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Strategic Management in Banking

With Application

By

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STRATEGIC MANAGEMENT IN BANKING WITH APPLICATION

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ÖZET

Yönetim, stratejik yönetim, bankacılık ve bankacılıkta stratejik yönetim kavramlarının detaylı olarak verildiği bu tezde temel olarak stratejik yönetimin bankacılık boyutu ele alındı. Tezin hipotezi ‘farklılık yaratmak sizi öne çıkarır’ şeklindedir. Çalışmanın ilk dört bölümü, Yönetim, Stratejik Yönetim, Banka ve Bankacılıkta Stratejik Yönetim kavramlarına beşinci bölüm, kavramların ve hipotezin uygulanışına ait örneklere ayrılmıştır.

Van ilindeki banka yönetimleri ile yapılan çalışmalar sonunda iki banka yöneticisinden alınan bilgiler stratejik yönetimin iki önemli örneğini vermiştir. Bu stratejik yönetim uygulamaları hipotezin doğruluğunu teyit eder niteliktedir. Örnek stratejik uygulamalardan biri “Küçülerek Büyü”, diğeri ise “Fikir en iyi sermayedir. Kredi verilebilir”.

Küçülerek Büyü Stratejisi: Bu stratejik uygulama Türkiye’nin köklü bankalarından birine aittir. Burada isim verilmeyecektir ancak Türk banka sektörünü yakından tanıyanlar hangi banka olduğunu bilirler. Banka yönetimi tüm şubeler bazında yaptıkları araştırmada zarar eden şubeleri tespit etmişler ve kapatmanın ve kapatma yönteminin ilkelerini belirleyecek bir proje geliştirmişlerdir. İlk yapılacak iş hangi şubelerin kısmen veya tamamen tasfiye edileceği, gerekirse bir merkezin tümünden çekilmenin durumları tespit edilmiş. Detayları çalışmanın beşinci bölümünde verilen bir stratejik yöntemle banka Türkiye çapında küçülmeyi gerçekleştirmiştir. Bunun sonucunda Banka şu kazanımları elde etmiş:1. Zarar eden şubelerden kurtulmuş, 2. Niteliksiz elemanlar yerine niteyiksiz elemanlarla çalışmaya başlamış, 3. Kar miktarı artmış, 4.bankacılık sektöründe saygın bir konum kazanmış. Yönetim elde edilen bu başarılı durumun devamı için devam stratejilerini belirlemiş. Ön önemli yeni dönem stratejik kararı ise, eski dönemde yapılan stratejik hataların tekrar yapılmamasının tedbirlerini belirlemek olmuştur.

“Fikir en iyi sermayedir. Kredi verilebilir “ stratejisi: Bir bankanın ilk hedefi kar etmektir. Bunun araçlarından biri de kredi satmaktır. Bir girişimci kendi projesini hayata geçirmek için paraya ihtiyacı var ise bunu elde etmeni yollarından biri kredi kullanmaktır. Ancak kredi almak için ibraz etmesi gereken belgelerin çoğu kendi öz varlıklarına ait belgelerdir ve bir genç girişimcinin veya iyi bir fikri olan birinin öz

varlıkları yok ise projesini hayata geçirme şansı yoktur. Banka yönetimi geliştirdiği yöntemlerle tespit ettiği, fikir var ama para yok durumlarında devreye girmeyi ve iyi bir fikri kredilendirmeyi temel stratejilerinden biri olarak seçmiştir. Bu uygulama sonunda banka, maliyetsiz reklam, entelektüel dünyada saygınlık, müşteri sayısında önemli bir artış olması gibi faydalar elde etmiştir.

Sonuç olarak, günümüzde, diğer sektörlerde olduğu gibi, klasik yönetimle bankacılık sektöründe iyi bir yer edinmenin artık mümkün olmadığı görülmektedir. Her banka kendine has stratejik yönetim biçimini ve stratejik davranış modellerin oluşturmak zorundadır.

ABSTRACT

Management is the function that coordinates the efforts of people to accomplish goals and objectives by using available resources efficiently and effectively. Management includes six functions planning, organizing, staffing, directing, coordination, and controlling to accomplish the goal or target. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources, and natural resources. Management is also an academic discipline, a social science whose objective is to study social organization.

Strategic management involves the formulation and implementation of the major goals and initiatives taken by a company's top management on behalf of owners.

A bank is a financial institution that accepts deposits from the public and creates credit. Lending activities can be performed either directly or indirectly through capital markets.

Strategic management in banking is the process of developing and maintaining available fit between the Bank's objectives and corporate resources and changing environment of the market and regulations.

In this thesis we study Strategic Management in Banking. First chapter includes concept of Management. In the second chapter we give main concepts of Strategic Management. Chapter three includes basic concept about Banking. In chapter four gives necessary knowledge about Strategic management in Banking. In the last chapter two application are given.

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INTRODUCTION

It has become the banking development and strategic management of one of the key factors for success. The main objective of this thesis is to provide a thorough study of the logic of the strategic management process. And it pays special attention to analytical tools for strategic planning including external and internal analysis, as well as the task of achieving a sustainable competitive advantage.

CHAPTER ONE: MANAGEMENT

1.1. INTRODUCTION

It brought at century atheist and the twentieth with the new place of work, one where everyone to adapt quickly by hanging meeting with demands and constantly switching opportunities. The global economy is going to innovation and technology, organizations, and transform themselves with a new expectation for customer service. Today's challenging economy displays the opportunities, as well as the drama of uncertainty. The economy is driven by the performance on the basis of new knowledge. The evolution of the business during the commercial time with complications. With the increasing complexity of business task management it has become difficult. The need to manage a large scale has increment. Management is essential not only for commercial interests, but also for banks, schools, colleges, hospitals, hotels, religious bodies and charitable funds and so on. And targeting each business unit on its own. These goals can not be achieved through the concerted efforts of many individuals. A number of people working is formatted correctly to achieve goals through the management process is not a matter of push button and pull the lever, orders, profits, loss of survey data by issuing rules and regulations. So Peter Drucker in his famous that director of practice as essential social institutions, and the pivotal event leads in distinct social history. It occurs rarely in human history has shown an indispensable institution of new fast and even less often with the arrival of a new institution with the opposition even a little, very little of the turmoil and controversy. One or another form of administration is essential in any place is to be carried out en masse to meet through some production activity or occupation or profession needs human efforts.

It is the administrative governing. Management integration is the strength in every activity of the organization's activities. Whenever some of the people who work together to a common purpose, they have to coordinate their activities, and also to organize and make use of its resources in such a way to improve results. Is not only in the business where it can cost and revenue accurately and Objectively, without a doubt, but also in the service institutions such as government, hospitals, schools, clubs and others, including the scarce resources of the men, machines, materials, money and its integration into the and productive an effective relationship using their daughters. Thus, the administration is not unique to business organizations, but are common in all kinds of social organizations. Management has the enviable recently. We are closely related to each of us with many kinds of organizations, and everywhere else is the government, the school and the hospital. In fact, are more and more of the main functions on the basis of the social organization. Medical care, education, recreation, irrigation, lighting, drainage, etc., which are usually used to be the major concern For persons or the family, is now in big organizations. Although other organizations because the company did not talk to the manager, and we all need to manage. Special device for all types of organizations because they all need to take advantage of the limited resources more efficiently and effectively to achieve their goals. One of the more vital forces for the successful performance of all types of social activities of the organization. Key management issues for any organization planning how to get things done, and the organization of the company to be efficient and effective, lead and motivate employees, and put to monitor to make sure to follow our plans and mechanisms met our goals. Good governance is the key to starting a business, growing a business, and the preservation of the work once it has achieved a measure of success. Many of today's managers got the beginning of the welding on the factory floor, clearing the dishes from the tables, and help customers fit the suit, etc. A management is a regulatory process that includes strategic planning and goal setting, resource management, and dissemination of human necessary to achieve the objectives, financial assets, and measuring results. It also includes records management and storage facts and information for later use or others within the organization. If you start your career at the entry level or as a supervisor, your job is not to do the work, but others do for them to help. Management is getting work done through others.

1.2. DEFINITION OF MANAGEMENT

Management is getting work done through others also it is the process of achieving organizational objectives by working with people and other organizational resources. The breath-taking, commercial organizations have grown in size and complexity, causing subsequent changes in administrative practices. Changes in the styles and management practices to bring about changes in the management culture. Moreover, seen in the management of multi-disciplinary nature of the changes due to developments in the field of behavioral science, quantitative methods, engineering and technology, etc. As it deals with the production and distribution of goods and services, and environments vital such as social, cultural and religious values, and consumer tastes and preferences, education, and the explosion of information and the democratization of governments, etc., also led to changes to theory and practice. However, the acceptance of any definition of management globally. Let us discuss the some of the key definitions of knowledge management **Peter Drucker** say it might be described as hardware only and knowledge through their actions. According to **Terry**, the managers are not, an activity, such as walking, reading, swimming or running users who can appoint the members of the leadership and members of the management or executive management. **Ralph C. Davis** Management has identified, such as: that it considered the functions of the executive of administrative leadership anywhere. According to **McFarland**, and defines Management for the purposes of conceptual and theoretical, analytical and process where managers create, directly organized, purposeful been operated and maintained by human cooperative effort in a systematic and coordinated. **Henri Fayol,** for scabies are forecasting, planning, organization and beaten, and coordinate and monitor. **Harold Koontz** says management is the art of getting things done through within the group. **William Spriegal**, management is the institution that is interested in directing and controlling the various activities to achieve the objectives of the administration function is essentially the function of the executive branch, but also dealing with the trend of active human endeavor. **Kimball and Kimball**, Management include all duties and tasks related to embark on the enterprise, and funding, and create all major policies, providing all the necessary equipment to determine the general shape of the organization that runs the institution and choose the key staff. **Sir Ch. R.,** Management is the process of getting things done through the local community agencies. Management and dealing with the community for the purposes that were present. **E.F.L.** Management is concerned to see work being done, the center of all tasks in planning and directing the processes taking place in the organization. **BRECH, Koontz and O'Donnell**, management is created to maintain The organization's internal environment where individuals and groups, and can be efficiently and effectively to achieve the goals. This is the art of getting work done by organized groups. **James Lundy**, management is primarily the planning function and coordination, and to stimulate and control efforts by some people towards a particular goal, which involves combining traditional production factors, labor and capital in an optimal way, taking due account of interest, of course, to some of the organization's target. **Wheeler,** concentrated management company officials or managers who integrate men, materials and money for the actual operation. **J.N. Schulze**, management is the power that leads the organization from the advance completion of the selected object. **Oliver Scheldon**, management function in concerned industry in the implementation of this policy, within the limitations stipulated in the management and employ some of the targets set before it. **K.& G.**, management is the power that integrate the physical plant and the men in the unit effectively work. **Newman, S. Warren**, administration's mission is to make a collaborative effort to work properly. The person who gets things through the work with people and other resources to reach the target is called manager. **Milward G.E.,** management are the practical through which planning and overseeing the implementation of policies. **Ordway T.,** a management is the agency process that directs and guides the organization's operations to achieve specific objectives. **Mary P. F.** it defines management as the art of getting things through the people. This definition is drawn to basic difference between the manager and other staff in the organization. Is the manager who contribute to achieving the organization's goals indirectly by directing the efforts of others, and not through the implementation of the mission himself. On the other hand, it makes the person who is not the director's contribution in achieving the objectives of the organization for the implementation of the task directly by himself.

1.3. THE FUNCTIONS OF MANAGEMENT

To be successful managers need to perform administrative tasks perform certain activities of managers approach to efficient and effective coordination of the work of others, To achieve our goal, we need to put the following functions as Manager:

1.3.1. Planning : Planning is the simplest and most prevalent of all management functions. Whether people who are working in groups to accomplish this task efficiently, you should know beforehand what must be done, and what are the activities that need to make in order to do what needs to be done, and when it is done. Planning is concerned with the why and how, and when the performance. Is scheduled at the moment about the objectives and programs for the future work in order to achieve these goals. Thus it involves:

(a) Identify long and short term goals.

(b) Strategies and procedures put paths to be followed to achieve these goals; and

(c) Formulation of policies and procedures, rules and others, to implement strategies and plans. The senior management of organizational goals set in the course of the primary goal and mission, environmental factors, and the expectations of business, the resources available and possible.

1.3.2. Organizing : It is the performance of the company activities to achieve the goals and plans. Organization involves determining necessary to achieve the company's goals and plans activities; assembling activities in employment, appointment to these functions and activities of the departments and personnel; a delegation from the responsibility and authority to perform, and the provision of the vertical and horizontal coordination of activities. Each section has to decide what activities are needs to be done in his ministry or the ministry to achieve the objectives assigned to him. After selecting activities, you have to set the similar activities to make careers, and set these tasks or range of activities to the subordinates, delegating authority to them to allow them to make decisions, and to initiate proceedings to do these activities, and provides for coordination between him and the organization. Thus jobs implies the following sub functions:

(a) Determine the activities are necessary to achieve the objectives and implementation plans.

(b) Assembling activities in order to create jobs and self-contained.

(c) The allocation of jobs for employees.

(d) The delegation of authority enable them to perform their duties with the necessary resources to perform the command.

(e) Establish a network to coordinate relations.

The organization of practical outcomes in the structure of the organization. It includes regulatory functions and responsibilities of attitudes, and the roles and responsibilities of the power relations. Regulation and therefore essential for the collection of human, material and financial resources integration in the productive relations to achieve the objectives of the institution operation. It aims to combine the staff and functions are interrelated in an orderly manner so that the implementation of the organizational work in a coordinated manner, all the efforts and activities for withdrawing together towards the accomplishment regulatory goals.

1.3.3. Staffing : Staff is a management function, continuous and a dynamic, after being set goals, strategies, policies, programs and procedures and rules put in place to achieve, activities identified for the implementation of strategies, policies and programs and others, assembled in jobs. Due to the competence and effectiveness of the organization largely dependent on the quality of their staff, and since this is the one of the main tasks of the management of an investigation of persons trained and qualified to fill different positions, acknowledged differ from the job of the staff and management. It consists of various interested:

(a) Workforce which involves determining the number and type of staff required layout,

(b) Employment to attract an adequate number of potential employees to find employment in the organization,

(c) Selection of the most suitable persons to work under consideration,

(d) Placement and induction and guidance,

(e) Transfers, promotions and finishes the layoffs,

(f) Training and development for all staff.

It also recognized the importance of the human element in organizational effectiveness, increasingly, Work is gaining acceptance as a distinct function of management. Needless no guarantee that any organization could be better than ever for its people, and function managers must work with much attention as any other job.

1.3.4. Directing : The output is a function of the workout on the effective performance, and contribute to the optimum to achieve organizational goals. Include function and thus steer the following subtasks

(i) Communications,

(ii) Motivations,

(iii) Leaderships.

1.3.5. Coordination :Coordination is a function of the establishment of such relations between the different parts of the organization that they are all working toward organizational objectives. And then the binding process between all regulatory decisions and processes, the activities & the efforts in order to achieve unity of work in order to accomplish organizational goals. The importance of the process of coordinating and was highlighted by the name of Mary Parker Follett. Director, In her opinion, Be sure that the organization with all its parts in a coordinated manner, even moving together in their activities closely and adjust, where link, tangled and interdependence of the business unit, which does not congeries separate pieces, but what we called entirely functional or unit. Coordination, as a function of management, include the following subtasks**:**

(1) A clear definition of the authority responsible for relations,

(2) The unity of the trend,

(3) The command module,

(4) To communicate effectively,

(5) The effective leadership.

1.3.6. Controlling : Control function is to ensure the performance of people, departments, factional and individual consistent with the goals and targets set in advance. They are identified deviations from the goals, plans and investigation, and Actions taken to correct them. Deviations from the plans, objectives and providing feedback to managers, and is reviewing all administrative operations, including planning, organizing, staffing, direction and coordination on an ongoing basis and adjusted when necessary. Controllers means that the aims and objectives and the performance criteria exist and are known to staff and their superiors. It also means a flexible and dynamic organization that will be permitted to make changes in the objectives, plans and programs, employ the strategies and policies, organizational design, practices, policies, and style of leadership, communication system, etc., It is not unusual that a failure to achieving their staff due to the defects or shortcomings in any one or more of the above dimensions to manage the predetermined standards. Thus, it includes the following observe the process:

(i) Measuring performance in light of predetermined targets,

(ii) Identify deviations from these objectives,

(iii) Corrective actions to correct perversion.

It should be noted that although the administrative tasks discussed in a specific sequence of planning, organizing, staffing, direction, coordination and control that they are not in accordance with a serial arrangement. Management is an integrated process; it is difficult to accurately determine the functions in separate boxes. Management functions and tend to integrate, and it becomes difficult sometimes one of the last season. For example, when a product manager to discuss labor issues with one of his subordinates. Hard to say if it is directed to develop or communicate, or do all these things at one time. Moreover, managers often perform more than one function at a time.

1.4. NATURE OF MANAGEMENT

The management was conceived in this lesson earlier; social and practical managers integrate and coordinate the organization of resources to achieve common goals, clear. It has evolved into a staff of knowledge and discipline that have been identified separately in the past six decades. Practice the art of management, of course, an ancient human effort and systems to achieve common target. Management also has many characteristics of the profession through recently. Large and medium-sized company of professional directors and other managers managed who have little or has no interest in the ownership of the institution and have a look at Management as a career. They discussed the nature of the Management as a science, art and profession below:

Management as a Science: The development of management science outside lately, despite the ancient practice of the ages. Frederick Taylor. It was the first director of landscapes that made important contributions to the development of Management as a science. It uses scientific methods in the analysis and observation and experimentation in the function of the management of production. The director of perception, as it was, it distills some of the basic principles and development of the theory and principles of the scientific management. That was followed by many others, including Gantt, Emerson, Fayol, Bernard, and so over the past few decades, there have been great strides in the development of classification of knowledge management body that can be learned, taught and research. It also provided powerful tools for analyzing, forecasting and monitoring the exercise of managers. The promotion of the scientific nature of the administration, particularly on the part of scientists who have developed mathematical models for management decisions.

Another feature of science in management because it uses scientific methods of observation, research and experimentation laboratories. Based on the management principles strongly visual phenomena, classification and analysis of systematic data. Using this analysis, the visual phenomena, to infer the causal relationships between two or more variables. Generalizations about these relations lead to the hypotheses. It was found when testing hypotheses true principles. These principles, when applied to practical situations helps the practitioner to describe, analyze and solve problems and predict outcomes. Although the administration is aware of the possession after the regular set of knowledge and scientific methods used in research, and it is not accurate science, such as the natural sciences. This is simply because the social sciences management department, which deals with the people behavior in the organization. Behavior of people more complex and changing behavior from nonliving things such as light or heat. This makes it a very difficult to control. As a result for the principles of rule lacked the accuracy and precision in physics and chemistry. In fact, many of the natural sciences that deal with living phenomena such as botany and medicine are also not exactly. Management is a division of social sciences such as economics, psychology, and have the same restrictions again, this may be the field of the social sciences. But this does not mean in any way the value of knowledge management also reduces the discipline.

Management as an art: Use only as geometry engineer used while building the bridge, and uses knowledge management theory director while performing administrative functions for him. Engineering is the science; Is art applied to solve practical problems. Similarly, as science is the knowledge management discipline; applied in solving organizational problems is art. Management practices, such as the practice of medicine, put the players in a particular set of concepts, theories and principles. The doctor's diagnosis is not based on the prescription of medicines and patient danger to his life. Similarly, the director who works without owning a knowledge management creates anarchy and threatens the well-being of his organization. Using management principles such as the principles of medicine doctor are the rules of thumb, but the evidence in solving practical problems. It is often said that the process of decision-making in management involves a large element of judgment. This is also true. Bickered about whether this is science or art. Is an art as well as science. Developments in the field of Administrative Sciences helps to improve practices. And improvements in management practices a stimulus for further research and studies which led to the further development of Administrative Sciences. Availability management as a science and art of principles to assist in the treatment of cases.

1.5. CHARACTERISTICS OF MANAGEMENT

Active and distinct presence of the following salient features of management:

1.5.1. Economic Resource : Is one of the factors of production management, as well as land, labor and capital. With increasing manufacturing and the need for managers also increases. Effective management is the most important in the success of any business entrance collective organizer of the authority they collect and integrate the production factors , labor, capital and materials. The labour and capital are inputs and material itself does not guarantee production, it needs a catalyst to manage the production of goods and services needed by the community. Thus, the department is a key element of the organization.

1.5.2. Goal Oriented : Management purposeful activity, and to coordinate the efforts of workers to achieve the organization's goals, and measuring the success of the management of organizational goals. Organizational objectives must be clearly defined and understood correctly by the administration at different levels.

1.5.3. Distinct Process : Management is a distinct process consists of functionality such planning, organizing, staffing, directing and controlling intertwine these functions, so you can not exactly put different functions sequence or relative importance.

1.5.4. Integrative Force : The essence of human resources management and other integration to achieve the desired goals. Available for those who are running all of these resources. Knowledge and experience and the application of management principles to obtain results by using the non-human resources. Managers and seek to reconcile the goals of personnel with organizational objectives to work for the smooth organization.

1.5.5. System of Authority : Management and a group of managers representing the Performance appraisal (PA) system, and the hierarchy of command and managers controlling at various levels with varying degrees of power. Overall, we are moving in the administrative hierarchy, gets reduced capacity gradually. It enables administrators the authority to carry out its functions effectively.

1.5.6. Multiply- disciplinary subject : It is grown as a field of study specialization management, with the help of many other specialties such as engineering, anthropology, sociology, psychology, and there is a lot of literature Management is due to the linkage between these disciplines. For example, inspiration and production engineering orientation toward human relations Industrial Psychology. Similarly, sociology and took part in the development of management science also in operations research.

1.5.7. Universal application : Management is a global principles and methods applied on an equal footing in the areas of employment, education, the army and the government and the hospital. Henry Fayol suggested that the management principles will be applied more or less in each case. Principles and guidelines that are flexible and able to adapt to each organization where humans efforts to coordinate the work.

1.6. MANAGEMENT ROLES

In the late sixties, Henry M.; concluded thorough study of managers at work the performance of ten different roles of managers, which are very intertwined.

Management roles refer to the certain categories of managerial behavior. Generally there are many specific roles has been implemented by the managers included in the three categories.

1. Roles between individuals include figurehead activities, leadership, and communication.
2. Information and monitoring roles include, Publisher, and speaker activities.
3. Orderly decision making roles include, disorder processor, dedicated resources, and negotiator.

Even though the other approach is a useful way to describe the post of director and the roles of Henry M.; give additional idea about the work of managers. Some of roles do not fall clearly into one of four functions, and all managers do some work that is not purely administrative.

1.7. MANAGEMENT SKILLS

Managers needed some skills to challenge the duties and activities associated with being a manager. **Robert K.** found through his research in the early seventies that managers need three basic skills.

1) Technical skills and knowledge required for a specific work proficiently in specific tasks and techniques,

2) Human skills are the ability to work well with other members of the group,

3) Conceptual skills are the ability to think and theoretical analysis on the complex and abstract situations.

These skills and reflect a wide range of important administrative activities, which are the four elements and management functions.

1.8. THEORIES PERTAINING TO MANAGEMENT

These include scientific management theory, the administrative management theory, and the theory of behavioral management, the theory of the regulatory environment. The scientific management theory covers **F. W. Taylor's** scientific and Gilbreths administration who refined the analysis of Taylor labor movements and made many contributions to the study of time and movement. The administrative management theory covers **Max Weber's Fayol** theory of bureaucratic principles of the management. The behavioral management theory covers the work of **Mary Parker Follett** who serves as the "mother of thought," the studies Hawthorne. The theory of regulatory environment covers the open offer and theoretical system attitudinal. Personality traits, values, attitudes and moods, emotions, and culture all play a major role in the management and organizational goals.

1.9. LEVELS OF MANAGEMENT

May be of different levels of management of the institution. Levels of management refers to the demarcation line between several administrative positions in the institution. Management levels based on their size and technical facilities, and a range of production. Generally we come across two levels and administrative coverage, in the administrative management of meaning (which on a higher level of management) and management operating (any lower level management). Specializing in administrative organization with functions such as policy development thinking, planning, and development of standards. She specializes in operative management with jobs, such as the implementation of policies and processes to achieve organizational goals. The real significance of the levels is that they illustrate the relations of power in the organization. Given the hierarchy of authority and responsibility of the sequence can be identified three levels of management:

1. Top management : The ultimate source of authority is the senior management, set goals, policies and plans for the project. The allocation of more time in the planning and coordination functions. It is responsible for employers in the public administration. Described as being responsible for the overall direction and success of all company activities and policy development. Top task management positions as follows :

(1) Identify the goals or objectives of the institution,

(2) Policies and plans for development of the framework to achieve the goals set,

(3) To create a regulatory framework for the conduct of operations as

In the plans,

(4) Pooling of money and men, materials, machines and methods of implementation plans,

(5) Exercise effective control operations,

(6) Provide overall command for the project.

2. Middle management : A middle management job is to implement the policies and plans developed by senior management. It serves as a key link between senior management and management at the operational level or less. They are accountable to the senior management of their work. It devotes more time to the work of the organization and the motives of the administration. They provide guidance and chassis target organization. Without senior management plans, and have high expectations will not be productive major tasks of middle management are:

(1) The interpretation of policies made by senior management.

(2) The preparation of the regulatory framework in their own departments to achieve the goals implicit in the various trade policies.

(3) For the recruitment and selection of appropriate supervisory staff operative.

(4) To assign activities, duties and responsibilities to implement these plans in a timely manner.

(5) Translator and all instructions issued by supervisor under their control.

(6) To motivate employees to achieve higher productivity and rewards correctly.

(7) In cooperation with other departments to ensure the proper functioning of the entire organization.

(8) The collection of reports and performance information in Their respective departments.

(9) Submit a report to senior management.

(10) Make appropriate recommendations to senior management to improve the implementation of plans and policies.

3. Lower or operative management: It is placed at the bottom of the pyramid of hierarchy for managing the physical processes responsible for this level of management. It consists of officers and supervisors, sales and accounts staff and so on. They are in direct contact with ordinary or employees. Limited authority and responsibility. It was passing on instructions from the Central Administration workers. He explains the division of management plans in the short-term operating plans. It is also involved in the decision-making process. They have to get the work done by the workers. Assign different jobs for the workers, and assess their performance and submit a report to the Ministry of the average level. They are more concerned with the routing functions, control and management. Devote more time to supervise the workers; (AMY, 2009, Fons & Piet , 2014**,** Jeffrey, 2000).

CHAPTER TWO: STRATEGIC MANAGEMENT

2.1. INTRODUCTION

Strategic Management as a term and concept is not new. It has been used for the first time in 1970, and it means that the strategists staff more or less thought of strategic programs and then try to sell them to decision makers. In 1990, a strategic planning and management of view is very different. Goodstein, Nolan, and Pfeiffer strategic planning definition takes us away from the idea that strategic planning is the work of the staff and focus us more on a process that requires organization and senior leaders to determine strategic direction. The concept of strategic management builds on this definition, strategic planning, recognizing that despite the "planning" is the introduction of strategic management, it is not enough if it is followed by the publication and implementation of the plan and evaluate the plan in action. Strategic management is a systems approach to identify and make the necessary changes and measure the performance of the organization as it moves toward its vision, Strategic Management been introduced as a key factor to enable competitive advantages. So, the purpose of this section is continuing to analyze the role of director of strategic competitive advantages enabled. In order to clarify the meaning of strategic management.

2.2. DEFINITION OF STRATEGIC MANAGEMENT

The strategic management can be defined as the art and science of the formulation, implementing and evaluating multifunction decisions that will enable the organization to achieve its goals. As this definition suggests, it focuses on the strategic management of the integration of management information, marketing, finance and science / accounting, production / operations, research and development systems, and the achievement of organizational success. It is used term strategic management in the present text tandem with the term strategic planning. And often it uses the latter term in the business world, while often used in the past in academia. Sometimes the term is used to indicate Strategic Management Strategy for the formulation, implementation and evaluation, strategic planning, referring only to the formulation of strategy. Some definitions are included by many of the writer, Johansen well (1986) Strategic management is defined as an administrative process to develop and maintain a strong link between the objectives of the organization and environmental opportunities and factors, Alvesson, Wilmot focused (1996) strategic management and competitive position of organizations with respect to opportunities the obvious limitations posed by (change) work contexts. From the standpoint of management, the concept of the successful strategic management terms of mobilizing factors in ways to promote the leadership of the coordination of the organization the environment and / or weaken the position of competitors, and also the turban, **McLean** and **Wetherbe** , defined the strategic management is a method of mapping organization's future operations strategy. For so long it was associated with long-term planning. Today, strategic management, are complementary activities include three long-term planning, and the management response, innovation and **Faulkner** and **Campbell**, definition of strategic management is about plan how to achieve objectives of the company, the adjust the orientation of the ways to benefit from the changing circumstances. The analysis of these definitions to identify common factors relating to strategic management, which turned out to be the meaning of strategic management have changed with the passage of time. For example, strategic management activities from being changed just planning activity over the long term for being proactive or reactive activity, which is trying to strike a balance between properties of competitive environment. Consequently, the strategic management the task has become more complex over the last decade.

2.3. THE STRATEGIC MANAGEMENT ROLES

The aim of this section, and analysis of these definitions in order to identify the role of the director of strategy in the organization.

2.3.1. Identification of the future competitive environment:

In order to identify trends and changes necessary to meet the competitors of the competitive environment. In the future, to predict the competitive environment is important to understand the changes in time, also supports this argument when he says, understanding of the rate of change in the environment, and it is as important as understanding what is happening changes, and look at an important time for competition, to be too late or too early with a competitive strategy that may affect your advantage. Is given time means to predict that the trends which may change over time, making it a vital factor prediction regarding the dynamics of this strategy as a result of the use of strategic management as an instrument to affect the competition results, should continue to predict the future competitive environment. Identify the competitive environment an important strategic management since it makes it possible to determine an appropriate competitive environment factors, and they allow us to cope with environmental uncertainty. This is due to the fact that competitive environment is an important factor with respect to the strategic management.

2.3.2. Identification and development of competitive strategies:

In order to face competition strategic managers develop competitive strategies that could improve or maintain a competitive advantage. But the associated competitive strategies of a competitive environment. After being exposed to the environment, It's time to identify how to compete in that environment. A way to compete in the environment and might be described as a group of competitive business strategies in a given market, a means of identification and management of competitive factors. Since this is a very complex task, and used the theories of competition as a basis for determining competitive strategies.

Competing theories, and thus affect the selection and assessment of integration and competitiveness factors in competitive strategy. Given that competitive strategies is one of the relevant factors for strategic management.

2.3.3. Identification of Competitive Factors:

Competitive factors that determine adequate factors and selection of competencies and capabilities that suit a particular competitive environment competitive. Identifying important competitive factors in formulating strategies. It also helps the managers focus on assets that can promote business benefits, the estimate when it is necessary for changing factors that do not add benefits.

2.3.4. Management of change:

Changing response management-related activities to keep up with competitors' actions on the competitive landscape. The need to manage change clear during the nineties, not only because of changes in the competitive environment, but also due to changes in information technology. This is also a challenge in the example The **Flames** (2003), he questioned The unity of economists information and the consult Anderson 350 top managers from around the world on the subject of corporate change. Even though the half of their business has changed radically in the past five years, They predict radical changes by 2010. Only 3 per cent had their own techniques to withstand the demands made by, for example, moving quickly, knowledge-based small business. Quoted by nearly 40 per cent of lying skills human resources management and communication relationships and building they lack in their organizations. And it claimed that only 4 percent that they were very good ready to make changes in the next decade. The results of this study that the trade union managers are not willing to make changes in the competitive environment. Therefore, the capacity to prepare the organization to responding to changes in the future, a great challenge, The a strategic managers in the future.

2.3.5. Achievement of strategic alignment:

Strategic alignment towards the invalid or congruence between the strategies to achieve, 164 alignment strategy means that you must reconcile all the strategies used within the company to be consistent and support each other regulators at all levels to achieve the desired results. Consequently, most researchers agree that there is a need to coordinate a strategy to achieve competitive edge. This is because companies may require a combination of several competitive strategies that may use the same competitive factors, for example, money, people and systems. Consequently, in order to achieve the competitive advantages for the harmonization different strategies to achieve results.

2.4. STRATEGIC MANAGEMENT PROCESS

1. **Environmental Scanning-** Environmental scanning refers to the process of collection, audit and providing information for strategic purposes. It also helps in the analysis of internal and external factors affecting the organization. After the implementation of the environmental analysis process, it should be evaluated on an ongoing basis and seek to improve management.
2. **Strategy Formulation-** Strategy Formulationis the process of determining the best course of action to accomplish organizational goals and achieve the organizational purpose therefore. After a survey of the environment, managers formulation for companies and businessmen and career strategies.
3. **Strategy Implementation-** It means the implementation of a strategic action strategy as intended or put the organization chosen strategy into practice. This includes implementation of the organization structure design strategy, allocate resources, and the development of decision-making process, and human resources management.
4. **Strategy Evaluation-** Strategic appraisal is the last steps of the strategic management process. Rating key strategic activities are: Assess the external and internal factors that are root of the current strategies, and performance measurement, and take remedial / corrective action. Rating make sure that the organizational strategy, as well as that of implementation that meets organizational goals.

2.5. STRATEGIC MANAGEMENT THEORIES

Strategic management process and methodology used to determine the objectives of the organization, developing policies and plans to achieve these goals, and allocate necessary to implement the policies and plans of resources. In other words, Management strategy, and can be considered as a combination of strategy formulation, implementation and evaluation (David, 2005; Haim e. n., 2005; Mohammed g H. and. Alim, 2005). Based on the chart we saw the management theory discussed earlier, it can be noted that the strategic management theories stems primarily from the point of view of a systems approach, contingency approach and information technology. In light of this background, after **David (2005),** Mohamed **Kh. H. (2005),** and the joint strategic management theories noticed viable is profit maximization theory is based on the competition, and the theory, and human resources along with the existing theory, agency theory based on resources and survive on the basis of the theory and the theory of emergency. Theory of profit and expand based on competition, which is based on the idea that the main objective of business organization is to maximize profits over the long term and develop sustainable competitive advantage competitiveness of foreign competitors in the market. On the other hand, the resources theory stems from the principle that the competitive advantage of the company lies in the source of internal resources, rather than put it in the external environment. Rather than simply assess and environmental the opportunities and threats in the field of business management, competitive advantage depends on the capabilities and resources of this kind, which the company owns **Barney (1995)** unique. The company expects the perspective of certain types of resource companies owned and controlled by the potential resources, and promised to create a competitive advantage and superior performance of the company at the end of **(Ainuddin et al., 2007).** However, the current theory of the survival of the idea that the organization needed to adapt to competitive environment in order to survive centers. This is according to the theory of human resources, which stresses the importance the human factor in the human resources development strategy is different. In addition, the importance of the theory and the agency confirms the underlying the relationship between shareholders and owners, agents or managers in ensure the success of organizations. Finally, the contingency theory draws the idea that there is no one way or better way to manage organizations. Organizations should then based on the evolution of the situation and suffering management strategy. In short, during the process of strategy the formulation, implementation and evaluation, and the main theories of strategic management applied in the organization tools to help them manage the administrative decision and move towards a strategic decision. The best way to portray these theories of strategic management. Therefore, in this research, along with the viewpoint of systems and approaches to emergency situations and key theories and other strategic management mentioned above, based on the resources or view company's competitive advantage theory, in particular, will be the main basis of the theory of applying the mainstay of the variables and relationships This was followed for consideration. This is due to that our research will focus especially on the interior features for the organization in to achieve a competitive advantage. Although there is some minimum elements external dimension under consideration, and these elements rooted primarily in the organization; (Charles & Gareth, 2011, David J. 2009, David F. 2011, Raquel 2006).

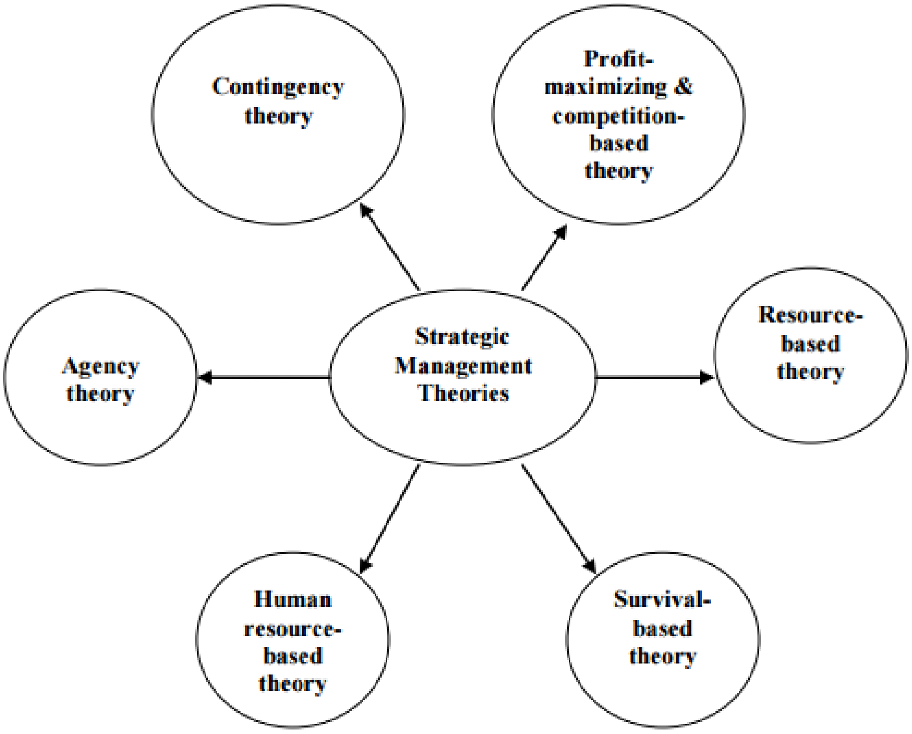


Fig.1. Strategic Management Theories

CHAPTER THREE: BANKING

3.1. INTRODUCTION

Banking occupies one of the most important centers in the modern global economy. It is essential for trade and industry. Here is one of the main commercial agencies. Even though the banks in one or another form was there very early and modern banking services outside lately. It is one of the results of the Industrial Revolution and child from economic necessity. They are quite useful economic and manufacturing activity in the country.

3.2. DEFINITION OF A BANK

The definition of the term bank according to Walter L. is the person or organization to carry itself out to receive deposits from the public and payable upon demand by check. Horace W. as an industry credit and machine to facilitate the exchange of. according to Professor Kinley, the Bank is an institution which makes members of the predecessor of money that might be needed and safe, and that the individuals responsible for money when they are not required to use it. Therefore, we can say that the bank deal in debts and loans of financial institutions. That it accepts deposits and lends money it also creates money. It bridges the gap between savers and borrowers. Banks are not just dealers in the money, but also in the feeling of the task of the manufacturers for the money.

3.3. TYPES OF BANKS

There are various types of banks that operate in our country to meet the financial needs of different categories of people who work in agriculture, business, profession, based on the job, can be banking institution was divided into following kinds:

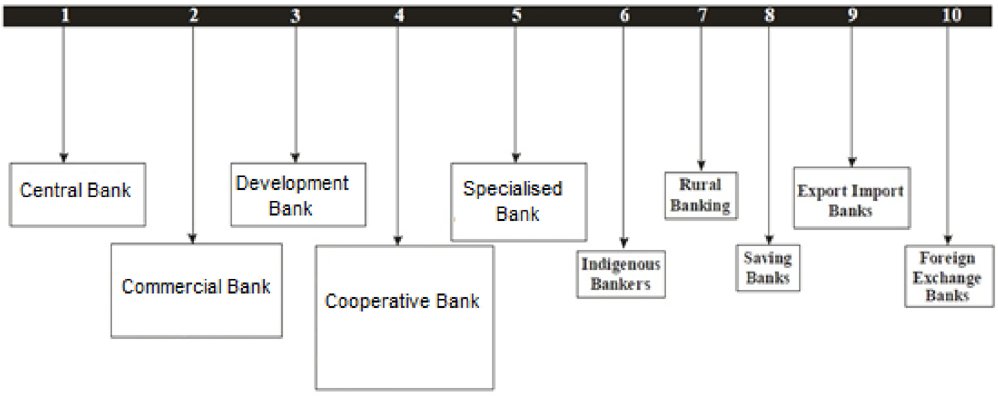


Fig.2. Kinds of banks

3.3.1. Central Bank

A central bank control of the mainstream financial system in the country. It works as a controller for the credit, also the bank have a monopoly on issuing currency government spokesman. The central bank typically controls are often owned by the government of the country.

3.3.2. Commercial Banks

They are working to make a profit. That it accepts deposits of the audience and lending to households, companies and the government. The essential characteristics of commercial banking activities are as follows:

- Acceptance of deposits of the audience,
- For the purpose of borrowing and investing,
- Pay on demand or investment lending,
- Pull the instrument, and if the option or otherwise.

Commercial Bank of excellence for a large part of demand deposits deposits and convert the selection.

3.3.3. Development banks

Is the hybrid institution that combines the company's financial functions and the development itself. They also serve as a catalyst to promote balanced development through sound and assume an advocacy role to discover project ideas, feasibility studies, as well as technical and financial assistance for the implementation of the project.

3.3.4. Cooperative banks

The major business of the cooperative banks in providing funding for agriculture. The program aims to develop a credit system. Financing of agriculture is a private field. Cooperative banks play a useful role in the provision of cheap facilities outside farmers. More of the time there are three wings credit cooperative system (short-term, medium-term and long-term credit). The first has a three-tier structure consisting of cooperative banks at the state level. At the provincial level, intermediate level, and this is a central cooperative bank, established in each region. Located in the base of the pyramid core farming communities at village level. The facility is provided outside the central bank cleared the term development at the state level. At first, they used these banks to provide mortgage loans on the ground to guarantee repayment of loans.

3.3.5. Specialized banks

Create these banks and supervision by a special law in Parliament. These banks received a special situation. A big banks is the National Bank for Agricultural Development, and Rural Development, which was established in 1982, it is a is a key institution in the field of agricultural and other of economic activities in rural areas. In 1990 was the establishment of a private bank called the small industries development. The bank was established to provide loan facilities and discount and re-discount bills, and provide direct assistance and rental facility.

3.3.6. Indigenous bankers

It's an organization that provides loans unproductive and long term productivity and medium-term and short-term interest rate known in local banks. It can be found everywhere in the cities, towns and villages.

3.3.7. Rural banks

It is the group of financial institutions operating in the field of financing the rural sector in rural banking services. This has been funded and banking policies are designed in such a way so as to be able to play the role of catalyst in the field of the rural development.

3.3.8. Saving banks

Mean performance of these banks useful services to assemble small savings also run commercial banks savings bank mobilization of small savings than men.

Different countries have various types of savings bank. It provides mutual savings and Post offices that offer commercial banks and other bank.

3.3.9. Export import bank

The purpose of establishing these kind of banks for financing foreign trade. Its focus is on medium and long term financing.

3.3.10. Foreign exchange banks

These banks financing predominantly on the country's foreign trade. Its main task is to discount the acceptance and a bunch of bulls Forex. They also buy foreign currencies and self reliant business to transfer money to any foreign currency you need. Dozens of foreign exchange.

3.4. FUNCTIONS OF BANKS

Modern banks do not deal in creating money and credit, and used to manage other useful functions and financing of foreign trade, and the meaning of modern banks strictly commercial banks. It can be seen to the different functions of banks from the following figure:

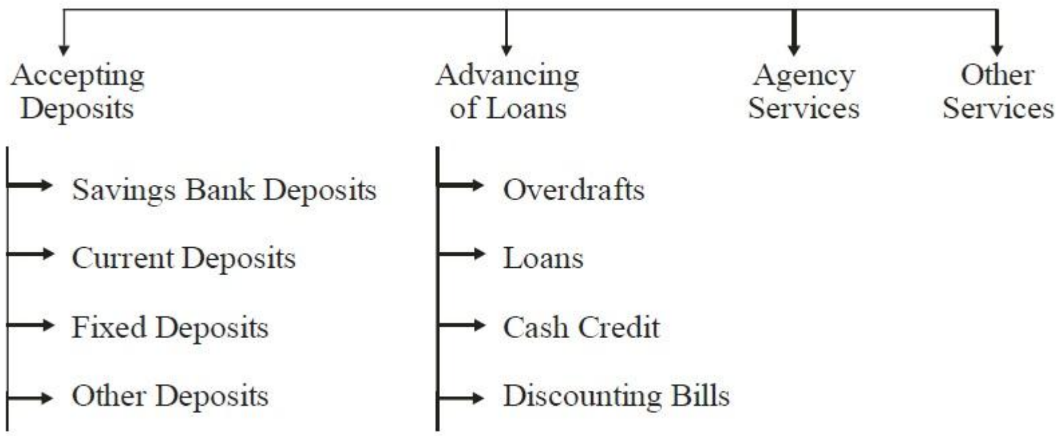


Fig.3. Functions of banks

I. Accepting Deposits:

The most important function of commercial banks to accept deposits from the public. These are the main tasks of the commercial bank. Receive savings of unemployed in the form of bank deposits and interim financing of industrial and commercial needs of companies. Commercial bank of accepting deposits from the public to another account, a deposit is important to maintain the overall bank accounts:

(i) **Saving bank deposits :** This kind of prosecution for those who just want to keep a small savings in the West, you may need to pull in some cases. It allows one or two pull up into a given amount of the total deposits within a week. Allowable rate of interest on savings deposits less on fixed deposit. The book gives a student pass and checkbook. And allows dragging by check, withdrawal.

(ii) **Current deposits :** Usually keep this type of account by businessmen and industrialists, who are facing a large number of cash transactions in their routines. It is known that these deposits and demand deposits or deposits. They demand payment without notice. Usually it does not pay interest on these deposits because the bank can not take advantage of these deposits and maintain nearly 100 percent reserves against them. There is also an overdraft on a current account facility.

(iii) **Fixed deposits :**It is known that this is also the time deposits. This account is deposited into a fixed amount or a specified period of time and provided for deposits paid after the expiration of this period. Keep their money in fixed deposits with the bank's clients in order to earn interest. Banks pay higher interest on fixed deposit. Building rates dependent on case of the money market and length of time. In general it does not allow for the withdrawal of fixed deposits before the deadline. It involves the depositor a penalty interesting.

(iv) **Other deposits :**Bank deposit facilities also offer a different type of clients by opening an account. As it's open. ' Homeland security ' account of very young savers or the housewife. Other accounts are certainly. Deposit frequently, of the pension system.

II. Advancing of loans:

The second major function for commercial banks to make loans. And to lend money to business and commerce for a short period only. These banks cannot lend money for a long time because they had to keep themselves ready to meet short-term deposits. Bank advances money in any of the following forms:

(1) Overdrafts : It allows for customers to arrange for overdraft quite a bit on the current account. But they have to pay the interest on the additional amount withdrawn. Banks allow an overdraft "to its customers only to provide transitional housing to save an additional amount for withdrawal of pay during this period. The amount allowed in Bank overdraft different from a client to a client dependent on financial situation.

(2) Loans : Loans given by banks in securities that can be easily disposed of on the market, for example, the government or concerns of equity securities, agreed. When he was satisfied with the bank concerning the safety the party, and loans. Scarcely full amount of the loan the borrower wants to distract him, so it opens a current account with the World Bank and that is to create a written filing on behalf of the bank.

(3) Cash credit : Arrangement, which allows clients to borrow money up to a certain extent against some of the physical securities such as government bonds or equity interest in Bank agreed, and so in this case in the interest imposed on the actual amount of the customer does not pull in the maximum.

(4) Discounting bills : An important way to give other loans. Bank sells bonds and pay immediately by issuing these bills after the discount discount (interest). After the bills, banks full value. Thus these laws are good liquid assets, and moreover, this investment is also very safe.

III. Agency services:

Usually the banks charge a small committee for the exercise of these services. Such services are as follows:

(1) The bank brings together the checks, invoices, bills of exchange and throws payments,

(2) Bank collects dividends or interest on the Exchange. As you gather contributions for insurance premiums,

(3) Bank is to buy and sell securities on behalf of their clients. They get something from customers, but gets some stock broker commission,

(4) Had worked as secretary to the bank or the port on behalf of its clients in a will or settlement management,
(5) Finally, the Bank's assistance in transfer of funds from the bank or one branch to another.

IV. Some other services :

Now modern banking customers in many other ways Service:

1) Personal loans and business letters bank issue. Through these letters of credit agents are able to avail themselves of the highest bank credit.
2) Bank also helps in commercial transactions in foreign currencies.
3) The bank has a secure deposit box graves. Security is committed to conservation of important valuables documents. Bank deposits works of such goods or documents.
4) Make a few banks to cover loans raised by the Government or a public company or a commercial company.

3.5. THE IMPORTANCE OF BANKS

Banks play an important role in the economic growth of the country. Recently launched, banks are not dealers in money but as leaders. This may be explained on the importance of the bank to the country's economy through the following ways: -

- Banks by playing in interest rate the attractiveness of deposits in an effort to promote savings and savings in the economy. Investment of these savings in the production channel results in capital formation.
- Small savings in the country can be put to best use by commercial banks. Banks to take advantage of this amount through the granting of loans to households, industry and non-governmental organizations. By providing funds to help business and banks to increase capital productivity.
- Banks help to transfer funds from place to another. Check, bank transfer, letter of credit, invoices, and more beneficial to empower traders to move huge amounts of money from place to another.

- Through the ability to create credit, they may put it at the disposal of banks in the country on a large sum of money. and bank can oversupply of money by creating credit.
- Increased growth of banking activity, and employment in the country.
- Help banks in capital formation in the country. Savings and high investment rate to encourage capital formation.
- Funds deposited in the World Bank and other precious items are now completely secure. To save the valuables, and banks, and provides facilities for dressing. Now people are free from any kind of risk.

Generally, banks can be categorized in the central bank and commercial banks. Commercial banks are those which provide banking services for profit. and the oversight function of the central bank to commercial banks and other various economic activities.

3.6. MEANING OF COMMERCIAL BANK

Commercial Bank's businesses, non-profit, dealing in money and credit. Financial institutions which deal in money, in the sense they do not accept deposits from the public coffers to keep them in custody for safety. Also, that they were dealing in credit, in other words, it creates credit through the progress of the deposit of the funds received for the needy. In this regard, it is considered as a motive for savings in the economy.

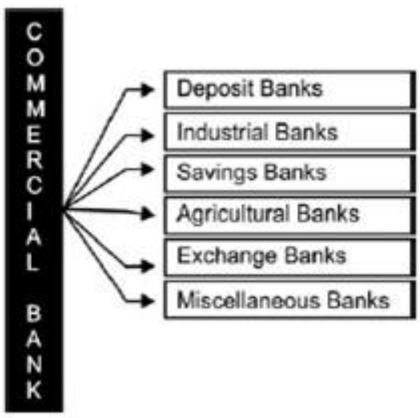


Fig.4. Types of commercial Banks

The types of commercial Banks are:

3.6.1. Deposit banks: The most important type of commercial bank deposits banks. They have contact with the business class of people. These banks accept deposits from the public, and presented to the parties in need. Because the deposits only a short time, these banks provide only a short time. Usually they give these banks for between three to six months. They don't want to lend money for long periods or to invest their money in any way in stocks for the long term.

3.6.2. Industrial banks: Industries that require huge capital for a long period for the purchase of industrial equipment, machinery and banks to help the industry. It provides long-term loans to industries. Moreover, the purchase of shares and corporate bonds, which enable it to get fixed capital. Sometimes, they even bond together and major industrial companies. Bank of important industrial jobs are:

1. Accepting a long term deposits,
2. Credit fulfill the conditions of the industries through the expansion of long term loans,
3. These banks are advised industrial companies to buy and sell stocks and bonds.

3.6.3. Savings banks: These banks have been created specifically to promote saving among small savers, were willing to accept a small amount of deposits. It encourages people's savings from the poor and middle class. After the nationalization of most of the nationalized banks to accept savings deposits.

3.6.4. Agricultural banks: Agriculture has its own problems, therefore there is an independent banks for funding. These banks are organized on a cooperative basis, and then do not work on the principle of maximum profits for shareholders. These banks to meet the credit needs of farmers through long-term loans, which are long-short and medium-term loans. There are two types of agricultural banks.

(a) The agricultural cooperative banks.

(b) The land of mortgage banks.

Cooperative banks are mainly for short periods. There are long periods of time to banks and of mortgage the land. All of these types of banks are performing useful functions.

3.6.5. Exchange banks: These banks often hoped that the country's foreign trade. Its main function is to discount the acceptance and foreign exchange bills collection. They buy and sell foreign currencies, thus helping businessmen in their dealings. He also holds regular banking.

3.6.6. Miscellaneous banks: There are certain types of banks which had arisen in the result, of course, to meet the specialized needs of people. In England and America, and there are investment banks which the object is to control distribution of capital in many uses.

3.7 BALANCE SHEET OF THE BANK.

Commercial bank balance sheet is a statement of its assets and liabilities. Assets are what condemn others for the Bank, and the Bank owes to other forms of obligations. Bank's work is reflected in the general budget, thus its financial position as well. Usually the balance sheet issued at the end of each fiscal year for the Bank. The Bank's budget is made by both sides. On the side of assets and liabilities and obligations. It is usual that the opponents score on the left side and right side assets. Below is an overview of the Bank's balance sheet.

Liabilities	Assets
1. Capital	1. Cash
a. Authorised capital	a. Cash on hand
b. Issued capital	b. Cash with central bank and other banks
c. Subscribed capital	
d. Paid-up-capital	
2. Reserve fund	2. Money at call and short notice
3. Deposits	3. Bills discounted
4. Borrowings from other banks	4. Bills for collection
5. Bills payable	5. Investments
6. Acceptances and endorsements	6. Loans and advances
7. Contingent liabilities	7. Acceptances and endorsement
8. Profit and loss account	8. Fixed assets
9. Bills for collection	

Table. Balance Sheet of the Bank

3.7.1. LIABILITIES

Liabilities are those elements at the expense of the bank, which would push the others. It shows the other claims on the West Bank. Now we have to analyze the various elements in liabilities side.

1. **Capital:** The bank has to raise capital before the start of its work.

2. **Reserve Fund:** reserve and undistributed profits accumulated the world's Fund Bank.

3. **Deposits:** Deposits from the public, such as demand deposits and savings Deposits and fixed deposits are an important component of the liability side Of the balance sheet.

4. **Loans from other banks:** Bank loans from other banks. Bank Take loans from other banks, especially the central bank, in some Exceptional circumstances.

5. **Bills payable:** Due to the transfer of bank transfers include Telegram World Bank. These projects and send remittances to their Owners through the bank's branches and agents and journalists who charge By the bank.

6. Acceptance and Support: This item appears as a blocker on each From both sides of the balance sheet.

7. Contingent liabilities: The potential of these commitments, which comprises a No advance and liabilities unexpected knows. Each bank contains

Specific provisions to cover potential liabilities.

8. profit and loss account: the profits made by the bank during the year under this is the address. With the shareholders that they represent a burden on the bank.

9. bills to collect: This item appears on both sides of the balance sheet.

3.7.2. ASSETS

According to Crowther, the asset side of the balance sheet is more complicated and interesting. Assets are claims on other banks, in the distribution of assets, and are subject to the Bank by Some of clear principles. These principles are form the the principles of investment policy of the bank or the basic principles for the distribution of the bank's assets. Important guidance for the distribution of bank liquidity, profitability and asset safety or security. In fact, the distribution of the various elements in the asset side, in descending order of liquidity and in ascending order of profitable. Now, we have different items per asset side analysis.

1. **Cash:** Here we can distinguish Monetary Fund in cash at the central bank and other banks and cash on hand and cash in bank lockers indicates. It is the most liquid, which can be used immediately to meet the obligations of the assets of depositors. The IMF called for the first defense line of the bank.

2. **Money demand at short notice:** money on short notice call include loans to stock brokers, discount market participants and other banks.

3. **Bills discounted:** While commercial banks invested in short-term bonds consist of treasury bills and bonds filtered in character in.

4. **Bills for collection:** As previously mentioned, it shows that the item is on both sides of the balance sheet.

5. **Investments:** This item includes the total amount of the bank's profits. Bank invests part of its funds in government and non-government guarantees.

6. **Loans and advances Loans,** advances and assets of the most profitable banks.

7. **Acceptance and support:** Also discussed earlier, and it seems that this item contraindications as on both sides of the balance sheet.

8. **Fixed assets:** It involves the construction of fixed assets, furniture and other property owned by the bank.

3.8. MEANING OF CENTRAL BANK

The Central Bank is a leader in the banking structure to set up in the country. Supervises and oversees and regulates the activities of commercial banks and the Bank for them. It also works on the banking business, of the under and adviser to the government in all of fiscal and monetary issues. The central bank is also the country's assets abroad server, is responsible for maintaining constant control of the government and the management of more than one exchange rate exchange rate. The most important function of the Central Bank is to regulate the volume of currency and credit in the country. It is no exaggeration to say that the central bank of the central arch to the monetary and financial framework in the developing countries all over the world, and almost put. In developing economies, the central bank has also to perform certain functions promotional and development to accelerate the pace of economic growth. In each country there is one bank which acts as a leader of the financial market, supervision and control and regulation of commercial banks and other activities of financial institutions. It acts as a bank issue, and we are in close contact with the government, banks, agent, lawyer for the latter. It is known that the central bank in the country.

3.9. DEFINITION OF CENTRAL BANK

It can be easily banking tasks carried out by the institution sets. According to Vera Smith, the basic definition of central banks is the banking system, one bank has a monopoly on full or if there is a supplementary note. Kish Walken believe that "the primary function of the Central Bank is to maintain the stability of the monetary level. In the Statute of the Bank for International Settlements, the central bank, known as Bank of the country, which documented a duty to regulate the currency size and credit in that country. DeKok gives a very comprehensive definition of central bank . According to Cook, the central bank is a bank which forms the upper part of the monetary and banking structure in the country that are being implemented, and the best they can in the interest of the national economy:

(a) It has been awarded the currency regulation and according to the requirements of business and the general public, and to this end, either alone in the right order or at least a partial monopoly.

(b) The overall performance of the International Agency for banking services.

(c) Cash reserves of commercial banks.

(d) Booking and management of international reserves of the country.

(e) Granting residence, and advances in reduced form or guarantees, and commercial banks, brokers and traders of the law, or other financial institutions, and public acceptance of the responsibility of lender of last resort. In the form of re-discount, or provide side of the commercial banks, brokers and traders of the law, or other financial institutions, and public acceptance of the responsibility of lender of last resort.

(f) Settlement distances between banks.

(g) Credit control and according to business needs in order to implement monetary policy, and a wide range of state certified in advance. The nature and function of the central bank differ in advanced economy compared with those in developing economies.

3.10. FUNCTIONS OF THE CENTRAL BANK

Functions of the Central Bank of the country to another, depending on the prevailing economic situation. But there are some tasks that are normally performed by the Central Bank in all countries, and there are six tasks to carry out.

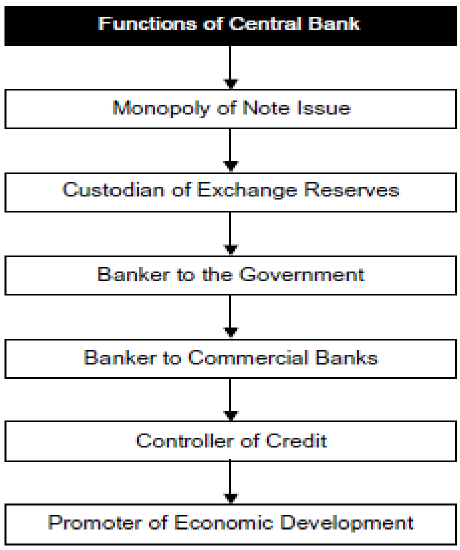


Fig.5. Functions of Central Bank

3.10.1. Monopoly case Note: Money is always the issue of the competence of the government. Maintaining the coins coined with himself, the government authorized the right to print banknotes from the central bank.

3.10.2. Custodian of cash reserves: Each central bank holds foreign exchange reserves of major currencies such as the pound sterling and the US dollar and other senior currencies, gold stocks, gold bars and other such reserves in its custody.

3.10.3. Banker to the government: Central banks all over the place and functions of the agent bank and adviser to the government.

3.10.4. Bank to commercial banks: In general, the central bank works like bankers banks in three different hours:
(A) It works as a servant of the cash reserves of commercial banks.
(B) Acts as a lender of last resort.
(C) The central bank clearing, settlement and transfer.

3.10.5. Credit Controller: Perhaps the most important of all tasks carried out by the central bank to control credit operations of commercial banks.

3.10.6. Promoter of economic development: In developing economies, the central bank can play an extremely important role for economic development of the country. Monetary policy is a tool for economic development planned with stability.
See (Giacomo 2005),(Johannes 2014), (Ne. Thi. 2009), (Ravi 2008).

CHAPTER FOUR: STRATEGIC MANAGEMENT IN BANKING

4.1. NATURE OF STRATEGY IN BANKING

Foreign banks have upgraded today's high-performance of the annual budget for the management and strategic planning. Strategic management is the administrative process to develop and maintain a viable fit between the Bank's objectives and resources of the company and the changing environment of the market and regulations. The aim is shaping and reshaping the bank's activities and products so that they promote growth, profit growth target yield, and an increase in shareholder value. Four key ideas define strategic management. **The first key** idea calls for a strategic vision of the bank (General Description of the organization in the future, the business strategy as the main business of the bank). In other words, it runs through a coherent and enlightened leadership, unify, and a full range of strategic decisions, which is concerned with: scope of the bank's activities;

- matching of the bank's activities;
- Matching the bank's activities for the development of the capacities of resources the ability of the allocation and reallocation of resources;
- Values, expectations and objectives of the Bank;
- Banks' long-term plan aims to achieve sustainable advantages and long-term growth;
- The implications of the change in the bank.

The second key idea calls for managing a bank's businesses as an investment portfolio. It consists of a semi-separate companies that decide to bank that commercial entities for the construction, maintenance and disposal down, or quit. Every action has a different possibility of profit, should the executive management team allocation of bank resources according to any profit potential, according to market standards. **The third key** idea is to make an accurate assessment of profit potential in the future of all the work by looking at the position of the bank.
The fourth key idea is that of strategy and planning for each business.

4.2.ANALYTICAL TOOLS OF STRATEGIC IN BANKING

4.2.1.APPROACH TO STRATEGIC DECISION MAKING

Now consider the details of the first steps of the strategic management process two. These steps completely reside on the bank level. They have a great importance because it is the primary mechanism to allow the executive management team to provide a sense of vision and leadership of the bank as a whole. The bank institution level tasks cannot be delegated to any lower level in the organization.

Strategic management is primarily concerned with the future direction of the bank as a whole. This involves a change management within the banking environment - internal and external change. This involves the strategic decision-making, which is concerned with:

- The scope of the Bank's activities.
- Matching the Bank's activities to the requirements of real market.
- Matching the Bank's activities to the capabilities of its resources.
- Allocation and re-allocation of key resources in the bank.
- Future directions for the development of the bank in the long term.
- The Bank's ability to adapt to a changing environment.

4.2.2. RISK MANAGEMENT IN BANKING

Banking and includes many risks. At the same time the banks have to be the most reliable and safety institutions. That is why risk management represents one of the most important tasks in the bank's management.

4.2.3. MAIN TYPES OF RISK IN BANKING

Although the term "risk" and "risk management" is used often, the same concepts are versatile and can be defined in many different ways. In the broadest sense, it means the risk of uncertainty regarding future events. A more detailed of risk definitions are usually depends on the type of industry the person who gives the definition. Risks in the banking sector meant it was possible event that could cause a negative impact on profits or stock of the credit institution. It includes risk management function of all the Bank's activities. There are a number of financial risks involved in the publication of bank funds. Bank next to these activities take deposits, and securities issues, raises money in the transaction balances (settlement) accounts, and so brings new risks. Moreover, the fact that the financial institution is all of the assets and liabilities side activities mean extra exposure. This requires a special approach - asset management and responsibility. Operational activities, and implementation of information technologies and marketing produce different functional risks may also negatively affect the banks' profitability and capital. Environmental risks to the bank's overall effect, and some of them are also the risks of compliance is of great importance. This is why risk management is one of the main strategic tasks in the bank's management. A particular task requires the establishment of systems of risk management applied on the activity of each unit.

There are many different categories of banking risks. The risks are generally classified into three categories, namely:

- Financial.
- Functional.
- Environmental risks.

Financial risks arising from unexpected changes in the size of the return and the value of assets and liabilities. Normally associated with the use of borrowed money. Arise functional (often called operating) risks in the process of creating products or services; existed in the operations of each bank. It is caused by functional risk for not being able to secure control in a timely and comprehensive business operations, and the collection and analysis of relevant information in a precise manner and in a timely manner. And it can be harmful, such as financial risks, but it is difficult to define and measure. At the end of the day, and the risks and functional also lead to financial losses; see (William 1998).

Chapter Five : Practical

Interviews and negotiations related to this thesis were made with the branch managers of the banks in Van province. These managers were questioned as to whether any examples of strategic management existed in their banks or not in the past or at present; they were asked whether they would like to share these cases or not.

Throughout the process of our interviews, two banks gave detailed information. General policies required them not to write their names. (The stated that they might be able to give information to the relevant departments if necessary.) Two important strategic managements were observed in general: the first of these strategic managements is " **grow through shrinking**. The second can be stated as thus: " **Ideas are the best capital**. **Credit can be given**. '

Strategy of Growth Through Shrinking

This strategic management model is very old and belongs to one of Turkey's largest banks. Bank management, in 78 provinces (there were 78 provinces in those years) in his examination has identified the following points within the framework of their branches.

Is a multitude of loss-making branches (Let us number it as 'n').

Due to rapid development in the past couple of years (by volume) fast recruitments and employments were put into effect. Many of them are unqualified. (The number of them as k_1)

Most operations in loss-making branches are small-volume transactions. (Invoice collection. Etc.) (Internet banking in those years was not busy as it is now)

The current situation distorts the image of the bank.

Works To Be Done

Action 1: 1.Process : Closing of Branches .

Status: n. Cash savings equivalent to the losses of branch (gain) (let us name it as Z)

2. Process : Lay-offs of unskilled staff by paying compensation.

3. Process : Unqualified elements to be laid off in the branches of the banks which are not closed (numbered as k_2).

Step 4: Qualified personnel of the closed branches to be transferred to the unclosed branches (numbered as k_3 persons)

Provided as ! $k_2 \cong k_3$

Action 2: Status: $(k_1 + k_2)\ x$ compensation $= T$

Which was found as $T < 2$.

Action 3: Decision: 4 Process in Action 1 will be conducted.

Conclusions: After Action 1 is performed, the remaining $N - n$ will add quality to the branches; in this way, the bank will gain a new form.

The Bank's management made an analogy of this situation of the obese unit with an athletic person who wants to get rid of the dangerous heavy weights.

Situation Analysis

As a result of the strategic action, the bank has been ;

- Rescued from loss-making branches,
- Began employing qualified personnel rather than unskilled or unqualified personnel,
- It has gained a respectable place in the banking sector,
- It increased the amount of profit,
- Management and staff are in a position of increased motivation.

New Terms Resolutions

The following resolutions were taken in bank for the second strategic action.

In the new era, the mistakes made in the previous period will not be forgatten, and utmost attention will be shown for preventing recurrence of the mistakes.

2. Preparations will be made prior to growth.

2.1. Maximum attention will be paid in the employment of the personnel,

2.2. Recruited members will be trained with necessary methodologies of training before working on the field.

2.3. Final evaluations of training will be made under appropriate conditions by external departments. However, those who deserve to become successful will be eligible for recruitment and employment.

3. Before growth in the volume occurs, importance will be given to high-stakes transactions. The so-called ‘upstairs banking’ will be established.

4. The high-stakes credits or loans will be supported in order to gain prestige, and priority will be given to making natural advertising.

5. In case of new branches to be opened, the performance will be determined with the logic of a remote branch with higher salary.

6. Article 1 will never be be forgotten.

Strategic Implementation

'IDEAS ARE THE BEST CAPITAL; LOANS OR CREDITS CAN BE GIVEN '

The preliminary objective of a bank is to make a profit. An appropriate instrument for realizing this goal is giving loans or credits.

We will not elaborate the loan types in detail here.

Credit is given, depending on the type of loan, size of loan, in a way to guarantee the return of the loan through taking some necessary precautions like guarantee letter, mortgage, etc. There is no need to go into any details.

The focus of concern will be on SMEs (Small and Medium size Enterprises) and retail loans.

This is an instrument developed for supporting entrepreneur loans, entrepreneurs who want to start a new business and participate in economic life. This instrument related with loans can be utilized by university graduates, who have got no professional experience and who want to establish their professional environment as entrepreneurs with a cash of A thousand TL or those who want to start their own businesses with a cash or loan amounting to B TL. A and B amounts vary depending the banks; however as a general rule A is greater than B (A>B). Entrepreneurs who have been supported with grants by such institutions as KOSGEB, TUBITAK, TTGV are also supported with loans or credits.

The documents required to take advantage of these loans are as follows.

SCHEDULE 1

1.Entrepreneur loan application form

2.Company / owner / identity card photocopy of partners.

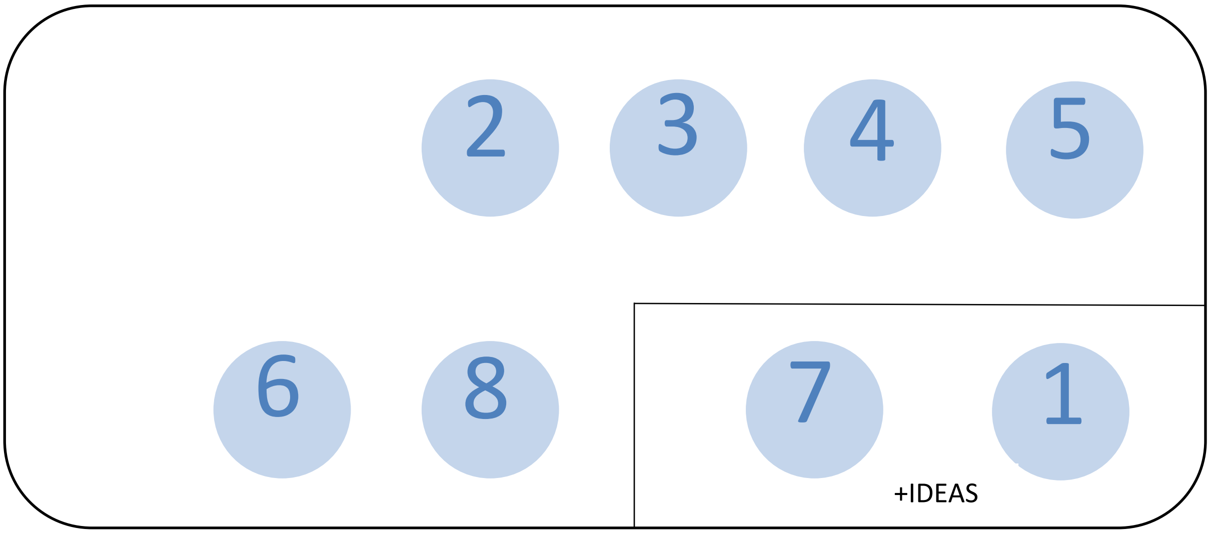
3.Turkey Trade Registry Gazette or craftsmen and artisans gazette

4.Tax Bill.

5. The notarized signature of the authorized person to be represented.

6. Documents showing the income and asset situation (Vehicles, license, land, etc.).
7. Education status certificate / Training certification.
8. Documents showing the business locations deployed previously.

Documents enumerated as 2, 3, 4, 5 and 6. in the list are designated as documents to be give in case of the ownership of a new business to be demanded by the applicant. The document enumerated as 8 is based on experience.



What can an entrepreneur who has got a good idea but who could provide only 1. and 7. Document do?

The strategic discovery of the bank at this point can be utilized. A project is developed. The project slogan is.

'**I**DEAS ARE **B**EST **C**APITALS. **C**REDITS CAN BE **G**IVEN'.

Let us encode this as FISKV. (This is our own encoding. The bank did not use it) **(IBCCG).**

Implementation of Strategic Projects

First, a project evaluation unit within the bank (PEU) is considered to be established. However, it is not possible to determine the type and the structure of the project (on a sectoral basis) It would also not be possible to predict in the beginning the volume and the structure of PEU. In addition, the project will be implemented based on the workforce outside of the banking sector (possibly 99%) , the workers will be employed from the external sector. It is imperative that they be composed of experts. Naturally there will be a great financial burden on the banks.

The second idea is premised on the assumption of mobility of the team as an integrate part of the project. Projects can be grouped and sent to the relevant project teams. That is to say the jury process can be implemented. The concept of the jury brings to mind the idea of competition in the background. Since the jury would be convened on a regular basis there would be a minimum cost. The idea of competition or jury raises the idea of open competition as a third idea. Thus, the sale of the agreed strategic projects within the context of IBCCG is determined as thus:

IBCCG

1. Announcements made by the bank which will support the idea of the project include;

- Categories,
- Qualifications required in the participants(as few people as possible),
- Competition terms and conditions,
- Periods,
- Incentive loan amounts (unrequited),
- Competition locations (zones) are determined and announced.

2. For those who take unrequited loans for idea projects, a contract will be made. (The aim here is to discipline) Evaluation

An evaluation at the end of the 1st year can be made as thus:

On a national scale in the 4th Region competitions have been planned to be broadcast in a program on a TV channel.

3. General interest was higher than expected.

4. An increase in the number of customers of the bank has been observed especially in the younger population.

5. 60% of the project has aroused interest in the SME-s.

6. 30% of the project has been evaluated in the service sector. 10% of feedback has been realized.

7. Project competitions have created a natural advertising; the amount of the advertisement fees are greater than the total sum of unpaid loans.

8. Due to the juries in this sector and in various sectors of the business world the prestige of the bank has increased.

9. IBCCG's SWOT analysis should be planned next year.

CONCLUSION

Strategic management in banking is the process of administering a bank such that it continuously formulates and implements strategies. At the present time, the banking sector has to apply strategic management in banking. Two practices in Turkish banking are very imtortant to strategic management in banking. In this thesis we give two important aplication. One of them is a strategy we called ‘**Growth Through Shrinking**’. This strategic management model is very old and belongs to one of Turkey's largest banks.

The second strategy is named: **'IDEAS ARE THE BEST CAPITAL: LOANS OR CREDITS CAN BE GIVEN ' .**The preliminary objective of a bank is to make a profit. An appropriate instrument for realizing this goal is giving loans or credits. Credit is given, depending on the type of loan, size of loan, in a way to guarantee the return of the loan through taking some necessary precautions like guarantee letter, mortgage, etc.

In conclusion, every bank should discover for themselves the optimum strategic management.

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