

A literature Survey on Significance of Leadership Influence on Effectiveness in Banking Sector

Anju G. S* and Dr. J. K. Raju**

*Lecturer, Department of MBA, University BDT College of Engineering, Davangere, Karnataka.

**Associate Professor, Institute of Management Studies, Davangere University, Davangere, Karnataka.

Abstract: *During the past few decades, various researches in banking sector have been described in the literature arena. The review of these literatures indicates that, researchers have reported their work in isolation. The scope of this paper is to present a literature survey in banking sector. The fields namely leadership and organization effectiveness have found importance in private/public and various industries. However, these fields have found inattentive by researcher especially in urban co-operative banks. With this background, the present research was undertaken to formulate conceptual framework on significance of leadership influence on effectiveness. Additionally, the importance with board of directors, CEO's, Transformational leadership, models on effectiveness of the organisation and so on has been explored.*

Keywords: Banking, Co-operative Bank, Urban Co-operative bank, Leadership and organizational effectiveness.

1. Introduction:

In today's competitive world, Bank plays a significant role in achieving the objective of economic development through financing every sector of the economy and help for the smooth operation. In global scenario with several changes and challenges faced by the Banking Industry especially co-operative banking where leadership play one of the important element in the decision making and its influence on effectiveness of the organisations. The whole story of success of

the co-operative bank may depend upon the leadership, with this objective; researcher in this paper had tried to draft the significance of leadership influence on effectiveness with the help of literature review. Past studies pave way not only to formulate a sound research methodology, but also operationalize the concept involved in research. A database search since from 1991 reveals a slowly increasingly number of scholarly articles on leadership and banking with a steep rise from 2012 onwards. The literature survey had been done from the three perspectives namely Banking, Leadership and organisational effectiveness. Hence, the purpose of this present paper is an attempt to review the studies undertaken in this direction. In this literature survey, efforts have been made to collect the data from various articles on the banking sector, growth of urban co-operative bank, significance of leadership in the banking sector and examine the effectiveness of organization in various areas of HRM function. The theories are outlined briefly and categorized. This paper functions partially as a survey of recent research and partially as method of recognizing ignored parts of research in banking, leadership and organisational effectiveness. The findings are assessed and concluded together with further research.

2. Literature Survey

2.1 Banking: Shrivastava and Purang (2011) heightened that Indian banking sector is one of the oldest, biggest, and fastest growing

financial service sectors which has seen tremendous progress post liberalization. Girdhar (2009,P.1) mention that Today's world is distinct with its hyper competitive environment 'Survival of the fittest' is the mantra of this century and banking, being a service industry, is definitely no exception to it. Bank customers are fast changing in terms of their composition, needs, wants, desire and expectations. Today's banks require new strategies to survive and operate profitably. Kumudha and Abraham (2008) an increased deregulation of the sector resulted in a rising competition with the entry of private sector and foreign banks. The impact of globalization and privatization has affected the work culture of both the public and private sector banks. These are witnessing a fundamental shift in the work attitude and style due to open economy and increased competition. Shrivastava and P. Purang (2011) Public and private sector banks differ from each other in terms of structure, operations, and efficiency. The private bank employees are more satisfied with their appraisal system as compared to the public sector bank employees. Manjushree (2012) Studied to examine the performance evaluation of core banking solution in SBM, this showed it had done a major influence in the SBM and it can further be increased by educating and awareness level of CBS to the customer of the bank branch. This study was restricted only to SBM of Shankaraghatta, further research can be undertaken in other banking sector to understand better of the concept and its implementation. Thus, we can say that banking system is fast changing as well as demands of the customer and core banking facilities help the customers to operate their account from one bank to another bank which has become one of the basics of banking facility in current scenario.

2.2 Co-operative Bank: Girdhar (2009) the co-operative banks have a history of over 100 years. The Co-operative banks arrived in India in the beginning of 20th Century as an official effort to create a new type of institution based on the principle of co-operative organization and management, suitable for problems peculiar to Indian conditions. The co-operative movement originated in the west, but the importance of such banks have assumed in India is rarely paralleled anywhere else in the world. Their role in rural financing continues to be important even today, and their business in the urban areas has also increased phenomenally in recent years, mainly due to the sharp increase in the number of primary co-operative banks. Some of the co-operative banks are quite forward looking and have developed sufficient core-competencies to challenge state and private sector bank. Vijayalakshmi *et al* (2010) the researchers had attempted to study the review the functioning of Thoothukudi District Central Co-operative Bank Limited. It found that the study unit has been quite impressive in terms of deposit mobilization and credit deployment. But unable to fulfill to arrest the overdue position and strengthen the share capital. It concluded that bank financial viability and profitability is declining. Probably, the biggest challenge facing the Co-operative is the strengthen availability of quality assets. Kakulla and Reddy (2011) identified the problems in the co-operative banking and those may be government norms, Lack of BOD knowledge, HR issues and finance issues and awareness and usage of Technology. Founded and suggested that the banking regulation had prescribed the power to handle the day to day affairs of the commercial banks by highly professional chief executive. Therefore, acceptable

knowledge of the banking is essential to the BOD for the success of the organization. Based on the research paper, further research can be undertaken in the areas of BOD to assess their proficiency level in the co-operative bank both in urban and rural areas. The study can be prolonged in the other areas of HRM function. Chakrabarty (2012) the speaker had highlighted on the HR challenges in banking sector. He said that HR plays very important role in the current scenario, especially to the banking industry coz of service industry. Management of people and risks are two keys challenges of it. In his speech, he also highlighted that with very soon lot of job openings arises due to retirement of the employees in the banks. Banks should have steady, carefully calibrated recruitment programme. He even said about the performance management system, a proper system should be developing thereby identifying the performers and non-performers can be known. They should be taken care by the leaders in the bank. Moreover, BOD hardly involve in the recruitment process, he expressed should be involved in the hiring the employees of the bank. Leader should be in-touch with the employees of the bank. Therefore, the success of any organization depends upon the number of elements and leader plays a significant role in the organization. Likewise, when applied to the urban co-operative bank, several factors such as proper planning of the banking, hiring and selecting right employee, making BOD to take participation in bank activities, implementation of technology and many more depends upon the leadership. Leadership is a dominant share of every organization including urban co-operative banks in India.

2.3 Urban co-operative bank: Girdhar (2009) the first urban co-operative bank in

India was formed nearly 100 years back in Baroda. Basak (2009) the Urban Cooperative Banks (UCBs) figure among the vital segments of the banking industry of the country. They essentially cater to the credit needs of persons of small means. Though some UCBs have performed creditably in the recent years, a large number of them have shown discernible signs of weakness. The operational efficiency is unsatisfactory and characterized by low profitability, ever-growing Non-Performing Assets (NPAs) and relatively low capital base. Therefore, further inference that the NPA should be in control and decline sanctioning the NPA by the management. Uprit (2012) said that there are urban co-operative banks which have not adopted the virtual banking system. Thus, it had opened the doors for further investigation on the virtual banking and also the essence of leaders as well as other issues by the empirical research in the urban co-operative bank to extract more reasons and provide suggestions for the banking organisations to improve.

2.4 Leadership : Thomas and Fusco (2011) Leadership, traditionally, is viewed in terms of the traits the effective leader possesses, the relationship and influence the leader has with the followers, and the actions leaders may take in any given situation. Additionally inferences are traits help us to differentiate the leader from non-leaders. The traits do not guarantee successful leadership. They can be developed over a period of experience in the organization. It is important to note that management and leadership are not the same. Thompson (2012) Good management, defined by strong planning, organisational skills and control, allows managers to compare system behaviours with original plans and intervene when these diverge (Kotter 2009). But system improvement also

requires planned change, so successful implementation requires leadership as well as management skills. While management is associated with control and organisation, leadership requires abilities in both coping with challenge and motivating people (Kotter 2009). Therefore, we say that managers are basically concerned with the organizing, plan the activities and the control, they hold formal positions in the organisations and attain the results by providing appropriate direction to their subordinates. While, leaders basically concerned with influencing others to seek voluntarily to attain objectives. Leadership should have traits to be effective in their role. Putti (1991) the author has suggested the training for the leadership at the branch level of the banking industry. Askehave (2010) shared that in the competition world and skilled employees are needed for the productivity of the organization. Hunting for the right talent is a complex process. The corporate had to find the right way of communicating the message for the recruitment and fill the right employment opportunities and encourage them to apply for the job. The studies indicated that lack of qualified applicants for the managerial/ leadership position particularly women; with this same spirit the study can carry out more to identify the reasons and problems associated with the recruitment in the female leadership position. Organisations which are having good communication will have effective leadership, hence successful. One important part of communication is to convey the mission, vision and values so that all employees understand what need to be achieved. The leader in the organization should communicate the proper message in a proper manner. Hence, leader should have communicating skill for the success of any organization and study can be facilitates to

understand the depth of the applicability in different organisations.

Chu and Lai (2011) leaders play very important role in achieving goal of the organization. Helped the employees to understand what was to be done and how to achieve the goal. Chan (2010) an organization's success in obtaining its goals and objectives depends on managers and their leadership style. Putti (1991) more than one style of leadership may be involved when manager acting as branch manager and their branches. Evans and Akash (2012) an author had emphasizes on training and development as one of the means to achieve performance in organization. With help of training, an organization can have better knowledge employees, improve productivity, and reduce accidents and better performance by the employees. The author even suggested for further research can be undertaken in the changing banking industry HRD should take care in the field of equipping people who can perform better in the bank. Putti (1991) the author had suggested for the training for the leadership at the branch level of the banking industry. Thus we can say that Leadership is the art of influencing people in the organization as well as supporting them to work with others towards achieving the goal of the organization. The chief executive officer (CEO) and Board of Directors perform noteworthy part in the organisations especially urban co-operative bank. Broome and Hughes (2010) increasingly, organizations have CEOs who model leadership development through a strong commitment to teach leaders internally. Chan (2010) finally, it is questionable whether the appointment of top management by a board of directors can effectively serve the needs of the organization, especially when time is a scarce resource and board members are holding

multiple jobs simultaneously. The appointment of 'know-how' rather than 'know-who' at top management level must be carefully considered if they are to have optimal impact on the organization. Chan (2010) Constant change in leadership may not be ideal for an organization. The change in leadership leads to change in internal functioning of the organization. This is disruptive to the organization as there is no continuity from previous strategies that are working well. Authors studied had focused on the managerial level. Thus, we can interpret that as leader, sometimes in the large organizations leaders play role of followers. They are required to report to someone else. Even president in public firm or non-profit organization reports to Board of Directors. As mentioned earlier, the success or survival of any organization depends on the leadership, who model as CEO. With this concern CEO must be appointed with lot of considerations who can run the co-operative bank in sound and healthy way. Added, appointment of a leader such as *CEO* in the co-operative bank will be by Board of Directors. Further, BOD should have adequate knowledge of the whole working of the banking industry, well educated, should have skill of the recruitment and selection of the CEO, they should be able to diagnose and appoint the professionalism, they should be identify the multiple skill in the leader and then electing the right leader/ CEO to the co-operative bank. Sometimes, even adequate training may be provided to the BOD to update them to the current scenario. While appointing the CEO, even culture, influencing power, leading the team and many more considerations should be undertaken by BOD as it has impact on the organisation especially co-operative bank. In case, if any training is essential to leaders can be provided. Even BOD, sometimes be leaders

of the organization. In some situations they use all styles of leadership over a period of time in order to fit to the respective situations. A different situation requires different actions. In the same different actions requires different style of leadership such as Autocratic, Consultative and Participative Leaders and so on. With this concern further studies can be continued to understand the importance of BOD as leader's role and CEO and other line managers at every level of organization, effect of change in top management. Studies of this sort will provide insights in the leadership development and effective practices in hiring leadership. Further research can be extended in the leadership in these areas as well as in the microfinance industry. Chan (2010) like other organizations, grassroots development organizations face numerous constraints in achieving its goals. Good leadership in these organizations is not only expected but critical to the organization's success. Is it necessary for the leadership at the top management level to possess expertise and experience in running the entire microfinance operation? The author suggested for further analysis of leadership at every level of the organization, may reveal insights. Emery and Barker (2007) transformational factors of charisma, intellectual stimulation, and individual consideration are more highly correlated with job satisfaction and organizational commitment than the transactional factors of contingency reward and management-by-exception. Geyer and Steyrer (1998) the characteristics of transformational leadership are more powerfully related to long-term than to short-term performance. Thus, as organization continues to face global challenges, the need for leaders who can successfully craft and implement bold

strategies that will transform or align the organization strengths and weaknesses with emerging opportunities and threats is ever greater. Therefore, transformational is all about change. Transformational leaders play one of the important roles in the banking industry especially urban co-operative bank, as most of the strategies are decided by CEO in the organization.

2.5 Organisational effectiveness: Holbecke (2012) organisational effectiveness often assumes that what is good for the organisation is good for employees, and vice versa. What we propose as a "New OE" concept takes as its desired endpoint sustainable, self-renewing outcomes. For this to be achieved, change must be done with - rather than to - people. We recognise that what we propose challenges established ways of viewing power, status, leadership and management, the nature of employee relations, as well as the role of HR. From this paper, we can learn that, measuring the effectiveness of the organisation in area of leadership is a challenge. Chang and Huang (2010) the proper utilization of HR can improve the firm performance. The research paper tried to examine the HR capabilities on the internal customer satisfaction and organizational effectiveness. The results founded that the HR capabilities may be linked to the internal customer satisfaction and organizational effectiveness. The findings might have revealed that the enhancing the internal customers in improve the morale, employee productivity, turnover rate and organizational commitment. The author suggested that the paper may be focused only on the internal customers and their relationship in firm performance and HR capabilities and consequences of organizational effectiveness. Additionally, for the moderating relationship, different groups of internal customers could be surveyed, such

as employees, line managers and CEOs. Thus, calls for further examine and the author even share that survey may be extended to CEO and other line managers of different sections of the firm for organizational effectiveness. Thereby, we can say that leader can influence the organisational effectiveness.

Siciliano (2005) due to serve competition in the environment, the BOD may involve in the strategic decision making process. The paper also described on empirical study that showed that board involvement varies in relation to organizational financial performance. In the second measure of board participation in the SDM, both the CEO and board members vary in their perception of the board involvement in making new SD. Even the board participation levels vary in relation to the organizational financial standing. Although the author had expressed that it is not clear that whether greater involvement by boards in the strategy was the cause or the effect on the organizational performance, it appeared that the firm's financial performance/condition can influence the board's strategy role. Thus, it appeared that firm's financial performance influence board strategy role. Thus, we can interpret that additional investigation is required to examine the board involvement with the CEO on the effectiveness of the organisation. Organisational effectiveness is a fresher concept than organisational performance and implicitly considers a range of variables, which mainly focus on human relation model, open system model, internal process model and rational goal model. Ashraf and Kadir (2012) in the 1980s, organizational effectiveness became more prominent and switched to being a concept from the status of a construct (Henry, 2011). Cameron (1978) pointed out that organizational effectiveness is the proficiency of the organization at having access to the

essential resources. Ashraf and Kadir (2012) This paper deals with the characteristics of the four models of organizational effectiveness namely the goal approach, the system resource approach, the process approach and the strategic constituency approach are reviewed. Organizational effectiveness is an extensively researched topic (Rojas, 2000) and according to Karagoz and Oz (2008), work on organizational effectiveness started in the 1930's, later expanded by many theories and approached in the 1970's and onward. Pounder (1999) introduced nine aspects for the evaluation of organizational effectiveness in Hong Kong academic institutions. According to Pounder (1999) the result of the study indicated improvement in the scales for reliable and valid self-rating in such dimensions as planning-goal setting, information management-communication, cohesion and productivity-efficiency. He also believed that these four dimensions of effectiveness can possibly be the main aspects of an organizational effectiveness model for Hong Kong's higher education. Furthermore, An *et. al.* (2011) assessed organizational effectiveness in terms of two dimensions: 1) job satisfaction, and 2) organizational involvement. The results indicated that quality of career and intact organizational culture for nurses will certainly bring boosted organizational effectiveness. In another study, Cameron (1978) a model was devised for the evaluation of organizational effectiveness in higher education. Ashraf and Kadir (2012) Based on Cameron's (1981) article, the organizational effectiveness is multi-field; that is to say, the system resource model is very closely related to the external adaptation field at the higher educational institutions. There seems to be some similarity between the process approach and the moral field. The goal model is also similar

to the academic field. Since organizational effectiveness is a multidimensional field, it cannot be measured by a single model and so all the variables should be taken into consideration (Cameron, 1978). Ashraf and Kadir (2012) In addition, regarding the main models of effectiveness, the Cameron's (1978) model has a close relationship with three main models, namely goal, system resource, and process. Further, Ashraf and Kadir (2012) it deals with the effect of the organization on the main stakeholders and their interests (Schermerhorn *et. al.*, 2004). Strategic constituency involves all the people that are somehow connected to the organization. These people may have different roles such as the users of the services or products of the organization, the resource providers, the facilitators of the organization's output, the main supporters and the dependents of the organization (Cameron, 1981). Thus, the strategic constituency approach integrates diverse organisational activities focuses both on internal or external an organisation that has stakeholders in the organisational performance. Satisfaction of any such groups can assessed as an indicator of the organisational performance. The strength of the Strategic constituency approach it takes board view of effectiveness and examines factors in the environment as well as within the organisation. It deals with several criteria simultaneously –inputs, internal processing, outputs and acknowledges that there is no single measure of effectiveness. Consequently, strategic constituency approach is appropriate to examine the effectiveness of the organisation This approach is gaining popularity, based on the view that effectiveness is complex, multidimensional concept that has no single measure.

3. Research Gap:

The various literature periodicals it has been observed that many of the empirical studies implemented from the various researchers to understand the banking operation in both private and public sector banks, core banking ,virtual banking and so on. During the literature survey, it was also found that number of research papers has been studied in the banking sector but limited number of study was undertaken in co-operative bank especially urban co-operative bank. From the literature review, several studies were performed but it provides insights to address the leadership. Chakrabarty (2012) Leader should be in-touch with the employees of the bank. Thus, the success of any organization depends upon the leader who is running the organization particularly banking sector. With this aim, additional literature review was discovered to explore the leadership in several dimension covered, to appreciate the several researches for the study sightseen in different domains applied by various authors in their empirical studies covered. Based on the literature review, Holbecke (2012) we recognise that what we propose challenges established ways of viewing power, status, leadership and management, the nature of employee relations, as well as the role of HR. The paper added the new Mindset of the organisations will improve the productivity and employee involvement attaining the success of the organisation as a whole. Chang and Huang (2010) the proper utilization of HR can improve the firm performance and the author even share that survey may be extended to CEO and other line managers of different sections of the firm for organizational effectiveness. Hence, by motivated, leadership is one of the new way of thinking towards effectiveness and its influence on the organisation. During the

review, very little attention on the leadership and its effectiveness of organization were recognized. Further, organizational effectiveness has long been the subject of numerous studies through different areas in the HR as well as models. Ashraf and Kadir (2012) it deals with the effect of the organization on the main stakeholders and their interests (Schermerhorn *et. al.*, 2004). Strategic constituency involves all the people that are somehow connected to the organization. These people may have different roles such as the users of the services or products of the organization, the resource providers and the facilitators of the organization's output, the main supporters and the dependents of the organization (Cameron, 1981). Still; we can say that Strategic constituency approach is suitable to examine the effectiveness of the organisation. It appears to be suitable in the banking sector as its certain criterion of effectiveness are owners, employees, customers, creditors, community, suppliers as well as government. With this aim this approach can be applied in assessing the effectiveness of the organisation in the banking industry. With the consideration of above facts, with all three perspectives of literature review, the researcher had identified that there is scope for additional research and hence the researcher put forward for further study can be explored by empirical evidence on “Significance of leadership Influence on effectiveness in the Banking sector especially urban co-operative bank in Davangere District”.

4. Conclusion

With the intense global competition, it is certain for the organisations for survive and accept the changing business environment. The literature survey reported in this paper

disclosed the areas concentrated in the banking sector and also help to identify the unoccupied part and regions in the various practices of HRM function. Yet, there are few areas yet to be explored in order to improve the attentiveness for the organisations. Due to heavy competition in the service industry, Banking industry has to change their part in accordance with the changes and act as a compound to lead in the service industry. There is opportunity for the leader to outline new ways of thinking by considering people as well as financial results to attain the success, which hints to demands for a re-definition of organizational effectiveness. In order to attain this aim, periodical paper had indicated these events in the banking emergency. Early researchers said that only limited number of organization may estimate the efficacy of the quality and outcome of the leadership. This research paper proposes to explore how leadership influences in the banking industry especially urban co-operative bank and its effectiveness in the organization. The success of co-operative bank depends upon the leadership who plays a significant role on the effectiveness of the organisation. The submission of this research paper by sightseeing the values and shortcomings of accepting undisclosed areas and unidentified concepts in various sectors/organisations can be examined by the researcher.

5. References:

1. Amit Basak (2009) 'Performance Appraisal of Urban Cooperative Banks: A Case Study', the ICFAI University Journal of Accounting Research, Vol. VIII, No 1, 2009.
2. A Kumudha and Susan Abraham (2008), 'Organization Career Management and Its Impact on Career Satisfaction: A Study in the Banking Sector', the ICFAI University Press. All Rights Reserved.
3. Bichango O.evans and Dr.Akash S .B (2012) 'Training and Development practices in some selected public and private banks on Karnataka – An empirical Study' , Indian Business Scenario and jobless Growth-concerns and solutions ,first edition ,2012,Himalaya publishing house.
4. Gina Hernez-Broome, Richard L. Hughes (2010) 'Leadership Development: Past, Present, and Future, Human resource p l a n n i n g , P 2 4 - 3 2 . <http://www.docstoc.com/docs/42890502/Leadership-Development-Past-Present-and-Future>.
5. Giti Ashraf (Corresponding author) & Suhaida bte Abd Kadir (2012) 'A Review on the Models of Organizational Effectiveness: A Look at Cameron's Model in Higher Education', International Education Studies Vol. 5, No. 2; April 2012.
6. Inger Askehave, Aalborg University (2010) 'Communicating Leadership', Journal of Business Communication, Volume 47, Number 3, July 2010 313-345 DOI: 10.1177/0021943610365310 © 2010 by the Association for Business Communication.
7. Julie .I. Siciliano (2005) 'Board involvement in strategy and organizational performance', Journal of General management, vol 30 No.4 summer 2005.
8. Joseph M putti (1991) Leadership linking pin Role, the journal of social psychology, 132(3)423-424.
9. Lakshmi Sunitha Kakulla & Mr Vasudeva Reddy (2011) 'Co-operative Banking and Finance-An impact on rural Indi', International Journal of research in management science and technology vol -10, issue 02 –Jul-Dec 2011.
10. Linda Holbecke (2012) 'Organizational effectiveness: A fresh mindset Organizational effectiveness', A fresh mindset/ 2012/

- February/ Linda Holbecke, Cass Business School.
11. Lussier, 'Leadership effectiveness' Third edition, Cengage Learning India Private Limited, New Delhi.
12. Manjushree .S (2012) 'An effective implementation of core banking solution with special reference to SBM, Shankaraghatta', Indian Business Scenario and jobless Growth- concerns and solutions, first edition, 2012, Himalaya publishing house.
13. R. Earl Thomas & Timothy C. Fusco (2011) Leadership in the College Presidency: A Role in a State of Flux, Leadership & Organizational Management Journal (Volume 2011 Issue 3) Franklin Publishing Company www.franklinpublishing.net.
14. Seema Girdhar (2009) 'Building relationship through internal customer: A study of south Asian selected co-operative banks with special reference to Surat District of Gujarat State' Pranjana, Vol 12, No 2, Jul-Dec.
15. Sow Hup Chan (2010) The influence of leadership expertise and experience on organizational performance: a study of Amanah Ikhtiar Malaysia. *Asia Pacific Business Review*, 16(1-2), 59–77. Doi: 10.1080/13602380802503566 *Asia Pacific Business Review* Vol. 16, Nos. 1–2, January–April 2010, 59–77.
16. Vijayalakshmi. S, Dr. V.M. Selvaraj & Co-Guide Dr. E. Raja Justus, (2010). 'Performance Evaluation of the Thoothukudi District Central Co-operative Banks Limited', <http://shodhganga.inflibnet.ac.in/handle/10603/666>. Pagination. 282p.
17. Wan-Jing April Chang and Tung Chun Huang) 2010 'The impact of human resource capabilities on internal customer satisfaction and organizational effectiveness', *Total Quality Management* Vol. 21, No. 6, June 2010, 633–648.