



STUDENTS' ECONOMIC FORUM

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 ho2099@sib.co.in



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Theme 278

CAPACITY BUILDING IN BANKS

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Theme No. 278 : CAPACITY BUILDING IN BANKS

A well informed customer will make the policy makers as well as organisations which produce goods and services more responsive to the customer needs. This will also result in healthy competition among organisations and improve the quality of goods and services produced.

The “SIB Students’ Economic Forum” is designed to kindle interest in economic affairs in the minds of our younger generation. We highlight one theme in every monthly meeting of the “Forum”. The Reserve Bank of India released on its website, the Report of the Committee on Capacity Building in banks and non-banks [Chairman: Shri G Gopalakrishna, former Executive Director, Reserve Bank of India and currently Director, Centre for Advanced Financial Research and Learning (CAFRAL)]. This month we discuss about the recommendations of the committee.

What is the approach of the committee to capacity building of banks?

The Committee is of the opinion that capacity building would necessitate an analysis of various key success factors for augmenting capacity in its employees from an individual bank context putting in place human resources management practices conducive to capacity building. Various training methodologies and innovations would facilitate efficacy in capacity building system.

What are the suggestions for enhancing Human Resources Management practices?

HR aspects in general and Talent development in particular need to be provided consistent focus and commitment by the Board and top management of banks. Talent and leadership requirements need to be planned strategically over the long term, say 5 years and above. Placement of employees needs to be based on well laid out parameters like qualifications, certifications, training and experience of the concerned employee rather than being ad-hoc/discretionary. Corporate banking, retail banking, treasury, risk management, trade finance, technology, and HR will increasingly require staff with relevant aptitude. Design suitable policies to provide exposure to different domains to “generalize” the specialists at senior level to help facilitate career progression, prepare them for administrative responsibilities and to discharge their functions effectively in senior positions. Policy for cross functional movement should also be put in place. A transparent and comprehensive performance assessment exercise needs to be instituted as part of human capital management. The recruitment process should not be sporadic or lumpy but ensure regular in-take so as to ensure growth in manpower in tandem with business needs. While carrying out performance analysis, there is a need to pin-point the exact nature of problem leading

to under-performance by some employees. HR function should be more accommodative to the needs of both the organisation and the employee instead of rigid adherence to inflexible rules. Periodic review of policies and procedures relating to HR may be done. One common pitfall in skill building is identifying development/skill building actions that are in the extremes - too inadequate or too much challenge or risk. There is a need for proper succession planning by identifying critical roles across the organisation, assessing availability of suitable candidates for such roles.

What is the recommendation of the committee on creation of position of “Chief Learning Officer” and the concept of return on learning?

Position of Chief Learning Officer may be created in all commercial banks. The official will be responsible for Leadership Development, Collaborative Learning across the organization, developing learning pedagogics tailored to the organization, measuring the quantum and quality of learning across the organization through various indicators, develop a Learnability Index for all personnel (i.e. a measure of the ability to learn of an individual) and apply that as an input into promotability, disseminate knowledge throughout the organization and continuously monitor and augment learning and sharing across the organization. A research project can be commissioned by banking research institutes in India to define the parameters and methodology to define a measure of the Return on Learning.

What are the strategies for addressing the issue of replacement/replenishment of talent in banks?

One of the major bottlenecks banks face is in terms of finding suitable replacement of talent that is necessitated on account of attrition, retirement etc. To tide over this issue, the Committee recommends various solutions like developing an Expert Pool internally and allowing free movement of talent within the organization for creation of a larger workforce of trained personnel. Special recruitments based on job roles and competency could also be considered.

What is the committee’s view on Job Rotation?

Banks must avoid transfer for the sake of preset norms. Job rotation in banks especially, PSBs, should not be done in a mechanical manner but through a well laid down criteria. Banks should allow specialization up to say level III or IV such that the demands of contemporary banking needs are met.

What are the six steps suggested in the Process of Skill Development ?

The Committee recommends that the process of skill development should ideally move through the following six steps:

1. Identification of Business Objectives and learning objectives for the year
2. Sourcing of Training requirements
3. Administering Training through adoption of the 70:20:10 learning model - where people are trained through experiences (70%), feedback (20%) and formal training sessions (10 %).

4. Formulation of training schedule.
5. Monitoring through tests and talent review Conduct of tests (Certification) - program compulsorily to progress to the next band or grade.
6. Rewarding Learning - Creating a learning organization, Deciding Placement/rewards based on Score obtained A leadership development centre can be opened and people who continuously perform and learn can become a member of the centre. Top 100 or 200 leader's pool can be developed through this way to be groomed as future leaders of the bank.

What are modes suggested for providing training programmes?

All banks may adopt e-learning methodology and ensure that function specific lessons are made available to the staff and their knowledge is tested periodically. Each bank should develop or use knowledge or procedure nuggets and place the same in the intranet so that these are available to the staff on demand as reference.

What is the recommendation on Entry Point Qualification?

A candidate may either undergo training at pre-recruitment finishing school as practised by private banks or must pass a certificate course after recruitment (post recruitment training) within a particular time period ,for example 6 months , after joining the bank's service which could be ensured through suitable incentives/dis-incentives.

How does the committee view Skill gaps in commercial banks?

Skill gaps for frontline staff include lack of complete knowledge of products, processes and systems, at higher levels skill gaps are concentrated around motivational, leadership and team management skills. The Committee recommends that banks should clearly articulate the skill gaps faced by them as an integral part of their human resource management practices, and clear cut strategy to address the gaps and tackle the challenges faced by them in this regard.

What does the committee propose on mandating Certification?

The personnel involved in selling function, must necessarily undergo an appropriate certification process. Officials working in functional areas should undergo a course pertaining to the subject that entails certification. Outsourced services such as credit card, IT etc. should be subject to certification. Banks may plan a road map to achieve the mandatory certification in identified areas for the concerned officials working in the aforesaid functional areas over a period of 3 to 5 years. The certifications can be obtained from eminent banking institutes like IIBF, NIBM and other accredited national and international bodies on basis of examinations.

What are the continuing professional education requirements for enhancing knowledge and skills?

The Committee recommends that at least for those areas where mandatory certification has been recommended by the Committee, the validity of certificate and its continuation would have to be made contingent upon completion of certain number of learning hours

through various modes like attending training/seminars/conferences, certifications, e-learning etc., which would aid and abet continued learning. The requirement of continuous education in respect of various job functions/profiles could be developed accordingly.

What is the proposal on conducting a common Banking Aptitude Test (BAT) ?

A Banking Aptitude Test as national online test can be conducted at the entry level. The BAT score can be designed to provide an insight into the candidate's aptitude for banking which is a necessary but not sufficient condition for selection as a bank employee.

What is the training/learning Infrastructure oriented to banking?

Clear focus areas of expertise to specialise in the evolving environment needs to be crystallized to minimize duplication in roles. Institutes like CAFRAL, NIBM, CAB, IGIDR, IIBF need to create Centres of Excellence in different areas of relevance to banks in accordance with their core competence. Providing right incentives to attract the bright talents as faculty for training and research institutions . Exchange of personnel between the institutes and industry and academia need to be encouraged for sourcing talent on a global basis. Initiatives for training the trainers for enhancing in-house training expertise in bank. Enhancing new methodologies like e-learning, certification programmes can be incorporated as part of design of value added training/learning products. There is also need for more finishing schools for entry level employees and more training providers catering to different levels/scales of officials in different subject/competency areas for training purpose. New training institutions catering to different categories of banks and NBFCs may also be considered.

What is the concept of the Centre of Excellence for Leadership Development for banking sector?

A centre of excellence(CoE) for leadership development may be created either as an independent institute or under the aegis of CAFRAL. The CoE may serve as a knowledge repository for leadership development by conducting research on leadership evaluation and training, high performance leadership practices, undertaking surveys, organizing seminars and conferences and evolving related centres of excellence. The centre may also collaborate with existing networks in leadership development across industries and human resource management to address gaps in developing leadership and management practices.

What are the suggestions on improving academic-industry interface ?

1. Customized design of vocational courses to suit the industry with high level of onsite practical internship at bank.
2. Extensive industry inputs in designing various levels of courses catered to either requirement of generalists or specialist positions in banks .
3. Exchange of students for summer internships in banks
4. Programmes either as part of regular course or separately to enhance the employability of students in banks, like development of soft skills etc.
5. Onsite training/projects at banks need to be enhanced.

Retirements will have a significant impact on manpower planning, especially for PSU Banks

Leadership gap created by retirements

■ Per cent position left vacant by retirement/attrition

PSU Banks

	2013-14	2016-17	2019-20
GM/EVP	21	87	100
DGM/SVP	14	65	93
AGM/DVP/VP	10	50	78
CM/AVP	7	36	61
SENIOR MANAGER	7	30	51
MANAGER	4	19	33
ASST MANAGER	2	11	21
CLERK	4	18	32
TOTAL	3	15	26

Private Sector Banks

	2013-14	2016-17	2019-20
GM/EVP	5	29	57
DGM/SVP	5	25	42
AGM/DVP/VP	5	22	31
CM/AVP	3	12	18
SENIOR MANAGER	3	11	17
MANAGER	1	5	8
ASST MANAGER	0	2	4
CLERK		N/A	
TOTAL	1	4	6

Source: McKinsey Benchmarking Study 2013

Your comments and feedback on this publication may be sent to Staff Training College, The South Indian Bank Ltd., Thrissur 680 001 or by E.mail: ho2099@sib.co.in

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Ph: 0487 2420020, Fax: 0487 2426187, Toll Free (India): 1800-843-1800, 1800-425-1809 (BSNL)
Email: sibcorporate@sib.co.in | CIN : L65191KL1929PLC001017

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