

## **Recommendations Of The Roundtable On Capacity Building In Banks And Non-Banks (Gopalakrishna Committee Report January 2011)- June 18, 2015**

A Roundtable to discuss the implementation of recommendation of Report of the Committee on Capacity Building in Banks and non-Banks (Chaired by Shri G Gopalakrishna) was held at CAFRAL on June 18, 2015. The Committee on Capacity Building in banks and non-banks was constituted by the Reserve Bank in this context of recommendations of the Financial Sector Legislative Reforms Commission (FSLRC 2011) pertaining to capacity building in banks and non-banks and streamlining training intervention.

Key recommendations of the Committee are in the areas of HR management practices, training methodologies and innovations, system wide institutions and processes, exploring mandatory certification requirements and amplifying capacity related requirements in Boards of banks.

Shri Gandhi, Deputy Governor, said that issues and challenges in implementing these recommendations should be the major focus area for discussions and feedback would serve as a good input for policy formulation for implementation.

The various suggestions arrived after detailed discussions and sharing their views by the participants are enlisted here.

**1) Accreditation:** Majority agreed that there should be a standard setting body for level of education offered by any banking training institute, courses, standards, products and setting gold standards for key roles. Regulators involvement was considered necessary in the entire standard setting process. It was suggested to standardize all products offered by training institutes including scale wise matrix of faculty or trainers. Some suggested that all Commercial banks (private, foreign, public) should come together and appoint a committee along with CAFRAL/IBA/institutions with some International experience, for formation of an accreditation body. This committee can be beefed up for accreditation job, instead of looking for others. Others felt strengthening existing institutions like CAFRAL, NIBM etc. for their capacity and products with scalability should be considered as they have enough credibility within the banking system, instead of looking outward. Accreditation should be mandatory for all banking training. It was suggested that there should be compliance test for accredited institutions with periodical monitoring. Accreditation can be annually reviewed and new institutions can also be given a chance as and when they apply. Different geographies have different recruitment and training needs and there is scope for many such institutions instead of just a few. Lessons from experience of Malaysian accreditation board, comprising of both bankers and academicians, which is involved in standardizing training of the senior bankers and selecting new recruits to the bank as well would be useful.

**2) Internal Training benchmarking:** Majority supported benchmarking or standardization of internal training processes for each level in the hierarchy. It was suggested that both internal and external trainings must be mandatory for promotions. For grooming frontline staff for best customer service, standardizing internal training programs with soft skills modules (on the lines of some best practices in private banks) were suggested. This is the thrust of the FSLC which wanted that RBI should appoint a Committee to recommend capacity building in banks and non-banks to enable banking sector to address the issue of customer protection and consumer education so that bank staff are made aware of the risk involved in cross selling financial products.

**3) Matching strategic training with employee life cycle:** It was suggested that linking HR policies to business strategy synchronous with employee life cycle is essential. Family needs in employee life cycle like stability in middle age for children's education etc. could be matched with proper job rotation and specialised long term postings. Targeted training cycles for orienting from generalized to specialised jobs could be matched with employee life cycle. Training should depend on job profile. Generalist technical training at lower level should be followed by specialized training for scale III onward followed by generalist advanced training at GM and above levels would be the ideal bank life cycle.

**4) Banking Aptitude Test: (BAT):** Majority agreed to have a Banking Aptitude Test for selecting recruits with right aptitude to enhance attractiveness of banking jobs and reducing attrition. Those who choose to be a banker should be filtered at entry level with standardized banking aptitude test and intensive training for role with battery of interviews and tests under BAT. All other professional jobs have such tests to ensure right and willing candidates apply and get selected.

**5) HR execution model:** It was suggested that implementation plan must be indicated for the broad framework and the recommendations. Guidelines on HR execution model to be followed by HR teams to make the recommendations work need to be delineated. Some HR excellence models being practiced in the industry which chalk out approach, deployment, assessment, modification, results of the entire HR process need to be examined to work out a suitable HR execution model for banks.

**6) Methods of training:** Modern methods of learning to be standardized which have scalability, skills and speed, which is the mantra of any top private bank. Today the traditional brick and mortar and e learning does not interest this millennial generation Gen Next. To engage their interest by digitalization, gamification, using cutting edge training technology could alone deal with the challenges of attrition and scalability. Some Private Banks have adopted modern training methods like gamification which can be replicated.

**7) Forum for showcasing learning and development activities, models and results:** As a motivator for showcasing broad strategic framework and HR model, it was suggested that CAFRAL should create a forum where all banks can come and showcase their learning and development activities on annual basis, to acknowledge and reward it, creating excellence in business through learning and development in various

categories. The rewards could be in categories like business excellence training awards, HR excellence model, training strategy etc. It will act as huge motivator to HR of banks.

**8) Suggestions for the Regulator regarding HR:** There were certain suggestions for the regulator regarding training and development as under;

1. Board level standards should be fixed by regulator
2. Assessment centers for leaders to be created

**9) Repository of banking personnel:** It was suggested to have a repository of existing personnel in senior positions in banks by auditing existing staff. For outsiders, especially Banks hiring laterally in senior positions, expertise in banks generally cannot be gauged as there is no such database. There is no such repository of existing personnel who have worked in banks in senior positions. Banks do lateral hiring with the help of CV, market search, but may not get the right feedback for desirable or not desirable candidates. Therefore, need of such depositories was expressed by some participants. There also was contrary view expressed that such depositories of desirable officials would lead to poaching. It was commonly felt that some lateral hiring guidelines are required. Majority agreed on the suggestion of creating a Negative Depository of bankers for avoiding hiring wrongly for lateral recruitment at higher levels safeguarding the banking industry, especially for banks which hire laterally.

**10) Specialisation and Job Rotation:** Majority of participants suggested that job rotation should be related to bank HR planning. Currently, it is more out of vigilance compulsions, which leads to compromising on specialization. It was expressed that the solution to continuity specific specialised areas like risk management, credit appraisal, Forex, Treasury, Derivatives, etc. should at least be for 5 to 7 years. Participants expressed need for regulatory guidelines in this regard. Another deficiency in existing system is lack of any prescribed methods or agency for competency mapping easily accessible to banks in a cost effective manner. Generally, there is no structural competency mapping in banks. Participants expressed that institutions like NIBM or CAFRAL can help banks in this task to bring objectivity and uniformity of specializations across bank whereby a generalist would helm at the top policy making levels with specialist layers at the middle management (scale III onward) topping technically proficient generalists at lower level.

**11). Special training modules for FIs:** FI participants suggested requirement of special modules for FIs. Standards for SIDBI can be created for micro financing, equity financing etc.

**12) Training for union people:** Some suggested training modules for constructive thinking for Union leaders in banks.

**Compiled by: Ravi Sangvai, Program Director, CAFRAL June 2015**