

# Inside the banking industry in sri lanka

[Finance](#), [Banks](#)



\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Introduction to and background of ABC plc](#) \n \t
2. [The civilization, leading and patterns of the bank](#) \n \t
3. [Culture](#) \n \t
4. [Hierarchy](#) \n \t
5. [Leadership in Action](#) \n \t
6. [Climate/Practice](#) \n \t
7. [The intent and involvement in subject](#) \n \t
8. [The direction job](#) \n \t
9. [Aims](#) \n

\n[/toc]\n \n

When Sri Lanka or so known as Ceylon was under the reign of the Sinhala Kings and even the Portuguese ( 1505-1656 ) and Dutch ( 1656-1796 ) , Bankss and banking were still foreign to the Sri Lankan civilization. It was merely during the British settlement ( 1802-1948 ) that Banking was introduced to Sri Lanka with chiefly subdivisions of foreign Bankss being set up.

The CBSL was established in 1950 under the MLA No. 58 of 1949 which was a major milepost in Sri Lanka 's economic history. Today, the Central Bank is the regulating organic structure of commercial Bankss.

Banks which come under the service sector in Sri Lanka play a important function in its economic system lending to about 60 % of the GDP and using approximately 40 % of the entire work force. The banking sector besides

<https://assignbuster.com/inside-the-banking-industry-in-sri-lanka/>

holds about 55 % of fiscal sector assets while the others are held by Insurance and Real Estate companies.

Commercial Banks have extended their services from traditional banking to other countries. Examples include, merchandiser and investing banking, fiscal and selling consultancy services, renting, insurance, never-never, factorization, measure discounting, pawn broking, subventioning etc, etc. They have besides changed from manual systems to computing machine based systems and now to internet based systems and with particularly the new entrants to the field playing a major function in presenting or doing usage of state-of-art engineering to present their merchandises.

The non-bank fiscal establishments have besides increased in figure and edification with leasing and insurance companies presenting a larger challenge. The menace created by finance companies has eased a small last twelvemonth due to the recent fiscal crisis and with the prostration of some finance companies and the public losing assurance in them. This was besides apparent from the addition in sedimentations experienced by the more stable, larger Bankss.

In add-on to stiff competition, new ordinances have besides come into operation both locally every bit good as globally necessitating Bankss to follow with such ordinances. The BASLE II is one such planetary ordinance and locally conformity with the Sri Lanka Accounting Standards No. 44 on the presentation of fiscal instruments and No. 45 on acknowledgment and measuring of Financial Instruments which will be effectual from January 2011 using more rigorous regulations for conformity. Besides,

<https://assignbuster.com/inside-the-banking-industry-in-sri-lanka/>

New NPA guidelines which requires the full portfolio to be classified as NPA when one installation has fallen into such subdivision

CSE introduced a new set of listing regulations which was intended to beef up compulsory and regulative supervising

Commissariats of the Banking Act on Abandoned belongings to safe guard such belongingss

Directives on Corporate Governance on internal control mechanisms and describing systems after the planetary fiscal crisis

Adoption of Sri Lanka Accounting Standard No. 39 on portion based payments

Introduction of GRI in its 2009 one-year study

The recent planetary fiscal and economic crisis besides saw Sri Lanka confronting challenges in declined demand for loans, reduced exports, reduced foreign exchange net incomes etc. , as Sri Lankan companies were indirectly affected by the crisis.

With the late concluded war in the state and the freedom received, a new market in the North and E has opened up with all Bankss and fiscal establishments doing manner to come in the market. This will farther hold an inauspicious impact on the bank if non decently looked into, as hitherto merely a few Bankss were privy to this market with ABC plc being one such party.

## **Introduction to and background of ABC plc**

ABC plc a local private commercial bank was born as a consequence of an amalgamation between two other Banks and was incorporated in 1970. This set the scene for a giant in the banking industry to be born.

Providing to the local market every bit good as to abroad market with both personal and corporate merchandises and services, it has been able to pull a diversified scope of clients ranging from the villager to the sophisticated man of affairs, from the enterpriser to the blue chip company.

The chief activities of the bank continued to be banking and related merchandises in personal banking, corporate banking, exchequer operations, international operations, with insurance, stock broking and belongings development as subordinate lines of concern. Delivery channels include the extended subdivision web, ATMs, cyberspace banking, telephone and SMS banking, corporate finance and exchequer divisions and abroad exchange houses.

They besides enjoyed local and international acknowledgment such as from Asia Money, Euro Money, being adjudged victor for the Best Annual Report by the local Institute of Chartered Accountants in Sri Lanka and regionally by the South Asiatic Federation of Accountants etc.

They have a primary listing on the Colombo Stock Exchange and a listing in a foreign state due to the Global Depository Receipts issued by the Bank.

Over the old ages they have systematically grown in footings of assets, profitableness ( Besides refer 4. 1 ) and subdivision web and were besides

responsible for getting the concern of three other local bank subdivisions in add-on to being represented in three states abroad through exchange houses. They have besides become a group of companies dwelling of four subordinate companies, two associate companies and a joint venture company.

Figure 1

Figure 2

Beginning: 2009 Annual study ABC plc

With acquisitions and amalgamations taking topographic point at regular intervals, the bank has been faced with covering with diverse civilizations and backgrounds of staff. In add-on, with the constitution of exchange houses overseas, the transverse cultural issues have become portion and package of its direction challenges.

The 4300+ employees comprise of Support staff, Trainee Banking Assistants, Banking Assistants and allied staff, Junior Executives and allied staff, Executives and allied staff, direction degree, senior direction degree and corporate direction degree and pull offing manager who later report to the board of managers.

Table 3

A small over a decennary ago, ABC plc enjoyed the position of being the best local bank and being at figure one place in the banking industry in footings of

assets, profitability and holding a subdivision web of about 100 subdivisions.

However, ten years subsequently, ABC plc with a web of about 200 subdivisions crossing all 9 states, enjoys merely the 2nd best place, with one of its major rivals, XYZ plc catching them ( Mention 4. 1 ) .

Increased competition, greater demands from stakeholders, conformity with new statute law, all contribute to the demand to consistently demonstrate improved public presentation ( Refer 1. 5 ) .

## **The civilization, leading and patterns of the bank**

### **Culture**

Culture derived from the Latin word `` cultura " significance to cultivate, was later defined by the Oxford English Dictionary as `` the preparation, development and polish of head, gustatory sensations and manners " and today known as a shared set of attitudes, values, ends and patterns that characterizes an establishment. The civilization would order how things are done. The civilization of the organisation is something that would hold been built over the old ages and passed down from past leaders to the present. Changing of the existing civilization would necessitate strong leading and bravery.

As an person excessively, one 's civilization or background and upbringing will be different. And since an organisation will be made up of so many different persons, blending of cultural differences will be of import and important for the edifice of a successful organisation.

The civilization of an organisation plays a critical portion in the leading manner displayed by the organisation.

Hofstede in 1983 developed four value dimensions to explicate civilization.

The four value dimensions include individuality, power distance, uncertainty turning away and masculinity/femininity ( Deresky, 2002 ) .

Effective intercultural communicating depends on the extent to which these four dimensions are recognized in the communicating procedure.

ABC plc which was born as a consequence of a amalgamation experienced a assorted civilization since its origin. Being incorporated at a clip where leading, globally, was practiced in an bossy, top-down attack, besides saw ABC plc following suit either wittingly or unwittingly.

Asiatics houses tend to be more bureaucratic, hierarchal, have cardinal decision-making and are policy driven, where place, authorization and senior status are chief considerations ( Crawford and Lok, 2003 ) . This besides signifies the attribution dimension as advocated by Trompenaars, ( 2002 ) , where age, senior status, position is valued at high grade.

The civilization of the state would besides act upon the patterns in a local house. Sri Lanka with a history of a hierarchal system has seen this influence being passed on to the concern sector as good. For illustration, in a Sri Lankan place the male parent is considered the highest authority/leader and this has flowed to the concern where the owner/boss is construed as holding such authorization.



Initially, even as a individual subdivision, the hierarchy was established with the Manager `` stating " and the subsidiaries `` moving " on such instructions. Finally this attack was practiced at all subdivisions taking to the constitution of a bureaucratic construction. Interestingly, Fredrick R Kappel, one clip Chief executive officer of AT & A ; T defined `` inbred direction " as people who were so entrenched in accustomed patterns of managing the organisation and incapable of alteration, invention or even keeping organisational wellness.

## **Hierarchy**

With the enlargement of the subdivision web, the hierarchy began to turn with many degrees between the direction and the operative degrees taking topographic point.

Additionally, assorted direction degrees are besides present such as the regional direction to overlook subdivision web, assorted commissions and blessing constructions consisting members from assorted classs of staff, specialised sections such as corporate recognition, hazard direction, histories, technology etc. , which have a bearing on subdivisions and where interlinks are needed for blessing procedures. Example, if a fixed plus demands to be purchased, the subdivision petition will necessitate the concurrency of the regional direction, so the blessing of the several section such as procurance and accounts/finance, procurement commission and may be board, if it is a dearly-won point. This would so be sent for naming of stamps and rating by a separate commission and so the purchase of equipment eventually taking topographic point. Sometimes, this procedure

could take every bit long as 6-12 months and could take to inefficiencies due to the long procedure.

## **Leadership in Action**

The so leaders of ABC plc practiced what they saw their foremans do as they did non cognize anything better and would they have been allowed to make anything different given the civilization which existed, even if they had known a better manner is questionable. Besides globally every bit good, most of the motivational leading began to be practiced merely after the 90 's.

Although this bossy leading manner ( Refer 2. 5. 1 ) seemed effectual at the origin and during the early 70 's and 80 's as evident from the growing and wagers achieved, it seems that the bank has non kept gait with the current tendencies and altering universe economic systems and globalisation in order to travel frontward.

Therefore, whilst the leading function played by the leader will find the endurance and success of the concern, it will besides work as the driving force to motive and employee public presentation. This is besides referred to as the clime of the organisation where the leader 's action would straight lend to making a positive clime for employees to work or frailty versa ( Charan, 2006 ) .

## **Climate/Practice**

ABC being in being for over half a century, the civilizations and patterns are strongly inbuilt into the system. Employees are scared to portion their frights

and errors due to the effects it might bechance them. This is a drawback as others can non larn from the errors already made and this can non be used as a tool for lessons to be learned. Besides such an environment does non further a good clime within the organisation.

Communication is seen to take topographic point merely along the formal channels and along the hierarchy. Facility blessings besides follow suit, which is dealt with at commission degrees which has to follow the protocol and base on balls through many degrees to get at the commission, devouring much clip, since these are done manually and the direction besides being geographically disbursed.

Dissemination of of import information is non seen. Lack of knowing leaders ( Hogan, Curphy, and Hogan 1994 ) together with them being incognizant of what is go oning every bit good as non holding entree to necessary information ( cluelessness-story of Enron: you can be a prima company today and prostration overnight ) can be damaging to the organisation.

No direction sequence planning is seen to be present, since outside enlisting to exceed degrees have been on a regular basis taking topographic point during the recent yesteryear. This has besides brought in defeat and dissatisfaction among employees.

Nathan birnbaums and Kiley, 2007 in their survey done in 2006 provinces that 50 % of senior executives recruited failed within 2 old ages. Recruitment policies and type of enlisting will play a important function in placing future endowment for the organisation. Outside enlisting takes topographic point at

entry degree and for specialised places when it can non be filled internally. A few Management Trainees are taken in sporadically to inculcate fresh blood into the direction places and derive new believing but a high turnover is experienced.

Promotion from one class to another has been formalized with minimal eligibility demands and besides provides for rating within a class. However, this is more concentrated on experience instead than on public presentation, although employees are encouraged to measure up themselves in banking with inducements being provided for holding completed banking scrutinies.

Training is provided on ad-hoc footing to turn to issues at manus.

Therefore, conveying about alteration to do the environment conducive for larning and development will turn out the effectivity of its leading.

### **The intent and involvement in subject**

The facts at 1. 1 and 1. 2 above has led the managers of ABC plc to look into the grounds for being overtaken and what needs to be done to get the better of and recover the top place one time once more in maintaining with their vision of being the acknowledged leader and chosen spouse in supplying fiscal solutions through divine people and carry throughing same through its mission of uniting entrepreneurial spirit with sceptered people and taking border engineering to invariably transcend stakeholder outlooks.

In order to rectify this state of affairs, the research worker has been engaged as a adviser at ABC plc and the research worker hopes to do suited

recommendations on completion of this survey to assist the Bank recover its lost place in the resulting foreseeable hereafter.

As a preliminary to the survey, an initial probe was carried out to obtain the general feeling as to why and what went incorrect. This has led to a disclosure of deficiency of effectual leading holding a bearing on the public presentation of the bank.

Therefore, this research is aimed at proving such premise in set uping whether a relationship exists between effectual leading and public presentation of the bank and to supply way to accomplish its aims at 1. 6.

### **The direction job**

The worsening market leading as described above is the chief concern of the Bank.

Despite increased profitableness when compared to old old ages, the bank 's chief rival is still surpassing and go oning to be the market leader in the banking industry and winning many of the desired awards and this is a major concern of the direction maintaining in head its vision to be the market leader.

As such, in order to better its public presentation and accomplish its vision of being the market leader, the bank has embarked on a survey to determine what has gone incorrect and what needs to be done in order to repossess its place, based on the aims at 1. 6 below.

## **Aims**

The job at 1. 5 has led the direction to refocus on accomplishing its vision of seeking to be the acknowledged leader through sceptered people.

Therefore, the aims of this research, based on the SMART rule ( Saunders et Al, 2007 ) are:

To place the assorted leading theories and their influence on the leading in the banking industry

To critically measure the extent to which leading is used to better organisational public presentation or

To place the specific methods that need to be employed by ABC plc to improve/develop their leaders