



B Ashok

Delta Bank – Green City Region

03 January – Wednesday

While walking in to the Regional Office of Delta Bank in Green City, Harish had mixed feelings and emotions in his mind. As a young executive who had been recently elevated to the middle level leadership position as a Regional Head in Delta, he knew that the challenges waiting for him would be more complex in comparison to what he could successfully tide over in his previous assignment as the head of a major branch in another town. He certainly was happy that the top management had reposed confidence in him and placed him to head one of the major regions of Delta. At the same time, he had reasons to be worried as the image of Green City region had been sullied within the Bank due to certain reputational as well as business related issues which cropped up in the recent past.

Today is Harish's first day in office as Regional Head. At the entrance of the Office he was warmly greeted by the staff who welcomed him with a bouquet of flowers and took him to the RM's cabin. It was 10.00 a.m. and Harish knew that he need to leave the office by 11.15 a.m. to catch a flight in the afternoon to the capital city where the Head Office of Delta is located. He was asked by the CEO of the Bank to join for a quarterly review meeting and strategy retreat of the bank scheduled for the next two days.

Today is Wednesday and after the review meetings and strategic retreat for two days, he will be back in Office on 8th (Monday).

B Ashok of the National Institute of Bank Management, Pune developed this case study as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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After a brief introduction by all the team members in the Regional Office Harish sat down and started going through the business figures and other related information prepared in the review template by the Planning and Development team. (Major Business Figures are in Appendix-1).

There are 28 branches of different business sizes under the region. The region has been in a negative growth cycle for the last three quarters. The deposit growth is almost stagnant, and the growth in the low cost deposits like Current and Savings Accounts (CASA) is not at all encouraging.

Growth in advances too has been sluggish. Fresh loans barely match the regular repayments in the loans portfolio. The Non Performing Loans (NPL), however, had been growing with fresh slippages being reported every quarter. The pre-NPL forbearance stage loans also are on the rise. Profits are coming down quarter over quarter.

This negative business growth is observed in 19 of the 28 branches. He has also observed that the business mix and customer profile of all these branches are more or less comparable. There is no significant difference as far as the market size and competition are concerned.

10.15 a.m.

Harish just finished a cup of coffee and started checking the emails. The office assistant walks in and hands over a folder containing office notes/ reports for his information / advice / decision. A number of emails in the inbox were marked as copies to the RM for information. Quite a few of them were like that. He quickly started scrolling down the emails and suddenly some of them caught his attention.

e-mail # 1

To rmdelta

Dear Sir,

Our company Garden Mist Exports is associated with your bank for the last three decades. We gratefully acknowledge the help Delta has been extending to us in our journey and that has enabled us to grow into a 2-billion-rupee company. Our credit limits however remained at 25 crores level for the last three years, despite our periodic requests for enhanced limits. Last month too we re-submitted our request for increasing our limits to 40 crores, which unfortunately has not been cleared so far. We are sorry to inform you that because of the bank's negative approach, we are compelled to explore other options and accordingly have decided to shift our banking dealings to ABC Bank starting next month.

While thanking Delta Bank for all the support extended to us so far, we are pained to point out that we are compelled to move out because of the negative approach of some individuals who are associated with business loans portfolio of the bank.

Yours sincerely

MD of Garden Mist Exports

e-mail # 2

To rmdelta

Dear Sir,

Congratulations on your new assignment as Regional Head in our Bank. I am the President of Delta Bank Employees' Welfare Association which is a cultural organisation formed with the objective of employee welfare in the bank. We welcome you to this once prestigious region of our bank and sincerely offer our support to you in all your endeavours to bring back the region to its past glory. The Region as you know has not been doing well on the business front. Though we do not wish to burden you with negative inputs on your first day as Regional Head, we would like to bring it to your information that the region's negative growth is clearly attributable to the bureaucratic approach prevailing in the region. We will be happy to share our observations in detail to you. Since it is a matter of urgency for our bank as well as its employees we are seeking an appointment with you on the coming Monday. From our side, two other colleagues who are also principal office bearers of the association would join me to meet you and brief you about the issues and discuss possible strategies to tide over the problems.

Yours truly

President

DBEWA

e-mail # 3

To rmdelta

Good Morning and Greetings from ABC Bank.

We are happy to inform you that ABC Bank is expanding fast in the district and we are opening our 11 th branch at New Town on 10th Jan (Wednesday). We are glad to invite you for the

inaugural function and the invitation card is attached. Kindly grace us with your august presence and good wishes on the day.

ABC Bank Team, New Town

e-mail # 4

To rmdelta

Dear Sir,

It is our pleasure to welcome you as the new Regional Head of Delta Bank. We, Blue Lotus Chemicals (P) Ltd, have been one of your long standing customers and our relationship with Delta had always been cordial, so much so that we consider Delta as a business partner of Blue Lotus.

Our Executive Chairman would like to visit you and brief you about our business and future prospects shortly. We shall get in touch with your office to fix an appointment at your convenience.

Warm regards

CFO

Blue Lotus Chemicals (P) Ltd

10.25 a.m.

Harish took printouts of these emails and kept them aside. He opened the folder containing office notes from various verticals and quickly went through them.

Office Note # 1

From

Facility Management/ General Administration

Regarding: Replacement of UPS Batteries in 8 branches

It has been reported that the UPS Batteries of the following eight branches need to be replaced urgently. The recent flooding in some areas affected these branches badly and hence the

requirement. It wouldn't be advisable to wait for replacement under the bank's centralised procurement system as we are facing this urgent situation.

Price quotes received from three suppliers are attached.

Request for approval.

Office Note # 2

From

Risk Management

Regarding: Breach of NPL Tolerance Level – Used Vehicle Finance

The NPL Tolerance Level fixed by the Bank's corporate management in respect of the Used Vehicle Finance product has been breached in 6 of our branches and in 3 more branches the NPLs are almost at the tolerance level. Though the position is not causing concern currently in other branches we may, in the interest of prudent risk management, advise all branches to stop further lending under the product till a detailed analysis of the causes of default is carried out.

Request for approval.

Office Note # 3

From

Marketing

Regarding: New Business Connection

Our credit marketing team has, after continuous efforts, succeeded in canvassing the account of M/s Green Valley Traders, one of the major export units in the area. They are currently banking with SBS Bank and of late had been facing certain issues with the bank. The promoters of Green Valley were feeling the lack of personal touch in their dealings with SBS, which according to Green Valley has become highly inconsiderate possibly because of the large size of the bank. They had been looking for establishing banking relationships with a comparatively smaller yet modern bank like Delta and our marketing team could capitalise on this development.

We shall arrange for a meeting between you and the promoters of Green Valley at your convenience, sir.

Office Note # 4

Operations

Regarding: Introduction of Cash Management Services for Banks

Historically 80 per cent of our branches in the region hold cash in excess of the prescribed levels mainly on account of lack of cost effective ways for movement/ remittance of cash to currency chests operated by other banks. At the same time we have been receiving requests from a couple of new banks like ABC Bank that are expanding their presence in the area for temporary cash drawings from our branches to meet their day to day cash requirements. We have worked out a solution whereby the banks when in need of cash will be drawing from our branches against transfer of funds to our corporate treasury. We wish to test run the product in the region before recommending to corporate office to launch it as a bank-wide product.

Request for approval.

Harish listened to the email notification and saw that two new emails have just appeared in the in-box.

New e-mail # 1

To rmdelta

Dear Harish,

The corporate HR team recently conducted our annual Employee Perception Survey and we will be discussing the results in the forthcoming strategic retreat. In the meanwhile, I thought you would be interested to know about certain parameters where your region scored adversely in comparison to other regions. The excerpts of the survey showing the responses of concern in respect of your region are attached. (Appendix -2)

Let's meet in the retreat and discuss further.

Regards

Suneeta

Chief HR Officer

Delta Bank

New e-mail # 2

To rmdelta

Dear Mr.....,

We ‘The Green and Clean Environment Group’, an NGO functioning locally would like to bring to your notice that one of your customers known in the name ‘Blue Lotus Chemicals’ engaged in manufacturing of chemicals is posing an environmental hazard to the local population by continuously polluting the river flowing through the area. Before we launch a mass protest programme against the factory as well as the Bank who is funding them, we would like to place our demands before you as well.

We will be coming to your office in the next working day.

Yours sincerely

Green & Clean

Office Note # 5

From

Technology Team

Regarding: Innovative Touch Screen Loan Product

All our branches are provided with a tab based real-time customer feed back system aimed at capturing the immediate response of customers who visit our branches. The customers need to touch one of the three icons in the screen to mark their experience of visiting the branch as:

1. Delighted
2. Satisfied
3. Needs Improvement

We wish to introduce an innovative value addition to the tab screen by adding one more icon for Loan Request through which the visitors can request for a personal loan from the bank. We have prepared a demo of the innovation and shall be glad to present it before you.

Office Note # 6

From

Compliance

Regarding: Reports of Violation of AML Regulations

(Confidential)

As part of our compliance process we recently conducted a discreet market survey. We have learnt from reliable sources that one local business unit by the name M/S Green Valley Traders is suspected to be involved in a series of banking transactions with an unnamed overseas entity and the authorities suspect violation of AML regulations. Though the firm doesn't have any banking relationship with us, one of our long standing business customers M/S Garden Mist Exports and Green Valley Traders have three common directors and all the directors of both the two firms are related to each other.

Submitted for your information.

Office Note # 7

From

Planning and Development

Regarding: Proposal for opening a new branch

Though our 28 branches in the region are all located in potential business centres, one location where we do not have a presence is **New Town** which is a fast growing residential cum commercial area. We have conducted a market survey and prepared projected financials for a new branch in New Town. According to our analysis the new branch should be able to break-even in three years time, as in the beginning we wish to position the branch as a resource mobilisation centre considering the good potential for low cost savings deposits in the area.

The proposal with your recommendations shall be sent to our corporate office for their approval.

Submitted for your advice, please.

11.00 a.m.

Harish certainly was worried. Something was nagging him from inside. He closed the folder and decided to have a quick review of the business figures of the region. The present business figures fall short of the business budgets by considerable margin. As someone who has been exposed to the concepts of strategic management, Harish realised that as the leader of region his work has been cut out to achieve the corporate objectives. The problem he is facing now is how to present a strategic plan for Green City Region before the CEO in the retreat.

Appendix-1

DELTA Bank

Green City Region

Business Figures As on 31 Dec 20X1 (in Crores)

A. Deposits

<i>Parameters</i>	<i>Dec 20X0</i>	<i>Sep 20X1</i>	<i>Dec 20X1</i>	<i>Q-O-Q (%)</i>	<i>Y-O-Y (%)</i>	<i>Mar 20X2 (Target)</i>
Savings	2972.32	3263.59	3109.05	-4.74	4.60	3507.34
Current	549.94	605.87	529.81	-12.56	-3.66	659.92
CASA	3522.26	3869.47	3638.85	-5.96	3.31	4167.26
Term	5013.39	5203.94	5121.11	-1.59	2.15	6266.74
Total Deposits	8535.65	9073.41	8759.96	-3.45	2.63	10434.01

B. Advances

<i>Parameters</i>	<i>Dec 20X0</i>	<i>Sep 20X1</i>	<i>Dec 20X1</i>	<i>Q-O-Q (%)</i>	<i>Y-O-Y (%)</i>	<i>Mar 20X2 (Target)</i>
Retail	1122.31	1155.77	1158.34	0.22	3.21	1402.89
Agri	1104.74	1098.09	1114.77	1.52	0.91	1270.45
MSME	1369.75	1384.20	1427.29	3.11	4.20	1712.19
RAM	3596.80	3638.07	3700.39	4.85	8.32	4385.53
Corporate	1182.33	1191.06	1213.38	1.87	2.63	1477.91
Total Advances	4779.13	4829.13	4913.78	1.75	2.82	5863.44

Appendix-2**DELTA Bank****Employee Perception Survey conducted by Corporate Office****Select parameters of concern for Green City Region***(Figures in Percentage)*

<i>Employee Perception Survey - Excerpts</i>						
<i>Q. No:</i>	<i>Survey Question</i>	<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Cannot Tell</i>	<i>Agree</i>	<i>Strongly Agree</i>
7	My manager coaches and supports me.	10	19	40	21	10
19	I have received all the training I need.	16	45	15	15	9
32	I have a clear career development plan.	13	36	30	18	3
43	I always explain the risk associated with any customer investment.	18	47	18	10	7
87	I fully understand the company values.	16	18	33	19	14