

Leadership Styles of Bank Managers in Nationalized Commercial Banks of India

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Abstract

Commercial banks are banks engaged in classic business of accepting deposits and giving loans as against merchant banking, where the primary responsibility is to help business by raising loans. NPA's in banks have reduced their profitability and goodwill in the eyes of customers. Leadership styles of Managers' in banks at various levels provide a sound background to the banking industry. Trait, behavioural and situational leadership studies, ability, dynamism, perceptions, attitudes of bank managers are helpful to manage problems in the banks and hence improvement in their performance. The study suggests that to adopt participative leadership style to emphasize state development by infusing at each level of management with a serve of belonging and involvement. Senior level managers should develop work place relationship, which is one of the critical skills, every leader in today's work environment and need to possess.

Introduction

The essence of leadership involves changes that result in accomplishing specific goals. Planning is not representative of leadership, because planning involves providing order for present circumstances. Strategic planning is representative of leadership, because strategic plans prompt future action. Effective leaders are critical to the success of an organization, and leadership development is important in developing good leaders. The development process is not the primary focus of leadership because leadership is a model that includes individual relationships. Successful leaders must be proficient in adjusting the attitudes and actions of followers.

According to the study made by Panchanatham et al. (1993), which is an attempt to know the relationship between leadership styles and problem solving techniques of executives of Public Sector Enterprises, concluded that most of the executives used styles of leadership like democratic, authoritative and free rein etc. The study also suggested designing separate training programmes for problem solving and leadership styles and executives of various branches should be considered equal for development programmes. It is also clear that,

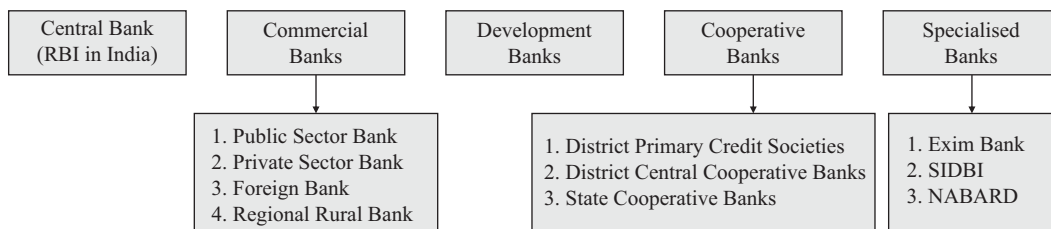
there is no relationship between leadership and problem solving styles. Syed Vazith Hussain (2002) also analyzed various leadership styles in small scale units at micro level. He defined the leadership styles as benevolent, autocrat, consultative, democratic etc. He made a survey of 98 firms; having managers as owners of small scale units and found that owner managers are also using different styles in their business, according to the need of hour, although, they are free to use any style i.e. situational leadership style. The results of the study concluded and favoured, situation of leadership style, which is most effective for best results in the organization. Although, leadership is a new concept and having a confusion, with the term management. There is a big difference between leadership and management, leadership is an attitude and way of working, while management is a process of planning, organizing, directing, motivating and control of individuals, to get designed results. Leadership is the main source of motivation and creates work environment in the large and small organizations as well.

Banking in India

In the new era of globalization; the banking sector has witnessed drastic changes at structural and organizational levels. In the financial sector, banks act as an intermediary to transfer the resources from those, who spend more than their earnings to those who spends less. Banking plays a key role in deciding the best business practices in developing new markets and clients, and creates new products for e-commerce and net-based technologies. The history of banking in India is as old as trade. In ancient Indian literature such as the Vedas and Manusmriti, there are quite a number of references to the indigenous banking system which financed Indian trade and commerce. It was an age when the west had not even evolved the monetary system. Banking however, was a special feature of the economic life of towns in ancient times.

Types of Banks in India

There are various types of banks, which operate in India to meet the financial needs of different categories of people engaged in agriculture, business profession; etc. The main types may be given as follows:



Structure of Commercial Banking

The commercial banking structure in India consists of:

1. Scheduled Banks
2. Unscheduled Banks

The scheduled banks constitute those banks, which have been included in the second schedule of the Bank of India (RBI) Act, 1934. RBI in turn, includes only those banks in this schedule, which satisfy the criteria laid down vide section 42(6)(a) of the Act. The scheduled commercial banks comprise the State Bank of India (SBI) and its Associates, the nationalized banks, private sector banks, foreign banks, cooperative banks and regional rural banks. The unscheduled banks are those banking companies as defined in clause(c) of Section 5, of the Banking Regulation Act, 1949, which are not included in the schedule. These banks can function in all banking sectors. The function of commercial banks may be given as below:

(i) Primary functions, (ii) Secondary functions, (iii) General Utility functions.

Motivation and Problem Statement

The subject of leadership has for a long time occupied a central role in the study of organization and administration. It all started innocently enough with psychological and sociological scheme of the nature of leadership in very general terms. In accordance with the trait, behavioural and situational leadership theories discussed in literature. There are three major trends in leadership studies, in the first phase, leadership is analysed in terms of the personally his behavior, ability, dynamism, perceptions and attitudes. Later, social scientists looked at the pattern of a leader's interaction with others. A major omission from the research literature on leadership is the detailed consideration of situational, structural, and environmental circumstances, which explain variations in leadership style.

Banking Industry in India

The Indian banking industry is one of the largest in the world. The banking sector is the second largest spender on IT, which is also in line with the international scenario. The Indian Public Sector banks started with ALPMS. Slowly, they shifted to branch automation. But they have to move a step further bank automation, where the customer belongs to a bank and not a specific branch, as in some of the foreign and private banks.

Information technology has basically been used under two different avenues in banking- one is communication and connectivity and other is business process reengineering. It enables sophisticated product development, better market infrastructure and implementation of reliable techniques for control of risks and helps the financial intermediary's reach

geographically distant and diversified markets. In view of this, technology has changed the control of the three major functions performed by the banks, access to liquidity, transformation of assets and monitoring of risks. Further, I.T. and communication networking systems have a crucial bearing on the efficiency of money, capital and foreign exchange markets.

Non-Performing Assets

NPA means an asset or account of borrower, which has been classified by a bank or financial institution as substandard, doubtful or loss asset, in accordance with the directions or guidelines relating to asset classification issued by RBI. Various studies have been conducted to analyse the reasons for NPA. What so ever may be, complete elimination of NPA is impossible for the following two reasons:

1. Overhang component
2. Incremental Component

The overhand component is due to environmental reasons, business cycle, etc. The incremental component may be due to internal bank management, credit policy. Terms credit etc. Increase in provision for bad loans save the country's largest leader State Bank of India lost 35% slump in net profit Rs. 2375 crores in the second quarter ended Sept. 2013 NPA (%), was 2.44% in the year 2012, raised to 2.91% in the year 2013. The bank set aside Rs. 2645 crores during the quarter as a cover against potential bad loans for the same period.

Objectives of the Study

After studying problems faced by Banking Industry and Leadership styles, Researcher felt the need of study leadership, to guide banking staff for improvement of the performance of banks. The study may achieve the following objectives:

- (i) To study relationship between managerial positions in the hierarchy and their leadership styles,
- (ii) To test, whether leadership styles depends on size of the organization,
- (iii) To test leadership styles and joining of bank manager's are correlated.
- (iv) To study that personality traits of bank managers affect the leadership styles followed.

Research Methodology

The study is based on primary data collection through questionnaire and personal interviews of the bank managers under study. The study is concerned of leadership styles and role of bank managers at higher levels and satisfaction of customers and bank staff, and their role in improving performance of banks and reducing NPA's. The study has taken, following assumptions, which have been tested at 5% level of significance, using various tests in the study.

Hypothesis

The study is based on the following assumptions as follows:

- H01: There is no relationship among leadership styles and controlling strategies, need-satisfaction and commitment with the organization,
- H02: There is no correlation between manager's position in the hierarchy and their leadership styles.
- H03: Leadership styles and size of the organization are correlated,
- H04: Indian Bank managers do not possess the personality traits of leaders.

Selection of Sample

The study is based on 200 middle and senior level managers of commercial banks, ten in number in Delhi-NCR Region. It includes- S.B.I., Bank of India, Bank of Barod, P.N.B., Canara Bank, Central Bank of India, Indian Bank, Indian Overseas Bank etc. The study is based on Independent variables like- situational variable, personally centred variable etc. Dependent variables have been selected as- leadership styles.

Analysis of Data

Situational Variables

The study has taken H01, which predict a relation between a manager's position in the hierarchy and his leadership style, with senior managers adopting more participative leadership style as compared to junior managers. Table 1 gives means and standard deviation of the leadership style score of managers drawn from five levels of the hierarchy in commercial banks.

Table 1: Leadership Style (Likert) Score of Manager's positioned at different levels of the hierarchy

Scale	No. of Managers	Mean	Standard Deviation	Σx
M.M.G. II	33	2.79	0.38	.07
M.M.G. III	38	2.96	0.39	.06
M.M.G. IV	47	3.27	0.55	.08
S.M.G. V	56	4.15	0.56	.09
S.M.G. VI	26	4.88	0.12	.02

Source: Questionnaire and Interview of Bank Managers

Likert's Score analysis should be interpreted as-

System-1 (Exploitive Authoritarian) covers the range from 1 to 1.99,
 System-2 (Benevolent Authoritarian) covers the range from 2 to 2.99,
 System-3 (Consultative) covers the range from 3 to 3.99, and
 System-4 (Participated) covers the range from 4 to 4.99.

It is evident from the study that none of managers had an authoritarian exploitive style of leadership. A relationship between scale and style is apparent, with middle management Scale II and III, managers having a benevolent authoritarian style, the senior management Scale IV managers having a consultative style, and the managers belonging to the senior management scale V and VI, having a participative leadership style with the later scoring higher than the former within the participative range of 4.00 to 4.99.

To statistically test the hypothesis, an analysis of variance has been done (refer Table 2) using the sum of squares method.

Table value of F for (4,173) d.f. is 3.32, and calculated value is 105.46 (at 5% level of significance) which is much higher than table value. So, the research hypothesis stating that the leadership style of managers varies as they move up in the hierarchy is accepted.

Table 2: ANOVA Table

Sources of Variability	Sum of Squares	Degree of Freedom	Means Square	F
Between scale means	91.12	4	22.78	F = 22.78/.0216
Within scales	37.39	173	0.216	= 105.41

Researcher also analysed the significance of the difference between the means by applying 't' test. The result of the test are presented in Table 3.

Table 3: Difference between in means of leadership style scores of Bank Managers at different levels of the hierarchy

Scales	Means	Difference between means			't' Statistic
		d.f.	tcx	t .05	
Between II and III	2.79-2.96	0.17	69	1.848	>1.28
Between III and IV	2.96-3.27	0.31	83	3.100	>1.28
Between IV and V	3.27-4.15	0.88	81	7.333	>1.28
Between V and VI	4.15-4.88	0.73	58	7.934	>1.28

Source: Questionnaire and Interviews.

The results of the 't' test indicate clearly that the differences in the means of the leadership style scores of managers belonging to different levels of the hierarchy are statistically significant, confirming the finding that managers lower in the hierarchy have a benevolent authoritarian style of leadership, while those, who are senior, have a consultative style and senior most managers have a participative leadership style.

Conclusion

Commercial banks are in the business of providing banking services to individuals, small businesses and large organizations. Today's commercial banks are more diverse than ever. But, there are several problems in the banks which have been discussed earlier and major problems are increase in NPA's control and guidance through RBI. The researcher has taken a problem relating to leadership styles in the commercial banks and their relationship between personality traits, behavior and attributes of bank managers. The study is based upon hypothesis, which have been tested at 5% level of significance, using 't' test and 'F' test. The study has come out with the conclusion that middle level managers have a benevolent authoritarian style, the senior management Scale IV managers have a consultative style, and the managers belonging to the senior management scale V and VI, have a participative leadership style which is clearly indicative that style of leadership varies with the hierarchy of managers.

Major Contributions

The study may make following suggestion to the policy makers, to improve working of the

banks:

- (i) Directive style should be implemented in highly structured group, because this approach is more effective,
- (ii) Senior level managers should develop work place relationship, which is one of the critical skills, every leader in today's work environment need to persons.
- (iii) Bank managers should adopt participative leadership style to emphasize staff development by infusing each level of management with a sense of belonging and involvement. This would require on their parts, consultation with their subordinates and the latter's participation in decision making.

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