

**REPORT OF THE IN-HOUSE GROUP  
ON  
REVIEW OF THE  
ORGANISATIONAL STRUCTURE  
OF  
RESERVE BANK OF INDIA**



**RESERVE BANK OF INDIA  
MANAGEMENT SERVICES DEPARTMENT  
CENTRAL OFFICE  
BOMBAY**

**FEBRUARY 1980**

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SUMMARY OF REPORT ON  
ORGANISATIONAL STRUCTURE  
OF RESERVE BANK OF INDIA

1. Background

1.1. An inter-departmental group of six officers was constituted by the Management Services Department (MSD) in July 1979, with the approval of the Governor, to review the organisational structure of the Bank. Considering the developments leading to its appointment, the Group had the following tasks :

- i) Review the role and responsibilities of the RBI in the context of changes they would go through in next five years or so;
- ii) Review the existing structure and division of functions and suggest appropriate changes to cope with the present and potential demands on the RBI;
- iii) Identify other areas inhibiting optimal performance of the RBI and indicate the measures to be initiated;
- iv) Recommend creation of appropriate Implementation Machinery for the Group's recommendations.

Broad dimensions

1.2 Unlike the other public sector undertakings, the RBI is free from direct parliamentary control. Therefore,

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the Group had to bring to bear on its job, critical assessment normally expected of an outside body.

Organisational performance is dependent on a number of inter-connected factors, viz., leadership, administrative practices, systems and procedures, corporate planning and finally the structure. The Group had to contemplate on their complex relationship along with the proposed structural changes.

Since the ultimate objective of the RBI's monetary and credit policies is to subserve the national economic policy, the organisation of the RBI has to be sensitive, dynamic and quick to perceive any changes and translate these into appropriate reviews of its multi-farious activities.

The scope of the study thus covered three aspects, viz. organisational structure, planning and control system and management development.

## 2. Indicators of role of RBI in next five years

2.1 The Group assumed that the RBI's role and responsibilities basically would remain unchanged during the next five years except that it may have to concentrate more on some of the promotional and developmental tasks like, creation of 'Data Bank', promoting genuine bill market, bringing indigenous bankers within monetary

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discipline, setting up institutional framework for manpower planning, training and development of bank personnel, designing costing norms, etc.

2.2 Projections in regard to few key economic indicators revealed that during the next 5 years :

- i) The number of commercial bank branches would increase by 11000 to 41500.
- ii) bank deposits and credit will double to Rs.53,550 and 37,000 crores respectively.
- iii) there will be increase of about 50% to 75% in respect of outstanding public debt, government transactions put through RBI and number of cheques cleared through RBI clearing houses.
- iv) pieces of currency notes in circulation and of soiled notes received would increase by over 60% to 12,500 and 17,300 millions respectively.

2.3 1980s would see intensification of many structural changes, viz., shift in branch banking in favour of rural and semi-urban areas, lending to small and decentralised sectors and involvement of banks in currency management, Government transactions; exchange control etc.

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2.4 Some of the RBI's major problems and those which are likely to assume serious proportions in the years to come are :

i) Currency Management

The system is virtually on the verge of a breakdown. Some immediate steps have to be taken like (a) organisation of peripatetic teams for destruction of notes on decentralised basis; (b) increasing the percentage of notes destroyed under Modified Procedure; (c) enhancement of note destruction capacity.

Some of the long term solutions to be tried are : (a) increasing storage capacity at the RBI vaults and chests; (b) rationalising work norms and systems; (c) constructing more incinerators; (d) delegation of work of destruction of notes upto Rs.5/- denomination to the larger chests on a selective basis; (e) replacement of Re.1/- notes by rupee coins of lighter weight; (f) delegation of more powers to the banks for exchanging mutilated/defective notes; (g) opening of more Issue Offices, if necessary, to rationalise workload.



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ii) Retailing Functions

In regard to the three main areas of our retailing functions, viz. handling Government transactions, servicing of public debt, and exchange control administration, the RBI will have to use the vast commercial banking network and take steps for further delegation of powers to banks. While doing this, aspects such as convenience of public, compliance of statutory obligations and safety of public interest etc. should be taken into account.

iii) Supervision and control of banks

The RBI should make its inspection complementary to the internal inspection of the banks. It should concentrate more on the banks' internal system of checks and control, supervision over branches, enunciation and execution of policies in alignment with RBI guidelines, systems and procedures rationalisation etc. so that the RBI inspections become quick, incisive and more useful to the banks. For this the philosophy, scope, contents and methodology of inspections will require a drastic review.

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2.5 The staff strength of the RBI in 1984 would go up from 32000 to 39800 (approx.), if the past trend is maintained and there is significant rationalisation of work and delegation of authority to banks in "retailing" areas.

### 3. Principles of Reorganisation

- i) Central Office departments should only deal with strategy, policy formulation and control functions. All operational decisions should, as far as possible, be taken at the branches.
- ii) Branches would become focal points and, therefore, they require to be upgraded and vested with more powers.
- iii) Central Office departments should be compact, viable, task-oriented and encompass activities of allied nature.
- iv) Management control may be exercised through initiation of Planning and Appraisal System.

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- v) Productivity, cost consciousness, systems review, research and statistics - all these play vital role in the overall organisational performance, and therefore, have to be given their due importance and place in the organisational set up.
- vi) Organisational effectiveness depends on excellence of managerial cadre. Therefore, the organisational set up and administrative practices should be conducive to management development.

#### 4. Branch set up

The organisational set up of the Branches requires to be revamped to restore to them the final authority on almost all the operational matters and achieve integration of various functions performed at the Branches. The main features of the proposed model will be :

- i) Manager will be overall chief and co-ordinator of all the functions at the Branch. He would be relieved of direct day-to-day responsibility relating to some functions attended to by him at present, by providing separate posts of senior officers to head the Banking Department, Personnel Department etc. at the Branch.

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- ii) Decisions on operational matters would be taken at the local level either by the concerned departmental in-charge or by the Manager (in very few cases).
- iii) Substantial delegation of powers on functional, financial and administrative matters may be attempted by each Central Office department to enable the Branches to discharge their enlarged role.
- iv) Manager at each Branch should be provided with "Staff" support in the form of specialists from various fields like Economics and Statistics, O & M, Planning and Budgeting and Legal Advice.
- v) Manager should be accountable for all aspects of work at the Branch and report to EDs/DGs in respect of the work under their respective jurisdiction.
- vi) Participation of Managers in policy formulation may be attempted by a system of monthly D.O. letters (free style) to be written by the Manager to the Governor; quarterly meetings with the EDs/DGs for appraisal and review in connection with the

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annual work plan; and through other forums, visits, meetings, and conferences.

- vii) Instead of four Local Boards at metropolitan centres, each Branch may have an Advisory Council consisting of 4 or 5 acknowledged experts representing the Chambers of Commerce and Industry, Professionals, Agriculture, Small scale industries and Commercial, Cooperative and Regional Rural Banks. The responsibility of the Council will be to aid and advise the local Manager on the development of the area under his jurisdiction within the overall policy and development programme outlined by the Central Office.
- viii) Status of Managers may be raised. For offices like Delhi, Bombay, Calcutta and Madras status could be comparatively higher.
- ix) Designation of Manager may be changed to reflect his enlarged role and responsibility.
- x) Suitable background training for officers in the initial year/s may be necessary; a cadre of Managers may have to be selected in advance.

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xi) Status of Currency Officers, Treasurers and other departmental heads at the Branches requires to be suitably upgraded to cope with the increase in the volume and complexity of their responsibilities.

The strengthening of the Branch set up will result in substantial improvement in customer service and greater degree of area-input in the policy formulation function of the various departments. It will also help the Bank to develop and groom officers for topmost positions.

#### 5. Central Office Departments Set up

5.1 The Group feels that the existing large and unwieldy departments create a sense of alienation and hamper their functioning. Relatively small functional departments would have many advantages like, unity of command, clarity in roles and objectives, optimum scope for specialisation fixing of responsibility, etc. Based on the principles outlined, following changes in the departments in Central Office have been recommended.

#### Credit Planning and Banking Development Cell

5.2 Appropriate to its role and importance, this Cell may be given the status of a department and called Credit Planning and Policy Department. The work on banking policy regarding the regional and sectoral deployment of

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funds may be transferred from DBOD to this department. The work of compilation of BSR tables may be transferred to the proposed Department of Data Bank.

Department of Banking  
Operations and Development

5.3 The department may be reconstituted into 3 departments :

i) Industrial Credit Department

It will look after the Credit Authorisation Section, Committee of Direction Cell, Sick Industrial Units Cell and Export Credit Cell of DBOD as well as the work attended to in ACD on credit authorisation. This is being separated from DBOD to give this task clear focus and the attention it deserves.

ii) Regional Rural Banks Department

The work of operations and inspections of regional rural banks will be attended to by the Rural Planning and Credit Cell to be re-christened as the RRB Department. The work of the District Credit Plans may, however, be transferred from RPCC to DBOD as the latter department already deals with

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the Lead Bank Scheme which is closely connected with the District Credit Plans.

iii) Department of Banking Operations and Development

This will attend to the remaining functions. It will have 3 wings, viz., Development, Operations and Inspections.

Agricultural Credit Department and Agricultural Refinance and Development Corporation

5.4 No change is recommended in view of the proposal for setting up of a National Bank for Agricultural and Rural Development.

Department of Accounts & Expenditure

5.5 This department may be reconstituted into 4 departments as under :

i) Public Debt Management Department

The work of CDS and items of work relating to Debt Management attended to by the Secretary's Department will stand transferred to this department so that policy and operational work are integrated.

ii) Currency Management Department

The present Currency Section of DAE will stand converted into a department and



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exercise control over the Issue Departments at all centres. Separate department for this function is long overdue in view of the complexities and importance of this very crucial task of RBI.

iii) Department of International Accounts

The Foreign Accounts Section will get converted into a department to give it more operational and administrative freedom.

iv) Department of Accounts and Expenditure

This will attend to the remaining work of the present DAE, like expenditure control, accounting, establishment, Government accounts, etc. Also, the work of ways and means advances and investment of Government surplus funds, attended to by the Secretary's Department, may be transferred to it as the same is more allied to its activities.

Research Departments

5.6 One of the crucial determinants of the functioning of a Central Bank is the extent of research input in its policy formulation process. To secure harmonisation of research effort with the operational work, it is necessary to provide for an organisational set up which permits

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freer and frequent inter-action. Prima facie, it would seem that the two research departments of the RBI, viz., Economic and Statistics Departments, have grown so much with the substantial increase in data gathering and data processing activities that the functions relating to basic research and providing nucleus for operational research to other departments tend to receive comparatively less attention. To rectify this situation, two reforms have been proposed :

- i) segregation of data gathering and data processing activities into separate departments, viz., "Department of Data Bank" and "Computer Services Department" respectively to restore to the research departments advantages accruing from a compact size and officer-oriented staffing pattern.
- ii) involving actively the experts from these departments into policy and planning activities of the operational departments and Branches by constituting separate cells for the purpose. In due course, decentralisation of the Economic Department according to the World Bank or Government of India Ministries pattern may be contemplated so that the research input

is available to the operational head at his door-step, so to say. The Economic Department can then concentrate wholly on basic research and help in the effective discharge of the Bank's role as an adviser to the Government on monetary, banking and financial matters.

Department of Administration and Personnel

5.7 Some of the obvious reasons for the present malaise in regard to motivation and industrial relations are our antediluvian administrative practices, precedent oriented structure and outmoded and slow responses to emerging expectations and demands from the staff and officers. Simultaneously, the work of maintaining and improving personnel relations has come to acquire a degree of complexity, sophistication and finesse that calls forth a qualified cadre of officers and staff in this discipline. Further, the task of administration also has to be given re-orientation to bring to bear on the administration departments' actions, a developmental and promotional outlook. The task of managing men is now being viewed as one of developing human resources and is freed from the traditional concepts and practices.

The Group, therefore, suggest that the present DAP may be bifurcated into two departments, viz., Human

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Industrial Finance Department

5.14 After the transfer of work relating to the administration of Credit Guarantee Organisation and the proposed setting up of an Apex Institution for Decentralised and Small Scale Industries Sectors, this department will serve as a 'window' of the RBI on development and promotion efforts for small scale and decentralised sectors as also help generally to oversee and coordinate functioning of various term financing institutions in this field. Its nomenclature however, may be changed to "Department of Small Scale and Decentralised Sectors".

Inspection Department,  
Department of Non-Banking Companies,  
Deposit Insurance & Credit Guarantee Corporation

5.15 No major organisational change has been proposed about their set up. But some internal reorganisation and certain changes relating to systems, follow up work and scope of departmental activities, etc. have been emphasised.

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6. Top Management set up

The roles and responsibilities of top management cadre require elaboration so that there is clarity about the type of cases which should normally move up the organisational hierarchy and all operational decision-making powers are restored to the heads of the department.

1) Executive Directors

His role is envisaged as one of a coordinator (and arbiter on operational matters only in exceptionally few items). He can ensure day-to-day coordination of departments dealing with somewhat allied activities. The Executive Directors are expected to act as catalytic agents in bringing about fusion of operational and policy matters. It is also not necessary to have either one ED for one department, or both an ED and a DG for every department. In suggesting redistribution of portfolios, the Group has followed 3 principles, viz.,

- a) departments dealing with work of allied nature should report to one common ED;
- b) departments where policy, secrecy and status are closely interlinked with operational decisions/cases, may report directly to a DG; and
- c) there should be equitable distribution of work.

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ii) Deputy Governors

They may be freed completely from their day-to-day operational responsibilities and provided with sufficient time to concentrate on planning, policy and control functions and for coordination with outside agencies. Since they are the prime motivators and leaders, they may open up more informal contacts with their senior officers and the ranks.

iii) Governor's Office

The Governor may not be made a party to day-to-day decisions so that he is in a position to act as a final arbiter, guide and consultant whenever needed. To renew and maintain contacts with the generality of officers and staff, there may have to be more and more visits and informal contacts. The items of work generally overseen by him will be relating to broad strategies and policies, planning and productivity, industrial relations, liaison with Government and international agencies, appointment of Managers/Heads of Department, etc.

iv) Top Management Committee

A formalised system of Group decision-making may be attempted by constituting a 'Top Management Committee' consisting of all Deputy Governors and Executive

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Directors and headed by the Governor. The Committee will attend to matters which cut across the departmental lines, which may result in major shift in existing policy, which may affect relationship with the Unions and Associations and the image and working of the Bank. The Secretary may provide the link between this Committee and other departments of the Bank. The committee system of decision-making will ensure that the collective wisdom of all the EDs/DGs is brought to bear on their problems, although the responsibility for taking and implementing the decisions will be that of the concerned Deputy Governor. This Committee will also ensure that the activities and policies of the Bank are in conformity with the expectations of the people as communicated by the Government.

v) Planning and Productivity Function

Under the existing set up, the activities for increasing productivity, cost effectiveness and systems review and rationalisation are attended to by four departments viz., MSD, Inspection Department, DAE and DAP. There is a need for coordination and integration in the activities of these departments to avoid any overlap and conflict. It is, therefore, proposed that the responsibility relating to the omnibus function of planning and productivity

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may be assigned exclusively to an Executive Director to whom the heads of MSD, Inspection Department, Corporate Planning Department and DAE (expenditure control and manual revision functions) will report in future. Such group of departments should facilitate development of specialised skills and expertise amongst the officers of these departments. It is expected that there will be free rotation of officers amongst this group of departments carrying out work of allied and inter-dependent nature.

#### 7. Planning and Control System

There is need to introduce management planning and control system in the Bank. Such a system will provide for 'Sensory' mechanism to look into the future, fix responsibility for performance of specific tasks and ensure better commitment to objectives. The salient features of the system would be as under:

- i) The top management may indicate what the Bank wishes to achieve in various areas over a period of next 3 to 5 years and outline strategies to be adopted for fulfilling the responsibilities. These guidelines will, of course, be in consonance with the prevailing political and socio-economic environments and could be reviewed to the extent necessary.
- ii) These guidelines will serve as the base for preparation of Annual Work Plans by various departments,



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which would be sub-sets of the long range plan outlined by the Governor.

- iii) These Work Plans will have to be approved by the Deputy Governor concerned and the Governor to ensure that they are in alignment with the expectations of and guidelines given by the top management.
- iv) The Work Plan may be divided into the divisional and sectional plans to the extent feasible.
- v) A system of quarterly appraisal and review of the plan and performance may be provided.

The MSD has done some work in this direction. However, it is confined to informing, persuading and convincing the departments about the need, rationale and mechanics of planning. A time has come now to build up a suitable infrastructure for planning. The Group, therefore, suggests creation of a Corporate Planning Department at the apex level manned by officers of proven ability from operational and research departments, such as, ACD, DBOD, ECD, ED, DS, MSD, etc. This department will be the apex unit for planning and monitoring activity and serve as a resource to the top management, which should be headed by a separate departmental head and delinked from MSD. To ensure coordination and effective control, functions relating to planning and productivity may be assigned exclusively to an Executive Director. Apart from the long term plan, this department will monitor and review annual work plans of each department. Simultaneously, in every major Central Office department and Branch, Planning Cells may be similarly constituted with multi-disciplinary input

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from research, operations and 'staff' departments.

## 8. Management Development

The present state of the mood, attitudes and behaviour of the various categories of officers and staff present a dismal picture. Some of the reasons for this sorry state of affairs could be traced to our ambience. While the top management has been conscious of the malaise and made efforts to improve the morale, motivation and productivity, no perceptible impact has been felt of many an important measure owing to countervailing force of remaining elements, inertia and acceptance of the situation as something inevitable and a necessary evil. Therefore, the Group has suggested a package of measures, structural, administrative and relational action on which may be initiated simultaneously so that beneficial impact of one reinforces the other. These are:

### i) Future orientation

Government and bankers feel that the Reserve Bank officers are thorough, painstaking and acknowledged experts in their own line. But they seem to only react, and that too slowly, to the changes taking place rapidly in the world of finance and banking; there is little of anticipatory and pro-active thinking in Reserve Bank's policies and actions. There is need for a systematic organisational set up which keeps the Reserve Bank fully alive to environments, makes it aware of the opportunities and threats posed by such

environments and helps preparation of a blue - print for each of its major tasks and responsibilities, coterminus with the 5-Year Plan objectives and targets.

ii) Initiative

Owing to proliferation of hierarchical levels and lack of delegation, officers at lower levels, especially the younger elements, feel constricted. There has to be substantial delegation and skipping of levels to ensure expeditious disposal and give job satisfaction at various levels.

iii) Accountability

Owing to multiple levels, lack of responsibility specification and absence of any quantitative target setting, accountability in terms of results or achievement is almost totally absent. While it will not be possible to have quantitative indicators for many of our activities, it is still possible to lay down broad objectives and targets along with specifications of qualitative parameters within which jobs have to be performed. The system of planning and appraisal would, to some extent, take care of this aspect.

iv) Reward and Punishment

Over the years, the management's right to reward and punish both by financial and non-financial incentives/disincentives has been eroded. One of the potent weapons still left with the management is grant or denial of promotion. The Bank may have to go in for merit-selection instead of confining itself to seniority-cum-suitability as the sole determinant for selection. While, for the present, there is no dearth of apparently eligible personnel to man top grades, the position may cause concern if an attempt is made to apply rigorous selection criteria for eligibility.

v) Inbreeding

The image and performance of Reserve Bank have suffered somewhat due to the tendency of its officers who live in their own cocoon and the marked reluctance on their part to expose themselves to external environment and stimuli. To correct this, there should be exchange of officers between commercial banks and Reserve Bank on the one hand and between the Government and the Reserve Bank on the other, reciprocal on a /basis. While the commercial banks are enthusiastic,

the Government expressed some reservations owing to marked difference in salary structures in the Reserve Bank and Government.

vi) Administrative practices

A lot of irritation, annoyance and demoralisation is caused by obsolete and outmoded administrative practices and/or application of rules according to the letter of the law rather than the spirit behind it. There is need to follow an open door policy in administration departments and divisions and throw the opportunities open to qualified personnel from all functional departments and areas. A step in right direction would be to segregate administrative function from personnel relations function.

9. Implementation Mechanism

The Group has made recommendations relating to changes in the structure, introduction of Corporate Planning and initiation of steps for Management Development as a package of measures to improve the organisational health and performance. As a matter of strategy, the entire package has to be taken up for implementation immediately and simultaneously. If the top management is convinced of

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the need for change, the rationale behind it and the recommendations made by the Group, it may not be necessary to go through once again the tortuous process of throwing open the report for discussions, especially because at the embryonic and early stages, these were discussed at various levels, with a large number of officers in convenient groups at different centres. There is also need to ensure that in an attempt to compromise the conflicting interests, a truncated or watered-down version of the recommendations is not handed down for implementation. For ensuring speedier implementation, <sup>an</sup> Executive Director with suitable supporting staff, may be assigned the job of working out the modalities for implementation and directed to submit monthly progress reports to the Governor and Deputy Governors who could ensure that all impediments are removed in the initial stage itself.

CHAPTER - 1GENESIS AND METHODOLOGYGenesis of the team's appointment

1.1 Early in February 1978, the Management Services Department (MSD) prepared a background note, highlighting some of the ailments of the Reserve Bank of India (RBI) and their symptoms and pointed to the need for a comprehensive review of the Bank's organisational structure. Arguing that such a thorough review had never been undertaken since the inception of the Bank despite the manifold increase in volume, variety, and complexity of the functions of the Bank, the note had brought out the following specific features:

- i) Lopsided development of the Bank's organisation, with the Central Office departments over-growing as compared with the branch offices. Over-centralisation manifested in rising problems of co-ordination and communication amongst departments and offices, in multiplicity of cross references, and in growing complaints of delays.
- ii) Absence of motivation, mounting feeling of frustration and alienation amongst the staff, especially the officers' class.

A chart depicting some of the obvious ailments of the Bank and their symptoms is at Annexure I.

1.2 This note was discussed initially in March 1978 at Governor's monthly meeting with the departmental heads. The departmental heads were also asked to highlight more problem areas and suggest solutions. Subsequently, intra/inter-departmental groups were set up for attending to some of the problems. However, after about a year's experience, it became evident that not much headway had been made to find solutions to the major organisational problems afflicting the Bank. Accordingly, in July 1979 the MSD was asked to take up a comprehensive organisational study. The MSD then organised an inter-departmental group for the task consisting of the following officers.

- |                       |   |
|-----------------------|---|
| 1. Dr. Y.B.Damle      | Director, MSD   |
| 2. Shri B.J.Mandhyan  | Deputy Director, MSD  |
| 3. Shri B.K.Pal       | Deputy Controller,<br>Exchange Control Department(ECD)                              |
| 4. Shri A.I.Rasquinha | Deputy Chief Officer,<br>Department of Banking Operations<br>and Development (DBOD) |
| 5. Shri S.D.Rajhansa  | Assistant Chief Officer,<br>Agricultural Credit Department(ACD)                     |
| 6. Dr. S.L.Shetty     | Deputy Director,<br>Economic Department   |

#### Terms of reference

1.3 Considering the genesis of its appointment, the Group had clearly the following tasks before it:

- i) Examining the present role and responsibilities of the Bank and indicating the quantitative and qualitative changes therein likely say, in the next five years or so;



- ii) Reviewing the existing structure and the basis for division of functions amongst various departments and offices and suggesting appropriate changes for facing the present and potential tasks before the Bank;
- iii) Highlighting other areas which inhibit an efficient discharge of the Bank's responsibilities and suggesting possible measures to be initiated; and
- iv) Recommending suitable mechanism for the implementation of the Group's recommendations.

Broad dimensions of the organisational study

1.4 The role and responsibilities of the RBI are unique. Its wider area of operation, namely, monetary and financial policy, is a highly sensitive area. It touches practically every aspect of economic activity and it has a powerful influence on the working of the economic system. There is an allround recognition of the need for some degree of secrecy, autonomy, and independence in its operations and functioning. Hence, there is no direct parliamentary control over it unlike in the case of other public sector undertakings. In such unique circumstances, the Group's task is a delicate one as it has to bring to bear on its deliberations and findings not only the

knowledge of the internal working of the Bank, its constraints and limitations but also the critical faculties of an outside study team, which would obviously consider the fulfilment of wider national goals and tasks as the touchstone in delineating its role and responsibilities and in prescribing a compatible and commensurate structure.

1.5 Also, in studying the organisational health of an institution like the Reserve Bank of India, a whole lot of issues get inter-twined; excellence of persons and their motivation; leadership qualities in the upper echelons of the hierarchy; administrative practices, systems and procedures; corporate planning and finally, the organisational structure. It is well-nigh impossible to arrange them in any order of importance; each is important in its own way. Since an inappropriate and outmoded structure can frustrate the efforts of the best of leadership and limit the organisational performance to a sub-optimal level, the Group felt that structural change in itself can provide the initial thrust and momentum which would in due course of time reinforce efforts in the remaining directions indicated above.

1.6 There is yet another dimension to the Group's task. All the functions of the RBI - developmental, regulatory and agency - converge on its main responsibility,

viz., formulation and execution of monetary policy. This in turn has to assist and aid in achievement of the objectives of the national economic policy. For securing such an alignment and coordination, the organisation of RBI has to be sensitive, dynamic and quick in translating any changes in the national goals and policies into appropriate review of its spectrum of multifarious activities. Thus, it is by the Bank's swift responses - or even by anticipatory actions - that the RBI can play an active and purposeful role in economic advancement.

1.7 The study undertaken by the Group against this backdrop, had to ensure that the proposals that emerge, when implemented, should not only enable the RBI to improve its work performance and efficiency but also equip it to respond adequately to the expectations that society has from a Central Banking Authority in a developing country. The Group, therefore, did not confine itself to mere structural frame work, but also covered the aspects of Planning System and Management Development. This was considered necessary because, for excellence in performance, proper organisational structure, dynamic and purposeful leadership as well as sound administrative practices are essential. These aspects are inter-dependent inasmuch as optimality in each area depends upon a sound and scientific structure.

The scope of the study thus covered three aspects, namely, organisational structure, planning and control system, and management development.

### Methodology

- 1.8 The study comprised the following steps:
- i) Study of relevant data and literature on the growth of RBI and its performance over the years against the backdrop of the RBI's past and present role;
  - ii) Rapid scrutiny of studies prepared by the Management Services Department over the past decade on various organisational matters;
  - iii) Projections about quantitative indicators of the Bank's functional areas;
  - iv) Issue of a comprehensive questionnaire on the subject to a selected cross-section of officers of the Bank and a close study of the responses received;
  - v) A series of discussions with -
    - a) the officers of various offices and central office departments of the Bank in about 65 sessions to elicit their views and to get reactions to the Group's tentative thinking (vide Annexure II);

- b) eminent economists, administrators and ex-Deputy Governors and an ex-Governor;
- c) Executive Directors and Deputy Governors seeking their reactions to the Group's tentative proposals;
- d) bankers and senior Government officials for eliciting their expectations from and experience with the RBI (vide Annexures III & IV); and
- vi) Organisation of a workshop for the Departmental Heads of the Bank to formally discuss the proposals for re-organisation.

#### Reporting sequence

1.9 The subsequent chapter scheme of this Report follows the following sequence:

- Chapter - 2 Role of RBI and some quantitative and qualitative indicators.
- Chapter - 3 Reorganisation - Concepts and Principles
- Chapter - 4 Branch Set-up
- Chapter - 5 Central Office Departments Set-up
- Chapter - 6 Top Management Set-up
- Chapter - 7 Planning and Control System
- Chapter - 8 Management Development
- Chapter - 9 Implementation Mechanism
- Chapter- 10 Acknowledgements.

#### ANNEXURES

CHAPTER - 2ROLE OF RBI AND SOME QUANTITATIVE  
AND QUALITATIVE INDICATORSRole of REI

2.1 A review of the organisational structure would imply an in-depth and critical study of the role and functions of RBI and taking a view on the potential changes required in the years to come. This could have even been interpreted as a very comprehensive enquiry into the role of the RBI in various spheres somewhat on lines of Radcliffe Committee on U.K. monetary system and, where necessary, suggesting reorientation in the objectives and tasks. Considering however the tasks assigned and its genesis, the Group felt that such a critical evaluation is beyond its purview. Instead, the existing objectives and tasks enjoined on the RBI by statutes or otherwise, are taken more or less as given and the study directed to propose modification to the organisational design which would optimise performance relating to these objectives and tasks. Even so, it was obvious during the study that the RBI may have to direct its attention much more purposefully than hitherto on the following few important tasks of a promotional or developmental nature :

- a) Promoting an efficient system of 'Data Bank'  
for monetary, banking, and financial sectors;

- b) Developing a genuine bill market in India;
- c) Bringing indigenous bankers within the fold of monetary discipline;
- d) Activising the security market and using open market operations as a more effective instrument of credit and monetary control;
- e) Undertaking on an on-going basis, field surveys on the impact of bank-lendings on production potentials and levels of living of the borrowing households and units;
- f) Helping in establishment of an institutional set up for manpower planning in banks, functional and executive training for bank personnel at all levels and development of an inventory of senior executives for manning top positions in commercial banks;
- g) Studying organisational problems of banks as also those relating to systems and procedures, management information system, etc., and finding suitable solutions; and
- h) Designing of scientific norms for costing of banking services and for critical evaluation of profitability of individual banks.

2.2 It will be necessary for the Bank to have a suitable set-up to provide the infrastructure required to carry out the above tasks and to train and develop specialised cadres for attending to these in the near future.

2.3 It would also, at this stage, be worthwhile to take a view on the shape of economic and financial environments likely to emerge in the next five years or so. Therefore, an attempt has been made to project, based on trend analysis, the likely dimensions of a few key financial and economic indicators which would directly or indirectly reflect the growing organisational responsibilities of the RBI :

Indicators <hr style="width: 20%; margin: auto;"/>	Present position March/June 1979	Projections (March/June, 1984)	Percentage increase ( (3) over (2) )
1	2	3	4
<b>A. <u>Financial and Economic</u></b>			
i) Aggregate deposits of scheduled commercial banks (outstandings) (Rupees, crores)	27,940	53,500	91.5
ii) Aggregate bank credit (outstanding) (Rupees, crores)	19,280	37,000	91.9
iii) Number of branches of commercial banks	30,460	41,500	36.2
Of which : Regional Rural Banks' branches	1,970	5,000	153.8



	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
iv) Number of branches of Co-operative Banks - (excluding LDBs)		8,900	10,000	12.4
v) Public Debt(outstandings) (Rupees, crores)				
a) Internal Debt of Govt. of India		20,320	31,300	54.0
b) Internal Debt of State Governments		3,440	4,750	38.1
vi) Government transactions (Annual) (Value of cheques, challans, etc.) (Rupees, crores)				
a) Receipts		12,720	20,300	59.6
b) Payments		14,430	23,200	60.8
vii) Number of cheques cleared through all Clearing Houses(Annual) (Number in thousands)		13,630	24,000	76.1
Of which, those through RBI - managed Clearing Houses.		10,140	14,000	38.1
viii) <u>Foreign Trade</u> (Rupees, crores)				
Value of Imports		6,760	10,400	53.8
Value of Exports		5,650	8,200	45.1
<b>B. <u>Currency</u></b>				
i) Pieces of currency notes in circulation (In millions)		7,740	12,500	61.5
ii) Value of currency in circulation (Rupees, crores)		10,210	15,500	51.8

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
iii) Number of currency chests		2,750	3,500	27.3
iv) Number of pieces of soiled notes received annually for examination in RBI (In millions)		10,700	17,300	61.7
v) Number of pieces of notes examined and cancelled annually (In millions)		4,700	7,500	59.6
vi) Supply of Fresh Notes by Government Printing Presses (In millions)		5,200	8,000	53.8

2.4 It is visualised that during the next five years, the number of commercial bank branches would increase by over 11,000, while bank deposits and credit would get nearly doubled. In respect of public debt outstanding, Government transactions put through RBI, and the number of cheques cleared through all Clearing Houses, the increases would approximately range from 50 to 75 per cent. The comparable growth in key indicators relating to currency management such as, pieces of currency notes in circulation and pieces of soiled notes received in RBI is likely to exceed 60 per cent.

2.5 Obviously, it is very difficult to establish any statistical relationships between all of these indicators and the volume of work and staff strength of RBI, for the

relationships are complex. Some of the indicators, as in respect of note examination, may have some direct bearing on the staff strength because of work norms currently in vogue. Some others, like expansion in branch banking, would imply increased work load on the RBI in regard to bank inspections and control. However, there are hardly any identifiable work norms in this area. Therefore, the scope and content as well as the philosophy of bank inspections may have to be modulated to suit the changing needs. In any case, the increase in staff strength could not be directly related to the quantitative indicators cited above; the impact would be much more in terms of a qualitative difference in the approach to the task.

#### Qualitative indicators

2.6 In the same vein, we take cognizance of the fact that besides the quantitative expansion, the expected changes of a qualitative nature in many areas would have far-reaching implications for the RBI's organisational preparedness. In this respect, we foresee that the eighties would see a further intensification of many of the structural changes such as a shift in branch banking in favour of rural and semi-urban areas and enlargement of the role of the grass-roots level institutions like RRBs for the purpose; the re-orientation of bank lendings

in favour of myriad small and decentralised units and individuals; sophistication required in regulating credit and control over banks. Also, it may be necessary to increasingly involve commercial banks in currency management, handling of government transactions and release of foreign exchange. The responsibility devolving on the RBI for effective monitoring and supervision would call for a qualitative change in skills of its staff.

#### Major problem areas

2.7 It would be worthwhile to list some of our major problems and those which are likely to assume serious proportions in the years to come. The dimensions of these problems are being sought to be reflected according to the perception of large body of officers and experts with whom we have had some inter-action. Obviously, it would not be possible for this Group to offer ready solutions or a blue print for action. Nevertheless, based on the distilled views and suggestions of the experts and those who are deeply immersed in these activities, we venture to offer, alongside the problems, present and future, an outline of action, that should be taken to overcome these.

Currency management

2.8 The first and foremost problem to which we have to direct our energies and find quick but lasting solution is that of currency management. There is a hue and cry from all currency chests and offices about inadequacy of storage facilities, non-lifting of soiled notes, failure to supply fresh notes of required denominations in time and lack of clear-cut guidelines and authority about passing of slightly defective notes. Much more than the official agencies and our staff, the poor public is left high and dry. There are stray reports to indicate that fresh notes of smaller denomination are sold at a premium at some centres especially mofussil areas, during festival and marriage seasons. Also, even seemingly good notes are not exchanged by banks and resultantly, slightly defective notes are encashed by shroffs at heavy discount and therefore, the tribe of middlemen and unscrupulous elements ~~are~~<sup>is</sup> proliferating. It would not be an exaggeration to say that discharge of the Reserve Bank's primary statutory role of "operating currency .....

system of the country to its advantage" leaves a lot to be desired. A blue print for

solving the problem has been with the Bank for some time. While solutions seem to elude us owing to implacable attitude of our staff on rationalisation of examination and cancellation system and work norms, any further continuance of this stalemate might result in a complete break-down of the system. However, one thing that ought to be appreciated is that the expansion in currency and the staff engaged in that work have not shown comparable growth; nor, for that matter, is it desirable. At the same time, our systems and work norms have remained the same.

2.9 This problem needs to be tackled on war footing particularly the segment relating to note cancellation. We learn that over 5600 million pieces are awaiting ~~destruction~~ <sup>removal</sup> whereas our storage capacity is limited to around 3600 million pieces, and thus unless something is done quickly the system will break down soon. We would suggest the following steps :

#### Short-term

- i) Organisation of peripatetic teams for destruction of notes on decentralised basis

To tide over the crisis and solve the problem of destruction of notes lying at the currency chests we suggest that peripatetic teams consisting of representatives both of RBI and the chest concerned may immediately be appointed

and the notes destroyed at respective centres or at some convenient central place(s) where either the incineration facilities are already available or could be arranged without much difficulty. Of course, due safeguards have to be observed like percentage checks, selection of chests, reshuffling the composition of such teams, etc. The details of the composition of the teams and the method to be followed by them will have to be worked out carefully. It should also be ensured that the operations retain an element of surprise as well as urgency.

ii) Modified procedure teams

The proportion of notes destroyed under the Modified Procedure at different centres will have to be stepped up by increasing the number of teams for this purpose.

iii) Note destruction capacity

The notes destruction capacity at branches will have to be enhanced substantially either by resorting to alternative modes of destruction like pulping and shredding or somehow improving the capacity of the existing incinerators.

Long term solutions

- i) increasing the storage capacity by constructing more vaults in Reserve Bank offices, opening

more currency chests and increasing the storage space available at the existing chests

- ii) rationalising work norms and work systems
- iii) reducing bulk direct tenders of notes at RBI from Railways, Post and Telegraph and other public bodies
- iv) increasing the capacity of note destruction by constructing more incinerators and introduction of electrical incinerators
- v) Reserve Bank may consider further decentralisation of the process of destruction of notes by authorising, on a selective basis, some of the larger chest offices having an impeccable record and sufficient infrastructural facilities, to destroy notes of denomination of Re.1/-, Rs.2/- and Rs.5/- under the supervision of its nominated representatives and the safeguards and stipulations provided by it.
- vi) replacement of Re.1/- notes by rupee coins of lighter weight. RBI has to take steps to popularise the use of coins. This will help in reducing substantially the pressure on



examination, cancellation and destruction mechanism as nearly 40 per cent of the currency notes in circulation are accounted for by Re.1/- notes. After this measure is successfully implemented we may eventually consider issuing coins of larger denominations.

- vii) There is yet another area that calls for action, viz., exchange of soiled/defective/mutilated notes. There is a lot of delay in the exchange of these notes as a result of which the public is greatly inconvenienced. The RBI image is being seriously affected and undesirable practices are being perpetrated by unscrupulous elements. Some corrective measures have, therefore, to be taken urgently. Considering the volume of such notes and the convenience of the public it is suggested that the public sector banks, who have at present only limited powers regarding exchange of notes, be delegated more powers. These banks may also be given detailed guidelines to equip them to undertake this job effectively. It may also be desirable to train their staff specially for this function. Simultaneously, the public may also be informed and educated about their privileges

and facilities available at these banks.

We also feel that there is a need for a relook at the Note Refund Rules.

- viii) There is need to nationalise the system of resource and retrieval operations of RBI Issue Offices. It is felt that the jurisdictional areas of operation of the Issue Offices would have to be re-arranged so as to ensure spatial contiguity, equalisation of workload in regard to resource operations and optimising the number of Issue Offices. In the process and working upon a rough and ready norm that no office should normally have more than 200 or so chests under its jurisdiction, if necessary, the Reserve Bank may consider opening more Issue Offices.

#### Other "Retailing Functions"

2.10 Another problem area is our performance relating to 'Retailing Functions' by which we mean work areas, where we serve public directly. These are :

- a) accepting and paying moneys on behalf of Government;

- b) releasing of exchange and travel permission to individual members of public, and corporate bodies; and
- c) servicing of public debt.

2.11 At present some of these functions are being performed partly with the help of the agencies and treasuries appointed by us and partly by ourselves through our offices and branches. There is an uneasy truce and a certain degree of vagueness about the future shape of things to come in these areas. We get to hear divergent views on the need for further delegation or extension of agencies on the one hand and on the other, about more stringent control and selectivity in extending this delegation.

2.12 With the quantitative expansion in the volume of work under these functions, and our inability to introduce mechanisation and rationalise work systems, we are handicapped in this function. One view seems to be to pass off as much of this work as possible to banks, essentially to take advantage of the already established wide network of bank branches. This view derives its support from the concept that the Central Bank should now deal mostly with banks and financial institutions and may not have much dealings with members of the public.

2.13 Another view is that the problems in regard to these retailing functions should not lead us to look around for conveniently palming them off. We have to take quick and hard decisions about systems rationalisation and, where absolutely necessary, go in for staff augmentation. Staff increase should not be the determining factor in handing over these functions to the banks. We must specially remember that as the banker to Government and as its agent for administering exchange control and managing public debt, final accountability is that of the Bank.

2.14 We have considered this question in depth and feel that as a long term strategy the Bank will have to use the vast commercial banking network for retailing functions and we have to take steps for further delegation in these areas. Of course, there cannot be wholesale hiving off of any of these functions. Also, while delegating further authority to banks, the watchword should be convenience and service to the public while ensuring strict compliance with the statutory obligations of the Reserve Bank. Since, there cannot be passing off of ultimate accountability, we must simultaneously not only educate the beneficiaries (viz. public) of what they can expect, insist and demand, but also keep our control mechanism effective to ensure

that the delegation does not result in any dilution of efficiency, security and quality of service to the public and Government.

#### Supervision and control of banks

2.15 Yet another problem area where we have to take some strategic decision soon relates to the responsibilities vested with the RBI under the Banking Regulation Act, 1949 to ensure banking system's health and functioning on sound lines. With the rapid expansion of the branch network of banks on one hand and with an adherence to age-old methodology and philosophy for inspection of banks on the other, it is difficult for the RBI to do justice to this function. Centre-wise inspection of banks has been recently discontinued and other steps are being contemplated to revamp the inspection function. However, this problem is going to aggravate with rapid increase in the branches. We have therefore to change our approach radically. The emphasis has to shift from inspection per se to development of systems and procedures, internal inspection machinery of the banks to optimise supervision and control of the banks over their branches.

2.16 There is no statutory obligation requiring the Reserve Bank of India to conduct inspection of banks. Section 35 of the Banking Regulation Act, 1949 is only an

enabling provision which empowers the Reserve Bank to carry out an inspection whenever it thinks it necessary or when directed by the Government of India. Whether, therefore, inspections should be carried out at intervals of three, five or more years is purely a matter of administrative convenience. Since it is the financial inspections which enable the Reserve Bank to assess the financial position of banks and to determine whether or not the real and exchangeable value of their paid-up capital and reserves conforms to the standards laid down in the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934, it is necessary to continue this type of inspection and also ensure that the interval between two inspections of a bank is not unreasonably long. Also, it is necessary to strengthen the internal inspection machinery of banks and give it a proper direction so that in the interval between two successive inspections of the Reserve Bank the internal inspections can fill the bill. For this purpose, proper guidelines may be issued for the use of internal inspection teams of banks and the Reserve Bank may ensure that the inspection reports are comprehensive in all respects. In deserving cases, Reserve Bank may consider deputing its experienced officers for a suitable period for putting their internal

inspection machinery in proper shape. It should also be possible to integrate the internal inspection with the Reserve Bank's financial inspections in such a way that the latter confine to only those areas which are vitally important to and are best looked into only by the Central Banking Authority.

2.17 The annual appraisal of banks introduced in the year 1978 also needs to be given reorientation to make it really effective. The inspection staff of Department of Banking Operations and Development has been doing the traditional type of financial inspections for close to three decades now and has, in the process, developed sound procedures, techniques and tools required for the purpose. These techniques and tools, however effective they might have been in the past, can no longer adequately meet the demand for assessment and improvement of highly technical areas of systems and procedures and management control. Inspections in the form of annual appraisal are a different category altogether and would, therefore, need not only a different approach but also a different orientation if such inspections are to yield worthwhile results. Since the inspection staff ought to receive a substantial re-orientation, the immediate need would be to select a band of, say, 50 officers from the various

offices, regardless of whether they are in Grade 'E', 'D' or 'C' and expose them to a selected few concepts and principles of organisation, general management and financial management to adequately equip them.

### Staff projections

2.18 We have attempted to project our staff strength over the next five years on the basis of growth pattern observed during last seven years and the assumption that controlled and regulated growth of staff, implicit in it, will continue to operate in future also. Therefore, assuming there is significant rationalisation in our systems of work and intensification of our delegation effort during the next five years, the staff position in 1984-85 would be somewhat of the following order :

	<u>Staff Strength Projections</u>	
	<u>Present</u> <u>31.3.1979</u>	<u>As on</u> <u>1.1.1984</u>
Class I	6000	8500
Class II & III	18600	21900
Class IV	7400	9400
Total	<u>32000</u>	<u>39800</u>

2.19 We have thus identified the quantitative and qualitative aspects of major parameters under which we



will be operating in next five years or so. We have also detailed urgent problems facing us today and have identified areas where we ought to be active. Keeping these in view, we have tried to work out proposals for reorganisation.

CHAPTER - 3REORGANISATION - CONCEPTS AND PRINCIPLES

3.1 Let us take stock of the main elements of our work organisation -

- i) The Bank has at present a Central Office at Bombay headed by Governor, 3 Deputy Governors and 3 Executive Directors. The Central Office is functioning through Departments/Cells. The division of work has broadly followed an amalgam of 4 bases, viz.,
  - a) Functional specialisation, e.g., departments for exchange control, administration, premises.
  - b) Specific client relationship, e.g., departments for cooperative banks, commercial banks.
  - c) Area approach, e.g., state-wise jurisdiction of various branches.
  - d) Process of work, e.g., divisions for data processing, publications, etc.
- ii) The Central Office departments have policy as well as operational responsibilities relating to their specific functions.
- iii) The Bank has 21 branches/offices spread over 14 States. Though the branches of all Central Office departments work administratively under

the control of the local Manager, operationally they function under the overall control and supervision of their respective Central Office departments.

- iv) There is marked centralisation, and effective operational authority really vests with Central Office departments at Bombay.
- v) The function of policy formulation is commonly viewed as the preserve of the Central Office. Of course, consultation with and participation by branches is provided for through periodical meetings and conferences, exchange of visits between Central Office and branch functionaries, issue of Central Office circular instructions etc. By and large, however, in the formulation of policies, explanation of its rationale and communication of informed feedback on regular basis, the branches are not called upon to play an active role; it is mainly perceived as one of administering and implementing Central Office decisions.
- vi) There is no systematic flow of information and communications to ensure rational and realistic formulation of policies and plans. To use a

jargon, the integrated "Management Information System" concept has not been used for control and Central Office - Branch relationship.

Further, within each department whether in Central Office or branch there is rigid hierarchial flow of work. Level skipping and lateral consultation with other departments are conspicuous by their rarity.

- vii) There is near absence of perspective planning and periodical review.

#### Principles of reorganisation

3.2 We would now attempt to determine the principles on which reorganisation has been proposed. Basically, the structure has to enable us to perform the work optimally, conduce to developing sound administrative practices and help develop leadership. Owing to the nature of our functions and responsibilities, conceptually the Bank should have a strong Central Office and well organised branches armed with sufficient authority and freedom to operate independently in the area under their jurisdiction within the overall policy framework. The Bank should have a well developed control system based on futuristic orientation. The individual branches/departments should

have clear cut responsibilities in terms of their work plans and backed up with proper authority so that the accountability for the function can be fixed. We have, therefore, followed the undernoted criteria and principles:

- i) The Bank's Central Office departments should only deal with matters of broad strategy formulation and review of policies and exercise of control over the branches. Also operational decisions should, as far as possible, be left to the branches further, to ensure that the policy formulation is based on operational information and feed-back, an effective information system has to be organised;
- ii) the branches of RBI with appropriate status and enlarged powers, would really become focal points in our operational set-up. Even minor semantic interpretations of policies could be attended to at branches, and, where necessary Central Office should be kept informed. To this end, the organisational set-up of our branches has to be revamped;
- iii) the Central Office departments, being primarily charged with the policy function, should be task-oriented or responsibility-oriented. This would imply that each department deals only with

a set of functions which are homogeneous in nature. Further, in terms of its present size and potential for growth, each department should, as far as possible, be of a compact and viable size. Hopefully, such compactness and task-orientation, would facilitate greater involvement and participation and, therefore, development of skills and expertise;

- iv) the management control should be through planning and appraisal system. It is necessary to create an infrastructure in the organisation for institutionalisation of short and long-term planning and periodical appraisal procedure;
- v) productivity, cost effectiveness, systems review and allied areas play a vital role in the organisational development; so does the research function in a Central Bank. The set-up should give due weightage to these aspects; and
- vi) the organisational effectiveness will in the final analysis depend upon the excellence of its personnel. Steps have therefore to be taken to ensure proper management development within. The set-up has to give utmost attention to this aspect.

Based on these principles and concepts, we give in the subsequent chapters our proposals for restructuring, grouped under following broad areas:

1. Branch Set-up
2. Central Office Departments Set-up
3. Top Management Set-up
4. Planning and Control System
5. Management Development.

CHAPTER - 4BRANCH SET-UP

4.1 Branches of RBI at present are headed by Managers, who are in 'E'/'F' Grades and who, for administrative purposes, report to the Chief Manager. Each of the major Central Office departments has its regional set-up located at Branches where these departments are headed by officers in grades 'D' or 'E'. A system of direct reporting exists between the Central Office departments and their respective counterparts at various centres. For all practical purposes, barring Banking and Issue Departments and personnel functions, the branches of various operational departments are "islands unto themselves". The Manager effectually acts as an administrative head and estate manager at the centre. In other words, he is supposed to be "leader of men, but not of all functions" at the centre. Such an arrangement has contributed to a kind of dichotomy in the Manager's responsibility. To all intents and purposes he is supposed to be - at least in the eyes of public and Government - responsible for smooth functioning of all the departments of the Bank. Yet, he does not really have much say in the internal working of operational departments like Department of Banking Operations and Development, Agricultural Credit Department, Exchange Control Department, Industrial Finance Department, etc.



4.2 It is necessary to bring about a more effective integration of functions at each Branch for the following reasons:

- i) The system of parallel reporting without providing a point of convergence at local level has led to inculcation of fissiparous tendencies and militated against projecting of a unified, wholesome and cohesive image of the Bank.
- ii) Responsibility and authority should be co-extensive. If the Manager is responsible for the smooth functioning of the entire office, he should have commensurate authority to command compliance from others. Such an arrangement is also desirable from the principle of unity of command.
- iii) In a number of developmental and other areas viz., Lead Bank Scheme, District Credit Plans, ACID programme, Rehabilitation Programme of Co-operative Banks, Branch Licensing, Inspections, etc., there is need for close collaboration between DBOD, ACD, RPCC, Economic Department, etc. Further, a regional bias requires to be bestowed on the problems of the area in the context of the Government's objective of ensuring balanced growth with progressive decline in

regional disparities. This can best be attempted through an integrated effort under the guidance of the Local Manager; otherwise, there is likelihood of each department toeing the departmental line, and, in the process, ignoring or duplicating the efforts and feedback of another department in the area and thus "missing the wood for the trees". The Manager can activate the development process of the area by playing the role of a catalytic agent with relation to outside agencies and all departments of the Bank, including Research Cell of Economic Department.

- iv) Since Manager is the seniormost officer of the Bank available at the centre, willy nilly, he has to "face the music" in case of agitation, strife and periods of tension. It behoves the Bank to commensurately equip him with more powers so that his ego needs as well are satisfied.
- v) Though we have been talking a lot about delegation and decentralisation in the recent past, really not much headway has been made in that direction. Quite often, lack of perspective,

maturity and status of the in-charges at the Branches to whom delegation is contemplated, are considered to be the inhibiting factors. Then again, in matters where certain element of calculated risk is involved in exercise of discretionary powers, there is advantage in having a Manager of a much higher status than that of the in-charge of the concerned local department to provide the necessary outlook, perspective, maturity and status.

- vi) With the introduction of common seniority and inter-group mobility, we would have Managers, in the near future, with varied background of work - they need not be identified as representing only one kind of experience and attitude. On the other hand, there is also need to groom officers of promise and potential for occupying pivotal positions at the top where cross-fertilisation of various streams of experiences is a must. Thus, the post of Managers could provide good opportunities for grooming officers for manning positions of Executive Directors and Deputy Governors.

4.3 On these considerations, and also with a view to making the Branches a focal point in our operations, we would recommend a new model for our Branches as under:

The Model

- i) Let Manager be in actual practice and effect, made an overall chief and coordinator of all the functions at the Branch. He should be relieved of his direct responsibility relating to Banking Department, Personnel Management and Estate Management by creating separate posts of senior officers of sufficient status to head Banking Department, Personnel Department, etc.
- ii) All the local departmental heads at Branches should be considered repositories of final authority in respect of powers vested in them by their respective Central Office departments. Central Office departments may, however, provide for reference to the Manager in a few exceptional cases.
- iii) Since in the anticipated shape of things to come, Branches are to be the focal points in operations, decisions on operational matters should be taken at the local level either by the concerned departmental in-charge or by the Manager. Wherever deviations from rules and policies are required or where it is not considered

advisable to make unilateral interpretation of policy, reference to Central Office department may be made directly by the concerned in-charge of the department and the Manager kept suitably informed. Appropriate information system may be designed along with the scheme of delegation indicated at item (iv) below.

- iv) Each Central Office department may appoint a team of senior officers to prepare a scheme of substantial delegation to the Branches on the lines indicated at (iii) above. Out of the powers delegated to the local office, a further sub-classification must be attempted as between the Manager and the in-charges of the departments so as to avoid possible conflict or misunderstanding. Such teams will work with the active involvement of the respective heads of the departments. In the proposed scheme, principles to be followed should be:
- a) All operational matters should as far as possible be dealt with at the Branch. As a general rule, 80 to 90 per cent of the cases should be disposed of at the local office.
  - b) Managers should not be burdened with day-to-day affairs, nor should authority of regional heads be undermined in any way.

- c) Extent of authority delegated in each functionary at the Branch should be commensurate with their comparative status in the organisation. That is, the authority should go with the responsibility implicit in a particular grade. We have applied ourselves to the task of broadly identifying areas in different functions where substantial delegation can be effected. These are detailed in Annexure v . The list is merely illustrative.
- v) The Manager at each Branch should be provided with sufficient 'staff' support in the form of specialists from various fields like Economics and Statistics, O & M and Planning, Legal Advice etc. In the Branches where some cells already do exist, or are proposed to be opened as appurtenances of their respective Central Office departments, their strength could be suitably augmented to equip them to provide 'staff' service to the Manager in regard to his newer/additional responsibility. Where no such cells exist, the number of officers from the disciplines indicated above should be regulated and related to the actual Branch workload.
- vi) The Manager would be accountable for all aspects of work at the Branch. He will be responsible

to Executive Directors/Deputy Governors at Central Office in respect of work under their respective jurisdictions.

- vii) Having been identified as an important unit in the Bank's working, a formal machinery for active participation of Managers in the policy formulation and review function has to be worked out. For this purpose following measures are suggested -
- a) Manager may, through monthly D.O. letters (free style) to the Governor, report and comment on the important developments taking place in the area under his jurisdiction which in his opinion would have impact on Bank's policy and administration.
  - b) Manager may make suggestions for review and modifications of policies affecting sectors and region under his jurisdiction on the basis of problems identified by him through the information gathered from official and non-official sources.
  - c) Manager may meet once a quarter the Deputy Governors/Executive Directors for the purposes of performance appraisal and review. Details have been worked out under the Chapter 'Planning and Control System'.

- viii) Since Local Boards have little executive authority and it is the intention to vest vast powers with the local Manager (whose status at the four centres in question would be raised to that of "Chief Accountant/Principal Adviser"), we recommend abolition of the Local Boards. Statutory changes to this effect may be considered in the Reserve Bank of India Act. To ensure that financial and other powers vested with the Local Boards are exercised locally, Central Office may consider constitution of a Senior Management Committee comprising Manager and a few departmental heads at the Branches to take the required decisions. For the purpose of getting expert advice, tendered at present by the Local Boards, we recommend creation of Regional Advisory Councils at all offices headed by the Manager. This council may consist of four or five acknowledged experts representing one or more of the following fields.
- a) Chambers of Commerce and Industry
  - b) Professionals like Chartered Accountants, Economists and Management experts
  - c) Agriculture
  - d) Small Scale Industries



- e) Commercial Banks
- f) Co-operative Banks
- g) Regional Rural Banks.

The function and responsibility of this Council will be to aid and advise the local Manager on the development of the area under his jurisdiction within the overall policy and development programme outlined by Central Office. The Council will have no executive authority or statutory backing.

Meetings may be called at least once a quarter or more often as deemed necessary by the Manager.

- ix) The status and grade of the Manager will have to be raised; let him be in Grade 'F' at least. For offices like Delhi, Bombay, Calcutta and Madras his status could be equivalent to that of Chief Accountant/Principal Adviser. Incidentally, the Manager of Bombay Office at present is in charge only of Banking and Issue Departments and branches of erstwhile specialised departments come under the administrative control of their respective Central Office departments in Bombay. Once the branch set-up proposed by us is approved, the Bombay Manager too would be the overall chief and co-ordinator of all the departments like his counterparts at other centres.

- x) The designation of Managers should be suitably changed to reflect his enlarged role and responsibilities.
  
- xi) A select cadre of 'Managers' will have to be trained. Suitable background training may also have to be given in initial year or two; thereafter, rotation policy can take care of the need to groom officers with requisite background and vision.
  
- xii) Central Office department heads should as a matter of policy be at least officers in Grade 'F'.
  
- xiii) Currency Officers and Treasurers at present are rather over strained, especially in bigger centres where in addition to their considerable functional responsibilities they are called upon to supervise, control and coordinate a sizeable section of staff in Issue Department. We suggest as under -
  - a) upgrade posts of Treasurers and Currency Officers at 4 metropolitan centres.
  - b) provide for creation of posts of additional Currency Officers and Treasurers so that there is effective division of work and responsibility.
  
- xiv) We would also recommend review of the grades of in-charges of various operational departments at the

Branches so that their status is commensurate with the importance of their job and the size of staff they have to generally oversee.

4.4 With the strengthening of the Branch set-up we envisage a substantial improvement in the customer service rendered by the RBI as also greater degree of zonal/area input in the policy formulation function of the various departments. This would also go a long way in helping the organisation to develop a cadre of top management.

4.5 The scheme, when implemented will mean upgrading of certain posts. In financial terms the impact is marginal as there is not much difference between the pay packets of different categories of senior executives. It will on the other hand throw open promotion opportunities which will have a welcome impact on the ranks. The main problem however is finding officers with required aptitude and experience to be able to stand up to the challenges of the enlarged job requirements of the posts. Therefore, proper selection on basis of merit will have to be made, followed up by rigorous institutional and on-the-job training. We have dealt with this aspect in greater detail in Chapter 8 but would emphasise here that with proper planning it would be possible to develop the required band of officers in about two or three years.

CHAPTER - 5CENTRAL OFFICE DEPARTMENTS SET UP

5.1 Based on the broad objectives and principles enumerated in Chapter 3 of the report, we recommend reorganisation of Central Office set up as per chart at Annexure VI. Basically it is the considered view of the Group that the existing large and unwieldy departments not only conduce to creation of a sense of alienation all along the line but also hamper harmonious functioning. We strongly feel that relatively small, compact and functionally homogeneous departments would have many advantages, namely,

- i) better unity of command, control and coordination,
- ii) better clarity in goals and objectives, and therefore more commitment to these goals,
- iii) optimum scope for specialisation in skills and expertise,
- iv) induction of the principle of accountability, and above all,
- v) avoidance of alienation all along the line.

The salient features of changes recommended and the reasons therefor are as under:

Credit Planning and Policy Department

5.2 The Credit Planning and Banking Development Cell, as it exists today, was carved out of the functions of two

Departments - policy formulating function of the Economic Department and refinance/rediscount function of the Department of Banking Operations and Development. It must be said, without minimising the importance of other Departments, that the tasks of this Cell are very crucial; they embrace the foremost responsibility of formulating, executing and monitoring monetary and credit policy. Credit planning, to be effective and meaningful, involves not merely monetary target setting and credit budgeting and rationing, but involves a series of inter-actions with banks, with Government Departments including the Planning Commission, and with bulk users of credit (i.e., industrial interests, FCI, JCI, CCI, etc.). The whole exercise becomes a multi-dimensional and iterative process involving a series of operational tasks, particularly through the system of quarterly budgeting undertaken by each of the commercial banks and discussions thereon. Secondly, the task of providing re-discount and refinance accommodation extended to the individual banks periodically is intrinsically linked to this credit planning exercise. Above all, this whole process of credit planning and policy formulation even at the macro level requires not only officers experienced in research but also those with operational experiences particularly in the fields

of commercial and cooperative banking and functionally, in agricultural credit, in credit for small-scale industries and decentralised sectors, and in finance for medium and large scale industries and trade.

5.3 For these reasons, we suggest first, that the existing Credit Planning and Banking Development Cell needs to be given the status of a full-fledged department, which may be called Credit Planning and Policy Department, a title which befits the department's functions.

5.4 Secondly, in addition to the tasks currently being performed by the Cell, the department should have other tasks which would make it a focal point in the Bank for providing leadership in formulating and prescribing priorities in credit dispensation. All dimensions of credit planning at the macro-level - sectoral, regional and institutional - may be attended to by this department. Hence, that part of the policy work of the Banking Policy Section of DBOD which relates to determining the credit targets for priority sectors and targets of credit-deposit ratios for rural and semi-urban branches of banks may be entrusted to the Credit Planning and Policy Department. This would, incidentally, ensure grouping together of the tasks of credit planning and monitoring of performance in this respect under one and the same department, although policy formulation would have to be in consultation with

Economic Department, DBOD, ACD and RRBD (proposed).

5.5 Thirdly, the process of credit planning and policy formulation even at the macro-level requires the association and involvement of officers experienced not only in research but also in operational work in different fields. At present, the Cell is assisted by officers from ACD and DBOD (besides those from Economic and Statistics Departments). By the nature of its tasks, this mix of staff deserves to be qualitatively strengthened.

5.6 Fourthly, the Cell is currently handling work relating to processing of data based on Basic Statistical Returns (BSR). This work may stand transferred to the proposed Department of Data Bank. The rationale for such transfer is explained in paragraph 5.48.

Department of Banking Operations and  
Development/Rural Planning and Credit  
Cell/Industrial Finance Department

5.7 The Department of Banking Operations and Development essentially concerned with the regulation of, and surveillance over, commercial banking, is engaged in certain distinct tasks not all of which are wholly inter-related. The Department is, therefore, sought to be re-constituted into separate units as under.

Industrial Credit Department

5.8 The system of prior authorisation of credit limits above a stipulated cut-off point was conceived as an instrument of regulating institutional credit in conformity with Plan priorities. With the recommendations of Tandon Study Group on Follow-up of Bank Credit particularly in relation to inventory norms, assessment of credit needs, style of lending and information system, the system of prior authorisation and follow-up undertaken by the Reserve Bank can be said to have come to stay. The whole exercise of authorisation, enforcement and follow-up of the new system of lending has little in common with other regulatory, supervisory and developmental tasks of DBOD; such an exercise also requires a special expertise. Specialised knowledge of industrial priorities and finance, project evaluation and scrutiny of cash flows <sup>and</sup> / assessment of working capital and means of financing, are areas peculiar only to the Credit Authorisation Scheme (CAS) of DBOD. The whole gamut of activities associated with the CAS forms a homogeneous and distinct category by itself and this work is bound to attain greater importance and significance in the years to come conforming to the credit policies of the Bank. It deserves to be converted into a full-fledged department under the name of Industrial Credit Department.



5.9 Since the Credit Authorisation Section of DBOD also attends to functions of the Committee of Direction instituted in terms of the recommendations of the Tandon Study Group, as also with matters relating to sick industrial undertakings, these two items of work also should be taken over by the proposed Industrial Credit Department.

5.10 The Export Credit Cell functioning in the Department of Banking Operations and Development was set up in 1975 to serve as a secretariat for the Standing Committee on Export Finance instituted by the Government of India and headed by a Deputy Governor. The deliberations of the Working Group <sup>on Project Export</sup> cover an important area like lining up bank credit required either at the pre-shipment stage or at the post-shipment stage. Since the limits required by exporters handling project exports, etc., are substantially large, the matter ultimately comes to the Credit Authorisation Section of DBOD. The Export Credit Cell may, therefore, be integrated with the Credit Authorisation Section to form the proposed Industrial Credit Department.

5.11 In addition, the new Department may also take over the Credit Authorisation Section of the Agricultural Credit Department so that a uniform treatment is meted out to borrowers in the industrial sector regardless of

whether they are financed by commercial banks or co-operative banks. The Department incidentally will have no regional counterparts.

Department of Small-Scale  
and Decentralised Sectors

5.12 The focus of the present Industrial Finance Department (IFD) has essentially been on the financial needs of the small-scale industries and decentralised sectors. Functionally, the Department at its Central Office is divided into three wings:

- i) the Credit Guarantee Scheme Division, which administers the specific Guarantee Scheme for the registered small-scale industries;
- ii) the Planning Division whose task is to undertake promotional work for the development of small-scale industries; and
- iii) the SFCs Cell, which attends to financial accommodation to the State Financial Corporations (SFCs), and the grant of loans and advances to IDBI from out of National Industrial Credit (Long-term Operations) Fund, and related matters.

5.13 There are four regional offices of the Department at Bombay, Calcutta, Madras and New Delhi for administering the Credit Guarantee Scheme which accounts for the bulk of

the Department's activities. Of the present total sanctioned strength of about 588, as many as 554 attend to the Credit Guarantee work and 34 staff members attend to the tasks assigned to the other two wings (which are only in its Central Office).

5.14 With the transfer of work relating to the administration of Credit Guarantee Scheme to the Deposit Insurance and Credit Guarantee Corporation (DICGC), the Department would be left with only promotional work and work relating to financial accommodation for SFCs and IDBI. Some part of the promotional work relating to small-scale industries was taken over by IDBI long ago. In regard to the financial needs of decentralised sectors (including 'tiny sector'), the concerned Working Group (under the Chairmanship of Shri W.S. Tambe) has recommended the establishment of a new apex institution for refinancing, monitoring and promotional tasks, called Development Bank for Decentralised Industries, which would function as an associate of the Reserve Bank of India. The Working Group Report, which the present Group had an occasion to study, has specifically emphasized the importance of the new institution's role "in the development and promotion of the decentralised sector"; even 'its direct financing and refinancing activities will, in a sense, be subordinate to its development role'.

The Working Group Report is of course yet to be accepted and implemented.

5.15 Yet another area of promotional work reportedly within the jurisdiction of the IFD relates to the District Industries Centres (DICs). Here, again, the IDBI has already taken initiative in setting up a separate Small and Village Industries Wing in the wake of the emergence of the DICs, to evolve appropriate policy framework, identify immediate action areas for promoting the growth of village and tiny industries and monitor the entire range of credit facilities offered by the various agencies for this sector.

5.16 Thus, the developmental and promotional tasks left for the RBI, while they exist, would nevertheless be minimal insofar as the small-scale and decentralised sectors are concerned. In addition to formulating credit policies including the terms and norms of bank lendings, the work for RBI would essentially be one of maintaining liaison with the series of apex promotional agencies for the small-scale and decentralised sectors, and of monitoring the performance particularly of commercial banks. However, considering the fact (a) that the new apex institution for decentralised sectors is yet to take

shape, (b) that the RBI would be continued to be called upon to play a role in various Committee/Boards/Working Groups/Study Teams, etc., connected with small-scale and decentralised sectors and some expertise in this respect has been built up in the existing IFD, and (c), that the Industrial Credit Department (ICD) proposed earlier would itself be of compact size and would undertake work which is not very akin to the work done in the present IFD, the balance of advantage would lie in retaining the existing IFD as a separate independent department for such of the functions as would be left over after transferring the Credit Guarantee work to DICGC and for such of the potential coordinating, monitoring and promotional tasks enjoined on it as a credit policy planner within the RBI for the small-scale and decentralised sectors. However, befitting the tasks expected of the department, the same be christened as Department of Small-scale and Decentralised Sectors.

#### Regional Rural Banks Department

5.17 Our recommendations regarding the set up for Regional Rural Banks Department are based on the assumption that the function relating to the development and overseeing of the Regional Rural Banks would remain with the RBI. In case the NABARD comes into existence as recommended by the Sivaraman Committee and takes over the Regional Rural

Banks, then the position may have to be reviewed.

5.18 At present, some developmental work relating to Regional Rural Banks and their structural design and operations is attended to by the Rural Planning and Credit Cell/ (RPCC). The inspection and regulation functions, however, are attended to by the Department of Banking Operations and Development. These banks number 56 at present with nearly 2000 branches. It is expected that, in the next five years, their number would be about 100 with over 5000 branches. While DBOD specialises in client relationship with commercial banks, Regional Rural Banks require a different way of handling and guidance at least in the initial years. A separate department looking after the class of Regional Rural Banks in its entirety may be created so that the development and regulation including inspection of these banks becomes the sole responsibility of one unit. The function of the Rural Planning and Credit Cell as it exists today may be recast so as to make it in charge exclusively of Regional Rural Banks, and the Cell raised to the status of a full fledged department under the name of Regional Rural Banks Department, with its own contingent of inspection staff to carry out the inspections which ought to be distinctly different in character. Such an arrangement is in consonance with the rationale that clientele relationship

is the right basis for division of work concerning banks (we have already two departments: DBOD for commercial banks and ACD for cooperative banks).

5.19 The remaining work relating to District Credit Plans, currently being attended to by the RPCC, would not be the function of the Regional Rural Banks Department, and it would be more appropriate for the DBOD to handle it mainly because of the following reasons:

- i) District credit plan is essentially the function of Lead Banks and control over these two areas is best exercised by one agency.
- ii) Since the Lead Bank Scheme is being administered by DBOD, the area of District Credit Plans also should be handled by that Department.
- iii) Supervision of, and surveillance over, banks being the responsibility of DBOD, directions and guidance to banks in this area should emanate from that Department.
- iv) Licensing of branches of banks is a function of the DBOD and this being the basis of Lead Bank work, all the allied functions ought to be handled by that Department.
- v) The District Consultative Committee meetings are being attended by officers from DBOD and it provides secretariat for State Level and Regional

Level Consultative Committees. Since it is through all these meetings that the RBI monitors the implementation of the District Credit Plans, the entire activity could best be overseen by that Department.

Department of Banking Operations  
and Development

5.20 As indicated earlier, the following functions of DBOD would stand transferred to other departments:

- i) Sectoral/regional credit tasks attended to by the Banking Policy Section;
- ii) Credit Authorisation Section together with Committee of Direction and Sick Industrial Undertakings; and
- iii) Release of interest subsidy attended to by Export Credit Cell as also the Cell's other functions like organising meetings of the Standing Committee on Exports and attending the meetings of the Working Group on Deferred Payment and Project Exports.

On the other hand, work relating to District Credit Plans which is closely related to the Lead Bank Scheme and implementation thereof will revert to the DBOD. This Department should, however, ensure that representatives of the Agricultural Credit Department and Regional Rural Banks Department are consulted in periodical meetings called for



the purpose, on issues having a bearing on planning and monitoring of programmes which ought to have a participative and multi-disciplinary approach.

5.21 With the separation of the task relating to credit authorisation (and the associated functions) which is largely<sup>one</sup> of disciplining of industrial credit, DBOD would emerge as a compact and well knit entity attending solely to regulation<sup>and promotion</sup> of commercial banking. Conforming to its name, the Department will be in charge of not only the operations and inspections of commercial banks but also developmental functions including Lead Bank Scheme, branch licensing, manpower planning in banks and training of bank personnel.

5.22 In the interest of achieving a planned spread of offices of banks, DBOD would continue to handle the licensing of branches of Regional Rural Banks until such time as an improvement in the branch net work calls for a departure in this procedure. On the other hand, compliance by these banks with the liquidity and other statutory requirements of the Banking Regulation Act may be taken care of by RRBD. So far as the reserve requirements of Section 42 of the Reserve Bank of India Act are concerned, RRBD may transmit to DBOD consolidated figures relating to Regional Rural Banks for incorporation

into the weekly press communique on the lines of the procedure being followed by ACD in relation to the State Co-operative Banks.

5.23 DBOD, as reconstituted, may internally be divided into the following three distinct wings each to be headed by Additional Chief Officer/Chief Officer:

- a) Development Wing consisting of branch licensing, Lead Bank Scheme and District Credit Plans, manpower planning in banks and training and development of bank personnel;
- b) Operations Wing taking care of appointments, directives, periodical returns, banking legislation, etc; and
- c) Inspection Wing covering programming, editing, follow-up, complaints and other allied areas.

5.24 The branch net work of banks has expanded so extensively in the last decade or so that banks are actually hard put to line up the right type of personnel to man the increasing number of offices. It is in consequence of this that banks are becoming painfully conscious of the need for imparting suitable training to their staff. It is true that very useful work is being done by the National Institute of Bank Management in preparing teaching material and in providing guidance to the

teaching staff of various training centres set up by commercial banks. Similarly, the Bankers Training College of the Reserve Bank of India is also conducting training programmes for middle level and Senior Officer Staff of commercial banks, providing both functional and management inputs of a high order. However, there is no indication as to how best these facilities are availed of by banks and the training centres established by them. Although certain work in this regard is being done by DBOD as part of the follow up exercise on the findings of the periodical inspections of banks much more needs to be done in a systematic way if only the process of training were to be given proper direction and the right impetus. The Development Wing of the DBOD should be so strengthened and equipped as to provide a permanent machinery not only for the purpose of assessing at periodical intervals the training needs of banks but also to assist them in securing from the apex training institutions appropriate packages of training to suit their specific requirements. The Development Wing should initiate and maintain a constant dialogue with banks, both individually and in sector-wise groups, for fulfilling the twin tasks of manpower planning on the one hand and training and development of bank personnel on the other. Since manpower planning,

recruitment of staff and training of bank personnel are to be related to licensing of new branches, it is imperative that co-ordination of these inter-linked activities is taken care of by the Development Wing of DBOD.

5.25 The Operations Wing is faced with the perennial problem of delay in the receipt of returns and statements from banks - those prescribed under the various statutes and others prescribed by the Reserve Bank for specific purposes. This delay, it has been diagnosed, is due mainly to the following:

- i) Lack of proper training to the branch officials whose responsibility it is to compile and submit the statements.
- ii) The plethora of returns and statements required to be submitted by branches to their Head Office on the one hand and to the Reserve Bank on the other.

While the training aspect would be taken care of in the manner already indicated, it will be necessary for the DBOD to have a fresh look at the mass of information required of the banks with a view to seeking avenues to reduce the avoidable burden on banks and their branches.

5.26 While commercial banks do concede the need for periodical inspection by the Reserve Bank of India, it is the protracted process of financial inspection and the consequent delay in the finalisation of the inspection report that is being resented. Considering the very useful role played by statutory auditors as also the internal inspection squads of banks, there is a case for revamping the Reserve Bank's inspection system by weeding out unnecessary procedures and retaining only the bare essentials of the inspection machinery. We have already dealt with this aspect in detail in Chapter 2.

Agricultural Credit Department,  
Agricultural Refinance and Development  
Corporation, and Rural Planning & Credit Cell

5.27 While considering the organisation of the group of departments connected with agricultural/cooperative credit, it would be appropriate to take cognizance of the recommendations of the Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development, which in its interim report has, inter alia, recommended establishment of a National Bank for Agriculture and Rural Development (NABARD).

5.28 The period of the In-House Group, undertaking the exercise concerning reorganisation of RBI, coincided

with the work of Sivaraman Committee and its submission of an interim report recommending the establishment of NABARD. The Group has, therefore, desisted from examining the merits of having an apex institution for agriculture and rural development.

5.29 The NABARD would, among others, undertake functions like developmental policy, planning and operational matters relating to credit for agriculture, allied activities, rural artisans and industries; refinance to cooperatives and RRBs, refinance to commercial banks against term lending, etc. The NABARD would thus be the refinancing body to the entire rural credit system, monitor the end use of funds and inspect cooperative banks and RRBs. In case the recommendations of the Committee for establishment of the proposed bank are accepted then most of the abovementioned promotional and developmental functions would be transferred to it. The residual functions with the RBI would be restricted to providing financial assistance to NABARD, administration of National Agricultural Credit (Long-term Operations) Fund, National Agricultural Credit (Stabilisation) Fund, inspection of cooperative banks and work relating to urban cooperative banks. So far as inspections of cooperative banks are concerned,

the Committee had suggested that NABARD would inspect these banks on agency basis and RBI, being a lender of funds to NABARD, may be required to keep a watch on the health of banking institutions which can be ensured by occasional test inspection. Further, RBI has to satisfy itself that the operations of co-operative banks are being carried out in conformity with the provisions of Banking Laws. The Committee at the same time has observed that NABARD being an institution within the RBI complex, the statutory inspection of cooperative banks and CRBs may be taken up by it as an agency function. As regards commercial banks, who would also be borrowing from NABARD, the inspections would continue to be undertaken by RBI. Thus, so far as cooperative banks are concerned, NABARD will be interested not only in their financial soundness but also in monitoring the field level developments and end-use of credit; at the same time <sup>it</sup> would leave both these aspects to RBI so far as commercial banks are concerned. The aspect as to how an independent body like NABARD would be in a position to issue statutory inspection reports relating to cooperative banks will have to be examined in detail.

5.30 Even considering that various legal hurdles are cleared about the statutory inspections to be conducted by NABARD, RBI will have to have a department to look after the residual functions and conduct test inspections of cooperative banks with a view to ensuring that their operations are being carried out in conformity with the provisions of Banking Laws. In addition to this function, RBI will be vitally concerned with the loan policies and procedures followed by NABARD and issuing necessary instructions and guidelines to banks whenever required. Even after the establishment of NABARD, RBI would continue to be concerned about the agricultural development and ensuring that credit flow is maintained throughout the country especially to the weaker sections and regional imbalances are corrected. The Agricultural Credit Board would continue to provide guidance to RBI in formulating policies concerning agricultural credit.

5.31 ACD presently oversees the functions of urban cooperative banks and undertakes statutory inspections. The new bank is primarily concerned with agricultural rural development and as such the urban cooperative banks have been kept out of its purview. Thus ACD would continue to handle this function after the establishment of NABARD.

5.32 Special Study will require to be undertaken to decide upon the staff strength, organisation, reporting relationship etc. of the ACD, after details of work to be transferred to NABARD are finalised



Department of Accounts and Expenditure

5.33 At present, this Department attends to a variety of tasks like the maintenance and supervision of Bank's Accounts, Government Accounts and compilation of the Weekly and Annual Accounts and control over expenditure (including budgetary control). It also deals with all currency matters, the Bank's Remittance Facilities Scheme, agency arrangement in respect of the business of the Central and State Governments, management of foreign reserves, and maintenance of accounts of the foreign central banks and other institutions such as the IMF and the IBRD. The various Fund Accounts such as Provident Fund, etc., of the Bank's staff are also maintained in this department. Further the department has now been called upon to look after the recently added function of Departmentalisation of Government Accounts.

5.34 With the growing volume of transactions and the complexities of each of the above tasks, it is well nigh impossible for any single individual to devote the desired attention to the various areas and do justice to all the functions supposed to be attended to by this department. It is our view that some of the key functions of the department stand on their own on considerations of their importance to the Bank's functioning, the magnitude of the activities, the complexity of

the problems involved, the homogeneity of functions and the skills and expertise required to handle them and as such may be carved out under separate departments.

These are :

- i) All matters relating to currency management;
- ii) Management and control over Foreign Exchange Reserves; and
- iii) Public Debt Management.

We suggest, therefore, that the department may be divided into the following four departments.

#### Department of Currency Management

5.35 The seriousness of the problems relating to currency management, its dimensions and the shape of this important area of Bank's functioning have already been highlighted in detail in Chapter 2. Our study reveals that a good part of the malady or the predicament of the Bank on this front is on account of lack of proper and adequate steps to combat the problem at the right time. This area of the Bank's functioning appears to have been neglected and has not received the desired importance and attention. We have not been able to keep pace with the growing volume of the work. The various infrastructural facilities required for discharging this function are totally inadequate. In the interest of efficient discharge of our statutory

responsibility relating to currency management, it is necessary to create a separate Department of Currency Management at Central Office. The proposed department will look after the planning aspects as also the policy and procedural matters relating to the design, printing and issue of currency notes, the minting of coins, their distribution, opening<sup>of</sup> currency chests, removal of notes from chests and their eventual destruction. This will also help us in bringing the concepts of unity of command and accountability which are very important from functional point of view.

#### Department of International Accounts

5.36 Likewise, considering the quantum of our rising reserves, the potential for their better and profitable deployment, the nature of skills, acumen and expertise required and the need for an in-built information system, we feel that the Foreign Section requires to be delinked from the Department of Accounts and Expenditure and converted into a separate department. The proposed department will provide wider scope and initiative in managing the foreign reserves in line with the changing times, activate the foreign exchange markets, the inter-bank market and facilitate authorised dealers' recourse to the foreign markets. It is felt that the RBI's present practice of dealing on the basis of previous day's

closing rates in London needs a change. The Bank should have its own foreign exchange dealing room and should effectively enter the inter-bank market, dealing at rates prevailing in major financial centres around the globe at the moment of putting our deals through. Likewise, there is a need for devoting more attention to the buying and selling of foreign currencies by the Bank and the maintenance of the accounts of foreign banks with our offices. It is necessary to have a small Foreign Balances Section in the four major offices of RBI, viz., at Bombay, Calcutta, New Delhi and Madras to handle all foreign exchange deals and other international transactions.

5.37 In order, that the country is able to take advantage of even the slightest fluctuations in international money market, the Bank may consider opening small cells abroad at important centres. Such an arrangement would of course imply that the officers posted to head these cells are of sufficiently senior status in whom the requisite authority for deployment of resources can be vested by the Bank.

#### Department of Public Debt Management

5.38 Another important area of our functioning which needs a better and integrated approach is the management of Public Debt of the Central Government, the State

Governments and certain autonomous bodies. At present, the policy work relating to the floatation of loans viz., the terms and conditions of the new loans, their amount, timings and methods of issue and the co-ordination of loan floatation of the various State Governments are attended to in the Secretary's Department whereas the work relating to consolidation and co-ordination of the Public Debt accounts of the Central and State Governments is handled by the Central Debt Section which is a part of Department of Accounts & Expenditure. The actual transactions connected with Public Debt are however, handled at the regional Public Debt Offices. With the increasing recourse to market borrowings by the Governments, both Central and States, for raising resources for bridging the budgetary gaps, it is necessary to integrate policy and operational functions relating to the same task so that a single distinct unit becomes responsible for the task of managing public debt. We suggest, therefore, that a separate department called Department of Public Debt Management may be created by merging some of the functions of the Secretary's Department and the Department of Accounts & Expenditure. This Department will inter-alia, attend to open market operations, policy relating to floatation of Central

and State Government loans and tendering advice to local bodies on raising of loans. The Public Debt Offices at various centres will, in future, directly correspond on all matters connected with their work with the proposed new Department.

Department of Accounts and Expenditure (DAE)

5.39 After segregation of the work relating to Currency Management, Foreign Section and the Public Debt Management from the present Department of Accounts and Expenditure and constitution of separate departments for each of these distinct functions, the accounting and expenditure function of the erstwhile department and the residual activities can be re-grouped under three areas and constituted as a distinct department, to be called the Department of Accounts and Expenditure. The broad areas covered by the new department would be :

- i) Accounts and Expenditure including  
Establishment, Funds and Housing Loans,
- ii) Government Accounts and Departmentalisation  
of Accounts, General Section, and
- iii) Budgetary Control.

5.40 We would also suggest that the sanction of Ways and Means Advances to State Governments, Issue of Ad hoc

Treasury Bills for central Government and the investment of Government's surplus funds - functions which are presently being attended to by the Secretary's Department should in future be performed by the Government Accounts Division of the new DAE. This Division will have a close liaison with the Central Accounts Section at Nagpur.

5.41 The Implementation Cell attached to the DAE which is, presently, attending to the follow up of Inspection Reports and of Suggestion Scheme may be separated from it and attached to Inspection Department. This cell should be concerned only with the work relating to follow up of Inspection Reports. The follow up work of Suggestion Scheme legitimately belongs to Management Services Department and should be attended to by them. Each department will henceforth have its own nucleus/machinery to comply with the requirements of follow up of the Inspection reports.

#### Research Departments

5.42 One of the crucial determinants of the functioning of a Central Bank is the extent of analytical and research input in its policy formulation. To this end, the Bank's research function has to have excellence and there has to be optimal harmonisation with operational work.

The Bank possesses two research units, namely the Economic Department and the Statistics Department. Of these, the Economic Department is so structured as to provide the nucleus of a research counterpart to all important operational activities undertaken by the Bank. Besides rendering advice to the higher executives of the Bank and assisting in the formulation of monetary and credit policies, this Department is expected to bring to bear upon operational problems the fruits of research. As regards the Statistics Department, although its primary function is the maintenance of data base on every aspect of the national economy and rendering technical advice to the Bank in matters relating to surveys and statistics, it is also expected to subserve the same role of research in policy formulation and assisting the operational activities of the Bank. A revealing aspect of the Bank's working during the past decade or so relates to the growing distance between the research efforts in these two Departments, on the one hand and the operational activities of the Bank, on the other.

5.43 The model of an independent research set up serving inter alia all operational departments had an obvious advantage when the size of the RBI's organisation itself was relatively small and much more compact. Now



a stage has come when we should differentiate, insofar as the Bank's requirements of research and analysis are concerned, between research of a basic nature (i.e., empirical research arising out of the Bank's general advisory role) and research and statistical intelligence of a type that is directly required for policy formulation and for carrying out its promotional, regulatory and supervisory functions in individual departments of the Bank.

5.44 Accordingly, we suggest two major reforms in the research set up of the Bank. First, that work which has got tagged on to research activity like 'Data Processing' needs to be segregated and constituted into a separate department. We also visualise the necessity of carving out a 'Data Bank' department especially charged with the function of designing, developing and monitoring a data base which would provide data on an ongoing basis to the various functionaries. Secondly, we feel that the policy and planning function of the operational departments requires qualitatively larger research input. Therefore, we would suggest that distinct cells for this function may be created in each of the major operating departments to work under the administrative control of the concerned departmental head. These cells could

benefit by drawing upon the expertise available in the present research departments by getting some economists/statisticians on tenure basis. This assistance will be in the form of study and analysis of the mine of information with the operating departments. Such support, we envisage, will be required by the Branch Offices as well, especially in the light of the enlarged role our Managers are expected to play.

5.45 A decentralised research set up has been tried in the World Bank. The Central Government has also a decentralised economic service. The experience so far has not been an unalloyed blessing. Nor for that matter, has it been proved as an abject failure. We would feel that RBI research set up also needs to be tried on a decentralised basis. As a short-term measure in this direction, we have recommended active participation of officers from Economics and Statistics Departments in the Planning and Policy Cells of various operating departments (cf. Chapter 7). Success of this experiment should in due course lead to the decentralisation of the research function in the Bank. Once it is decided to transfer research units to concerned departments, the parent research department would become compact in size. It would then concentrate mainly on research of a basic nature required for enabling the Bank to effectively discharge its role as an adviser to the Government and

watchdog of current economic performances.

The New Departmental Set up

5.46 We envisage spinning off of following functions out of the research department to two new departments.

They are :

- i) Department of Data Bank
- ii) Department of Computer Services.

5.47 Over the years, staff complement in Economic as well as Statistics Departments has expanded sizeably; the growth is, however, mainly in the areas of data processing in the Department of Statistics, and though not so distinctly distinguishable, in data collection and its organisation in the Economic Department. This expansion and consequent larger involvement in the ancillary activities is not a desirable feature inasmuch as it diffuses the task responsibility and willy nilly the focus gets shifted, thereby affecting the research performance. It, therefore, seems necessary to create a separate administrative structure for these ancillary activities so that in the research departments due emphasis and focus on its basic task could be ensured.

5.48 In more specific terms, to our mind, the Data Processing, centered around modern complex computer

system, is a quite distinct function and calls for different skills from those for statistical research. As regards data collection and its organisation, although this function is more closely embodied in research activity, a time has come when we should work on a concept of developing a Data Bank from which the economists and researchers could draw their requirements of data.

#### Department of Data Bank

5.49 Some years ago, an attempt was made to start a Data Bank on monetary, credit and banking matters, but the work could not proceed further because of lack of proper organisational set-up and support. Experience thus indicates that unless we create a distinct unit solely responsible for this function, the efforts even in future are not likely to yield tangible results. A beginning has already been made by the Bank through the Basic Statistical Returns System. We feel that the time has now come to recognise the need for the Data Bank and segregating the Divisions and Sections at present attending to this job into a separate Department to be called Department of Data Bank and make it responsible for not only collection, organisation and publication of the mass of data contained in these returns but also for undertaking the specific responsibility of starting work

on a fullfledged Data Bank. If our suggestion is accepted in principle, then, about 120 persons attending at present to the work relating to BSL and Statistical Tables relating to Banks in India in the Banking Division of Economic Department and Credit Planning Cell may be grouped under the proposed Data Bank Department. The few tables which Credit Planning Cell generates from some of the basic tables received from Department of Statistics would also in future be attended to by the proposed Department and information furnished to Credit Planning Cell according to the latter's specific requirements and directions. Creation of this department has the merit that it will fix the accountability relating to collection of data, organisation of information and publication in one unit, create a committed cadre of experts on these matters, provide necessary impetus for creation eventually of a comprehensive Data Bank and relieve the existing Economic and Statistics Department of sizeable section of employees which otherwise tended to make them unwieldy in size.

#### Department of Computer Services

5.50 The considerations for creation of a separate Department for Computer Services are as under :

a) Dominance of Processing Activity

Research activity involves analysis of data and drawing inferences therefrom and as such "processing" equipment which helps analysis of data was acquired by Department of Statistics. Over the years, however, this processing activity has assumed dimensions not foreseen earlier, so much so that it accounts for 30 per cent of the Department's officer staff and 47 per cent of non-officer staff (other than subordinate staff). The supervision and control, direction and co-ordination, and motivation of such a large number of officers and staff calls for exclusive attendance by a Senior Officer especially in the context of rapid technological developments in this area.

b) Skills - differential

The skills required for statistical research and those for Data Processing are not the same; in Data Processing the work of systems design, programming, and operation of electronic equipments calls for different sets of skills and training. It would be necessary

to develop a new cadre of persons for Data Processing work especially in the context of rapidity of the technological development. It may be noted that the officers from Statistics Department to be able to work on Data Processing, have to be adequately trained as their "statistics" background is not sufficient for the requirement.

c) Capacity of the New Computer

With the arrival of the New Computer having multi-dimensional capabilities for complex processing, its utility to the organisation will increase and it would cease to be a tool for exclusive use of the Department of Statistics.

With the availability of the fast and complex system we could now think of many other areas where computer could be used as an aid in information system and research.

The functions that occur to us are, the development of industry level information system, a beginning in which direction has already been made by processing BSR data, exchange control statistics, portfolios

information system, costs data file, Lead Bank data file and so on. The Computer will also be used for simulation and operational research problem mainly in areas of optimisation of resources, appraisal analysis, forecasting and network analysis for inspection, Premises Department problems and for Services Board.

There is one more reason for delinking processing work from the Department of Statistics : research work requiring processing is not only carried out on a large scale by Economic Department, but latterly, also by many of the bigger operational departments like DBOD, ACD and ECD by creating special cells, sections or divisions for special studies, policy and co-ordination etc. Once the processing of data becomes the sole service function of a department which concentrates only on service and not doing its own independent research or analytical work, hopefully, it will encourage more frequent and profitable use of the facilities.

d) Concept of "Service" Department

Data Processing is one of the very useful



services available to the operational/user departments like any other service e.g. such as providing and managing staff resources, provision and maintenance of premises, and other infrastructure like dead stock, stationery, machines, etc. A Service Department cannot obviously be under an umbrella of one user Department for obvious reasons.

#### Department of Statistics

5.51 This regular Department of Statistics would henceforth consist of the following seven divisions :

- i) Statistical Intelligence Division
- ii) Company Finance Division I
- iii) Company Finance Division II
- iv) National Income Division
- v) Econometric Division
- vi) Survey Division, and
- vii) Exchange Control Statistics Division

#### Economics Department

5.52 For the present, the Economic Department, which may be appropriately called the Economics Department, will comprise the following Divisions :

- i) Division of Monetary Economics

- ii) Division of Banking
- iii) Division of Fiscal Analysis
- iv) Division of Industrial Studies.
- v) Division of Balance of Payments
- vi) Division of International Relations
- vii) Division of Rural Economics
- viii) Division of Publications and Documentation
- ix) Division of Field Surveys.

Once the experiment of providing research nucleus for planning exercise in operational departments yields results, the operational departments would be ready to accept and absorb larger input from the research departments. At that stage, the Department may take a fresh look into the functional divisions and carve out those areas which need to be transferred as research units to the operational departments. Thereafter, the principal research department would become a compact officer-oriented department.

Human Resources Development and Administrative and Industrial Relations (or Personnel Relations) Department

5.53 Some of the major causes of demotivation are the outmoded administrative practices and lack of empathy with staff. A highly hierarchical, centralised

and precedent-oriented administrative structure is one of the contributing causes of this malaise. To our mind, the personnel function in any large organisation in the contemporary situation has become quite complex and calls for not only the application of latest tools and techniques but also adoption of a progressive approach in the wake of a more demanding and militant society which is now emerging. More specifically in our organisation, the credibility gap between the management and employees is growing and an atmosphere of tension and distrust prevails. That the industrial relations are perhaps at their lowest ebb, may be the result of not only all environmental factors but also our own attitudes and behaviour. The basic approach has to shift from merely administering a group of persons to developing human resources in a planned manner so as to ensure that the organisational requirements of this resource are not only adequately met at a given point of time but that there is a built-in capacity for taking up any challenges faced by a key organisation like ours. This task is very challenging and calls for setting up of proper systems in the area of personnel skills, job specification and analysis, career planning, appraisal and promotion system, etc.

5.54 These functions in the Bank need to be given due appreciation and reorientation, and unless this is

done, it will not be really possible to bring about any marked improvement in our organisational efficiency. For, in the final analysis, the Bank's performance is sum total of the individual performances and would be good or bad, depending upon the ability of men we have and their motivation.

5.55 There are two specific, separate facets of the task, namely,

- a) Human Resources Development and Administration
- b) Industrial Relations or Personnel Relations

Both these aspects have become very important. Each of the functions calls for high level of skills and sophistication and cannot be expected to be attended to by one single functionary or unit. In fact, at present, if we may venture to say so, the industrial relations work has really become a 'direct' responsibility of the Deputy Governor (we could have even said the Governor). This situation cannot continue and structural solution for this aberration has to be found out.

5.56 We have applied ourselves to the problems and feel that we ought to reconstitute the present DAP set-up into two distinct units as mentioned above. We see substantial advantage in this inasmuch as the administrative unit could then be more scientific in approach and would really be performing the task of

providing adequate and proper human resources for our functions. More specifically, its policies will then not be unduly influenced by consideration of constraints, which many a time are overplayed and on account of which many desired policy reforms become nonstarters. We have, on many occasions, not taken initiative in bringing about changes primarily because of likely 'staff resistance' and in the process, have lost initiative in many areas.

5.57 True, there are some constraints which may be difficult to ignore; nevertheless, there is room for improvement and, though feeble, still a chance of breakthrough, provided we persevere and approach the problems in a systematic way. In many a case, the staff resistance can be ascribed to the ad hoc policies, allegedly not based on objectivity, equity and justice. There seems to be some truth in these allegations inasmuch as we do not have a set-up whereby we could evolve policies on scientific and systematic basis. To some extent, separate set-ups for personnel relations and personnel administration would remove the deficiencies pointed out above. We would therefore strongly advocate the setting up of a Human Resources Development and Administration Department under the charge of the Chief Manager. This proposed department will take up all the administrative functions of the DAP in the areas of recruitment, training, placement, promotion, discipline,

retirement, etc., of our staff. They would draw up proper policies and administer them. The Chief Manager in charge of this function will be a personnel specialist and will be responsible for personnel administration of the entire Bank, although some degree of decentralisation could be attempted for exercise of administrative authority in consonance with well defined policies.

5.58 We would now come to Industrial Relations structure in the Bank. Somehow a constant atmosphere of tension and distrust persists and a credibility gap seems to have developed between the management and the employees. The management seems to feel that any action taken by them for betterment of institution's performance will be opposed by Staff Unions and Associations and the Associations/ Unions on their part seem to smell something undesirable in every act/proposal of the management. The situation needs to be remedied and a better understanding has got to be developed. This is a very challenging task, but we cannot expect the top executive(s) at every stage to be drawn into action for all dialogues, with staff unions/ associations. There is need for a proper unit in the organisation to take care of this aspect - to be primarily charged with the function of working as liaison between management and the employees; to be an agency which would understand and explain the rationale of various top

management actions and policies to the employees and simultaneously act as moderating agents where it is so required. It also must put up the genuine problems faced by the employees to the top management in proper perspective and with due importance and urgency so that the management would seem to act of its own volition and not appear to be acting under compulsion and pressure. Again there has to be a proper bilateral negotiations machinery not only to be active during periods of confrontation but as a continuing forum, where periodically problems of organisation are discussed. An effective grievance redressal machinery for individual cases has also to be set up so as to ensure that individual cases do not become a matter of industrial dispute. All these aspects are well known but are detailed only to bring out that this function needs to be properly established in our Bank. An absence of this is perhaps contributing to continued tension in the organisation. Structurally, we would therefore strongly urge creation of Personnel Relations Department to be charged with <sup>the</sup> functions listed above. The person selected as its head should have proper perspective and aptitude and should be able to command confidence of the top management as also the staff. He will have to be assisted by personnel officers who would act as a sort

of welfare officers; their number has to be adequate so that each category of staff is given due attention.

#### Press and Public Relations Department

5.59 The present responsibilities of the Press Relations Division, inter alia, cover bringing out periodical releases 'Fortnightly Newsletter' and 'Credit Information'. These activities provide 'ballast' for the main work of the Division viz., maintain and improve relations with the Press. There is now a greater need and urgency to project a strong, positive and dynamic image of the Bank through the Press and other audio-visual media owing to industrial relations malaise afflicting the Bank and the banking industry, growing criticism amongst public, press and professionals on RBI's policies, and, the need to educate and inform the public on their rights and privileges vis-a-vis functions delegated to the banks. All this possibly cannot be undertaken through the usual mechanism of handing out press releases and official communiques. The role of the Press Relations Division has to be enlarged to that of Press and Public Relations Department. It should be manned by experts in the field of public relations and publicity who can take advantage of all the publicity media and take the initiative in informing the public about RBI's side of the story in regard to various policies, its stance vis-a-vis banks,



Government and labour unions and make them conscious of facilities they can expect from banks.

Secretary's Department

5.60 The Secretary's Department at present attends to the following broad functions :

- 1) open market operations;
- 2) policy work relating to floatation of loans;
- 3) ways and means advances to State Governments and investment of their surplus funds; and
- 4) acting as Secretary to the Board.

5.61 In consonance with the role of the Secretary and from the point of view of functional homogeneity and accountability, we have earlier suggested transfer of first two items of work to the proposed Public Debt Management Department and the third to the DAE.

To our mind these three items of work do not have congruity with the role, the 'Secretary' to the Board of a Central Bank has to perform. Perhaps, these had been tagged to the department on the consideration that the Secretary, being in closer day-to-day contact with the top echelon, can bring to bear upon these portfolios the input he receives from them. In the process, however, the role clarity and conceptual purity in organisational design are compromised unnecessarily.

5.62 Instead, we conceive of the Secretary's role not only as a Secretary to the Board but as an executive link between the Governor and the Bank and therefore, to be the repository of information on all organisational matters. We envisage that this functionary would be acting as Secretary to the Top Management Committee which we have envisaged and which would be the highest decision making body in the Bank.

5.63 Besides this function the activities of this functionary would relate to :

- i) Committee and Board meetings;
- ii) making arrangements for meetings and stay of the Directors;
- iii) arrangements for inter-action with top management of visiting dignitaries and their stay;
- iv) correspondence with international institutions etc., on specified matters concerning Bank;
- v) correspondence with Government and financial institutions not concerned with any specific Department of the Bank;
- vi) follow-up of inter-departmental Committee reports/recommendations; and
- vii) secretarial assistance for the top management (Governor, Deputy Governors etc.)

Exchange Control Department

5.64 The main objective of exchange control is conservation of the foreign exchange resources of the country and their proper utilisation in the interest of the economic development of the country. The entire exchange control mechanism which is operated through authorised dealers in foreign exchange is meant to serve this objective. The various transactions covering the entire gamut of exchange control are governed by the provisions of Foreign Exchange Regulations Act 1973, the responsibility for the administration of which is that of the RBI. In the RBI, this responsibility has been assigned to Exchange Control Department (ECD). Though the basic policy regarding exchange control is chalked out by the Government of India, Ministry of Finance, Department of Economic Affairs in consultation with the RBI, its implementation is left entirely to RBI.

5.65 We have studied the functional relationship of the Exchange Control Department with other departments as also its internal organisation. The role boundaries of this department are very clear and therefore we are in favour of retaining its organisational entity and relationships broadly unaltered. However, there is a case for internal reorganisation of the Department.

5.66 Presently, although a broad functional distribution of work exists within the department there are certain anomalies inasmuch as there is no clear cut task based work distribution. A few functions such as transfer of shares from non-residents to residents are simultaneously attended to in two/three sections. The nomenclature of certain sections is also misleading in the sense that it does not reflect on the face of it the functions performed by it, e.g. CLA Section - although the name indicates that this Section is concerned only with licensing of travel agents and money changers, it deals with cases of persons going abroad for higher studies, training, etc. Further, it is felt that the work in the Department has not been distributed on a rational basis. Presumably, as and when some new functions devolved upon the department these were allotted to sections having less workload.

5.67 The reporting relationship in the Department is also sub-optimal. One officer is sometimes required to report to three seniors. There are no recognised co-ordinating units either. Besides the administrative wing, the Department is divided into 15 sections, each of which is under the charge of a Deputy Controller; some of them report directly to the Controller/Additional Controller, while others do so through Joint Controllers. This pattern needs to be rationalised.

5.68 The exchange control work consists of certain distinctly definable tasks and, therefore, we feel that the Department should be organised on that basis and the functions re-grouped accordingly. These tasks are -

- i) Exports
- ii) Foreign Investments
- iii) Planning, Policy and Special Studies
- iv) Licensing, Inspection and Statistics
- v) Trade and Agreements
- vi) Travel and Personal Remittances

Each of these tasks may be reconstituted into separate Divisions and placed under the charge of Joint Controllers. If the volume of work is not sufficient, even more than one Division can be headed by a Joint Controller.

The suggested re-grouping will bring allied activities under one umbrella, develop specialisation and give proper focus to specific tasks. It will also help in bringing a co-ordinated approach to the department's responsibility.

5.69 Of the six areas referred to above, at least two, namely, Foreign Investments and Exports are rather important because they entail frequent liaison with the Government and other agencies. As such they need the personal attention of Controller/Additional Controller. The work of the remaining divisions may be distributed among the Additional Controller(s)/Controller in such a manner that

each of them is able to exercise effective control over the work of the divisions under him. The Group feels that considering the nature and extent of co-ordinating and controlling responsibility required at the highest level within the Department, there may be need to have one more Additional Controller.

5.70 It may also be ensured that even at lower levels one officer reports, as far as possible, only to one senior instead of two or three officers of the same level as at present.

5.71 The functional responsibilities, prospects and work expectations in the above areas of work are as under :-

i) Exports Division

Exports are assuming increasing importance in the context of the need to augment the foreign exchange resources of the country specially in view of the country's enhanced import bill; especially, the mounting cost of oil imports. An all out effort has, therefore, to be made to step up the export earnings. This would be possible only by following a very progressive policy in this area. Project exports, turnkey projects, consultancy contracts and joint ventures are some of the new areas which will require high expertise and efficient follow-up.

We will also have to build up Market Intelligence such as :

- a) the major projects in the pipe line in potential markets in different countries; their profiles such as the nature, cost, other specifications, etc. and
- b) the incentives offered by other countries particularly by competitors in the respective fields.

A critical study of the performance of the projects awarded and undertaken so far has also to be made.

This area thus, commands importance and offers challenges which have to be met.

ii) Foreign Investments Division

Even after dilution of foreign companies into Indian companies (the last phase of which will be over after the dilution of the non-resident share holdings of the Drug Companies) the Reserve Bank will continue to deal with all cases of expansion/diversification of FERA companies numbering over 300. This work is at present handled in Foreign Companies Section. Since most of the items of work being handled by this Section relate to foreign investments, it is suggested that the name of the

Section be changed to Foreign Investments Division. After suggested regrouping, the Foreign Investments Division will take over the work of the present Foreign Companies Section and will attend to :

- a) Opening of office by overseas companies/ organisations for liaison etc.,
- b) Remittance of profits/dividends,
- c) Disinvestment of Foreign Capital pertaining to both FERA and non-FERA companies, including evaluation of shares and other assets to be disinvested. This work will continue till the foreign capital (aggregating nearly Rs.1,800 crores at present) remains invested in India,
- d) Repatriation of Foreign capital,
- e) Administration of Section 28 of FERA relating to appointment of agents, technical and management advisers in India and Regulation and use of Foreign Trade Marks in India,
- f) Investment of Foreign Capital in real estate under Section 31 of the Foreign Exchange Regulation Act.

It will also be desirable to bring to this Division certain other allied items of work which are being handled at present in other sections, to make the functions of the Division homogeneous. These items



of work are -

- a) Foreign collaborations
- b) Acceptance of deposits under  
Section 26(7) of FERA
- c) Loans and overdrafts
- d) Transfer of shares held by non-resident  
individuals presently being attended to  
by C.P. Section.

While on the subject, it may be mentioned that although RBI is presently represented on the FERA Committee which takes decisions on all matters connected with existing foreign investments in India, there is no such representation on the Foreign Investments Board which deals with the prospective foreign investments in India and is chaired by the Secretary, Department of Economic Affairs who happens to be the Chairman of the FERA Committee. Since the implementation of all decisions of the above Board and their follow-up is the ultimate responsibility of RBI, the Bank should rightfully participate in the formulation of policy regarding prospective foreign investments in the country. This will help in understanding the thinking behind the policy and avoiding references seeking clarification of

terms and conditions of such investments.

iii) Planning, Policy and  
Special Studies Division

This Division may attend to planning and policy work for the Department as a whole such as preparation of work plans, manpower planning, etc. including the training of staff within the Department. The Division will also include the proposed Planning and Policy Cell which we have recommended to be set up in each major operational department. It will be essential for the Division to establish liaison with the Ministries of Finance and Commerce and other departments of the Bank such as Department of Banking Operations and Development, Economics and Statistics Departments and the newly proposed Department of International Accounts. The work connected with fixation of rates of exchange and correspondence with Foreign Exchange Dealers Association of India (FEDAI) may also be attended to by this Division.

This Division may also undertake special studies on matters like developments in the various Foreign Exchange Markets and bring out booklets on topical studies. The amendments of the provisions of Foreign Exchange Regulation Act and issue of notifications and the amendment of Exchange Control

Manual/Book of Instructions may also be attended to by it.

iv) Licensing, Inspection and Statistics Divisions

Grant of licences to authorised dealers, airlines/shipping companies/travel agents and money changers would be the responsibility of this Division. It will also attend to the work regarding opening of offices abroad by authorised dealers and other licensed agencies. Wherever necessary, the Division will undertake special types of inspections of the above agencies and the follow-up action on the inspection reports received from various offices. The collection of statistics (including export statistics) will also be the responsibility of this Division. It will also build up proper Management Information System and attend to Parliamentary Questions. Incidentally, we are not suggesting a separate Division for Statistics at this stage because the magnitude of the work is not sufficient to warrant creation of a separate organisational unit. When however, this function assumes wider dimensions, especially after gearing up of planning activity, the position may be reviewed.

v) Trade and Agreements Division

This Division will be responsible for attending to all matters pertaining to Imports, Trade Agreements with foreign governments, Insurance, Foreign Currency Accounts/Assets held abroad, Remittance of Surplus Passage fare/freight collections, Royalty on books, Foreign Advertisements and miscellaneous trade payments. It will also attend to the Opening/Maintenance of offices abroad and posting of representatives as also the Import and Export of Indian currency/foreign currency and gold. It will also undertake the work regarding cancellation/extension of forward contracts.

vi) Travel and Personal Remittances Division

This Division will attend to matters regarding travel on account of business, medical treatment abroad, study tours, higher studies, training, conferences and other purposes. The work regarding grant of Blanket Permits for travel, 'P' forms/FTS and jewellery permits for travellers will be looked after by this Division. It will also attend to the work regarding engagement of foreign nationals, emigration/retirement facilities, remittances on account of legacy/trust and other miscellaneous personal remittances. The operations on non-resident account of individuals will also be looked after by this Division.

Scope for delegation and decentralisation

5.72 We have, in Annexure V, indicated broad areas where the department may consider delegating further authority to both the Branches and Authorised Dealers. We also suggest that the work of Foreign Accounts Section (FAS) may be decentralised. Before 1958, the work relating to foreign currency accounts and shares held abroad by resident Indian nationals was being attended to at the Branches. Several questions were being, however, raised in Parliament and Press regarding the foreign currency assets of the ex-Rulers. As offices were not in a position to supply the requisite information speedily and accurately this work was centralised. Since then the procedure regarding maintenance of the individual accounts, which form the bulk of such accounts, has been simplified to a large extent. The instructions have been standardised. The office of the ex-rulers has also been abolished and they do not any longer enjoy any special status or privileges. The FAS, at present attends to the work in respect of foreign currency accounts/securities and immovable properties held abroad by Indian nationals resident in India. It also attends to the work relating to retention/surrender of foreign currency balances and their eventual re-transfer abroad under different schemes

prevalent at the moment. Securing annual returns from the account holders and their compilation are matters which could more conveniently be handled by Branches, located closer as they would be to the account holders. Moreover, no special expertise is required for this. We therefore, suggest that the work of FAS which is now of a routine nature may be transferred back to Branches. Along with the transfer of the above work, the work relating to supervision of foreign currency accounts and shares held by companies/firms on account of foreign collaboration or participation in overseas enterprises will also get transferred to Branches. We will thus be able to serve the public better and reduce inconvenience and bother of the outstation parties who have some times to come all the way to Bombay for seeking even simple clarifications.

5.73 Likewise, the work regarding purchase and sale of immovable property in India by non-residents and foreign nationals of Indian origin may also be decentralised so that such permissions can be accorded expeditiously and without much delay.

Management Services Department

5.74 This Department will continue to perform its existing functions, viz., systems study, operations research, staff suggestion scheme, costing, etc. A wholesome feature of its recent activities has been the decentralisation of the function of systems review: small cells are proposed to be set up in major offices/departments. A costing cell has completed its preliminary work and is poised to shortly embark on regular studies as per the priorities to be indicated by the management. A good deal of educational and preparatory work has been done on corporate planning by its Corporate Planning Cell; as a first step towards the system of planning, budgetary control was revamped and the concept of work planning introduced. Once the Corporate Planning Department is set up this function can then be dissociated from MSD and attended to by the former. Till that time the work may continue in this Department. Similarly, for functional homogeneity and coordination, the manpower planning wing of the MSD along with the inventory system may be transferred to the proposed Human Resources Development and Administration Department when it is set up. No other change is proposed.

Department of Non-Banking Companies

5.75 This department presently located at Calcutta is looking after the functions and working of non-banking companies. During our interaction with the Department of Economic Affairs, a view was expressed that perhaps we could think of shifting this department to Bomoay where the RBI management is located. On consideration of already high concentration at Bombay we do not favour any such view. The structure of the department does not need any change for the present. However, if the department is required to attend to the work of non-financial companies, which proposal we learn is in the air, a fresh look at its internal structure and hierarchy will be required.

Deposit Insurance and  
Credit Guarantee Corporation

5.76 Shortly, the work relating to administration of Credit Guarantee Scheme is also going to be transferred to this Corporation. The Corporation will then deal totally with the insurance function in respect of deposits and advances to small-scale industries, tiny/decentralised sector and small borrowers. A proper internal organisation for the Corporation will have then to be worked out.



The status of the Head of the organisation will also have to be upgraded in consonance with its enlarged responsibilities.

#### Corporate Planning Department

5.77 In Chapter 7, we have commented at length on the need to provide focus and thrust to the Corporate Planning activity. We have suggested that at apex level, a group of officers with impeccable aptitude be drawn from various operational, research and staff departments to serve as a resource for the top management. For this purpose, it is necessary to create a separate department so that this function is attended to with priority, earnestness and the gusto it demands. Though its linkage with the MSD has certain advantages, we feel that only a separate department can provide the necessary momentum, continuity and perserverence if this activity has to show tangible results. As stated in Chapters 6 and 7, this Department and the Departments dealing with productivity functions should be coordinated under the charge of an Executive Director to be exclusively appointed for this purpose, so as to provide required coordination of this function with MSD.

#### Legal Department

5.78 Over the years, the Legal Department has seen considerable growth, both in terms of references received

and staff pressed into service for the purpose. The Department's output represents expert legal opinion on cases referred to it by various Departments of the Bank, involving interpretation of a multitude of statutes - some complicated, others of a routine nature. While several cases pertain to laws relating to commerce and banking, quite a few references belong to the area of provident fund, attachment of salaries under court orders, lease of flats, title of borrowers under the housing loan schemes, etc. and cover the Bank's Staff Regulations, Industrial Disputes Act, Trade Unions Act and Workmen's Compensation Act. Several of the references are received from offices and the legal opinion is furnished to them direct. Since the Bank has on hand proposals for decentralising certain items of work like grant of housing loans, making of advances against provident fund and others, it would be worthwhile posting a legal officer at certain branches to assist the Manager in the scrutiny and disposal of cases in the respective areas depending of course on the assessment of workload.

5.79 Our Legal Department has on its staff highly qualified and experienced personnel who are provided with required infrastructural facilities in form of an

excellent library. The department work however is limited to responding to operational references. There is a feeling that we are perhaps not exploiting our work-potentialities in the area of reforms in banking legislation as are required to enable the banking system to fulfil its social obligation. This could be attempted by this department.

5.80 There are bound to be areas under the Indian Contract Act, Negotiable Instruments Act, Transfer of Property Act, Sale of Goods Act, Companies Act, Indian Stamp Act and other allied pieces of legislation, certain sections which being somewhat out of context in the present day circumstances, need to be looked into afresh with a view to updating them. There is no indication if any work in this direction is being done either by the Law Ministry of the Government of India or by the Indian Banks' Association. All the same since there is an excellent machinery for doing such work in the Legal Department there is no reason why a developmental role should not be performed by that Department. In fact, RBI has a stake in it and, therefore it would be appropriate if the Legal Department creates a Small Cell to undertake review of laws germane to the banking industry. Even the various recommendations made by

the Banking Laws Committee, currently being studied by a section in DBCD specially set up for the purpose, should be a subject of study for the experts in the Legal Department.

5.81 The Banking Commission Report also pointed to the need for setting up of a special machinery for constantly reviewing laws affecting Banking (vide Sec.4, paragraph 21.52).

#### Inspection Department

5.82 Internal inspection work in the RBI has a very important role and responsibility particularly in view of the fact that the Bank is not subject to audit/appraisal by any Government agency. This aspect needs to be appreciated and we ought to give due importance and "teeth" to this activity. Somehow, this is just not the case and the inspection reports are taken as routine, many of the irregularities continue to be repeated over and over again and the follow up is also not very prompt and effective.

5.83 The inspections are carried out by two teams of inspections and we have already segregated audit portion by creating audit teams. Structurally there

is not much change required in the organisation of the department except that the follow-up function which presently is done partially by DAE needs to be made a responsibility of Inspection Department itself. At present the inspection reports are received by Implementation Cell of DAE, they then act on portions relating to Banking and Issue Departments and pass on the rest of the portions to concerned Department and thereafter act merely as post office therefor. There is in fact no responsibility on DAE for the portions other than those related to Banking and Issue. Thus, in effect there is no effective follow up of inspection reports in the real sense. To remedy this situation we suggest that a follow-up cell be constituted in the Inspection Department, with headquarters at Bombay which will apply itself to the task rigorously and put up progress reports periodically to the Executive Director under whom the Department is directly working. We also feel that there is a need to impress upon our offices and staff that in cases of serious irregularities where responsibility has been determined by the Inspection report, the concerned officials cannot escape the resultant punishment. On the same analogy good work of officials commended by the Inspector should receive recognition and appreciation in a perceptible manner.

Premises Department

5.84 We propose no change in this department insofar as its organisational structure and relationship with rest of the departments are concerned. However, we would point to the need for perspective planning in this department on a continuing basis so that physical facilities do not come in the way of effective discharge of Bank's responsibilities. Owing to the inevitable time lag between the decision to construct and project completion, there is pressing need to dovetail the activities of the department to the manpower plans of the HRD&A Department. The Department also requires greater operational freedom so that in the interest of timely completion of projects it is not unduly hamstrung by our expenditure and procedural rules.

Training establishments

5.85 The Bank has set up Zonal Training Centres, Staff Training College, College of Agricultural Banking and Bankers' Training College for training of its own personnel and that of commercial and cooperative banks. The Group has not gone into their organisational set up and relationship with various departments of the Bank and outside institutions as two in-house teams have already

been appointed by the management to conduct comprehensive review of training needs of the Bank's clerical and officer staff and suggest action for providing suitable infrastructural and other facilities in consonance with the emerging needs.

Merger of Issue and Banking  
Department Accounts

5.86 Incidentally, we understand this aspect is receiving the attention of the management for quite some time. The contemplated merger, if and when it takes place, will not result in any structural change - work of both the departments in any case has to be divided on the basis of specific tasks and specialisation, into the Issue and Banking Departments at our Branches and Currency Management Department and Department of Accounts and Expenditure at Central Office level, as proposed by us. Since this problem is more akin to systems rationalisation, the Group has not looked into it.

CHAPTER - 6TOP MANAGEMENT SET-UP

6.1 Under the present dispensation, the de facto heads of the Central Office departments are the Executive Directors or Deputy Governors (where Executive Directors are not appointed). The Chief Officers, though de jure heads of the Departments, do not have final authority on all operational matters. In some areas like sanction of limits, release of exchange, authorisation of credit, opening of branches, issue of inspection reports, etc., quite a few cases are put up to Executive Director/Deputy Governor. In the succeeding paragraphs, therefore, we have attempted to define the roles and responsibilities of top management cadre so that, on the one hand, only the progressively important cases move up the organisational hierarchy and, on the other hand, the bonafide powers of the departmental heads are restored to them.

Executive Directors

6.2 We have found it necessary to break up the present bigger departments into smaller, compact and homogeneous departments. With the increase in the number of departments, the importance of co-ordination function will increase somewhat depending upon the degree of inter-action required between constituents of erstwhile "genus" departments.



Since we envisage the role of an Executive Director as one of co-ordinator (final operational head only in respect of exceptionally few items of work), such an arrangement would entail sanction of a couple of posts of Executive Directors. The idea is not to add a tier between Deputy Governors and Departmental Heads but to ensure day-to-day co-ordination amongst departments dealing with allied work and afford needed relief to the Deputy Governors. In other words, it is not necessary to have, as a matter of course, for each of the departments both an Executive Director and a Deputy Governor. The Executive Directors are expected to play pivotal role and act as catalytic agents in bringing about the fusion of operational and policy matters. It is for this reason that Executive Directors may have to take care of some of the operational matters where it is not advisable to vest all the discretionary powers in departmental heads.

6.3 As a logical extension of this idea, we feel that assigning an Executive Director exclusively for one department is not advisable.

6.4 We have attempted identification of areas where Executive Directors will be required. The principles followed are :

- i) departments encompassing work of allied

- nature are grouped under one Executive Director;
- ii) departments, where questions of policy, secrecy and status are linked with operational decisions, are grouped directly under the Deputy Governor, and such departments may normally to be headed by officers in very senior grades say 'F+'; and
  - iii) there should be equitable distribution of workload.

A chart depicting the proposed scheme of distribution of portfolios is given at the end of this chapter.

#### Deputy Governors

6.5 The Deputy Governors should be freed from their day-to-day operational responsibilities by entrusting these to the departmental heads, or residually to the Executive Directors. They would thus have sufficient time to concentrate on planning policy and control functions and provide linkage with the Government, financial institutions and other agencies. They would be deemed as the real leaders in respect of policy planning and control of departments under their charge. A concomitant feature of their leadership role is motivation and development of at least the senior officers of their respective departments. Therefore,

they are expected to periodically meet at least Senior officers of their departments and get to know the perception of problems and suggestions from them. This will not only ensure a greater degree of participation and involvement amongst the officers, but also open up a very good channel of communication and feedback for the Deputy Governors.

#### Governor's Office

6.6 The direction and guidance of the Governor may generally be necessary mainly in the following areas :

- i) Monetary and Credit policies.
- ii) Liaison with Government and international institutions
- iii) Matters put up to the Central Board
- iv) Matters cutting across departments of two or more Deputy Governors
- v) Statutory reports of the Bank
- vi) Corporate plans of all departments
- vii) Productivity measures and industrial relations, and
- viii) Appointment of Managers and Heads of Departments.

6.7 The Governor, as far as possible, may not be made a party to day-to-day decisions so that he is in a position to reserve himself as a final arbiter, guide, and consultant, whenever required.

6.8 The Governor may also consider visiting by rotation all the Central Office departments and Branches at least once a year, and meet a cross-section of officers at informal gatherings. While no rigid rotation schedule can be suggested for Governor or the Deputy Governors, it is expected that the points of contact will be many and qualitatively freer to ensure maximum advantage.

#### Top Management Committee

6.9 At present, before the weekly meetings of the Committee of the Central Board, the Governor, Deputy Governors, and the Executive Directors meet informally and thrash out important problems of common concern. We would like to suggest a more formalised system of group decision-making so that there is clarity about the scope of such "Top Management Committee".

In future, all matters which -

- i) cut across the departmental lines,
- ii) would mean a major shift or change in the existing policy,

- iii) affect the organisation and administrative policies of the Bank,
- iv) affect relationship with the unions and associations, and
- v) are likely to affect the image and working of the Bank

may be brought before this Committee and views of colleagues sought. While the decision will finally be that of the concerned Deputy Governor (and Governor, wherever necessary), the system will ensure that decisions are generally taken with the necessary input from the collective wisdom of Executive Directors/Deputy Govern Moreover, a system based on collective responsibility on the lines of 'cabinet' system of working can thus be initiated. The Secretary to Board should act as executive secretary to this body and should take up the responsibility of ensuring that all relevant matters are brought up before this body and that the decisions taken are properly communicated. He should also act as information channel for the Committee.

6.10 There is yet another important function this top level body has to undertake. The RBI has a responsibility to translate into its policies the expectations of the

people as communicated by the Government insofar as banking policies are concerned and basically ensure that the activities of the Bank subserve these policies. A critical analysis of our working and philosophy adopted by us with respect to this goal and initiation of periodical corrective action is to our mind the responsibility of this Committee :

Planning and productivity function

6.11 Following services and activities come under the umbrella of single function of increasing productivity of the Bank while achieving its objectives with optimal use of resources :

- |  |   |                       |
|--|---|-----------------------|
| i) Corporate Planning Section                            | } | MSD                   |
| ii) Systems Study Section                                |   |                       |
| iii) Manpower Planning Section*                          |   |                       |
| iv) Operations Research Section                          |   |                       |
| v) Costing Cell  |   |                       |
| vi) Staff Suggestion Scheme Section                      |   |                       |
| vii) Budgetary Control Cell                              | } | DAE                   |
| viii) Implementation Cell                                |   |                       |
| ix) Manual Revision Section                              |   |                       |
| x) Inspection and Audit                                  |   | Inspection Department |
| xi) Determination and enforcement of employee work norms | } | DAE/DAP               |
| (* policies evolved by DAP)                              |   |                       |

6.12 Thus, under the existing set up, for increasing productivity, cost effectiveness and systems review and rationalisation, there are 4 departments viz., Management Services Department, Inspection Department, Department of Accounts & Expenditure and Department of Administration & Personnel.

6.13 There is a great need for co-ordination and integration in the above activities. For example, without a Corporate plan and its constituent annual work plan, no worthwhile projections about demand forecasting of manpower can be made. Since manpower costs account significantly for the total budgetary allocations, the budgetary control exercise also is at present built on a shifting base. Simultaneously, costing is ancillary to the concept of economy of expenditure - the underlying rationale for instituting budgetary control. Systems monitoring and Review is attended to by Inspection Department, Management Services Department and Department of Accounts & Expenditure. Co-ordination is sought to be achieved through the mechanism of Implementation Cell. But this attempt has apparently not yielded desired results because it acts more as a post office rather than a clearing house of ideas and a decision-making unit. To cap it all, the work regarding

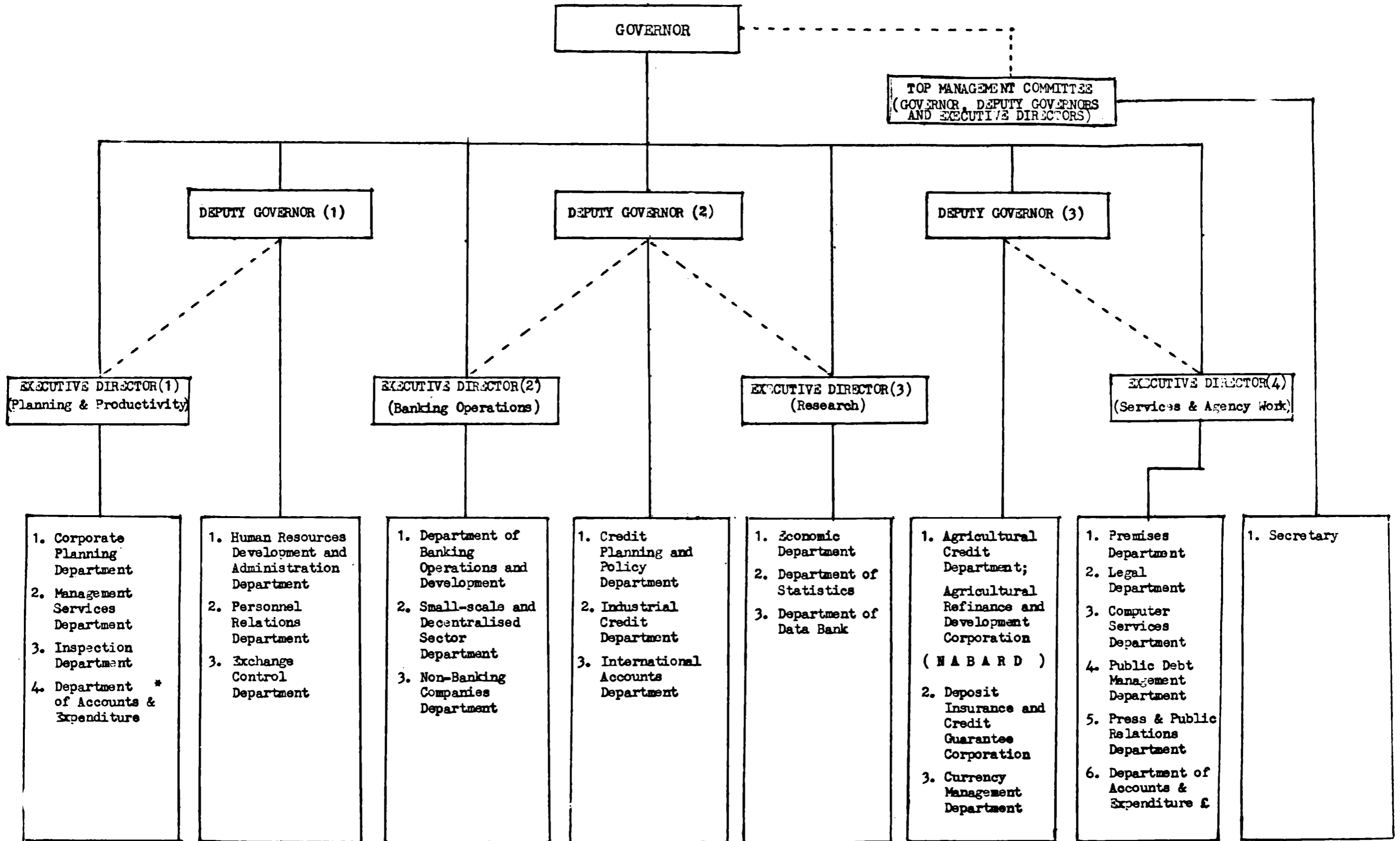
manualisation of systems is done on decentralised basis by all departments, with the result that some of the departments take years to update their operational and inspection manuals. Such delays and adhocism in this important facet of Bank's functioning tell upon the efficiency of officers and Branches. Thus, over the past decade or so, not much impact has been felt by the Bank insofar as rationalisation of systems and economy of expenditure are concerned; nor for that matter responsibility be fixed on one department or specified official/s. Further, since items relating to planning and efficiency constitute just one of the many functions of DAE and DAP, naturally these do not receive their undivided attention.

6.14 Accordingly, in order to ensure co-ordination, fix accountability, facilitate development and training of officers in the tools and techniques of productivity science and provide the right kind of thrust and direction to the important omnibus task of planning and productivity we recommend that an Executive Director may exclusively be assigned the responsibility of planning and productivity function. He would generally oversee the progress in respect of the areas enumerated earlier



and, if necessary, periodically call for progress reports and meetings of their in-charges to ensure co-ordination and help remove operational obstacles. This is being suggested to give the task an integrated dimension and importance. Further, the officers looking after these activities should be selected on the basis of their qualifications, age, skills and willingness to work in these areas. There should be free rotation of personnel between the different departments/divisions of this group of departments so as to ensure cross fertilisation of skills and ideas.

(Chart on page <sup>124</sup>~~11~~).



\* Expenditure Control and Manual Review Work only.

£ Accounting and Book keeping Work.

CHAPTER - 7PLANNING AND CONTROL SYSTEM

7.1 During the course of our study of the organisational structure of the Bank one aspect that came out in sharp focus is the near complete absence of any planning mechanism. The Management planning and control function in the Bank is individual-based and therefore the performance to a larger extent is dependent upon leadership qualities of the individual. The organisation does not have a "Sensory" mechanism to look into the future horizon - even for short time. Again owing to unwieldy size of the departments, proliferation of functionaries at various levels and diffusion of one specific task or responsibility amongst more than one departmental and/or functional heads, the concept of accountability in terms of performance and results has remained somewhat submerged.

7.2 A need for well structured and formal planning and control system for an organisation like RBI cannot be over emphasised. Conceptually, the planning and control by the Bank should operate as under:

- 1) The top management should specifically indicate as to what they wish to achieve in various areas over a period of next 3 to 5 years. In case of the Bank, where responsibility is specifically laid

down by the statute and profitability is not an organisational goal, the top management will have to indicate "strategies" to be adopted for fulfilling the responsibilities taking into account the political and socio-economic environments in which the RBI will be operating during the plan horizon, preferably synchronising with the Five Year Plans of the Government. These guidelines will cover all the areas and functions.

- ii) The guidelines which will be subject to annual review will form the basis on which the various departments should draw up their annual work plans so as to take the organisation on the right path. Technically, therefore, the departments would be required to prepare work plans which would be sub-sets of the total plan.
- iii) The work plans so prepared by departments will have to be specifically approved by the Deputy Governor/Governor so as to ensure that they represent the top management expectations.
- iv) This work plan of departments will be carried down the line; thus, for each of the division/section a specific plan of action over the next one year or so will emerge.

- v) A system of appraisal, say, at quarterly intervals for each department and division will have to be organised to ensure optimum performance. Apart from ensuring management control, it would foster a sense of accountability in the hierarchy.

7.3 What we have talked here is a concept of "Corporate Planning and Annual Work Plan System" on which the management has already initiated action. However, organisationally, to implement such a mechanism, considerable amount of work will have to be done and specific infrastructure created. A Corporate Planning Division has already initiated work in this direction in the MSD but so far its activities have mainly been concentrated on informing, persuading and convincing - and in short "educating" - the departments about the need, rationale and mechanics of planning. The exercise has now reached a take off stage. We would, therefore, suggest an infrastructure as under:-

- 1) Corporate Planning which involves formulating "directives" which the top management would like to give to the Bank has to be accepted as a very important activity in the Bank and given its due place. The Corporate Planning work group has to be the Deputy Governor's/Governor's resource and

should be manned by officers of acknowledged and impeccable ability from various operational and research departments such as ACD, DBOD, ECD, ED, DS, MSD etc. This Group has to have authority to draw upon resources provided by the entire organisation. This Group should be the apex unit for planning and monitoring activity in the Bank and should be accepted as such. To give it the requisite status and authority, this Division should eventually be delinked from the MSD and placed under the charge of a separate chief under overall charge of an Executive Director who should be exclusively earmarked for "Planning and Productivity" function. Creation of such a regular multi-disciplinary group is a necessity as all our efforts in the past to integrate planning activity through a forum of Planning Officers' monthly meetings, etc. have failed to evoke satisfactory response. This Department will also oversee work relating to formulation, monitoring and review of annual work plans of the departmental heads.

In all departments in Central Office, Planning cells will have to be set up which will be an aid to the departmental head in the function of preparation of short and long term plans. They will also coordinate with the Corporate Planning Department in the evolution of a Corporate plan and developing a system for periodical appraisal. At Branches, which are operational units, the work involved would be more in the nature of work scheduling and feed back. For this purpose a Planning Cell will have to be provided as an aid to Branch Manager.

Since expertise acquired from research background and use of statistical techniques would be of great help in planning activity, it may be advisable to draft officers, to the extent necessary, from the Economics and Statistics Departments to the planning units indicated at (ii) and (iii) above.

CHAPTER - 8MANAGEMENT DEVELOPMENTParameters for organisational performance

8.1 The level of performance of an organisation depends on inter-action of four factors viz., 1) structure, 2) systems, 3) people and 4) tasks. These in turn, operate within certain environmental parameters like financial system, industrial relations, technological and social developments, etc. Thus, the overall performance is dependent on two sets of forces - internal and external (please see chart at Annexure VII). Organisational structure is just one of the four internal factors that determine the level of performance. Additionally, the nature and clarity about the tasks of the Bank, the people occupying various organisational positions, especially the top management cadres which provide the leadership and can influence and manoeuvre other factors, and, the systems and procedures would have significant impact on its performance.

8.2 The terms of reference of our Group enjoin us to ensure that the organisational structure is conducive to achievement of tasks set out and throws up the right kind of leadership. However, since by itself the structure cannot provide the panacea for the ailments of the Bank,



we have ventured to make observations on related aspects as well. Thus, in Chapter 2, we have highlighted the framework of our tasks - present and future. Considerable clarity about tasks and objectives could be achieved if the exercise on corporate planning and annual work plans gets going in earnest. An on-going review of systems and procedures is the responsibility of the MSD which has recently strengthened its systems wing by initiating action to integrate systems review with the regular activities of Branches and Central Office departments. To this end, small cells are being set up in major Branches/Central Office departments. What now remains is the fourth factor viz., people. To this now we address ourselves.

### Motivation

8.3 Let us take up first the issue of motivation. Why is it that we (officers and staff) have not been able to give our best to the Bank? We have attempted to capsule various ailments, their analysis and obvious solutions in the chart at Annexure VIII. A few salient features are discussed further.

### Motivation - top echelons

8.4 The officers in the top echelons are clearly perturbed by virtual stagnation on two fronts - monetary

compensation and promotional avenues. The salary gap between grades is slowly reducing. Added to this, there is the fact that after reaching Grade 'F' there is no knowing when, if at all, officers can aspire to get promotion to Executive Director's and later Deputy Governor's posts. This is so because of lack of any firm policy or convention as to what proportion of these top posts would be filled up by officers from within. The uncertainty in this regard and seething discontent at the top echelons - and occasional outbursts and voicing of these grievances before those whom they are supposed to lead and set an example to - seriously undermine the morale and motivation of the rank and file.

#### Motivation - middle level officers

8.5 At the middle level, officers are clearly agitated over impending stagnation at the top, staring them openly on two fronts, as also a number of "irritants" viz., lack of perks, absence of clearly understood policies on administrative matters, growing indiscipline and absence of any reward and punishment system. The practices about placement, transfers, training and promotion of which generally DAP is the fountain-head are the butt of ridicule and trenchant criticism.

Motivation - lower grade officers

8.6 At the lower strata of officers' hierarchy, the people are either not attuned to their newer and wider responsibilities of the officer class, or they worry themselves to inaction on account of imminent transfer out of their 'home' states and away from families. The officers in Grade 'A' and 'B', barring few exceptions, do not feel themselves to be part of 'Management'. They consider themselves more as those to be led rather than those who could demand, mould and improve performance of vast multitude of Class III and IV staff. Apart from this sense of alienation, what is disquieting is the growing feeling of listlessness or helplessness amongst even the brilliant young direct recruits. One gets a feeling that they are either totally dejected and have despaired of any results or grown utterly impervious to their environments. In either case, when it comes to the crunch, perhaps even they might be found sadly wanting.

Motivation - clerical staff

8.7 The clerical staff has acquired, over the years, a relative ascendancy and power, thanks largely to their organised might and militancy. In some quarters, it has led to growing indiscipline and insubordination. Generally, the staff seek a role and authority consistent

with the clout they are capable of dealing on the organisational issues, till recently viewed as the preserve of management. Thus, their morale, by and large, is high but when it comes to translating it to better outturn and efficiency, somehow nihilistic attitude supersedes.

#### Motivation - subordinate staff

8.8 The organisational strength and militancy of the subordinate staff has brought the Bank to standstill on more than one occasion. Their capability to paralyse work and comparative freedom from excessive fixation with codes of conduct, norms of behaviour, etc., have vested in them a degree of confidence and bravado bordering on defiance of authority and discipline. They too have shown that they are a force to be reckoned with on matters affecting the work procedures, work environments and especially their rights and privileges.

8.9 We have described the general mood, attitudes and behaviour of the various categories of staff and officers not with a view to painting a dismal picture of the organisation and its future but only to diagnose our ailments, some of which surely could be traced to our ambience. The top management has been conscious of the malaise and though sporadic efforts have been made to

rectify the situation, no perceptible impact has been felt of many an important measure owing to countervailing force of the remaining factors, inertia and philosophical acceptance of the problem as something inevitable and a necessary evil. So, what is required to really make a dent is the package of measures, structural, administrative, relational, etc., action on which may have to be initiated almost simultaneously so that the one reinforces the others' beneficial impact instead of spending itself against one or more seemingly insuperable impediments.

8.10 We now turn to the diagnosis of the serious ailments leading to low motivation, low commitment, low productivity and ultimately to sub-optimal results. Alongside, we also indicate corrective action to be initiated. Some of the measures have already been enunciated in earlier chapters but brief recapitulation here has been made to emphasise their relevance not only from structural angle but from the point of view of management development.

#### Future orientation

8.11 During the course of discussions we have had with the cross-section of officers at various centres and departments as also with bankers and government officials, we have been repeatedly told that in terms of knowledge,

expertise, probity and celerity, the Reserve Bank officers have few equals. While the Reserve Bank officers are thorough, painstaking and blessed with analytical acumen, people outside the Bank seem to feel that there is more of reactive element to Reserve Bank's policies and actions than anticipatory and pro-active orientation. They feel, notwithstanding the conventional and orthodox characteristics of a central bank, the Reserve Bank has to be fully alive to its environments, the opportunities and threats they pose, make an incisive assessment of its strengths and weaknesses, and prepare a blue-print for each of its major tasks and responsibilities co-terminus with the Five Year Plan objectives and targets. In the absence of long-term planning, the actions and policies of our major departments would lack continuity and direction and give an impression of being adhoc measures taken with a view to overcome operational hurdles. With this end in view, we have elsewhere recommended setting up of Corporate Planning Department and Policy and Planning Cells in Central Office Departments and Branches to provide the right kind of perspective for planning at the grass roots and apex levels.

#### Opportunity to show initiative

8.12 Officers at various centres and departments impressed upon the Group that owing to proliferation of

hierarchical levels and lack of delegation, they are precluded from bringing to bear their talents, perspective and dynamism on the work that passes through them. While in an organisation of our size with six regular levels of officers, 6000 strong, multiplicity of levels to some extent is unavoidable and freedom of action and decision may not be possible to the desired extent, for developing our young officers and equipping them to shoulder higher responsibilities, they must be given sufficient authority and simultaneously <sup>held</sup> accountable for specific tasks or jobs entrusted to them. Unfortunately, over the years, the division of work and responsibility in our organisation has followed a centripetal pattern. It is for this reason that we have suggested widespread delegation and decentralisation so that sufficient importance and scope are available to officers at Branches. On similar lines even in each Central Office department itself there has to be considerable amount of down-the-line delegation. We must also aim at expeditious disposal and provide for skipping of levels. The first task of the new Policy and Planning Cells in various departments and Branches should be to indicate areas where delegation is immediately possible and also the extent to which level jumping can be resorted to. Simultaneously, it would help a lot if each department

and Branch organises on a formal basis discussion groups in different functional areas of the Reserve Bank's working wherein young, junior officers could participate freely and give to the management the benefit of their views and suggestions and mix freely with the senior officers.

#### Accountability

8.13 Owing to multiple levels, lack of responsibility specification and absence of any quantitative target setting, accountability in terms of results or achievement is almost totally absent. While it may not be possible to have quantitative indicators for many of our activities, it is still quite possible to lay down broad objectives and targets along with specification of qualitative parameters, within which jobs have to be performed. Such an exercise would demand availability of job descriptions for each post, system of annual work plans and periodical appraisal for reviewing the performance. These could well be the offshoots of the total planning concept which we have adumbrated earlier.

#### Reward and punishment

8.14 The management's right to reward and punish, both by financial and non-financial incentives/discentives has been eroded over the years owing to various factors like, growing militancy of organised associations,



increasing awareness of rights and privileges amongst staff, extensive codification of rules and regulations on disciplinary matters and frequent resort to and protection from Industrial Courts/Tribunals. Still, one of the potent weapons left in the hands of management is grant or denial of promotion, notwithstanding the Services Board and its system of selection. The management can reserve a percentage of posts in each grade for the most meritorious. Towards this end, we may have to give up the concept of promotions according to seniority-cum-suitability at least for the reserved posts. The merit-selection system should operate for all grades, specially while selecting the heads of the departments and offices, in the context of our recommendations for enlarging the role of Manager and vesting of complete operational authority in the departmental head. Selection and placement of these officers will have to be done with greater care and rigour and the management might consider, apart from the qualitative criteria, the remainder service before retirement as well as minimum years of service in the lower grade. Assuming we have to find about 40 to 50 officers in Gr.'F' and above with requisite qualifications skills and experience, succession plans for each of these key posts will have to be prepared early this year itself so that gaps and deficits in training and experiences are

identified and corrective action taken in good time. A preliminary analysis (as on 1st January 1980) attempted by us shows that apart from about 20 officers in Grade 'F', there are 30 officers in Grade 'E' with remainder service of three years and over, and service in existing grade of over one year. As against this, the requirement of officers in Grade 'F' and above during 1980 even after taking into account about a dozen upgradations and additional posts (possible sequel to acceptance of our recommendations) would be around 24. It would therefore seem that, to start with, we have just enough of the requisite human resource. The situation would be somewhat difficult if conditions in regard to age and eligibility are tightened, and, for really selecting the "best", the field of eligible candidates to top positions is enlarged to say twice the anticipated vacancies. Detailed analysis is at Annexure IX. The MSD has already initiated action on review of promotion policy and proposals are under consideration of the management.

8.15 Similarly, deputation for training abroad or assignments abroad should also be reserved for the most meritorious instead of treating such opportunities as something to be equitably distributed amongst all irrespective of their relative merit. Needless to aver

simultaneously greater scope may be afforded in terms of opportunities to the deserving officers.

Inbreeding and introvert attitude

8.16 At one of the meetings, a Government official tellingly brought home the point that over the years, the image and performance of Reserve Bank has suffered somewhat due to the tendency of its officers to live in their own cocoon and a marked reluctance to expose themselves to external environments and stimuli. We find this attitude reflected even within the departments of the Bank. Each department zealously guards its own information-base, boundaries and procedures and there is minimal inter-action and sharing of experiences for the common good of the Bank. To some extent, this feature can be ascribed to the rigid department-wise seniority prevalent till recently. Though departmental seniority barriers have been breached, in effect there is little traffic between the departments especially at higher levels. While over the next few years the resistance to 'inroads' from other departments might weaken and eventually vanish, there is decidedly need for opening more avenues for outside recruitment. At present this is confined to the lower grades viz. 'A' and 'B'. This requires to be extended to higher grades as well, in departments where technical

skills are at a premium, viz., Premises Department, Legal Department, Economics Department, Department of Statistics, Management Services Department, Press and Public Relations Department, Personnel Relations Department, etc. While throwing open some posts in these departments to outsiders, care must be taken to ensure that no one inside the organisation with the requisite qualifications and experience is denied legitimate opportunities or overlooked. Simultaneously, we must arrange with commercial banks and the Government to have exchange of officers at middle or higher levels on reciprocal basis so that on the one hand our officers working in the banks and Government can appreciate their special requirements and problems and on the other, officers posted from Government and banks in the Reserve Bank can bring to bear on the policies and actions of the Reserve Bank, pragmatism and proper perspective. The commercial banks were very much enthusiastic about such short tenure exchange programmes, whereas the Government, because of disparity in scales of pay, were somewhat lukewarm to the suggestion for accepting Reserve Bank officers in the Secretariat. The Group however feels that if this is pursued vigorously, the Government might be inclined to accede to the exchange programme on reciprocal basis.

Administrative practices

8.17 We have already referred in this Chapter to the irritation, annoyance and demoralisation caused by administrative practices. While a liberal attitude and outlook in enforcing the rules and regulations to the advantage of the staff are called for, modern methods of management would demand presence of qualified personnel. Simultaneously, there is need to follow an open-door policy in Administration Departments and Divisions so that capable and qualified personnel from all the functional departments and divisions can have access and opportunity to know and work in this so-called service department. One of the ways in which the situation could be improved is to segregate administrative activities from personnel relations. We have already made a suggestion in this regard. As regards the industrial relations situation and long term policies on staff matters, let us pursue a consistent, positive policy based on a more matter-of-fact approach and then perhaps we will be able to see the results soon.

CHAPTER - 9IMPLEMENTATION MECHANISM

9.1 The Group has gone through a complex and fairly long-drawn-out process of study and analysis, dialogues and discussions before formulating its views and spelling out its recommendations. The changes recommended fall mainly under the following categories:

- i) Structural reorganisation, both at the Central Office and at the Branch levels.
- ii) Corporate planning as an essential discipline in the administrative process.
- iii) Management development as a remedy for the organisational ailments of the institution.

Although recommendations on these three areas form a comprehensive package, they are capable of being taken up for implementation either concurrently or independently of one another. In fact, as a matter of strategy, the Group would very strongly recommend that the entire package be taken up for implementation immediately.

9.2 Long-established practices, like old habits, die hard, and the culture of the Reserve Bank is no different to permit any departure from the time tested traditions. Good many a recommendation put forward in all honesty and

insight in the past have floundered and been lost sometimes, for want of administrative patronage, or at other times, because of deliberate neglect. There is every likelihood of the Group's recommendations meeting a similar fate unless certain built-in provision is made to forestall such an eventuality. It is in this context that the Group would strongly recommend that the restructuring exercise be initiated without making special efforts to seek formalised concurrence of the Heads of Departments. In fact, before formulating the recommendations, the Group has formally invited views from and discussed tentative suggestions with the Heads of Departments and Managers. There need not, therefore, be another marathon effort to win over their acceptance of the package. If the top management are convinced of the relevance and value of the Group's suggestions, they could consider issuing an administrative fiat for the implementation of the entire package of recommendations under the three broad heads listed above. This methodology would certainly not be unreasonable considering the fact that the recommendations at various embryonic and developmental stages have been discussed with officers and Heads of Departments, both in Bombay and at all other centres, and have also been put to searching scrutiny at the Workshop organised at the Bankers'

Training College. Broad aspects have also been discussed with the top executives of the Bank.

9.3 A tendency to compromise is another evil one has to guard against. Quite so often, in an attempt to please or to safeguard the interests of certain sections, reports are either put into cold storage or a truncated version is handed down for actual implementation. This has the effect of reducing the expensive effort to an exercise in futility. The Group would plead strongly against any such treatment.

9.4 So far as the organisational structure for implementation is concerned, we suggest that an Executive Director, or an officer of sufficient status, may be specifically assigned to oversee the modalities for implementation to be worked out by an Implementation Cell specially set up for the purpose. MSD could be asked to provide secretarial assistance to this executive. The task should be undertaken on a time-bound programme not exceeding say one year, within which the new structure should be seen in action. Monthly progress should be reported to the Deputy Governors and Governor so as to ensure that obstacles and impediments, if any, are rooted out at the initial stage itself and the achievement of ultimate objective facilitated.



9.5 The exercise on Corporate planning ought to be given the importance it deserves. The MSD is separately working out the modalities of introducing the discipline as a long-term arrangement and it is expected that top management would authorise its implementation.

9.6 Management development is an altogether new approach and the morale of the Bank's staff as also productivity would depend largely on the degree of success that the Bank can achieve in this area. Human resources development and personnel relations are crucial and challenging areas. For these areas, once again, the Bank would need to spell out a time-bound programme for taking a conscious view of the situation and lay down the plan of implementation. These areas should be under the direct control of a Deputy Governor, who can provide the right motivation and right direction, so that the programme of the implementation proceeds on the predetermined lines.

CHAPTER - 10ACKNOWLEDGEMENTS

10.1 We are extremely indebted to the Governor, Deputy Governors and Executive Directors for giving us the opportunity to apply ourselves to this onerous task and for the guidance we received from them on some ticklish issues. We also owe a lot to the Departmental Heads and Managers who have given a great deal of their time and attention during the course of our discussions with them and their officers.

10.2 We are indebted to the Chief Executives and senior executives of the banks who agreed to have discussions with us at a very short notice and gave us an insight into their problems and thinking. Similarly, we owe a great deal to the officers of Government of India, especially of the Ministry of Finance, who helped us to get a proper perspective and an understanding about the Government's experiences of and expectations from the Bank.

10.3 Our special thanks are due to the respondents to the questionnaire issued by us, who had taken great pains to put down their thoughts and ideas in a cogent and succinct manner. Finally, our grateful thanks go to all the officers and staff - especially of MSD - who have

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## ANNEXURE I

### ORGANISATIONAL PROBLEMS AND THEIR SYMPTOMS

<u>Sr. No.</u>	<u>Problem</u>	<u>Symptoms</u>
1.	Over centralisation	<ul style="list-style-type: none"><li>i) Space problem in Bombay.</li><li>ii) Long line of hierarchy - delay in decision-making.</li><li>iii) Concentration of authority leading to frustration, demoralisation, lack of opportunity to develop managerial and decision-making skills.</li><li>iv) More employment and promotion opportunities at one centre.</li><li>v) Heavy workload for officers leaving little time to 'think'.</li></ul>
2.	Lack of task system	<ul style="list-style-type: none"><li>i) Work organised with activities as a base without relating these to specific tasks resulting in absence of work plans.</li><li>ii) Actions required for achieving specific tasks are distributed in various units and therefore there is no clear cut role-boundaries.</li></ul>
3.	Absence of planning machinery and effort	<ul style="list-style-type: none"><li>i) Required to deal with 'fait accompli'.</li><li>ii) Resources not available at proper time.</li><li>iii) Poor performance in the exercise of work plan which is the base for budgetary exercise.</li></ul>

<u>Sr. No.</u>	<u>Pröblem</u>	<u>Symptoms</u>
		iv) Long-term planning appears to be only some concept and difficult to translate into action on account of environmental constraints.
		v) There is virtually no planning machinery or even effort in this direction.
4.	Lack of information system	i) Large number of returns/statements called for and considerable overlapping in the matter of collection of data.
		ii) Inordinate delay in collection of data thereby making information useless in decision-making.
		iii) Absence of feedback system.
		iv) Sub-optimal communication system.
5.	Lack of 'research' input to operational policies	i) The research departments have cells for various operating functions but work almost independently of the 'felt' needs of operational departments. These departments seem to feel that they are resources only to Deputy Governors.
		ii) The operational departments carry out their own studies and take decisions/make recommendations without the aid and assistance of research

## ANNEXURE - II

### SUMMARY OF DISCUSSIONS HELD WITH OFFICERS OF RESERVE BANK OF INDIA AT VARIOUS CENTRES INCLUDING CENTRAL OFFICE DEPARTMENTS

#### 1. Role of Reserve Bank of India

1.1 There was a mixed reaction to the question whether the Reserve Bank is fulfilling its role as a central banking authority and is discharging its regulatory, supervisory, advisory and developmental functions satisfactorily. Quite a few felt there are certain areas in which there is scope for improvement. These areas were identified as management of currency, supervision and control over banks, service to the public, research effort and its relevance, etc.

1.2 There was a general feeling that the Bank's policies in regard to central bank credit to the Central and State Governments have not been effective. As regards supervisory functions, although it was acknowledged that we have achieved some success, the defects both of major and minor nature, continue to exist in the working of commercial banks despite inspections. Likewise, the Bank's effort in evolving a strong co-operative credit structure have met with only a limited success.

1.3 Some officers held the view that the Bank should concentrate only on traditional functions and part with the developmental functions; especially the one relating to agricultural

credit may be ceded to a separate agency such as the Agricultural Development Bank of India. However, some others feel that there is nothing wrong in carrying on developmental functions. They felt, we should not draw a parallel with the other central banks of the world or copy them. Size of the organisation should have some relation to the size of the country. The developmental functions are extremely important and should continue to be integral part of the Bank's responsibilities. The Bank should not shed its developmental role. It should, in fact, involve itself in such role more actively.

There is yet another view: though developmental functions are the main responsibility of central banks in developing countries, after a period of nursing, where the concerned institutions attain maturity the function should be separated and attended to by a new organisation which may continue to maintain some link with the central bank. These officers felt that we should also bear in mind the impact of the separation of such functions and creation of new institution on the career opportunities of the staff and attempt to establish them as subsidiaries of the central bank.

1.4 It was also felt by some officers that the growth of the Bank has not been commensurate with the growth of

its functions/responsibilities. The traditional functions have definitely suffered on account of taking up of developmental functions. The performance of RBI is judged from the day-to-day impact of its various activities through which it comes in contact with public like note issue and exchange, receipt and payment of moneys, public debt servicing, etc. These activities seem to have been generally neglected. We have always tried to find out some short cuts, with the result the departments like Deposit Accounts Department, Public Accounts Department and Issue Department have not expanded commensurately with the increase in activities in these areas. The staff position to-day is totally inadequate and people are somehow carrying on. Asked whether conceptually a central banking authority should not be compact, the reaction was:

"Our country is different. The institution has to grow, and the size should not be a constraint. There has been phenomenal growth in currency in circulation and in number of banks and branches. So there is definitely scope for opening some more offices/sub-offices at least in the area of currency. On consideration of size no item of work should be passed on to commercial banks. We should organise well and improve our



functioning. By handing over the functions to others, we are not solving the problems. We should try to solve them ourselves instead of passing on the same to others. More and more organisations will present the problem of coordination. If we solve the problems within the institution, it will reduce the overhead costs."

1.5 Yet another view expressed was that in the recent past banks have been asked to do too much - even the Reserve Bank of India has been asked to do too much. The expectations of the society from banking system have reached dizzy heights. So gaps between performance and promise are widening. Banks do not find sufficient time and resources to cope up with these expectations. This lacunae has to be understood and steps taken to improve the situation.

1.6 A large number of officers felt that there has been erosion in the Bank's autonomy. The RBI has lost its independence and objectivity. It is essential to establish it first. The Bank should be immunised from the influence of the Government particularly the frequently changing governments at the centre and their political motivations. RBI should be independent and forthright in advising the Government.

## 2. Organisational Structure

2.1.1 There is a view that the structure of the Reserve Bank of India has grown big somewhat on an ad-hoc basis. It has not been assessed whether the growth is healthy, or the organisation scientifically structured. We have grown without bothering about our organisation. The restructuring should be done on functional basis like Agricultural Credit, Industrial Credit, Small-Scale and Tiny Sector.

2.1.2 Another view is that there is no need of a major restructuring. The present structure has by and large stood the test of time. Those who believe in restructuring state that the criterion for restructuring should be functional efficiency and not administrative convenience. Some officers feel that we should have a zonal set up at least for certain purposes. A few officers however, suggested that we should have regional offices under the charge of Executive Directors, and the Governor and Deputy Governors should concentrate only on formulation of policy, like credit and monetary policies, and ensure their implementation.

2.1.3 Yet another set of officers felt that the organisational structure has not stood the test of time. There is no decentralisation. Everything is centralised in Bombay i.e., the Central Office. The policy formulation

has to be region-wise. Only the broad national policies could be evolved or decided upon at the Central Office level. Their modification and implementation should be left to regional offices who should make the necessary changes depending upon the local requirements. The regional offices should function as autonomous units.

2.2.1 It is felt by some officers that the Economic and Statistics Departments have grown unwieldy and may be pruned down. Some others feel that separate economic cells be created in all departments to equip them to avail of economic expertise in evolving operational policies. While the officers of the Economic Department could concentrate on basic research on monetary and credit matters, operational analysis and short term policy guidelines could be attempted by the economic cells in various departments.

2.2.2 The other set of officers feel that the Economic Department should remain a separate entity as at present. It must, however, revamp its activities in such a manner that they prove more useful to the organisation. They should be responsive to the needs of the operational departments. As regards the day-to-day requirements of the departments, each department should have its own research unit so that it can look into various problems

arising during the course of the functioning and take remedial measures.

Some officers have suggested that data collection be centralised at one place instead of it being collected by various departments. The departments concerned should tell the data gathering department about their needs.

2.3.1 There was a general feeling that the methodology, content and format of DBOD inspection of banks should be simplified. The inspections should be made more meaningful by looking into :

- a) the composition of the inspection teams,
- b) the items they should cover, and
- c) the duration of the inspection.

Inspection should be done on a selective and qualitative basis. More and more emphasis should be given on aspects like performance, systems, responsiveness to socio-economic needs, etc. As regards routine matters, greater reliance should be placed on the internal inspection machinery of the bank concerned.

2.3.2 Another suggestion was to examine the practicability and advisability of having a new organisation for inspection (this organisation could be a subsidiary of the RBI). This need was felt as it was found that the banks were subjected

to repeated doses of inspection by different departments of the Bank and there was marked lack of uniformity in their approach, methodology and reporting.

2.3.3 Most of the Officers felt that inspection is a necessity though it takes time to feel its benefit. In such matters, the cost of not inspecting (though difficult to ascertain), should be relevant, rather than the cost of inspection. Therefore, the quality of inspections, the expertise required and the contents of the inspection reports - all should improve. If necessary we may consult bankers and ascertain their requirements. It was stated by a number of persons that the quality of inspection has suffered as a result of the inter-mobility and the posting of inexperienced persons.

2.4 One view is that the work of agricultural credit can be given to the Agricultural Development Bank of India on the pattern of IDBI. The other view is that this work should continue to remain with the RBI but inspection of cooperative banks should be simplified. It should be done on a selective and qualitative basis. For routine matters, reliance should be placed on internal audit.

2.5 Treasury work should be transferred to nationalised banks. There should be a separate unit in Central Office to deal exclusively with accounts and budgetary control.

The currency work, i.e. Currency Section and Nationalised Banks Section, should be at one place.

2.6 There is need to have a closer look at our systems and procedures to make them more meaningful as the systems which were evolved when the currency circulation was very small do not any longer hold good.

2.7 As regards defective notes, more powers should be delegated to the banks and we should have only a limited or percentage scrutiny in our offices. Destruction of soiled notes may also be decentralised and the notes destroyed with the help of chest officers under the supervision of RBI officials.

2.8 As regards supply of fresh notes, the notes may directly be supplied by the Press to the link branches of State Bank of India.

### 3. Central Office Branch Relationship

3.1 Most of the officers have a feeling that there is too much of centralisation of power in Central Office, so much so that in certain departments practically all the decisions are taken in Central Office. This leaves hardly any initiative with the branches and delays disposal. They have, therefore, suggested that more and more powers

should be delegated to offices. The delegation could be in different areas like :

- a) financial;
- b) administrative; and
- c) functional.

The regional offices should be given powers to sanction leave and transfer staff upto certain cadres. Central Office should delegate/decentralise more and more to branches and concentrate only on policy matters and feedback.

Two things are essential for effective delegation :

- a) Communications from Central Office should be clear, unambiguous and complete, and
- b) Officers at branches should feel confident in exercising the delegated powers.

It should be seen that all circulars issued from time to time are properly indexed. Various manuals should also be revised and updated.

3.2 There should be greater lateral mobility. We should be selective in appointment of Managers. It should also be ensured that Central Office is manned by persons having grounding in branches, and postings in Central Office should be tenure appointments. It will ensure pragmatic policies and guard against creation of vested interests.

3.3 The Manager should function as the head of the office. He should be the top functionary at the regional level and dissociate himself from the day-to-day functioning of specific areas like Banking, Staff, Estate, etc. He should only oversee the functioning of various departments and be the real in-charge of the office. He should have direct touch with the top management and departmental heads at Central Office. He should co-ordinate the various activities at regional level taking into account the regional requirements. His powers and role should be clearly laid down. He should have greater authority. He should also act as an important functionary in policy making and help Central Office in framing proper policies.

3.4 The details of the functional powers to be delegated to offices and to the different functionaries at offices may be worked out department-wise with the help of committees.

3.5 To quicken the decision-making process, some officers have suggested level jumping. The routine matters could be decided by officials at lower levels and the policy matters by officials at higher levels. Proper control mechanism may be introduced for an overview and control and for keeping the higher ups free from routine matters. They may, however, be kept posted about the various developments in the departments.



3.6 There should also be clear communication channels between the Central Office and the branches so that the staff in branches have a clear cut idea of the Central Office thinking. Periodical visits by Central Office personnel may be helpful in this regard. The Executive Directors and Deputy Governors should visit other centres and have talks with officers to have better inter-action.

#### 4. Planning

4.1 In regard to planning it was pointed out by the officers that there is no organisation worth the name existing at Central Office to look after the planning function. Officers are generally tied down with routine work. They have no time even for proper supervision of the work done by the staff working under them. Even at the highest level, no time or thought is devoted to the planning aspect. Things are just happening. The people at higher levels, including Deputy Governors, should not be bogged down with routine work. They should shed some of their file work and devote time to the planning function.

4.2 Some officers felt that there should be a multi-disciplinary cell at the Central Office level to look after the planning work. There may also be units at each centre to liaise with the Central Office. The planning cells at regional level should study the problems of the region

concerned. It was also suggested that the research units at various centres should also do research connected with functions of the Bank. They should re-align their activities in such a way that they prove useful to the operational departments. They should be fully geared up to undertake new challenges and take into account the regional problems.

4.3 Some officers, however, felt that conceptually a separate planning department is alright but not in practical terms. It will add to the work load of each department. Though some sort of planning is being done in the departments, there is lack of proper coordination. Conceptual planning and operational planning are different things. It is desirable to have planning, research and development cell in each department instead of centralised planning. They felt that subjects like branch banking cannot be entrusted to an outside body, as outsiders do not have a feel of the situation. Such jobs can better be handled by the departments concerned. If necessary, the departments may borrow the technology from the central planning unit or the research unit, if any, but the planning within the department should be undertaken by the planning unit of the department concerned.

For ensuring coordination, we can have an inter-departmental committee at top level consisting of the chiefs

of the various departments like ACD, DBOD, CPC, etc. on matters which cut across different departments. This committee can work under an Executive Director.

### 5. Motivation

5.1 At present there is no sense of belonging to the institution. All persons seem to be alienated from the Bank. This situation has developed over the last few years. Immediate remedial measures should be taken to look into this malady and get over it before the situation worsens any further.

5.2 On the question of motivation, some people said that money is the most important motivating factor. If the Bank is not able to give higher emoluments for higher responsibilities, they should at least compensate officers by giving them better status in the organisation, providing good working conditions like better and more space, furniture, telephone, etc., and giving perquisites to the officers in accordance with their status.

5.3 There should be proper planning in :

- a) placement of staff;
- b) promotions;
- c) training; and
- d) transfers.

The functions of recruitment, training, placement and promotions should be planned and coordinated effectively. A complete inventory of personnel should be prepared. Proper planning in respect of the above will help the Bank to get the best out of the officers.

5.4 There is need to change the recruitment policy. Highly qualified people are not required for the posts of Coin/Note Examiners in the Bank. The placement of staff should be made according to the nature of job and the calibre of the people. Wherever promotions are not quicker, status may be given to the staff by redesignating the posts suitably, e.g. clerks into assistants, typists into head typists, etc.

5.5 It was also suggested that training facilities available to the officers both inside and outside the country should improve and be designed for development of persons so that they prove more useful to the Bank. The existing training facilities are inadequate. There should be no constraint on account of age of the officer/staff.

5.6 It has also been pointed out by many that promotion opportunities are not commensurate with the expansion of the Bank. They are also not comparable with other banks. No one should stagnate in a particular grade for unreasonably long period. Steps should be taken to remove stagnation in the cadre of Assistant Treasurers. ...16

5.7 Many voiced their resentment against interviews for higher posts. Selectivity, if introduced, will take away the motivation of hundreds of persons detained at these interviews. In promotion, more weightage should be given to performance.

5.8 The confirmation of officers should not be delayed. They should be confirmed as early as possible.

5.9 The transfer policy should also be rationalised. The bogey of indispensability should be removed. The policy should be made known to the officers and as far as possible applied uniformly. Bank should also help officers in solving their problems of accommodation, education of children, etc. on their transfer to the new centres.

5.10 The Bank should also try to remove the pin-pricks of various kinds to the officers and reduce their hardships. Rules should not be interpreted against the interest of the officers or applied rigidly without going into the merits of the respective cases. The medical facilities should be liberalised.

5.11 The industrial relations climate in the institution has to improve. The Bank should not compromise on principles of discipline. People are losing the sense of belonging to the institution because of such compromises. Erosion of

discipline has undermined the efficiency at all levels. The Bank should sign an agreement with workers' unions to bring about a code of conduct binding on the various categories of employees. There should also be a grievance redressal machinery for speedy and impartial decisions.

5.12 Reward and punishment system should be introduced.

5.13 The image of the Bank has gone down over the last few years. For improving the image, there is need to improve service to customers. The officers of the Bank have also lost their image vis-a-vis Government. There should be two-way traffic of deputations/appointments between the Government and the Bank at various levels.

5.14 The Bank should not go in for appointment/extension of term of superannuated officers.

5.15 Mobility has not delivered the goods. The quality of work has suffered because of inter-departmental mobility.

5.16 Periodical meetings should be held between :

- a) top executives and other officers/staff,
- b) heads of departments and other staff.

5.17 There is need to have a close study of :

- a) Staffing pattern of each and every section/department, and

- 18 -

b) Budgeting of staff and norms for output  
of individuals.

5.18 We should undertake cost control exercise for major  
activities.

## ANNEXURE - III

### SUMMARY OF DISCUSSIONS WITH THE OFFICIALS OF BANKS

#### I. Commercial banks

To make the exercise on the reorganisation of the Reserve Bank really meaningful, it was considered necessary to have discussions with a selected few banks to know what they expect of the Bank. Accordingly, the Group met the Chairmen and top executives of the following banks in Bombay, New Delhi, Bangalore, Manipal and Mangalore in December 1979 and January 1980.

- i) Union Bank of India, Bombay.
- ii) Central Bank of India, Bombay.
- iii) Dena Bank, Bombay.
- iv) Bank of Baroda, Bombay.
- v) New Bank of India Ltd., New Delhi.
- vi) Punjab National Bank, New Delhi.
- vii) Canara Bank, Bangalore.
- viii) Vijaya Bank Ltd., Bangalore.
- ix) Syndicate Bank, Manipal.
- x) Corporation Bank Ltd., Mangalore.

2. The purpose of the exercise was brought home to the banks and the executives were requested to give their free and frank opinions. The discussions centred on important areas as under:-



- i) Currency management
- ii) Credit authorisation
- iii) Supervision and control over banks
- iv) Exchange control
- v) Agricultural finance
- vi) Data collection by Reserve Bank
- vii) Involvement of banks in the formulation of Reserve Bank's policies.

A gist of the discussions under some of the above heads is given below:

### 3. Currency management

Banks have generally been willing to co-operate with the Reserve Bank in so far as opening of currency chests is concerned. There was however, a feeling that the Reserve Bank's stipulations regarding construction of vaults were too exacting. The real constraint is the inability of State Governments to provide armed guards for the currency chests. Thus, in several cases, although construction of vaults was over, no use could be made thereof for many months. In certain cases vaults were ready at centres where banks had proposed opening of branches but the licence therefor from the RBI was being awaited. As for destruction of notes, barring some reservations, mostly the banks felt this could be left to them subject to the Reserve Bank being prepared to make its experts and expert guidance available to them.

4. Credit authorisation

Banks, by and large, were highly critical of the Reserve Bank's role in the administration of the Credit Authorisation Scheme. While there is no dispute as such about the need for disciplining banks in the matter of credit being made available to borrowers in consonance with the Tandon Committee recommendations, what the banks resent is the unwelcome involvement of the RBI in sanctioning of individual limits which tantamounts to taking commercial decisions. The observations made by banks on this subject are broadly as under:-

- i) The central bank of the country should concern itself with only macro level credit planning, leaving the micro level planning and decisions exclusively to the banks.
- ii) Appraisal of proposals, assessment of credit worthiness and prescribing the security is purely a commercial banking decision and should be left totally to the banks since they alone are ultimately responsible for the decision.
- iii) Reserve Bank's circulars on the subject reach the banks much after the policy is announced in the financial papers. Such situations should be avoided.

- iv) Reserve Bank should appreciate that, in operational areas, banks have decades of experience and expertise. Directions to banks in such areas should be given in prior consultation with one or two banks to avoid the issue of amendments every now and then.
- v) Flouting of Reserve Bank's directives affects the image of not only the banking community but also of the Reserve Bank. Further, banks which rigidly comply with directives are at a disadvantage. To prevent this, there should be some system for applying sanctions against defaulting banks.
- vi) Credit authorisation which started as a simple proposition is now acquiring a stranglehold on banks. The time has come for the Reserve Bank to trust the banks, take a fresh look at the scheme and revamp it completely.
- vii) Public pronouncements of Reserve Bank relating to violation of credit measures by banks based on the misbehaviour of one or two banks, tarnish the image of even the law abiding banks. Public criticism should be discreet and specific.

- viii) Reserve Bank should prohibit the CAS parties approaching its officials direct for the purpose of expediting the clearance of proposals. Reserve Bank should have no dialogue with such parties except in the presence of a representative of the lending bank.
- ix) Credit plan should be a long-range plan so that banks know what role is expected of them for, say, a period of five years. Changing the policies at frequent intervals, throws the plans of banks out of gear.
- x) CAS forms and statistics should be made less complex and less cumbersome for the borrowers and banks alike to compile.

#### 5. Supervision and control over banks

Banks do agree that inspection by the central banking authority is imperative. What they feel is that the system of inspections as it is obtaining today is cumbersome, outmoded and useless. Main issues are listed below:-

- i) More importance is given to individual borrowal accounts and banks are informed of defects which they are very well aware of. **This work is best left to the internal inspectors.**

- ii) Considerable time is spent by inspecting officers discussing the organisational structure of banks and comparing it with structures obtaining in other banks. This deserves to be deprecated. No two banks need be alike. Neither does the Reserve Bank want them to be so.
- iii) Reserve Bank should see if its inspecting officers are really competent to make systems studies or to comment upon organisational structures of banks.
- iv) While too much time and energy is devoted by inspecting officers to non-essentials, no positive comment is offered on important issues like a bank's credit policy as such, or the kind of communication system established with the branches.
- v) Inspection reports go into avoidable details making them more bulky and taking much longer time to finalise the report. As a result, the follow-up which is really vital, gets diluted.
- vi) Calling for progress reports as an inspection follow-up has become mechanical and banks get no feed back on the periodical reports filed by them.

- vii) The entire inspection system of the Reserve Bank should be positive and achievement-oriented, advising banks what to do rather than telling them what not to do.
- viii) Too much attention is paid to complaints received from clients and members of the staff, some of which are anonymous. This encourages mischievous elements and the number of such complaints, some even of imaginary nature, shows big rise.

#### 6. Exchange Control

Important observations made in this respect are given below:

- i) Not all the banks authorised to deal in foreign exchange have the same resources or competence to make the best use of such resources. It would not be proper, therefore, to apply the same yardstick to all the authorised dealers regardless of the magnitude of their operations.
- ii) Matters relating to reduction in the export proceeds should be left to authorised dealers upto certain stipulated limits. Every case need not have to be referred to Reserve Bank.

- iii) The limits fixed for seeking the prior clearance of the Reserve Bank for making forward sales to it by authorised dealers are unrealistic and need an upward change.
- iv) Blanket permits for foreign travel should be issued to bank executives on the basis of the magnitude of their business.
- v) While the Reserve Bank is rightly concerned about training of personnel manning foreign exchange departments of commercial banks, it may also make vigorous efforts to equip its own inspecting officers with the requisite skills as they are called upon to undertake more and more complex work and use sophisticated techniques.

#### 7. Data collection by Reserve Bank

Banks appreciate the need for collection of data by Reserve Bank since, ultimately, it is they who are the users of the statistics. Their views on the subject are as under:-

- i) While more and more new returns and statements are called for from banks, there is no indication of any old or obsolete return being discontinued.

- ii) Before calling for a new return, a study should be made by the Reserve Bank to ensure that the same information, either in that form or in any other, is not already available with it.
- iii) Any new return should first be collected on a pilot basis and should be put on a permanent footing after being suitably tested for its adequacy and utility.
- iv) Any proposal for collection of data from banks should be got cleared by a Committee of banks appointed to assist the Reserve Bank.
- v) Although a mass of data is collected from banks, precious little is being done in the concerned departments of the Reserve Bank to tabulate the data and make it available to the banks for their use.
- vi) An unusual suggestion made by one of the banks related to pinpointing of responsibility for submission of some crucial returns to the Reserve Bank, on the branch managers rather than on the Head Offices of banks. This, it was pointed out, was necessary in the context of the ever-widening network



of branches and the consequent difficulty of banks in collecting and compiling the data. Besides, such an arrangement would make branch managers conscious of their obligation to furnish the data called for by the central bank of the country.

8. Involvement of banks in Reserve Bank's policies

- i) The dialogue between Reserve Bank and commercial banks has, over the years, emerged as an intimate relationship, and banks feel that there is no reason why they should not be taken into confidence by the top executives of the Reserve Bank in the matter of formulating important policies having a wide impact on banks and banking. For the same reason, Reserve Bank should not be guided by what one or two banks have to say. Nor should the Reserve Bank call a meeting of bankers and present them with a fait accompli, which happens to be the case when the Reserve Bank executives come with their mind already made up. There should be a constant and continuous dialogue between the officers of the Reserve Bank and the those of commercial banks at

different levels, preferably on an informal plane.

- ii) Banks seemed to favour an exchange of officers between the Reserve Bank and commercial banks, for a period of say three years. This exchange, the banks felt, would, on the one hand, enable the Reserve Bank to appreciate the practical side of banking and, on the other bring home to commercial banks the multiple requirements of the central banking authority and the need for a proper compliance with its directives and advice to the banking industry.

#### 9. Other areas

- i) Although the monetary and credit policies of the RBI have a direct bearing on the functioning of commercial banks, these banks are not associated with the formulation of the policies. This lacuna may be remedied largely by amending the Reserve Bank of India Act, 1934 so as to provide for ex-officio appointment of the Chairman of the Indian Banks Association as a director of the Reserve Bank's Central Board.

- ii) The Reserve Bank's relationship with commercial banks is not uniform in all cases and there seems to be a bias in favour of the State Bank of India and its subsidiaries. At the same time, as between public sector banks and those in the private sector, the latter have developed a feeling that they are being discriminated against.
- iii) Considering the growing net-work of branches, submission of weekly returns by scheduled banks in terms of section 42(2) of the Reserve Bank of India Act, 1934 has become difficult. Amending the statute to enable banks to submit these returns at fortnightly intervals would make collection of statistics meaningful and useful.
- iv) For obvious reasons it is well-nigh impossible for scheduled banks to maintain with the Reserve Bank of India balances exactly conforming to the percentage stipulated in the statute. To be on the safer side, and to provide for contingencies, banks do maintain slightly higher balances, the excess being totally unproductive. Just as penal interest is charged for defaults, interest at a nominal rate may be paid to banks on the excess balances maintained by them.

- v) In terms of section 42(1A) of the RBI Act, scheduled banks are also directed to keep with the Reserve Bank a percentage of the incremental deposits. Medium and small sized scheduled banks with determined effort in deposit mobilisation have been recording substantial accretion to their deposits and are, in the bargain, hurt most by the above stipulation. While, as a temporary measure, use of this weapon is understandable, long-term measure should always be in the form of a percentage of the total deposits which would affect all banks uniformly, regardless of their size.
- vi) While section 42(1) of the RBI Act refers to maintenance of average daily balance, section 24 of the Banking Regulation Act requires maintenance of the statutory percentage on each day of the week. Involuntarily though, banks have not been complying with this stipulation strictly. Nor is it possible for them to assess their position on a day-to-day basis. Compliance with Section 24 of the Banking Regulation Act too may be made on an average basis.

- vii) Reserve Bank's circulars relating to credit policy and selective credit control are generally long-winded and, as a means of communication, are totally found wanting. It is solely because of this that the Reserve Bank gets a flood of letters seeking clarifications which generally take not less than a couple of months to issue. Something needs to be done to avoid such unpleasant situations and the consequent delay in complying with the directives.
- viii) Commercial banks' advances to agriculture are not a profitable proposition. Banks should be offered an incentive in the form of interest subsidy on the lines of subsidy on export credit.
- ix) In the exchange management area, banks would like RBI to take the following progressive steps:
- a) Lift the veil of secrecy over the mechanism of the basket of currencies so that exporters in particular, may keep a watchful eye on the movement of exchange rates in the international markets with a view to hedging themselves against any contingent losses.
  - b) Reserve Bank should engage itself in active dealing operations and should keep a tab on Hongkong, Singapore and Bahrain markets,

abandoning the age-old practice of adopting the PTI quotations in the London exchange market.

- c) If our exchange markets are to attain international standards and our banks are to compete with giants in the international exchange arena, our country needs to take a bold step for introducing and encouraging off-shore banking in India; Bombay market, with the available infrastructure, being the most suitable aspirant for this venture.

## II . Maharashtra State Cooperative Land Development Bank

The Group had discussions with the Managing Director and senior officers of the Maharashtra State Co-operative Land Development Bank on 8th January 1980 at Bombay. The main points brought out during the discussions were -

- i) The Land Development Banks (LDBs) are the main users of the refinance facilities provided by Agricultural Refinance and Development Corporation (ARDC) but have not enough say in its Board as it is dominated by the directors nominated by RBI. The banks should have some say in ARDC Board and this could probably be facilitated, if ARDC is completely delinked from RBI. Thus, the Chairman

of the ARDC should not necessarily be the Deputy Governor in-charge of agricultural credit in RBI.

- ii) The Reserve Bank has not provided sufficient thrust and direction to the developmental activities for improving the organisational and managerial capabilities of the co-operative institutions.
- iii) The terms and conditions prescribed in respect of lendings by commercial and co-operative banks for agricultural purposes are not uniform. There is a feeling that borrowers from co-operative banks are discriminated against.
- iv) The financial discipline prescribed by ARDC relating to refinance facilities provided to commercial banks is different from what is prescribed for LDBs; that is, borrowers from LDBs are subjected to harsher treatment.
- v) RBI and ARDC should consult LDBs before major policy decisions are taken.
- vi) Norms prescribed for providing loans to State Governments for share capital contribution of LDBs require a relook especially the one relating to percentage of overdues to demand.

- vii) In the event of natural calamities when entire assets are destroyed, the LDBs may be permitted to provide fresh loans to the affected borrowers on softer terms.
- viii) Loans to farmers for agricultural purposes may be covered by Credit Guarantee Organisation Scheme.
- ix) The LDBs may constitute Relief and Guarantee Fund, the contribution to which may come from the State Government, ARDC and RBI.
- x) RBI and ARDC should show greater appreciation of the role played by the National Co-operative Land Development Banks Federation by having frequent dialogue with it on matters concerning LDBs.



ANNEXURE - IV

SUMMARY OF DISCUSSIONS WITH OFFICERS  
OF VARIOUS DEPARTMENTS OF THE GOVERNMENT  
OF INDIA

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The Group held discussions with the senior officers of various Departments and Ministries of the Government of India with a view to eliciting from them their expectations from, and experiences with, the working of the Reserve Bank of India (RBI). The views expressed have been taken due note of while arriving at recommendations relating to changes in the existing structure. However, the officers of the Government of India have taken this opportunity to make many other observations and offered a series of suggestions for RBI to have better coordination with the Government, to improve information system of the RBI, and generally to improve the image of the Bank's working. As these suggestions would be useful to the Bank, we produce below a brief summary of the discussions, subject-wise. Though the discussions were held separately with different Departments, a consolidated summary has been prepared. The discussions were held with officers of the following Government departments and Ministries:-

- i) Banking Division, Department of Economic Affairs, Ministry of Finance;
- ii) Department of Economic Affairs, Ministry of Finance;
- iii) Department of Expenditure, Ministry of Finance;

- iv) Ministry of Agriculture and Irrigation and Ministry of Rural Reconstruction;
- v) Ministry of Commerce and Civil Supplies;
- vi) The Planning Commission;
- vii) Prime Minister's Secretariat.

I. Dual control over banks and RBI autonomy

1) ~~On the question of references being made by RBI to the Banking Division (GOI)~~ On the subject of dichotomy in control over the banks, the officers were emphatic that no such dichotomy existed after March 1977. The Government have ensured that they do not issue directives to banks bypassing the RBI and it has been the explicit policy of Government to restore the autonomy and prestige of the RBI.

2) The Government does not seek any information directly from banks, but organisational weakness in RBI have hamstrung the Government's functioning; only in such cases, Government seeks information directly from banks.

3) On the exchange of officers between Government and RBI, the Government have tried but it did not work. Main reason is that the salary structure of RBI officers is different.

## II. Credit Planning

1) The Government are not being kept informed as to what the Credit Planning Cell (CPC) in RBI is doing. The CPC activities and decisions could be made known to the Government a little more than what is being done today. The CPC is operating with banks and giving guidance. Many of the decisions are made known to Government officials only in bank Boards, where they are represented; the banks tell them that certain measures are approved by CPC of RBI.

2) Similarly, the rationale of the credit policy can be made known to the Government. The analytical note should enlighten the Government better. Though many background notes are believed to be prepared, Government does not get them. Even in the credit budget discussions, the RBI could associate the Government representatives.

3) On monetary and credit policy, there should be a common and coordinated approach by RBI and Planning Commission. It is necessary that the entire gamut of monetary budgeting, credit budgeting, market borrowing, etc., should be undertaken in coordination with each other. Frequent exchange of views on monetary expansion is necessary. Quarterly reviews on monetary budgets should be undertaken in a coordinated manner.

4) The Planning Commission has suggested that the reviews of monetary and credit policies including the resources available from the LTO funds should be undertaken at least a month before the Central Budget.

5) Credit planning and credit budget discussions with the 22 public sector banks could also be coordinated with the Planning Commission, which would get to know the latest on sectoral deployment.

6) The Planning Commission was greatly worried about the status of money supply data; it is difficult to rely on these data.

### III. Bank supervision and inspection

Bank supervision and inspection is one area where major overhauling is necessary. The statutory inspection reports generally do not give accurate assessment about the genuine health of the individual banks. The delays in the matter of inspections should be cut down drastically. RBI need not scrutinise the individual advances. Instead, if the systems, procedures, the organisational structure, etc., are proper and if the bank concerned has proper awareness of the objectives and goals, individual advances cannot go wrong. Combined with a sound statistical and management information system,

a shift from financial inspection to some sort of management audit should be brought about.

2) The inspection report of RBI lacks qualitative assessment of various policies. The annual appraisal inspections may be completed as early as possible and the performance of banks should be compared to their budgets prepared earlier.

3) Incidentally, the number of complaints has considerably increased in the recent past. RBI may depute senior officers to look into such of those complaints where prima facie case is established. The delays in dealing with complaints should be reduced.

#### IV. Banking structure, branch licensing policy and procedures

1) The policy relating to branch expansion and licensing should be reviewed. The banks should be advised in advance about the permission to open branches. Further, when there are competing claims, the basis on which decisions are taken may be conveyed to Government of India.

2) In regard to the working of DBOD, there are certain problems. Take the example of branch licensing. Let us not regard the policies as secret. A bank, trying

to expand in certain rural area, would be making considerable effort to make out a case, but it has no ready way of knowing if the concerned centre has already been allotted to some other bank. It is necessary to publicise this in RBI's Monthly Bulletin or in such other places. Also, the Government do not know at what level the decisions on this are taken.

V. Training facilities for commercial and cooperative banks personnel

1) There is no functionary in RBI to systematically look after the training programmes of commercial banks. The RBI should take a lead in this respect and monitor and ensure proper training facilities. The Banking Division (Government of India) has taken some initiative and talked to ~~Mr. Kashbaker~~ <sup>Director</sup> of NIBM. A Working Group has also been set up. But, all this is RBI's job.

2) The Government suggestion is that the RBI may assume the total responsibility for overseeing training facilities for officers and staff of commercial banks.

VI. Exchange Control

1) It was suggested that positive approach to the problems of non-resident Indians and foreigners should be adopted by RBI. For instance, for disposal of shares

extensive forms have been prescribed and a lot of information is collected without any purpose and end-use in view. Likewise, on the question of technology transfer, design of the form prescribed is very complex. Without sacrificing the policy, these control forms could be simplified. Constant complaints have been made in the Foreign Investment Board meetings.

2) Similarly, releases of dividend remittances also involve considerable delays. Here again procedural matters could be simplified within the parameters of the existing policies. A suggestion was made that dividend equivalent to the first three quarters could be released to begin with.

3) With regard to the non-resident Indians, dilatory procedures which are many, deserve to be avoided. One of the methods could be to delegate powers except in the case of foreign companies in regard to which powers could be centralised.

4) On the statistical side, information on foreign investment is available only upto 31st March 1975. This survey could also be considerably simplified. A census type of study will take a long time; ~~with the simplification of the procedures,~~ some amount of minimum information could be collected.

5) In regard to the export sector, there is a feeling in the Finance Ministry or in the Commerce Ministry that there is conservatism in the RBI. Anything sought after by the exporters is rejected mechanically. We do not expect RBI to apply rules mechanically. Positive feedback is another thing that we expect from RBI.

6) Most of the powers that were vested with the Government - there were too much of them initially - have been now transferred to RBI. However, if the RBI so feel they could examine and let Government know, if any further decentralisation to RBI deserves to be made. Simultaneously the Government would like adequate delegation to be made to regional offices of RBI and to the Authorised dealers within the broad guidelines. Everybody feels that there is scope for further delegation. Further even in areas where powers have been vested with the RBI, the references keep coming to Government; this needs to be stopped.

7) There are instances where people keep coming to Government for release of foreign exchange. Even getting the letters typed in the RBI takes days; the clerks do not put up the cases in time. Innumerable complaints of harrassment are received. ~~The whole exercise has given rise to corruption and proliferation of touts.~~



If businessmen want to catch a plane, the lower/<sup>level</sup>functionaries in the Reserve Bank can frustrate their efforts. These procedures deserve to be looked into on an urgent basis.

8) There are also certain statistical problems. The statistics required for policy purposes are not readily available. Take the case of 'Invisibles' - the latest data on the detailed break-down of 'Invisibles' is based on 1975 survey. Similarly, data on family remittances, their sources, etc. are stale. As information on such matters is seriously lacking, Government are greatly handicapped. The latest information here also is for March 1975 and in some cases, for 1975-76.

9) It was clarified on behalf of Government that insofar as the multi-national companies are concerned, the work will have to be centralised in a Central Cell so that the same policy is followed. But in other areas, there is scope for more decentralisation. RBI only will have to have more information and better system of monitoring and control. Forms will have to be simplified.

10) The officials of the Ministry of Commerce prefaced the discussions with the observation that by and large the system of export finance or of exchange control is working satisfactorily. For exporters today, finance is not a major constraint at all.

11) In the areas of project exports and construction contracts, we have only scratched the surface, as it were. The country has great potential for project exports, in consultancy, in terms of equipment building industry, etc. and this fact need to be appreciated by RBI and reflected in their approach to control in this area.

12) For exploiting the scope for awarding construction contracts abroad, Delhi area has a large number of parties. Calcutta is not yet ready; neither is Madras. Hence, it would be useful if a separate Regional Working Group is set up in Delhi so as to clear construction contracts.

13) With regard to the working of the Overseas Development Project Committee, the officials have suggested that separate Cells in the Central Office and Regional Offices headed by Senior Officers be set up.

14) In some cases of project finance, more effective delegation is desirable. After the viability of a project is established and guarantee is cleared, some stoppages take place and the project gets out of gear. Considerable delay takes place in re-negotiating the project. Inflow of foreign exchange may not be adequate. Such cases could be handled by any of these following alternatives:

- i) delegating authority to the authorised dealers themselves; or

- ii) referring the case back to the Working Group itself; or
- iii) delegating authority to the Branches of the RBI.

Item (i) would be the first choice of the Government.

15) In project exports, more can be achieved by India. The Project Cell in the Central Office or Regional Office (probably in the Bank's Exchange Control Department) should be the nucleus, a focal point, for coordinating all types of clearances.

16) In consultancy, there is scope for a major thrust. Fall-out benefits out of exploratory visits are slow to come by. At least in respect of approved consultants, it is necessary that we permit business travels rather freely.

17) For the fixation of daily allowances for business trips, the rates may be fixed on the basis of more recent data. Working arrangements may be made to get the required information from banks abroad.

18) In the case of rupee trade, very small, 10% or so, of free foreign exchange is being permitted. There are free foreign exchange shops in all the Airports. A slightly higher allowance than 10 per cent may have to be permitted.

19) For the purpose of exchanging views, for better appreciation of each others point of view, and for quick disposal of cases, there should be monthly meetings between the representatives of the ECD in RBI, the Commerce Ministry, and the Department of Economic Affairs (GOI). This can facilitate a great deal of flexibility in the deployment of exchange control measures.

20) For business parties coming from abroad, permission to sanction stay and incur expenditure a day or two beyond the period already agreed should be accorded with ease.

VII. Export credit, branches  
of foreign banks etc.

1) With regard to availability of domestic bank credit, a plea was made to insulate the export credit part - both post-shipment and pre-shipment - from the purview of general credit curbs. No doubt, the RBI has specified its intention along these lines but the commercial banks do not act so.

2) Incidentally, a suggestion was made to employ some foreign language experts in bank branches.

3) Again, a special plea was made that the policy with regard to opening of offices should be liberalised. On a reciprocal basis, we may have to permit foreign banks to operate in India too. In any case, there is great scope

for opening offices of Indian banks in the Middle East.

4) A suggestion was made by the ministry officials that some more incentives could be extended to banks so as to encourage them to extend sizeable bank credit for exports.

### VIII. Agricultural Credit

1) The recommendation of the Committee to Review arrangements for Institutional Credit for Agricultural and Rural Development (CRAFICARD) for establishment of National Bank for Agriculture and Rural Development (NABARD) would in itself result in structural changes in RBI. The proposed national level bank would take over the entire ARDC and major part of ACD. The ACD will be left with very few functions to deal with. Though there is no clear idea on this at this stage, almost all departments of RBI - ACD, ARDC, RPCC and even DBOD could probably get affected.

2) On agricultural credit, with too many institutions dispensing credit, it is necessary to make a common assessment of the resources in the country and allocate credit to different sectors accordingly.

3) For the present, in the matter of agricultural credit, considerable coordination in RBI is required.

Circulars are being issued by ACD, ARDC, DBOD and now, by RPCC. It is necessary to make sure that the Agricultural Credit Board (ACB) is the focal point in the matter of policies relating to agriculture credit. At present, there does not appear to be proper coordination in RBI in this respect. Also, on terms such as interest rate on rural credit, it is necessary to make them simple, uniform and easily comprehensible. Let us not confuse the farmer with many fine theoretical considerations.

4) RBI may consider appointing a Committee to look into the aspect of simplification of returns to be submitted by banks, particularly about advances for agricultural and allied purposes.

5) For the purpose of submission of returns, commercial and cooperative banks should follow a uniform period, i.e. calendar year, financial year or cooperative year.

#### IX. Currency Management

1) In regard to currency management, RBI should ask itself if any institution would have the capacity to keep pace with the manifold growth in currency. It is better to decentralise the work wherever possible.

2) On the subject of supplying new notes, it was made out that there are adequate supplies. There is also sufficient capacity with DeWas Printing Press for higher denomination notes.

3) Government have decided to bring out smaller coins of 50 paise and Re.1/-.

4) There was a specific request that demand for notes and coins should be indented well in advance so that there is no delay in supply.

#### X. Statistical Information

1) It was repeatedly emphasised that in the absence of the more recent balance of payments (BOP) data, it is extremely difficult to project the outlook for the future. There is a time-lag of two to three years. Many a time, parliamentary questions on 'outlook for invisibles' are referred to RBI for their view on the likely developments in the next year, but answers are hardly based on firm data.

2) Similarly, data on 'India's International Investment Position' are too old to be of any use to the Government.

3) Data on 'invisibles' and balance of payments in general are two to three years old. The Planning Commission in fact looks forward to the projections made by the RBI.

4) On foreign remittances, the source-wise, statewise and purposewise details from the Survey results should be of immense use.

5) Banking and monetary statistics have become of late somewhat undependable. There is hardly any satisfactory explanation for variations in the item "non-monetary liabilities".

6) The Department of Economic Affairs has made a specific request that they be posted with -

- a) data on sectoral deployment of bank funds on a quarterly basis; and
- b) background papers prepared in the Bank on credit policy changes.

7) The Planning Commission has made a specific request that RBI should help in getting quick data on tax revenue collections.

8) In the matter of collection of data, considerable improvement is required. There should be a system for collection of data supervised by a central authority with a view to avoiding duplication of efforts.



9) RBI should look into the system of calling for data from banks. In the Banking Division (GOT), no circular is allowed to be issued unless there is explicit approval from the highest authority. The officials hoped that somebody is doing the same in the RBI. There should be a central agency in the RBI for collection of data at a high level. Duplication of efforts should be avoided. Some basic returns should be prescribed and all other needs should be met by culling out information therefrom.

10) RBI should reduce the delay in the publication of monthly bulletins, in putting out reviews of markets, and in publishing balance of payments data. These are very useful sources of data, but their liveliness is of essence.

11) Quality of the data has also suffered. Take the case of 'non-monetary liabilities' in money supply data.

12) Under the Lead Bank Scheme, district data are available with 10 to 12 months delay. It is necessary to obtain these data quickly and give feedback to banks.

#### XI. A Cell to coordinate Parliamentary questions

There should be focal point in RBI to coordinate answers to Parliamentary questions which have relevance to more than one department of the Bank. Today, replies

come to Government separately and in a piece meal manner. Also the Government with their skeleton staff may not always be able to refer to past answers and avoid duplication. The persons in RBI, who are specialised in different functions, could do this better.

### XII. General

1) As the Central Office of DNBC is located at Calcutta, it creates a lot of problems and delays in clearing many cases particularly where legal aspects are to be examined. The Central Office of DNBC may be shifted to Bombay.

2) The Legal Department of RBI takes considerable time to examine references made to them. This perhaps was due to work load. The Legal Department may, therefore, be adequately equipped to clear cases expeditiously.

3) On the subject of associating the RBI officers with the Annual Plan discussions of each State, the Planning Commission would very much welcome it. But, they are worried about the level and quality of participation. Because of this difficulty, the practice was given up.

ANNEXURE - V

DECENTRALISATION OF WORK - SCOPE FOR  
DELEGATION OF AUTHORITY TO BRANCHES

Under the new role proposed to be assigned to Branches as envisaged in Chapter 4 of the Report, a greater degree of decentralisation of work is aimed at and, correspondingly, there has to be substantial delegation of functions and authority by the Central Office to Branches. For obvious reasons, the Group cannot lay down in detail the areas for various departments. However, broad guidelines have been indicated in Chapter 4 and the Group has recommended appointment of teams of senior officers in each Central Office department to prepare a scheme of substantial delegation of authority, clearly demarcating authorities of the local Managers and the local departmental in-charges. As an illustrative and tentative attempt, a few areas in respect of some of the departments have been indicated. The underlying idea in the entire delegation exercise should be to ensure that the Branches do assume the authority and importance envisaged in Chapter 4, and therefore, barring a few exceptions, almost the full gamut of operational activities ought to be carried out and decided at the Branch level.

2. While delegating the authority to the Branches, the Central Office departments must ensure that:

- i) guidelines for exercise of the discretion are clear, concise and comprehensive. These should indicate the objects of the particular activities required to be carried out henceforth at the Branches, the pitfalls in the exercise of authority - supported by cases/precedents, if possible - and circumstances under which reference should be made to the Central Office. In short, the guidelines should show what is expected of the officer and how he is to perform his task. Central Office teams may perhaps bring out compendia on major/important areas.
- ii) Branches are educated properly by arranging for visit of concerned Central Office senior officials to the Branches to clarify issues and furnish details on the spot.
- iii) references on peripheral matters are discouraged in respect of the authority delegated by arranging for a system of circulation of important decisions/instructions to all Branches from time to time.
- iv) non-exercise of the authority or marked reluctance to exercise it on one pretext or another is discouraged.

- v) bonafide mistakes of judgemental nature arising out of decisions taken in good faith are not severely punished; the occasions could be used more as educative instances rather than as material for pillorying the officers.  
Therefore, a climate of mistake tolerance in initial stages has to be created.
- vi) system of management control is not diluted by prescribing comprehensive control returns on items of strategic importance.
- vii) there is periodical review about the efficacy and effectiveness of delegation and increasing or decreasing its extent commensurately with the results achieved and the likely future workload.

#### I. Agricultural Credit Department

1. At present only 50% of the inspection reports are permitted to be finalised at Branches. Since the authority is not related to the size and state of affairs of the bank, it should be possible for the entire work to be attended to by the Branches.
2. Credit limits to co-operative banks are sanctioned only by the Central Office. The Branches only make preliminary scrutiny, observations and tentative recommendations. Since the Branches are closer to the

concerned banks and have access to almost the entire information available at Central Office, to start with, it ought to be possible to empower them to sanction limits, subject to well defined stipulations and ceilings.

3. Issue of licences under section 23 of the Banking Regulation Act, 1949 for opening branches by Urban Co-operative Banks could be left to the Branches within the parameters to be indicated by Central Office.

## II. Department of Banking Operations & Development

1. Branches may be empowered to appoint or re-appoint Chairman of commercial bank in the private sector and to approve amendments to the terms of appointment. This power may be vested in the Manager at the Branch. Only cases calling for rejection need be referred to Central Office.

2. Approval for declaration of dividends by banks in the private sector may be left to the Branches provided the rate does not vary more than 1% on either side of the rate approved for the previous year.

3. Complaints relating to serious issues and those received from Government alone will be attended to by Central Office. Investigation into, and disposal of, all other complaints may be left wholly to the Branches.

4. Monitoring of District Credit Plans may be attended to by the Branches subject to broad guidelines laid down by the Central Office.

5. As far as smaller regional banks and regional rural banks are concerned, since assistance of other Branches for carrying out inspections is not required, the programming and actual inspection may be done by the concerned Branch on the basis of the availability of staff and in conformity with the policy laid-down by the Central Office.

6. Editing of inspection reports may be left to the Branches. In the case of banks in the private sector, inspection reports may be finalised and furnished to them by the Branches direct. Prior approval of Central Office would be sought in the remaining cases only.

### III. Department of Accounts & Expenditure

1. Branches may be empowered to increase the number and strength of examination sections depending upon the need, within certain defined parameters.

2. Within the overall policy framework for opening of new currency chests and allotment to banks, the Branches may be given the authority to determine location and timing for opening of chests.

3. Approval for destruction of notes passed under special procedure can be given by the Manager after scrutiny by the local audit cell and/or a committee of senior officers at the centre.

4. Work relating to selection of officers for annual verification of balances can be attended to by the Branch.

5. Adhoc inter-office arrangements to tide over congestion problems etc. can be made by Branches without prior approval of Central Office. Only where no solution is found, help of Central Office be sought.

6. Powers delegated to Managers under various heads under the Expenditure Rules require very substantial increase.

7. Barring some policy issues and complex problems, the work relating to Lost Note Procedure and other entitlement cases having legal implications may be attended to by the Branches; legal consultation can be by having small legal cells, appointing legal advisers on retainer basis or directly seeking the advice of the Legal Department.

8. All claims relating to reimbursements in respect of conveyance, tour, leave fare concession, medical attention, transfer etc. may be settled locally. Marginal changes in limits and entitlements may also be made, if necessitated by peculiar local circumstances, under advice to Central Office.

9. Approvals for withdrawals from the provident fund as also advances against balances in the provident fund account, may be given by the Manager, subject to stipulations as may be indicated generally by the Central Office.

10. Powers to sanction housing loans and consumer loans to employees may be given to the Manager.



#### IV. Exchange Control Department

The delegation concerning exchange control matters can be of two types:-

- a) Delegation to Branches, and
- b) Delegation to authorised dealers.

Some of the areas in which delegation can be given to Branches/authorised dealers are indicated below:

##### A - Delegation to Branches

- 1) Gifting of shares by non-residents to residents without any consideration.
- 2) Enhancing the existing limit for references of cases to Central Office involving transfer of shares of more than Rs.50,000/- to Rs.1,00,000/-.
- 3) Travel of wives accompanying husbands on medical grounds when they go abroad on business visits.
- 4) Advance payment against import of scientific and technical books, chemicals etc. by universities.
- 5) Reduction in invoice value of exports excluding demurrage.
- 6) Raising the present limit of Rs.2,000/- in case of G/R Waivers to Rs.5,000/-.
- 7) Renewal of facility for remittance of funds abroad for the maintenance and upkeep of offices.
- 8) Permitting the Branches to allow reduction in invoice value of exports upto 40% instead of the present 20%.

- 9) Allowing payment of passage fare for potential buyers or selling agents visiting India on hospitality.

B - Delegation to authorised dealers

- 1) Allowing payment of passage fare by debit to non-resident accounts.
- 2) Enhancing the present limit of US \$ 3,50,000/- £1,50,000/-, D.M. 8,00,000/- and Yen 100 million upto which authorised dealers can have cover operations suitably.
- 3) Allowing free exports, as replacement for defective engineering goods exported earlier.

V. Department of Administration & Personnel

All work relating to posting, leave, training, promotion, increments, discipline, vigilance etc. upto Grade 'C' level could be attended to by the local Managers subject to guidelines and stipulations laid down by Central Office from time to time.

ANNEXURE - VI

CENTRAL OFFICE DEPARTMENT -  
PROPOSED STRUCTURAL CHANGES

<u>Sr. No.</u>	<u>Changes</u>	<u>Details</u>
1.	Credit Planning and Banking Development Cell to be called Credit Planning and Policy Department	a) Transfer work on banking policy on regional and sectoral deployment of funds from DBOD to this department. b) Provide higher level representation from operational departments to this department. c) Transfer work on BSR to the proposed Banking Data Department. d) Give it the status of fullfledged department.
2.	Department of Banking Operations and Development and Rural Planning & Credit Cell to be reconstituted into three departments viz., i) Industrial Credit Department	a) Transfer work of Credit Authorisation Section, Committee of Direction Cell, Sick Industrial Units Cell and Export Credit Cell from DBOD to this department. b) Transfer credit authorisation work from ACD to it.

- ii) Regional Rural Banks Department
  - a) Transfer work of operations and inspections to RPCC - to be renamed as RRB Department.
  - b) Transfer work of Lead Bank Scheme and District Credit Plan from RPCC to DBOD.
- iii) Department of Banking Operations & Development
  - Have three wings - (1) Developmental (Lead Bank Scheme, District Credit Plan, Branch Licensing, Manpower Planning & Development of Bank Personnel) and (2) Operations and (3) Inspection.
- 3. Agricultural Credit Department and Agricultural Refinance and Development Corporation
  - No change
  - In view of the proposed National Bank for Agriculture and Rural Development, no change is suggested at this stage.
- 4. Department of Accounts and Expenditure to be reconstituted into four departments as under:
  - i) Public Debt Management Department
    - Transfer Central Debt Section of DAE and policy work regarding floatation of loans, open market operations and work regarding the Bank's investments from Secretary's Department to this department.
  - ii) Currency Management Department
    - Create a separate Currency Management Department by transferring Currency Section from DAE Issue Departments in branches will function under this department.
  - iii) Department of International Accounts
    - a) Transfer Foreign Accounts Section to this department and give it "department" status.
    - b) Decentralise reserves dealings and operations among 4 major centres - Bombay, Calcutta, Madras and New Delhi.
    - c) Open couple of small offices abroad.

iv) Department of Accounts  
and Expenditure

Transfer work of ways and  
means advances and investment  
of Government funds etc. from  
Secretary's Department to this  
department.

Department of Statistics to be  
reconstituted into two depart-  
ments -

i) Computer Services  
Department

Transfer work of Data Processing  
Division and Computer Centre/s  
to this department.

ii) Statistics Department

Attend to the remaining  
activities of the erstwhile  
Department of Statistics.

Economic Department to be  
reconstituted into two  
departments viz.,

i) Department of Data Bank

a) Transfer work of BSR from  
Banking Division and Credit  
Planning Cell to this department.

b) Transfer work of Statistical  
Tables relating to Banks in  
India from Banking Division of  
this department.

c) Give it responsibility for  
building up Data Bank on monetary,  
credit and banking matters.

ii) Economics Department

Attend to all other activities  
of the present Economic Department.

Department of Administration  
and Personnel to be reconsti-  
tuted into two departments viz.

i) Personnel Relations Department

Give present P.R. Division in  
DAP full-fledged departmental  
status.

ii) Human Resources Development  
and Administration Department

Rename group of remaining  
activities of erstwhile DAP.  
It should continue to be  
headed by the Chief Manager.

8. Press Relations Divisions to be called. Public and Press Relations Department. Enlarge its role to take positive initiative in using all publicity media - to project the image and stance of RBI on various issues and inform and educate public.
9. Secretary's Department - Change in responsibilities only.
- a) Transfer work of open market operations, loaning etc. to Public Debt Management Department.
  - b) Transfer work of advances to Government and investment of surplus funds etc. to Department of Accounts and Expenditure.
  - c) Act as the executive secretary to the Top Management Committee.
10. Premises Department - No change.
11. Industrial Finance Department to be called Department of Small Scale and Decentralised Sectors. -
12. Exchange Control Department - No change. Reorganise internally for better coordination and control.
13. Management Services Department to be reconstituted into -
- i) Management Services Department Transfer work of Manpower Planning to the proposed Human Resources Development & Administration Department.
  - ii) Corporate Planning Department Transfer work of Corporate Planning to the proposed Corporate Planning Department.
14. Inspection Department - No change. Must have its own follow-up section/cell.

-: 5 :-

15. Department of Non-Banking  
Companies -

- No change

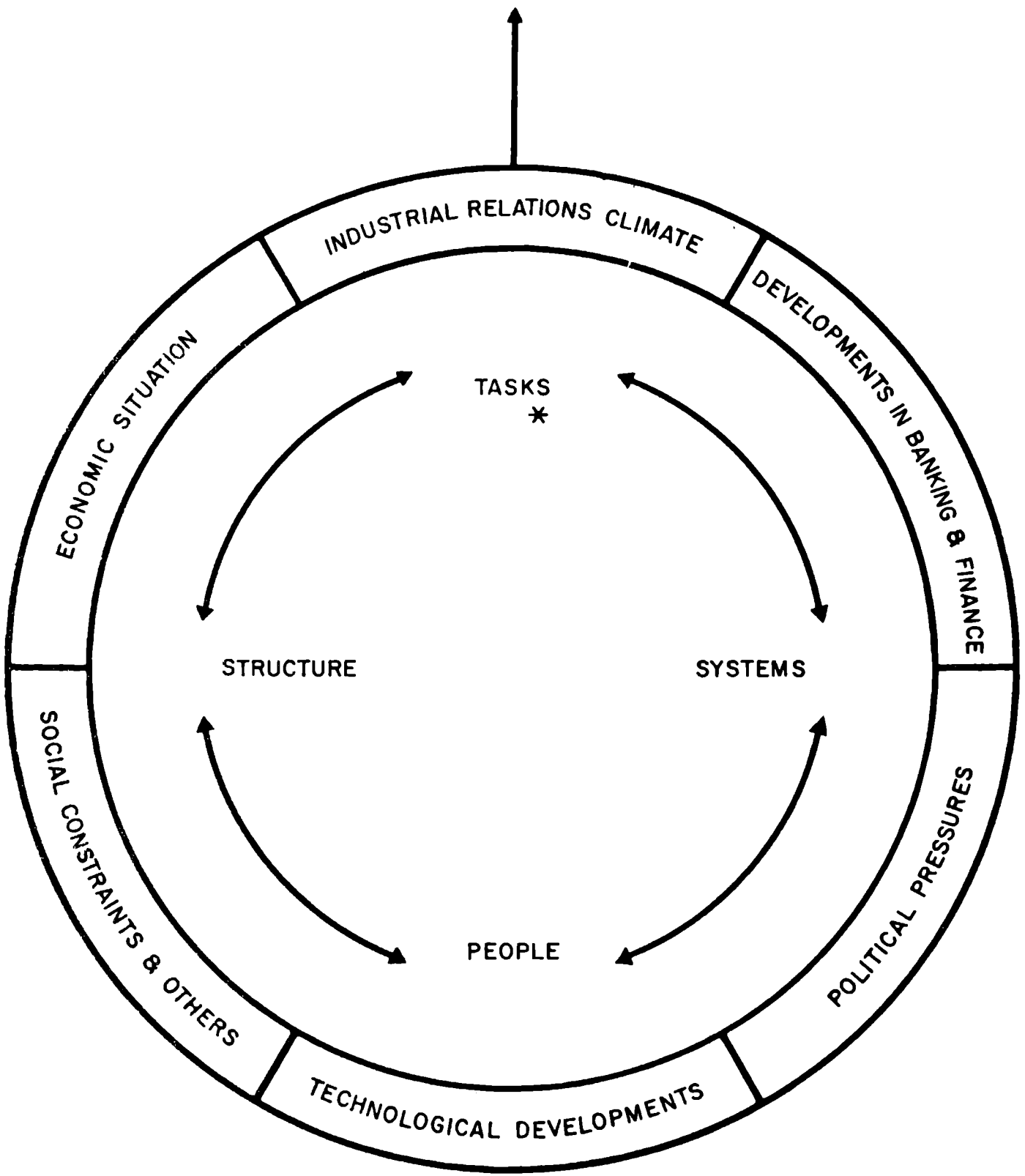
16. Deposit Insurance and  
Credit Guarantee Corporation

- No change

17. Legal Department

- No change

# OBJECTIVES OF R. B. I.

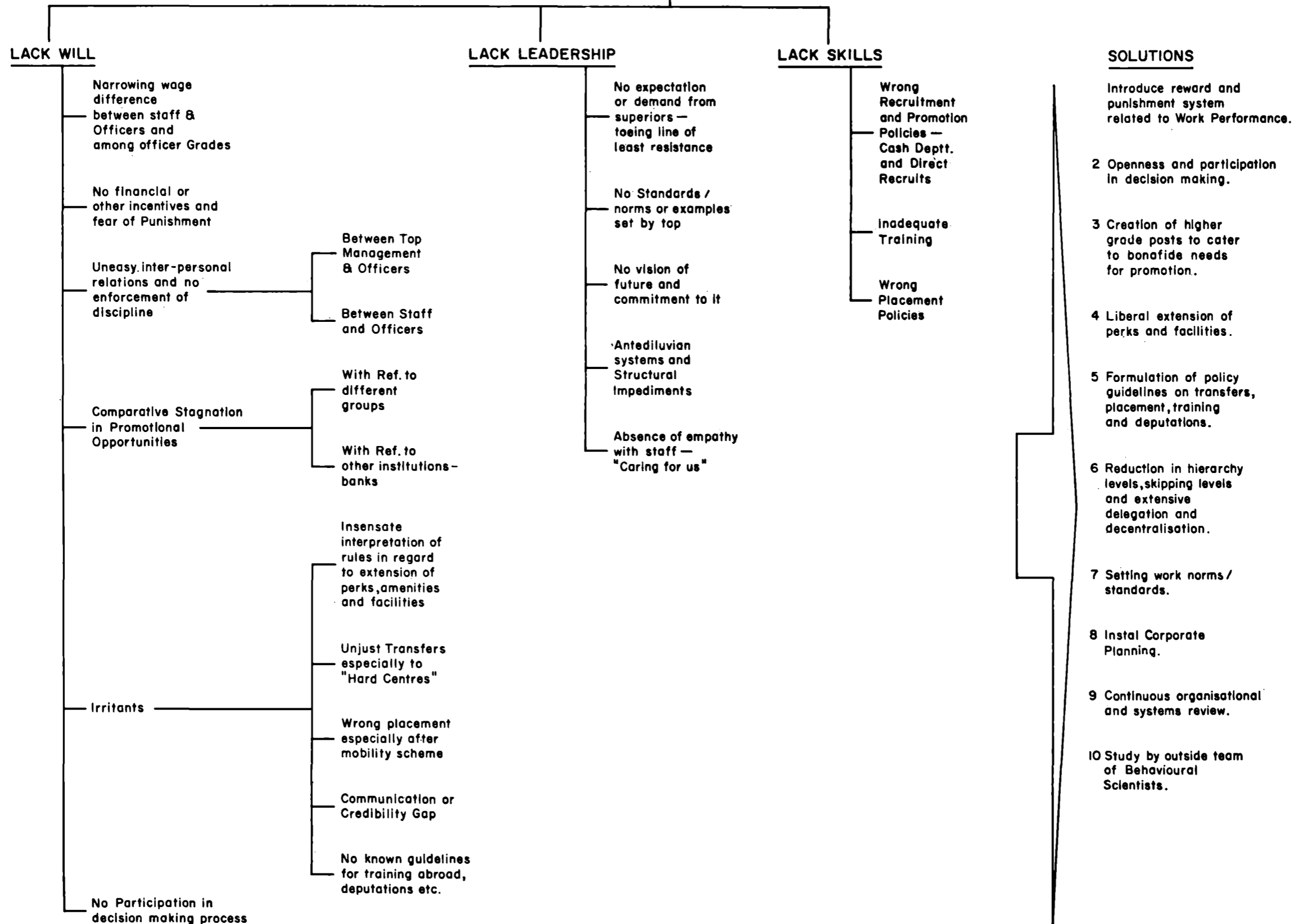


(\* A group of related jobs leading to achievement of specific results or discharging of responsibility )



# MOTIVATION

## REASONS FOR SUB-OPTIMAL PERFORMANCE



ANNEXURE - IX

AVAILABILITY OF OFFICERS AS ON 1ST JANUARY 1980

Grade	Experience (in years)	Number of officers with number of years to spare				Total
		More than 8 years	5-8 years	3-5 years	Upto 3 years	
F	More than 2 years		2	-	6	8
	1 - 2 years		1	1	4	6
	Upto 1 year		2	2	3	7
	Total		5	3	13	21
E	More than 2 years	4	5	11	15	35
	1 - 2 years	3	5	2	6	16
	Upto 1 year	6	5	2	7	20
	Total	13	15	15	28	71
D	More than 3 years	19	11	24	26	80
	2 - 3 years	14	7	9	7	37
	1 - 2 years	16	8	13	8	45
	Upto 1 year	19	9	10	9	47
Total	68	35	56	50	209	

... Contd.

AVAILABILITY OF OFFICERS AS ON 1ST JANUARY 1981

Grade	Experience (in years)	Number of officers with number of years to spare				Total
		More than 8 years	5-8 years	3-5 years	Upto 3 years	
F	More than 2 years	-	2	2	7	11
	1 - 2 years	-	1	1	5	7
	Upto 1 year	6	7	8	3	24
	Total	6	10	11	15	42
E	More than 2 years	-	-	1	18	19
	1 - 2 years	5	5	2	5	17
	Upto 1 year	2	7	9	12	30
	Total	7	12	12	35	66
D	More than 3 years	25	9	20	23	77
	2 - 3 years	13	10	8	13	44
	1 - 2 years	18	9	5	15	47
	Upto 1 year	20	11	11	16	58
	Total	76	39	44	67	226

... Contd.

AVAILABILITY OF OFFICERS AS ON 1ST JANUARY 1982

Grade	Experience (in years)	Number of officers with number of years to spare				Total
		More than 8 years	5-8 years	3-5 years	Upto 3 years	
F	More than 2 years	-	1	4	6	11
	1 - 2 years	4	6	7	6	23
	Upto 1 year	-	-	-	11	11
	Total	4	7	11	23	45
E	More than 2 years	5	4	2	6	17
	1 - 2 years	2	6	2	16	26
	Upto 1 year	8	7	8	13	36
	Total	15	17	12	35	79
D	More than 3 years	28	8	6	32	74
	2 - 3 years	14	7	7	15	43
	1 - 2 years	18	9	9	19	55
	Upto 1 year	33	10	11	18	72
	Total	93	34	33	84	244

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AVAILABILITY OF OFFICERS AS ON 1ST JANUARY 1983

Grade	Experience (in years)	Number of officers with number of years to spare				Total
		More than 8 years	5-8 years	3-5 years	Upto 3 years	
F	More than 2 years	2	5	9	15	31
	1 - 2 years	-	-	-	7	7
	Upto 1 year	5	1	4	-	10
	Total	7	6	13	22	48
E	More than 2 years	1	5	3	15	24
	1 - 2 years	5	5	8	14	32
	Upto 1 year	9	6	5	18	38
	Total	15	16	16	47	94
D	More than 3 years	25	11	10	22	68
	2 - 3 years	15	7	9	18	49
	1 - 2 years	31	8	9	16	64
	Upto 1 year	35	16	15	16	82
	Total	106	42	43	72	263

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AVAILABILITY OF OFFICERS AS ON 1ST JANUARY 1984

Grade	Experience (-in years)	Number of officers with number of years to spare				Total
		More than 8 years	5-8 years	3-5 years	Upto 3 years	
F	More than 2 years	2	4	5	17	28
	1 - 2 years	5	-	4	1	10
	Upto 1 year	1	-	2	11	14
	Total	8	4	11	29	52
E	More than 2 year	4	6	10	14	34
	1 - 2 years	7	6	5	14	32
	Upto 1 year	21	11	3	11	46
	Total	32	23	18	39	112
D	More than 3 years	13	7	10	23	53
	2 - 3 years	23	13	7	17	64
	1 - 2 years	32	13	12	19	76
	Upto 1 year	-	-	-	-	95
	Total	68	33	29	59	288

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VACANCIES - POSITION - (SENIOR OFFICERS)

Grade	Nature of vacancy	1980	1981	1982	1983	1984
F	Retirements	3	8	7	10	14
	Sanction	18	-	-	--	-
	Expansion	3	3	3	4	5
	Total	24	11	10	14	19
E	Retirements	11	12	13	14	24
	Expansion	11	13	15	18	21
	Consequential	8	11	10	14	19
	Total	30	36	38	46	64
D	Retirements	11	18	25	28	29
	Expansion	17	18	19	21	23
	Consequential	30	36	38	46	64
	Total	58	72	82	95	116