 (66.66)	2.50 (33.33)	5.00 (100.00)	1.50 (42.85)	1.00 (50.00)
3. Discounting and Purchasing of Bills / Cheques.	200.00 (200)	125.00 (166.66)	100 (200)	70.00 (233.33)	30.00 (150.00)	10.00 (66.66)	2.50 (33.33)	5.00 (100.00)	1.50 (42.85)	1.00 (50.00)
4. Letters of Credit.	75.00 (300)	60.00 (300)	25.00 (166.66)	30.00 (150.00)	13.00 (108.33)	5.50 (84.61)	Nil (00)	8.00	5.00	3.75
5. Guarantees.	50.00 (100)	42.50 (133.33)	25.00 (100)	18.00 (144.00)	6.50 (92.85)	4.50 (150.00)	2.50 (166.66)	5.30 (81.53)	3.70 (86.04)	2.70 (90.00)
Aggregate	527.50	355.00	252.00	189.50	79.75	30.00	7.50	23.43	11.73	8.46

Note : Figures in brackets indicate percentage of change.

Having examined all the ten Decision Centres from 'A' to 'J' we can conclude that so far as MDLPs of unsecured advances are concerned it is only in case of Decision Centre 'F' and 'G' which are not benefitting from enhanced powers. In other words, their same powers of the base year continue even in current year. In the matter of secured advances, all the decision centres benefit from the enhanced limits. The decision centres belonging to the top level of management have highest rise in MDLP, the middle level decision centres have smaller share of increase and the decision centres belonging to grass root level have the least increase in their MDLPs. In absolute terms there has been an increase in the MDLP of the four grass root level decision centres in the range of Rs. 2.31 lakhs to Rs. 10.83 lakhs.

It may be observed from the table that the change at decision centre 'H' is more than the change at decision centre 'G', which is a higher level centre. This can be explained by two observations viz. (1) the powers of decision centre 'H' at the base year in respect of secured advances and DPBC were of Rs. 5 lakhs for each, while the same were Rs. 7.50 lakhs each for decision centre 'G'. Thus at the base year the powers were higher at Rs. 2.50 lakhs in each case compared to the powers of decision centre 'H'. (2) During the current year, the powers in respect of secured advances and DPBC have been raised to Rs. 10 lakhs for each at both the decision centres and these two decision centres have been brought at par for two categories of advances mentioned above. It is very clearly

visible from the table that compared to the grass root level decision centres the MDLPs have been increased by much higher amount at the middle level decision centres. By the maximum increase at grass root level has been by Rs. 10.83 lakhs, at the middle level decision centres the increase has been of Rs. 30 lakhs at decision centre 'E', it is by about Rs. 80 lakhs. It can thus be inferred that at the grass root level the powers are not only very less but the increase over the period has also been very less compared to the middle and top level decision centres. Further, at the top level decision centres, the powers have increased in the range of Rs. 189.50 lakhs Rs. 527.50 lakhs. It means that even in terms of change in powers, there is very high concentration at top level decision centres. Such a situation should naturally attract more proposals for sanction at middle and top level decision centres, whereas the approach should be to ensure that minimum possible credit facility proposals have to go beyond the grass root level decision centres. The observation made on the basis of Table 4.12 can further be substantiated by the analysis given in 4.13.

Table : 4.13

DISTRIBUTION OF AGGREGATE LENDING POWERS OF ALL AUTHORITIES OF  
'R BANK' CENTRE WISE

Levels of Management	Aggregate Lending Powers (Rs. in Lakhs)		Change in current year over base year	
	Base Year	Current Year	Amount (Rs. in Lakhs)	%
Top	732.00 (83.80)	2056.00 (88.19)	1324.00	180.87
Middle	99.75 (11.14)	209.50 (8.98)	109.75	110.02
Grass Root	41.71 (4.77)	65.73 (2.81)	24.02	57.52
Aggregate	873.46	2331.23	1457.77	166.89

The table reveals that the ALPs at the top level decision centres together are more than 88 per cent of the total of ALP of all the ten decision centres. At the grass root level the total powers of all the four decision centres taken together are only 2.8 per cent of the aggregate powers of all the decision centres. The situation at the middle level management is also not very happy, as both the decision centres taken together about 9 per cent of the ALP of all the decision centres of the abank. It means that upto 20 level functionaries do not enjoy adequate powers and all the proposals above Rs. 50 lakhs even in case of secured advances have to go to the top level decision centres for sanction. There is a need for the bank to review its delegation policy to ensure that a very small number of proposals reach the top level management decision centres for consideration and sanction.

SECTION - IIIEXTENT AND MAGNITUDE OF DELEGATION

For the purpose of finding out the magnitude of delegation starting from Decision Centre 'A' to 'J', the data of MDLPs for different categories of advances have been put on a matrix type of table. Since the Board of Directors have unlimited powers, for the purpose of our analysis, we have taken the MDLPs starting from the next functionary of the bank, whom we have coded as decision centre 'A'. For analysing the extent and magnitude of delegation, we have used the same methodology making the use of matrix type of table to find out relative position of each Decision Centre to another at the same level of management as well as other levels. The Table 4.14 contains a detailed analysis of unsecured advances.

Table No. 4.14

EXTENT AND MAGNITUDE OF MDLP FOR UNSECURED ADVANCES

Levels of Management	Extent of Delegation Decision Centres	MDLP (Rs. in Lakh)	Magnitude of Delegation as percent of higher decision centres.										
			Top				Middle		Grass Root				
			A	B	C	D	E	F	G	H	I	J	
Top	A	10.00	-										
	B	7.50	75.00	-									
	C	5.00	50.00	66.	-								
	D	3.00	30.00	40.00	60.00	-							
Middle	E	1.00	10.00	13.33	20.00	33.33	-						
	F	0.50	5.00	6.66	10.00	16.66	50.00	-					
Grass Root	G	0.25	2.50	3.33	5.00	8.33	25.00	50.00	-				
	H	0.20	2.00	2.66	4.00	6.66	20.00	40.00	80.00	-			
	I	0.10	1.00	1.33	2.00	3.33	10.00	20.00	40.00	50.00	-		
	J	0.08	0.80	1.06	1.60	2.66	8.00	16.00	32.00	40.00	80.00	-	

This table depicts extent and magnitude of MDLPs highlighting many significant facts. Firstly, it shows that all the four decision centres of grass root level together handle borrowal proposals of the amounts ranging from Rs. 8,000/- to Rs.25,000/- only, though these decision centres deal directly with the borrowers. Even if we compare those MDLPs of the next higher level management tier, the MDLPs of those two decision centres belonging to middle level of management are ranging between Rs. 50,000/- to Rs. 1 lakh. The Decision Centre 'F', which is immediate higher Decision Centre to 'G' enjoys exactly the double MDLPs of Decision Centre 'G'. Decision Centre 'E' in turn processes four times the powers of Decision Centre 'G'. In other words, the powers to decision centres belonging to the top management level are increasing at even more progressive rate. There seems to be very conservative attitude on part of management of the bank so far as the question distributing lending powers to especially to the decision centres belonging to grass root level is concerned. Now, it is the turn of secured advances.

Table No. 4.15

## EXTENT AND MAGNITUDE OF MDLP FOR SECURED ADVANCES

Levels of Management	Extent of Delegation		Magnitude of Delegation as percent of higher decision centres											
	Decision Centres	MDLP (Rs. in Lakh)	Top				Middle		Grass Root					
			A	B	C	D	E	F	G	H	I	J		
Top	A	300.00	-											
	B	200.00	66.66	-										
	C	150.00	50.00	75.00	-									
	D	100.00	33.33	50.00	66.66	-								
Middle	E	50.00	16.66	25.00	33.33	50.00	-							
	F	25.00	8.33	12.50	16.66	25.00	50.00	-						
Grass Root	G	10.00	3.33	5.00	6.66	10.00	20.00	40.00	-					
	H	10.00	3.33	5.00	6.66	10.00	20.00	40.00	100.00	-				
	I	5.00	1.66	2.50	3.33	5.00	10.00	20.00	50.00	50.00	-			
	J	3.00	1.00	1.50	2.00	3.00	6.00	12.00	30.00	30.00	60.00	-		

The table above shows MDLPs in terms of amounts which are substantially higher than those contained in Table 4.14. Otherwise, the overall trend of distribution of MDLPs at different levels of management is almost identical. The decision centres belonging to grass root level appraise and take final decision of borrowal proposals ranging from Rs. 3 lakhs to Rs. 10 lakhs only though full security has been obtained from the borrower. Whereas there are only two decision centres at middle level, which handle borrowings seenging between Rs. 25 lakhs to Rs. 50 lakhs. In contrast, the lowest decision centre of the top management group has double the sanctioning powers than decision centre 'E' which is immediatly below it, but at the apex of middle level of management. Even at grass root level, Decision Centre 'J' enjoys only 30 per cent, and 60 per cent of the decision centre 'H' and 'I' respectively, although both belong to the same level of management.

Table No. 4.16

EXTENT AND MAGNITUDE MATRIX OF MDLP FOR DISCOUNTING  
AND PURCHASE OF BILLS/CHEQUES FOR CURRENT YEAR

Levels of Management	Extent of Delegation Decision Centres	MDLP (Rs. in Lakh)	Magnitude of Delegation as per cent of higher decision centres											
			Top			Middle			Grass Root					
			A	B	C	D	E	F	G	H	I	J		
Top	A	300.00	-											
	B	200.00	66.66	-										
	C	150.00	50.00	75.00	-									
	D	100.00	33.33	50.00	66.66	-								
Middle	E	50.00	16.66	25.00	33.33	50.00	-							
	F	25.00	8.33	12.50	16.66	25.00	50.00	-						
Grass Root	G	10.00	3.33	5.00	6.66	10.00	20.00	40.00	-					
	H	10.00	3.33	5.00	6.66	10.00	20.00	40.00	100.00	-				
	I	5.00	1.66	2.50	3.33	5.00	10.00	20.00	50.00	50.00	-			
	J	3.00	1.00	1.50	2.00	3.00	6.00	12.00	30.00	30.00	60.00	-		

The above table displays MDLPs of all the decision centres for the purpose of Discounting and Purchase of Bills/Cheques. Since banks generally discount documentary usance bills and purchase cheques drawn by first class parties, having maximum integrity, the risk element is very low. It is perhaps for this reason, that the management of this bank has structured identical powers here also like that of secured advances. Hence, it does not merit separate analysis.

EXTENT AND MAGNITUDE OF MDLPs FOR LETTERS OF CREDIT AND  
GUARANTEES FOR CURRENT YEAR

Levels of Man- agement	Extent of Delegation		Magnitude of Delegation as per cent of higher decision centres											
	Decision Centres	MDLP (Rs.in Lakh)	Top				Middle		Grass Root					
			A	B	C	D	E	F	G	H	I	J		
Top	A	100.00	-											
	B	80.00	80.00	-										
	C	50.00	50.00	62.50	-									
	D	50.00	50.00	62.50	100.00	-								
Middle	E	25.00	25.00	31.25	50.00	50.00	-							
	F	12.00	12.00	15.00	24.00	24.00	40.00	-						
Grass Root	G	4.00	4.00	5.00	8.00	8.00	16.00	33.33	-					
	H	1.20	1.20	1.50	2.40	2.40	4.80	10.00	30.00	-				
	I	0.60	0.60	0.75	1.20	1.20	2.40	5.00	15.00	50.00	-			
	J	0.30	0.30	0.37	0.60	0.60	1.20	2.50	7.50	25.00	50.00	-		

Note : As the lending powers of Letter of Credit and Guarantees are identical at most of the DCs, only higher limit of the two is taken up for analysis.

This table indicates MDLPs pertaining to Letters of Credit and Guarantees for the all the decision centres of this bank. These decline in the MDLPs has been lowest at the top level decision centres, slightly more at middle level and maximum at bottom level decision centres. The comparison of Decision Centre 'J' with Decision Centre 'A' would be meaningless, hence we compare it with decision centres 'E' and 'F' belonging to middle level of management. It brings out the Decision Centres 'J' the lowest at grass root level, enjoys only 1.2 per cent and 2.5 per cent only of the MDLPs of Decision Centre 'E' and 'F' respectively. Even within the same group it possesses only 7.5 per cent, 25.00 per cent of the MDLPs of Decision Centre 'C', which is at the top of the grass root level. The other observations that can be made is that grass root level decision centres handle borrowal proposals concerning Letter of Credit and Guarantees ranging between Rs. 30 lakhs to Rs. 4 lakhs only, the middle level decision centres possess powers for disposing of borrowers' proposals ranging from Rs. 12 lakhs to Rs. 25 lakhs, which the top level decision centres MDLPs range between Rs. 50 lakhs to Rs. 100 lakhs, which is quite disproportionate to the powers of middle and grass root level decision centres. Having completed the analysis through matrix type of tables, we now turn to another type of table.

**Table : 4.18**

**AGGREGATE LENDING POWERS OF ALL AUTHORITIES FOR BASE YEAR AND  
CURRENT YEAR**

Levels of Management	Lending Power Authority	Aggregate Lending Power		Change in Amount (Rs. in Lakh)	Change (%)
		Base Year (Rs. in Lakhs)	Current Year (Rs. in Lakhs)		
Top	A	282.50 (32.34)	310.00 (34.74)	527.50	185.72
	B	212.50 (24.32)	567.50 (24.34)	355.00	167.05
	C	143.00 (16.37)	395.00 (16.94)	252.00	176.22
	D	94.00 (10.76)	283.50 (12.16)	189.50	201.59
Middle	E	59.75 (6.84)	139.50 (5.98)	79.75	133.47
	F	40.00 (4.57)	70.00 (3.00)	30.00	75.00
Grass Rt Root	G	19.75 (2.26)	27.25 (1.16)	7.50	37.97
	H	10.57 (1.15)	21.40 (0.91)	10.83	102.45
	I	7.32 (.83)	10.70 (0.45)	3.38	46.17
	J	4.07 (0.46)	6.38 (0.27)	2.31	46.75
		873.46	2331.23	1457.77	166.90

**Note:** Figures in brackets indicate percentage change of ALP of that particular year only.

This table depicts the aggregate lending powers of all the decision centres from 'A' to 'J' belonging to top level, middle level and grass root level of managements. Here the MDLPs of base year too are given so as to get comparative idea of MDLPs over a time gap of about five years. It is showing almost identical fall in the columns No. 1 and No. 4 i.e. ALP for all types of advances of all the decision centre from 'A' to 'J' are showing a marked decline.

As is evident, the percentage change in MDLP at grass root level is ranging from 37.97 to 56.75. For middle level it is ranging between 75 to 133.47 and for the top level of management, it ranges between 167.05 to 201.59.

If we view the share of ALP of each decision centre in the ALP of that year, we notice that all the four top level Decision Centres share in ALP of both current year is increasing.

Whereas in case of all the decision centres below the top level have declining share in ALP during the base year. This is so despite the fact that in absolute terms MDLPs have increased invariably <sup>over</sup> ~~for~~ the base year. Overall, the ALP of all decision centres have risen by Rs. 1457.77 lakhs i.e. by 166.90 per cent. We take another type of analysis of the ALP for the current year in Table 4.19



This table also depicts the same matter i.e. aggregate lending powers of all the decision centres as in previous table but through different method i.e. matrix type of table. Taking as per level of management first, the grass root level decision centres MDLPs range between Rs. 6.38 lakhs to Rs. 27.25 lakhs only. Here the highest Decision Centres 'C' has only 3, 4, 6 and 9 per cent approximately of its higher decision centres belonging to the top level decision centres. The ALPs of middle group decision centres range between Rs. 70 lakhs to Rs. 139.50 lakhs. While the real contrast is found in case of top level decision centres, which has the share in ALP of all decision centres together to the amount ranging between Rs. 283.50 lakhs to Rs. 810 lakhs. All the decision centres of the top level management have much higher share of its higher decision centres as compared to all the decision centres below belonging to middle and grass root level.

In conclusion for 'R Bank', we can state that MDLPs have increased almost on the same pattern like that of 'Q Bank' i.e. largest share of increased powers have gone to the top level decision centres, slightly less in favour of middle level decision centres and only nominal to the grass root level decision centres. As far as different kinds of advances are concerned, secured advances, DPBC and Letters of Credit have proportionately much bigger share, while in guarantees and unsecured advances, the increase in MDLPs is only nominal.