Training Needs of Future Bankers

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Training is a continuous process and with the rapid changes that are taking place due to technological innovation and other relevant areas like increase in NPA, New Basel III norms, increase in compliance, increase in risk, integration of world economy, government priority the training content and methodology both needs to be improvised to align it with the need of the future bankers.

This research enables us to relook at the existing mechanism and suggest on some crucial areas which can be focused on.

This research is conducted under the micro research initiative taken by IIBF.

Objective of the research study

- To help finding out ways to improve the present training methodology
- To identify the focused areas of banking on which trainings can be imparted to future generation to meet the changing needs

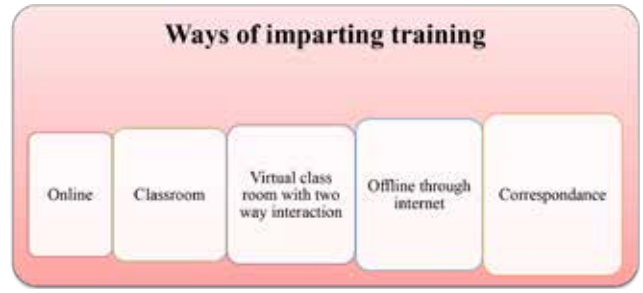
Methodology

Two way approaches have been used for this research

1. Sample collection from existing bankers: (Sample size of 154 has been collected)
2. Other available resources like Internet, Web-Journals, etc.

Findings and Analysis of Data

In learning and development area various new and customer friendly approaches have come into existence some of these are



- Online education: Every major university world across is providing online education (both paid as well as free courses) and thus the need for physical classroom learning is reducing day by day.
- Education beyond university: Various non-teaching avenues are realizing the importance of virtual education and have spread their wings in this area. Example Google is offering various free as well as paid courses.
- Modes of imparting education: From offline to online, various modes of online education are available. Example, by watching online video, or through knowledge web portals like Investopedia, Wikipedia, through virtual class rooms (both online and offline).

So, if someone wishes to learn vast resources are available at his disposal 24 X 7.

Training at banks should also undergo changes in line with the changing scenario on both the parameters

1. Modes of imparting training.
2. Contents of training.

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Modes of imparting training

The modes could be

- Online class room training with two-way interaction.
- Offline training through courses made available 24x7x365(No direct interaction with faculty).
- Combination of Offline courses and online interaction for doubt clearing.
- Chat rooms along with online virtual class rooms to enable the participants to interact.
- Once in a while physical classroom training.
- On Job training to gain real experience.
- Training through correspondence.
- Focus on case studies instead of lecture method

Online / virtual class room training can have significant benefits, some of these are.

1. **Time saving:** Virtual training can be provided to employees at their workplace through a networked computer system. It reduces the journey time.
2. **Cost saving:**

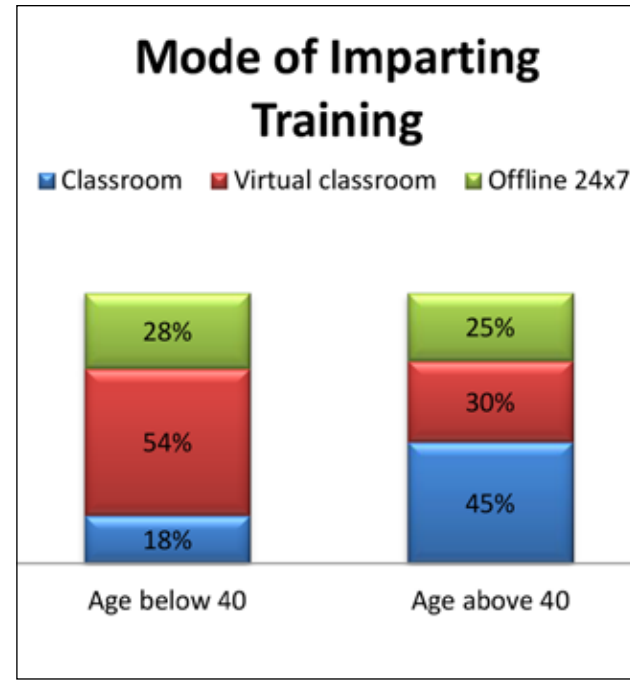
- Virtual classes will eliminate the need for physical journey between place of posting to training center thus saving significant cost to the bank under the travelling expense and halting allowance head.
- The recurring expenses on repeat topics can be saved as once a content is prepared than it just needs to be updated for which only a handful of subject matter experts are required.
- The needs for deployment of vast resources for training can be reduced i.e. land & building, employee cost, electricity, administrative expenses etc. This will save a significant amount of money, which can be used in a more productive way.
- The entire training related infrastructure of bank's can be replaced by a single office.

3. **Access from anywhere at any time:** Virtual training can be provided in online as well as off-line mode. Offline mode eliminates the time restriction and employee can complete the learning process as per their choice of time.
4. **Better understanding of the subject:** In offline mode the participant can relook at the concepts many a time and can also contact the subject matter expert during virtual online sessions. Thus more clarity will be available and take home utility will be higher in comparison to the class room training.
5. **Reduction in forced training:** It has been observed that some participants attend the physical training class as a matter of compulsion and were reluctant to actively participate in the learning process. This attitude not only discourages the other participants but also put a question mark on the entire process. But in case of virtual class room only those who are willing to learn will be enrolling and thus making the process more effective.
6. **Immediate feedback:** Online training will enable the faculty to receive immediate feedback and given opportunity to improvise.
7. **Expanded horizon:** Through the chat rooms provided with online training, a participant can connect to other participants and can interact to gain knowledge through mutual discussion.

With the rapid changes taking place in banks the need for training is also changing. For example a credit proposal, which was earlier prepared manually, is now prepared through software which does all the job from analyzing the balance sheet to generating documents and assisting in post sanction follow-up by generating early warning signals.

Trainee's needs to be properly groomed in

- Understanding the revised way of working i.e. they should be made familiar with the operating software's packages.
- But the software packages cannot eliminate the need for understanding of fundamentals. Example: A credit person, how so good he may be in using the software package, if he does not understand the implication of various data and how they are worked out, then the entire process will be a waste as it will generate only machine operators and not the **logical thinkers.**
- So, a mix of offline and online virtual interactive training classes can be a solution to the above problem which will enable real time interaction through internet.
- It has been observed that with the pace of technological advancement, the pace of **technological frauds** has also increased multi-fold, thus grooming of employees in understanding and filling the loop-holes is a must. Example frauds related to ATM card are on the rise and it has been observed that employees many a times were not able to understand / interpret the modus operandi as they **lack in technical understanding** of the operations.
- Some **disruptive technologies** like Block Chain technology, virtual currency like bitcoin, Peer lending, aadhaar based payment systems etc. have shown green shoots of threat to the existing banking system. Employees should be made aware of disruptive technologies, their implications and the relevant regulation and how to handle such changes.
- Bank's being customer centric and their existence depends on customer satisfaction, so the bank's workforce should be groomed in personality & etiquettes related areas and a proper training on **Behavioral Science** should be made mandatory.



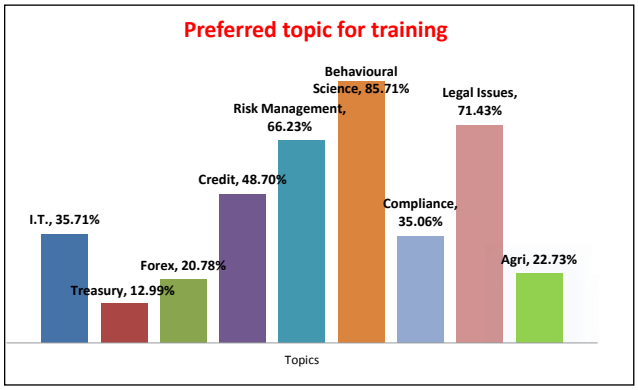
- Banks are gradually turning out to be a **financial super market** and thus customer expects bank employees to know about various financial services like mutual funds, insurance, demat, financial planning etc. Thus an effective and result oriented training is a must for future employees of bank in these segments to enable them to face the customer.

Out of the sample size of 154, 54% of the participants with age below 40 have recommended virtual training to be a better option than class room training. While in case of participants with age profile of above 40, 45% have preferred classroom training over virtual or offline training.

So a majority of future generation bankers have preferred virtual (with two-way interaction) and offline (24X7) training to be a preferred mode.

Further, in the online mode, the preferred mode of training was combination of video and virtual interactions.

The below mentioned topics were suggested by participants for developing and imparting training looking to the changing needs.



Recommendation

Areas for focus on future training

Compliance: A banker has to meet various regulatory compliances. A proper understanding of the process related to compliance and the impact of false or wrong compliance is a must. Some of the areas of compliance on which training can be imparted are

- KYC/AML/CFT
- FATCA/CRS
- FEMA/FEDAI/UCP-600/URDG-758/URC-522/ ISBP-745/URBO-750/DOCDEX
- Income Tax/GST/TDS & other Government related compliances
- RBI Audit/Credit Audit/Income Leakage Audit/ Information Security Audit etc.
- Various laws governing the banker-customer relationship
- Relevant RBI guidelines
- Compliances in foreign country

Risk Management: Risk management has become a buzz word now a days as banking can not be separated from risk. Some of the areas of risk management where training can be imparted are:

- Enterprise risk management.
- Foreign exchange risk management.
- Credit Risk management.
- Operational Risk management (Which can cover IT, Human, Process risk).
- Compliance.
- Asset Liability Management (Liquidity Risk Management).
- Market risk management on foreign exchange, bonds, credit exposure etc.
- Impact of reputational risk.
- Systemic risk/ Business risk etc.

Credit Life Cycle Management & Corporate finance/SME: The rise in NPA has clearly indicated that the knowledge of credit risk management is lacking in Indian Banking system and thus a need for better understanding of the process related to Credit Life Cycle and assessment methodology is required. The areas which can be covered are:

- Loan Life Cycle Management (Pre Sanction, Sanction, Post Sanction Credit Process).
- Balance sheet/cash flow/ fund flow/ profit and loss statement analysis.
- Assessment of Fund based and Non Fund based facilities (A new thought process should be explored as the traditional way of working out these limits seems to be inadequate).
- Credit risk management (External rating, Internal risk rating parameters).
- Legal issues and recovery process.
- Project Finance/Merger, Acquisition, JV.
- FDI/FII/Reverse FDI/ Overseas JV etc.
- Government schemes to encourage SME's like Mudra Loan.

- Government Schemes to encourage exports like duty draw back
- Concessional facilities available for exports like PCFC, EBR etc.

The quality of balance sheet analysis has scope for improvement and proper development of employees in the segment can bring good results to the banks.

Agriculture Financing: Agriculture is the backbone of Indian economy but the Agriculture financing is being treated as a simple process and not much avenues are made available to understand the intricacies involved in agriculture financing. Even IIBF is also not providing any significant certification course in agriculture banking. This segment needs a significant support and appropriated training should be imparted to employees to understand this segment and develop this segment. Some areas on which course can be designed and training can be imparted are

- Agriculture pre & post-harvest financing.
- Financing for allied activities.
- Financing against ware house receipt, contract farming.
- Development of horticulture.
- Self-help group financing.
- Indian agriculture scenario and the needs of the agricultures.
- Training on government initiatives like Agri Export Processing Zone, Interest Subvention, Crop Insurance etc.

Information System: Technological changes are taking place in a very rapid way and employee need to be updated on technological changes to face the challenges posed by these changes. The present state of technological knowledge of bank employees is pathetic. Employees should have minimum acceptable knowledge of computers, applications and other relevant operating software's. The dependence on the service provider is very high and bank should develop their own staff to overcome this dependency. The areas on which training can be imparted are

- Cyber security.
- Emerging technological changes and their impact on banking.
- Relevant software packages.

Further encouragement schemes should be there to encourage a selected lot of employees to develop technical skills in various areas of information system like

- Block Chain technology and its impact on the banking/Automation.
- Oracle/ JAVA/ C++ etc. as the case may be.
- Quantum Computers/Web and application development etc.

It may seem to be a little unrealistic to advice learning computers for a banker but the future is of those who understand and use this segment.

Alternate/ technological Channels: Training should be given on alternate channels like ATM, CDM, GCC, Cheque Truncation, RTGS, NEFT, Internet banking, Mobile banking, SWIFT etc.

Behavioral Science: It should be a compulsory requirement, as being a banker an employee has to deal with customers and behavioral aspects have a significant impact on customer service. The topics which can be covered under this head could be

- Leadership
- Customer Orientation
- Team Orientation
- Inter Personal Relationship
- Intra Personal Relationship
- Assertiveness

- Self Esteem
- Communication and listening etc.

Ethical Marketing: The trend in banking is towards forced selling and mis-selling. This trend is alarming as trust by customer is at stake and if the trust is broken then the relationship will discontinue for a long period with banks earning bad name. This gives a scope for imparting value based marketing. Every employee of the banks should be aware of the importance of ethical marketing and should understand what is right and what is wrong.

Laws and practices related to banking: With the increased dependency on computers, employees are getting vulnerable to laws and practices related to banking, so training should be imparted on these relevant areas like:

- Negotiable Instrument Act
- Payment and Settlement Act
- Information Security Act
- FEMA
- Types of customers/Cheques/Accounts and type of relationship.

International Banking: With the financial integration of world, the opportunity for international banking and finance is increasing. The arbitrage, which is the backbone of development of this integration, has provided significant opportunity to the financial world at large to explore opportunity for cheap credit. The areas which can be focused under this segment are:

- Foreign exchange dynamics and risk management.
- Non fund based exposures (Letter of credit, Bank Guarantee, Credit Exposure limit (for derivatives), Letter of comfort / letter of undertaking.
- External commercial borrowings, trade credits.
- Correspondent relationship, lines of credits.
- Fund based and non-fund based credits.
- Export & import of goods and services.
- FEMA/Different regulations governing the international trade like UCP-600, URDG.
- Regulatory requirements both at domestic and at the place of operations.

Though Indian banks have presence in various countries, but are not yet major players in the world financial markets and hence a vast potential is available.

A proper development of knowledge base in this segment will enable us to bring various loss making foreign branches to profit and enable bank to achieve growth.

Treasury Operations: It has been seen in the past two years that bank's treasuries have contributed in a big way in maintaining the profitability of various banks. Further treasuries have become integral part of banking operations. The areas which are significant and needs a thorough grooming of participants are:

- Foreign exchange
- Money Market
- Capital Market
- Meeting Statutory reserve requirements
- Portfolio management
- Financial derivatives
- Bond Markets (G-Sec & Corporate bonds)
- Commodity (Gold, etc.)
- Asset Liability Management

Various processes are involved in handling the above treasury segment which includes from monitoring of risk limits, framing of policies, adherence to stipulated norms, back office functioning for settlement of positions, regulatory compliances.

Courses can be designed in these segments to enable the bankers to have a significant pool of talented employees capable of handling this demanding segment.

Commodity hedging is a big challenge and presently most of the Indian customers are presently relying on either futures or options available through MCX/NSE or through international exchanges but no mechanism is available to hedge commodity through bank. It results into various problems, so a mechanism to hedge risk related to commodity should be developed and made accessible to customers through banks.

Other relevant topics:

Training can also be imparted on various other relevant topics useful in banking like

- NRI Business and relevant regulations.
- Banking Ombudsman.
- Economic concepts like, Inflation, Purchasing Power Parity, Deflation, Balance of payment, Trade deficit, Inflation targeting, Stagflation, GDP, GNP, GST, Direct and indirect taxes, Current account deficit, Public borrowings etc.
- Mutual Fund, Demat, Primary Market, Secondary Market, ASBA, Futures, Options, Swaps (through exchange).
- Government schemes like Mudra Loans, PMJJBY, PMSBY, APY, Sukanya Samridhi Account, PPF, PMAY etc.

Conclusion

The aim of future training should be to enable the bankers to play their role more effectively in the path of India's race towards development and not playing role of a hurdle. This can be made possible only with the right training which will encourage the employees to work with a right perspective. A knowledgeable employee will be the one who can convert this dream into reality. As the needs are changing so the training methodology should also undergo changes. New relevant topics should be added to bring focus of the future generation on what bank expects from them in future. Areas of trouble like credit quality, risk management, compliance should be given more focus and specified courses should be designed and in line with RBI guidelines a mandatory learning should be introduced.

Annexure -1

S. No.		
1.	Designation	
2.	Age	
3	Which method of training you prefer (Please rank from 1 to 4. 1 being most preferred)	Online with two way interaction Offline through internet for 24x 7 availability Classroom Correspondence
4	Which mode of online training you prefer more	Video Lecture Literature Virtual Class room interaction
5.	Which topic you think should be more focused upon and training should be imparted looking to the future needs of bank	Agriculture Corporate credit Treasury Forex Compliance Risk Management Laws and practices Information technology Behavioral Science
6.	Any other remark	