

G Gopalakrishna: Training for commercial bankers

Speech by Mr G Gopalakrishna, Executive Director of the Reserve Bank of India, at the inauguration of the Academic Block of the NITTE Institute of Banking and Finance, Mumbai, 9 November 2013.

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Honorable Chancellor Shri Vinay Hegde, Professor Dr Ramandanda Shetty, Dr Shantaram Shetty, Dr Thingalaya, Shri Anantha krishna, Chairman, Karnataka Bank, ladies and gentlemen. It gives me immense pleasure to inaugurate the academic block of NITTE Institute of Banking and Finance. It is an opportune time as also the need of the hour to enhance professional skills of bankers since we are poised for a big leap-waiting to enfold new banks, new banking structure, perhaps a lot more innovation in banking procedures and a greater contribution to the whole process by information technology. Here is where institutes like NITTE can help in levelling knowledge and awareness and create a level playing field for bankers in terms of skills and attitude.

My thoughts today are focused on the increasing need to integrate the present with the future. The past is passé though it has taught us many lessons. Gone are the days of conventional banking where things could be predicted with reasonable precision. The changing scenario around us and across the world leads to the conclusion that there is an imminent need to keep abreast of everything under the sun when it comes to banking... This then forms the crux of our interaction today – how can such far reaching changes be brought in the mind-sets of millions of bankers who look at these recent developments with awe, interest, curiosity and also with a determination to surmount the impending challenges. One of the main challenges today is to recruit appropriate work force, train them and also retain them. At the same time, it is imperative that we, as bankers, also do not lose sight of the training needs of those who are with us today, have been with us for a considerable period of time and will continue to extend the same sense of loyalty to the institution that they have served. In order that the banks compete in a healthy manner as also enhance the capabilities of their workforce, the utility of training as an essential tool in today's challenging times cannot be undermined. NITTE and other institutions with similar philosophies have a stellar role to play in this context.

What constitutes training? Is it the enhancement of theoretical knowledge or skills – the KASH philosophy: Typically, any programme that aims to embellish an employee's talent has to necessarily understand the prospective trainee's work profile, his specific talents and skills and the level of expertise he has gained in the work area assigned to him. There is thus a need to embark on a path of upgrading skill-sets, knowledge and attitude, all at the same time. The knowledge component is abundant amongst banks, and employees have always been encouraged to attain professional qualifications in various areas of banking and finance. Skill sets may vary amongst different types of banks, each characterised by its own staff pattern, work culture, basic business ethos and practices, requirements of the job and historic trends in evolution. However, banking today is getting increasingly competitive. With large expansion of branch network and new players, there is definitely going to be a clamour for talent Today, banks are at the verge of re-inventing themselves and I must say this process of renaissance is not just borne out of an apparent challenge from more players in the field but one that stems from an overpowering need to innovate. The approach to training thus needs a renewed look, heightened passion and the will to see to it that the pace of training, research and development does not slacken in the wake of seemingly better skill-sets today. Who knows, today's skill set may seem grossly outdated and ancient tomorrow. Thus, training of employees at all levels can play a significant role in embellishing what has come to be known as "KASH"-Knowledge, attitude, skill and habits.

Does training need analysis or do training needs require prior investigation? There is a subtle and understated difference between both precepts. There are no common methods to target all parameters that we seek to develop in an employee-training to enhance knowledge may not be suitable where the need is of enhancing skills; similarly, attitudes and long term changes in habits can only be brought in by attitudinal training interventions. Training needs cannot be purely slotted as those that require only the knowledge component or skill sets of trainees. There could always be a requirement of a judicious combination of all or various elements in KASH that can deliver the goods. Hence, “training needs analysis” and “training needs also require an analysis”. What we are trying to underline here is that

- (i) The methodology to be adopted for enhancing knowledge, skill, attitude of employees has to be designed after taking into account the precise levels of expertise, development and knowledge levels of the target group. Thus, what kind of training input is essential for a given set of objectives itself requires a thorough understanding.
- (ii) The arrival at a precise training need itself requires an analysis. For instance, a need for training employees on KYC/AML aspects cannot be met with a mere hands-on practice on the software solutions being used by banks for such purposes, but by necessarily supplementing such interventions with a firm background of what is required to be looked into when one seeks to ascertain the KYC status of a customer.

What are the various areas which need incisive insights as far as training intervention in banks are concerned? In today’s compelling times, we need to look at several things simultaneously –

- exploring leadership skills (attitude based training);
- transformation management (which seeks to combine the best of knowledge, skills and attitude to cope with increasing demands of competition, diversity in products being launched, innovations being done in the field of banking as also requirements of technological proficiency);
- risk management encompassing enterprise wide risk management strategy (that could be best met by an apt combination of risk management precepts, skills, practices and knowledge components);
- banking innovations themselves (there is a need to remain abreast with other players’ foray into new types of services and products with an aim to at least equal those initiatives if not better them); and
- information technology based intervention (that would focus predominantly on skills with a significant knowledge quotient as well to ensure application of skills of employees to operate standard solutions and packages, trouble-shoot, improvise and possibly also innovate).

Can training needs be uniform across institutions? Do occasions and opportunities decide training intervention? Obviously training needs cannot be uniform as each bank has a unique structural make-up of its own with a different set of aspirations. What applies to a public sector bank may not be applicable for a different skill set present, say, in foreign banks and new generation private sector banks. Further, training need is also accentuated by the exact realm that the bank is seeking to explore. PSBs have shortage of skills in credit appraisal and risk management, whereas new private banks and foreign banks have better skills in these areas. Training intervention in banks will thus have to be geared towards orienting, facilitating and encouraging more employees to take up positions in such areas to manage the competitive rush.

Innovation in training and innovation in banking – is there a synergy? Any new product launched by a bank generates either competition or replication and the competitive interests

definitely determine that innovation per se be seen as a significant field of study by banks. Banks are attuned more often than not, to meet challenges posed by innovative techniques and products launched by fellow players. Thus, initiatives in this field are more reactionary. There has to be an active build-up of skill-sets backed by appropriate encouragement from top management themselves to see as also foresee “innovation in banking” as a new challenge and goal that should constantly be re-aligned with future requirements of customers. In fact, there is a distinct school of thought that also postulates that perhaps banks and financial institutions need separate departments or verticals focusing on “innovation” alone. Such a process of innovation needs rigorous thought process, research and development as part of framing strategies. Innovators’ skills will require constant upgrades in terms of peer practices, product designing, test of acceptability by markets, feedback and innovating/improving further. Thus innovating itself needs training of skill-sets and knowledge levels. The needs can be met better with increased focus on improvising and innovating training inputs and also synergising them with elements of technology, design, statistics, surveys, mathematical models and inter-personal skills in right proportions.

Exploring the training frontier: who is my client – my own employee or my customer?

Banks are invariably driven by objectives of furthering customer-centric interests and in the process, furthering their own interests. Modern methods of reaching out to customers range from door to door banking on one hand to accessing customers through such initiatives as electronic banking, on the other. Thus, the two extremes of the spectrum need to be comprehended adequately, which would involve identification of training needs of own employees as also such agents as banking correspondents who aid the process. In the wake of burgeoning NPAs of banks, a view that has often gained currency is borrower education along with lender education. While the former is relatively easier to achieve as banks themselves have the wherewithal to engage their own employees in adoption of prudent lending practices backed by theoretical and practical education on norms, procedures, precautions and supervisory techniques; borrower education is an innovative form of ensuring that the borrowing clientele is trained to meet the larger needs of the bank. Who can deny the fact that banks would stand to benefit if the borrower is equipped with knowledge on adopting prudent borrowing practices, ensuring adequate collaterals and securities and is sufficiently coached on legal issues that may erupt when repayment obligations are not met. In fact, a case in point is the financial inclusion initiative taken by RBI and banks. Financial literacy campaigns involve “training of minds” of people (mostly the financially excluded) to the encouraging possibilities in maintaining and operating bank accounts, adoption of saving habits, awareness regarding direct benefit transfers, etc. Such endeavours, however, can be successful only if the persons who impart such education are also adequately trained.

Training of trainers is an avowed target under the National Training Policy of the Government of India and has found an echo in various institutions including banks. In RBI, we have had dedicated programmes aimed at faculty development for equipping trainers with conventional and contemporary training techniques, enhancing communication skills, usage of appropriate training tools and devices befitting the target group. The form and technique of training required for a particular purpose is heavily dependent on the sophistication of clientele targeted. Surely, a technique that may appeal to a highly enlightened class of employees may not find favour with relatively lesser educated section of employees or the common man who is being targeted under various financial inclusion projects. Therein lays the essence of “training needs analysis” which can be best articulated by the trainer himself. An effective trainer who understands the job and its ambit is the one who can drive and derive results. If the teacher himself is under-taught, there can possibly be no transfer of knowledge and skills further. Institutions like NITTE have a greater responsibility in training the trainers in banks, which can be a significant source of mutual learning as well.

Change management and training initiatives – the process of impact evaluation:

Change management is perhaps the biggest challenge that institutions face. While skill

upgradation can be met with appropriate coaching, one to one and one-to-many training initiatives, the management of change is fraught with attitudinal risks that are difficult to measure at once. It would be futile to assume that dedicated training programmes alone will help in changing attitudes for the better. There are several demands that banks recognize on their own for embellishing their own systems and skills, while there are also others that are ordained by dictates of regulation and supervision. A case in point is the preparedness of banks for the risk based supervision (RBS) process that was launched in the current supervisory cycle commencing from April 2013. There has been a measured approach behind bringing in roughly 30 banks under the RBS ambit. The reasons are manifold and range from technological preparedness, adequacy of risk management techniques and skills and extent of human resource development in banks. The very fact that a certain segment of the banking sector still remains uncovered is an indication of the fact that those waiting to be brought under the fold have to augment their initiatives to better the skill-sets of their employees by way of an active training intervention in appropriate areas including HRD. Training programmes, necessarily, will have to be followed up by a rigorous exercise of “impact evaluation” involving analysis of employee behavior, perceptible changes in operational and behavioural efficiency, observing emerging business practices a little more closely etc. Perhaps, the biggest barrier to training initiatives is resistance to change. The most prominent example in this regard was the initial reluctance that banks in India displayed, when computerisation of work processes was introduced in mid-eighties. The ultimate objective of any training that targets the management of change is the ease with which the change is accepted leading to self-actualization for the employee and tangible benefits for the banks.

Towards self-actualization and feedback generation: In an effort to nudge employees to take the next step towards self-actualization and furthering the business interests of banks, some very important steps needed are (i) establishing a “connect” with the target employees; (ii) expectation setting and preparing the trainees; (iii) setting context and clarifying goals; (iv) ensuring comfort, boosting morale and confidence; (iv) forging bonds between the senior and junior level employees to drive the change and last but not the least (v) performance review. Unless there is an objective analysis of results derived from any training program, there is no effective feedback that can trigger betterment in training processes and/or alteration of the training initiative itself. Thus, training has to be invariably accompanied or rather summarised by a feedback that is reliable, easy to generate, objective and certainly not influenced.

How serious are training initiatives in banks? I have reasons to believe that training initiatives receive the utmost attention and is not looked upon as a functional adjunct that is mandatory in nature. Statistics of training practices and philosophies across a cross section of banks in India support my conclusions. I am glad to note that most institutions do follow a regimen of “training needs analysis”, to ascertain the specific training need and addressing that need precisely, taking care to cover as many employees as possible. On an average, 60–65% of the employees are invariably covered every year under some or the other training programme, though there are also banks that post an achievement rate as high as 85–90%. On the other side of the spectrum are a few banks which have been able to train not more than 37–40% of their workforce in a given year.

It is particularly heartening to note that training initiatives are not just confined to officer/executive staff alone but encompass all employees. There does exist an active process of delineating programmes and categorizing them as induction (on-boarding of employees), behavioural, functional and leadership training, which leads one to believe that banks are fully alive to the necessity of a multi-dimensional approach to training. There is a profound emphasis on development of “soft skills” amongst development of other skill sets. Further, a follow-up to class room teaching or coaching by way of “on the job” training has been considered to be the most appropriate form of training by most trainers in banks. The

effort to build skills on the job and the ability to apply them to practical situations is seen to be a prime training need.

Agreeably and also predictably, most banks have identified training gaps in the areas of credit management, risk management, agriculture programmes, marketing, and foreign exchange. These areas require an equal measure of knowledge of rules, practices and specialized skills for appraisal on one hand and an awareness of markets on the other. These are also some areas where banks have felt a dire need for training by external experts and institutions. An interesting yet compelling train of thought in banks also has “employee superannuation trends” as its focus with an objective to prepare more leaders in banks to take up challenges in the coming years, especially through such aspects as “mentoring”. e-learning portals as means to top up training facilities internally has found wider currency in the training curriculum of banks. Certain interesting concepts in training have also emerged in recent times as revealed by such interesting themes as “selling skills”, “alternate delivery channels”, “product knowledge”, “vertical career progression” and “mentoring”, thereby signifying banks’ intent to adopt the most modern innovations, thinking, employee aspirations and philosophies in training. It would also not be out of place to suggest at this juncture that training has, over the years, evolved as a specialized and noble profession and has emerged as an interesting career prospect as well.

Training for one and training for all: There is also a school of thought that perceives that training is needed only for the line functionaries in the bank. The maxim is entirely untrue. Corporate governance requires as much training as say operational or technological areas. The demands from higher level employees including Board level executives of banks in terms of accountability, responsiveness and competence calls for the need for appropriate training interventions to keep them up-to-date. RBI’s own guidelines on corporate governance postulate that there should be an adequate intervention for new inductees on the Board. More specifically, in order that independent Directors on Boards perform their roles ably and without interference, it would be extremely necessary to train them on such aspects as their powers, responsibility towards the stakeholders and expectations from them that transform with changing times. We, in RBI, have evolved an active process of interfacing with Nominee Directors on Boards of various banks and engage them in suitable interventions, conferences and seminars to disseminate the latest in regulation, supervision and set out their responsibilities and roles in upholding independent stance in decision-making.

My emphasis above has been to drive home the point that training needs are felt across various echelons of banks and financial institutions, as also classes and categories of employees. Training efforts only get reinforced with greater co-ordination amongst like-minded institutions; and maintaining an open channel of communication to understand the precise training needs of banks and financial institutions. It would be even more utilitarian to collaborate on training efforts, which we have been adopting with success in RBI. I hope that NITTE will bring in more specialization, greater association with national and international training houses of repute and introduce a wide range of topics to choose from. My best wishes are with the institute to build more bridges between the training and trainee fraternity, bring in more innovation and technology in training methodology and target untapped reservoirs of talent in banks and financial institution.

Thank you.