

K C Chakrabarty: Ten Commandments for a successful banking career

Address by Dr K C Chakrabarty, Deputy Governor of the Reserve Bank of India, at the ICICI Bank Probationary Officer Convocation 2011, ICICI Manipal Academy, Bangalore, 13 December 2011.

* * *

Assistance provided by Ms. Rakhe Balachandran in preparation of this address is gratefully acknowledged.

Ms Chanda Kochhar, MD and CEO, ICICI Bank, Shri T. V. Mohandas Pai, Chairman, Manipal Global Education Services, Dr K. Ramnarayan, Vice Chancellor, Manipal University, Shri Rajiv Sabharwal, Executive Director, ICICI Bank, other distinguished guests, ladies and gentlemen, and my young friends.

It is indeed a pleasure to be here in your midst today. Young people infuse energy and vigour into any gathering but bright, young bankers like you also make it a learning experience. Convocations are always a very special occasion as they signify both an end and a beginning. An end – to a formal learning process and, hence, a moment of great satisfaction and joy for everyone involved. And a beginning – as it marks the threshold of the next stage for applying practically the knowledge and skills acquired through the formal learning process, thereby, acquiring real world learning and experience. I congratulate all the graduates of the ninth to eleventh batch of the ICICI Manipal Academy and especially thank Ms. Chanda Kochhar for giving me the opportunity to address these young budding bankers. The ICICI Bank Probationary Officer Programme, I am sure, is an effort to “Catch Them Young” and create the bankers of tomorrow – a set of new generation managers for banking in newer times. Nowadays, when the financial sector the world over is undergoing a period of most rapid acceleration and change, the greatest challenge before all organizations in this sector is to build up an institutional architecture that enables and sustains intellectual capital. This is especially important as in times of “creative destruction” – to use Joseph Schumpeter’s classic phrase in his theory of economic innovation – new ideas, new constructs and new expectations emerge. And this, in turn, makes the role of new generation managers in these institutions more demanding than that of bankers of yesteryears. The term “generation” refers to a common identity arising from common experience. Thus, the identity of *Gen Y* Managers, that all of you perhaps are, would also arise from the common experience of a changing world around us, a product of the wider historical context.

As you know, financial sector reforms since the year 1991 have heralded a dramatic shift in the way banks function and operate in India. The changed environment and the internal compulsions arising from greater competition and the need to improve their market share and profitability have given rise to the quest for greater efficiency and the need to reposition themselves given the realities of the environment and their internal strengths and weaknesses.

But at the same time, the compulsions of business must not take away from the basic tenets of good banking. Understanding and inculcating certain qualities will help ensure each one of you becomes a successful banker in the years ahead and this, incidentally, would be the theme of my address today. But, before I delve into that, and knowing fully well that you would have studied about it during your graduation, let me start by explaining banking and its importance to the society.

What is banking?

Banking, conventionally, is defined as the acceptance of deposits of money from the public for the purpose of lending or investment. These deposits are repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise. Deposits are accepted from

individuals as well as from firms. In sum, the nature of banking business can be summarised in two words, *i.e.*, “financial intermediation”, which needs to be carried out efficiently (both operational and allocational) for stimulating the real sectors of the economy. Another essential characteristic of Banks is that they are highly leveraged and, hence, special and need to be regulated for protecting the interest of depositors.

As banks are institutions with legal backing and as there is a banking regulator to oversee their financial solvency and soundness, it enables the banks to earn the trust and confidence of the public. You are also aware that banking in India, as elsewhere, takes diverse forms *viz.*, banks formed under special statutes, companies registered under the Companies Act, 1956 or foreign companies and co-operative societies registered under the Co-operative Societies Act. Banks are classified based on their ownership pattern such as public sector banks, private sector banks and foreign banks. Some specialized institutions such as ICICI have morphed to banks. Yet other institutions such as EXIM bank, SIDBI and NABARD specialize in trade, small industries and agriculture, respectively.

Apart from basic banking business, banks also undertake other services such as safe custody of valuables, granting and issuance of letters of credit to facilitate international trade, buying and selling in foreign exchange and collections of bills, among others. Banks also act as agent of the Government and other entities to undertake agency business. Extending loans and advances to the needy sectors of the economy on a priority basis is a very crucial function of the banking sector. Keeping in view needs of the Indian economy, banks are mandated to extend 40 per cent of their Net Bank Credit to the priority sectors of the economy. The priority sectors of the economy include, *inter alia*, agriculture, weaker sections, small scale industries, education and micro finance. These norms ensure adequate flow of funds to the most important and needy sectors of the economy.

But as you are also aware, over the years, banking has transformed. It is no longer the “3-6-3” banking. Banking sector has become more liberalized, more competitive, more stable, more customer oriented, more technologically advanced and also more profitable. The prudential norms were implemented, interest rates were deregulated, asset quality improved, entry barriers were liberated, new products were introduced, capital was infused and risk management was improved. There was also a decline in the concentration of the banking business in a few banks. Financial industry is moving towards expanded activities driven by customer needs, financial innovations, technological change, consolidation, convergence, global competition and financial inclusion. Many challenges lie ahead such as stiff competition, stringent regulatory norms, shareholders demanding higher returns, and also challenges of globalization and financial inclusion. Thus, as prospective successful bankers of future, each one of you should have a fairly good understanding of these opportunities and challenges to accomplish your job in an efficient way.

Importance of banking

In the older days when banking was not prevalent, people were forced to borrow money from money lenders at very high interest rates. Even today, in the rural unbanked areas of the country, people are dependent on money lenders for credit. Moreover, when people had to save, they used to hoard money in their houses despite the risk of robbery. The existence of a bank, with its legal sanctity, was a solution to both these issues. Banks extended loans and advances at affordable interest rates for productive as well as consumption purposes and started accepting deposits from the public. The provision of loans at affordable interest rates helped people smoothen their income and expenditure fluctuations on the one hand and start remunerative economic activity on the other. Apart from the safety provided by banks to the money deposited by the public, the interest offered by banks on deposits of the public acted as an additional incentive for depositing money with the banking sector. This inculcated saving habits among the public. The savings of the people become a productive part of the

economy. This is one of the important reasons why the Reserve Bank encourages or nudges banks to expand the banking network to all unbanked villages in the country.

While from a social point of view, distribution of credit at affordable interest rates is the most important argument for the existence of banks, from an economic point of view, it is the channelisation of savings into investments. Higher savings and investments are important in stimulating economic growth. Banks are important conduits for monetary policy transmission and play an important role in the payment and settlement systems.

The recent technological advancements in the banking sector through ATMs, debit cards, credit cards and electronic transactions further made the transfer of money across the financial system easy and convenient for the public. The electronic cards and point-of-sale terminals facilitated day to day financial needs of customers without the need for carrying paper money. The internet banking facility offered by banks also help customers to manage their personal financial transactions without visiting their bank branch. Along with the technological advancements, the opening of specialised accounts designed for non-resident Indians further facilitated transfer of money from abroad, *i.e.*, remittances.

Thus, in sum, banking affects all of us. Our lives are dependent on the banking sector in one way or another, directly or indirectly. It is the life-blood of the economy, a contamination of the same can affect any sector or region of the economy. Thus, as employees of the banking system, each one of you is taking up a big responsibility, not only towards the institution for which you are working but also towards the entire society.

Having set out the context, what are the qualities that each one of you should inculcate to become a successful banker? ***Let me explain the Ten Commandments for a successful banking career:***

1. *Thou shalt manage the people with empathy*

Banking is essentially an art of managing people, be it customers or staff. In a competitive environment, customers have to be treated as kings. Thus, delivering financial services to the satisfaction of customer, and prompt redressal of complaints of customers, if any, are very important. The complaints of customers should be heard with passion and remedial action should be taken promptly. The bankers should also take pro-active actions to increase customer awareness with regard to charges applicable to the financial services and the available redressal mechanisms.

Managing staff by providing them with a comfortable work environment is also germane to ensure the quality of banking services.

2. *Thou shalt strive to become a knowledge worker*

A knowledge worker is one who apart from knowing how to do a work and what he is doing also knows why is he doing what he is doing. We are transiting from an agrarian society, through an industrial society to a knowledge society. In the knowledge society, it is the knowledge institutions and knowledge workers who would thrive. Just because you have completed your studies and got into a job, you should not stop learning. Your career in the banking sector should be a learning experience. Now, while accomplishing your desk work in the bank, definitely you will go through a learning process. But that is not enough. You should develop and maintain reading habit to update your knowledge base. Because knowledge is the power of an employee and once you lose it, you are nowhere. Thus, there has to be a conscious effort from your side to keep your learning curve alive and be better than the rest. And do not restrict your knowledge base to developments in the banking sector only; rather all of you should develop a fairly good understanding of the economy over a period of time. Then only you can become a sensitive banker, *i.e.*, a banker who is sensitive to the needs of a growing economy.

3. *Thou shalt be accountable for all your work*

This is the most important quality which a banker should have. There should be accountability towards the society because you are working in a public institution and dealing with public money. And whatever you do in the bank as part of accomplishing your responsibilities are subject to scrutiny. Many of the financial frauds have taken place with the help of bank employees in the past. Thus, if the employees of a bank are sincere and committed to their institution and to the society as a whole, chances of financial frauds can be minimized. Further, try to know more about your customers and their occupations. This will also help in reducing financial frauds as well as financing of terrorism using bank funds. Thus, a vigilant and accountable bank employee is an asset to the banking sector. So, try to become an asset rather than a liability.

4. *Thou shalt do hard work*

All of you should remember always that hard work is the “*mantra*” of success. Nothing can substitute your hard work. And those who do hard work during the initial years of their career, will be the ultimate winners in the system. Thus, try to have a positive attitude towards work and try to have a good understanding about the challenges ahead. Prepare yourself for meeting those challenges and meeting the expectations of your institution. At the end of the day you will be rewarded in one way or another. So, do not hesitate to take more responsibilities in the initial part of your career. Be pro-active and do more work; this will improve your understanding of the subject.

5. *Thou shalt develop the right attitude*

At times, the attitude of the bank staff also keeps rural illiterate customers away from the banking system. So, as new entrants to the banking industry, try to build up friendly customer relationships. Do not discriminate customers based on their caste, sex, education and also by financial background. Try to extend fair services to all customers of the bank irrespective of their background. You all should take extra efforts to bring financially illiterate customers to the bank. This is because a good bank should not confine its operations to metropolitan areas, it should be willing and innovative enough to expand its services to under banked rural and semi-urban areas. Thus, as employees of the banking sector you have an important role to play in furthering financial inclusion, dealing with underprivileged sections of society and ensuring adequate flow of credit to activities associated with such people.

6. *Thou shalt attempt to become a pioneer*

Globalization opens up lot of opportunities for the banking sector from across the globe. However, to take advantage of these opportunities, banks have to prepare themselves. Banks will have to work in a multi-cultural and multi-linguistic environment to compete with the globally active banks. A group of efficient, young and well educated employees is a *sine qua non* for achieving this competitiveness. So, as employees of the banking sector, try to improve your communication skills, try to learn about the developments in the global banking sector and try to learn about the emerging opportunities. Be innovative in taking advantage of the emerging opportunities. Because, a pioneer has always an advantage over followers. So, try to be pioneers rather than followers in your career.

7. *Thou shalt develop a professional approach*

Do your job with your brain, not your heart. You can be passionate about the needs and grievances of customers, but do not compromise on your logic. During the course of your careers, you might, at times, be faced with various pressures which seek to influence your decisions. Develop the ability to objectively evaluate situations, regardless of external pressures, and take the right decision – always. Do

not allow your personal problems and relationships to influence your decision making process. Be objective and be efficient. One cannot become a true professional in any area unless he/ she remains committed to the core principles of the profession even under the most adverse circumstances.

8. *Thou shalt be analytical*

Banking business, essentially, involves managing risk. This job of managing risk cannot be done efficiently without having sharp analytical capability. As employees of the banking sector you have an important role to play in shaping the financial soundness of the banking sector. While doing the banking business, try to analyse the financial background and economic activity of the customer thoroughly. This will help in limiting the growth of non-performing loans, efficient utilization of capital and higher profitability. Financial soundness is an important aspect of a good bank, especially because banking business involves public money. Further, failure of one banking institution may also trigger contagion effect across the banking sector as financial institutions are highly inter-linked.

9. *Thou shalt be information literate*

Technological advancements have transformed class banking into mass banking. With cost effective technologies banks were able to change the face of banking. ATMs, debit cards, credit cards, internet banking and phone banking have enabled customers to do banking without visiting the bank branch. Further, the Business correspondent model and mobile banking also depend on the latest technology to expand the banking network. The electronic transactions through NEFT, ECS and RTGS have increased the speed of fund transfer considerably. A good banker should continuously innovate and update themselves with the latest technological advancements to make banking further easier and convenient to customers. Thus, try to develop a good understanding of the latest technological developments. A bank can implement latest technology safely only with a strong in-house technical expertise. In this milieu, you must “be information literate”, i.e. third generation literate. It is not enough to be a first generation literate, i.e. you know how to read and write, or to be second generation literate, i.e. to be computer literate, but to achieve information literacy. When transiting to a knowledge society and to be a successful banker, it is critical to be information literate.

10. *Thou shalt avoid complacency during good times and not lose hope during bad times*

This is a very important commandment of a good banker because complacency hampers progress and may lead to sharp downfall and loss. Complacency can affect anybody but is all the more relevant to the financial sector. We cannot afford to be complacent even for a moment. You are particularly advised to avoid complacency during good times as otherwise downturn may come any time. It is always advisable to conserve your energies during good times to be used during bad times. You should not only be satisfied with your victories but also try to achieve something better than whatever you have already achieved. Lastly, life is not easy; it is difficult, whether of an individual or an institution. Bad times sometimes will come, and sometimes, all bad things may come together. In such times, do not become desperate. Wait and Hope. Do not lose hope, but lie low and pray to God because good times will return soon. This is my last commandment not only for banking but for any career.

Concluding thoughts

All of you are growing up in an age of unprecedented opportunity. But with opportunity comes responsibility. To do things well and be responsible, one needs to cultivate a deep

understanding of oneself – not only the strengths and weaknesses but also how one learns, how one works with others, what his or her values are and where he or she can make the greatest contribution. You can achieve excellence only if you understand, work on and operate from your areas of strength. As you pick up the traits of modern trade like leadership skills, the ability to multi-task and manage competing imperatives, please do not let go of the age-old and time-tested qualities of a desire to learn, a strong sense of professional ethics, an enquiring mind, a strategic view, the qualities of humility and empathy, a willingness to embrace practical experience and an eagerness to adapt to evolving experiences.

These are exciting times and as you stand on the threshold of a new life and a career in banking, I trust you will continue to cherish the ideals and dreams of youth, after all they are what make life worthwhile.

I wish all of you – tomorrow's titans – every success in all your future endeavours. Let me conclude by wishing each one of you a very bright, promising and challenging career in the banking sector.