



Committed to  
professional excellence

# Bank Quest

बैंक क्वेस्ट

Rs. 40/-

The Journal of Indian Institute of Banking & Finance

खंड. / Vol. 79 • अंक. / No. 3 • जुलाई - सितंबर 2008 / July - September 2008



## Human Resources In Banks





आपका निर्यात कारोबार कहीं आपकी नींद न उड़ा दे ।  
हमारी निर्यात ऋण बीमा पॉलिसियाँ आपकी हर कदम पर सुरक्षा करेंगी ।



आइएसओ 9001:2000 प्रमाणित  
(प्रधान कार्यालय व 49 शाखाओं के लिए)

बीमा आग्रह की विषय वस्तु है



आप निर्यात पर ध्यान केंद्रित करें. हम जोखिमों से रक्षा प्रदान करेंगे.

**भारतीय निर्यात ऋण गारंटी निगम लि.,**  
(भारत सरकार का उद्यम)

एक्सप्रेस टॉवर्स, 10वीं मंजिल, नरीमन पॉइंट, मुंबई- 400 021, भारत.

फोन: (022) 6659 0500-10 • फैक्स: (022) 6659 0517 • टोल फ्री नं. 1-800-224500. • ई-मेल: [marketing@ecgc.in](mailto:marketing@ecgc.in) • वेबसाइट : [www.ecgc.in](http://www.ecgc.in)

मुम्बई : (022) 2657 2740 • चेन्नई : (044) 2849 1013 • बंगलोर : (080) 2558 9775 • कोलकाता : (033) 2282 2218 • दिल्ली : (011) 4150 6406



# S T A T E M E N T S

## From the Editor

## Special Features

Building Human Capital for Meeting Emerging Challenges -- Dr. Anil K. Khandelwal .....	5
Building Human Capital for Emerging Challenges -- Dr. Zeti Akhtar Aziz .....	10
Human Resource as a Key Driver in Indian Banking -- Vinod Rai .....	13
Human Resource Management (HRM) in Public Sector Banks : Issues Forward -- A. K. Sen Gupta .....	21
Human Resource Management in banks - Need for a Changed Approach -- Sunit Kumar Agarwal .....	25
Corporate Business Strategy Vs HR Strategy in Public Sector Banks -- Naipal Singh .....	30
Needed : A Human Resources Development Policy for Rural Banks -- Dr. N. K. Thingalaya .....	35
Human Resources Development in Banks : Need for a Changed approach -- V. K. Sharma .....	39
A Bank with Indian Flavour of Diversity : A Case Study of Saraswat Co-operative Bank -- Dr. Bala Krishnamoorthy & Swati Pawar .....	44
स्वयं सहायता समूह द्वारा वित्त पोषण -- राजेन्द्र सिंह .....	53
<b>Book Reviews</b>	
Seth's Banking Laws Being commentaries on Banking Regulation Act -- Hon'ble Justice Shri A. B. Srivastava (Retd.) .....	57
Overview of Banking Development : 1947-2007 -- D. T. Pai .....	58
Glimpses of Emerging Trends in Trade and Development -- Dr. V. B. Angadi & others .....	60
<b>From the Institute</b>	
Subscription Form For Bank Quest & IIBF Vision .....	64

## Bank Quest



Vol. : 79 ♦ No. : 3  
July - September 2008  
(ISSN 0019 4921)

### HONORARY EDITORIAL ADVISORY BOARD

A. Vasudevan, Chairman  
V. K. Khanna  
Sharad Kumar  
Rupa Rege Nitsure  
Mohan N. Shenoi  
**HONORARY EDITOR**  
R. Bhaskaran

The views expressed in the articles and other features are the personal opinions of the authors. The Institute does not accept any responsibility for them.

लेखों तथा अन्य रचनाओं में व्यक्त किए गए विचार लेखकों के निजी विचार हैं। लेखकों द्वारा व्यक्त किए गए विचारों के लिए संस्थान किसी प्रकार से उत्तरदायी नहीं होगा।





## INDIAN INSTITUTE OF BANKING & FINANCE

'The Arcade', World Trade Centre, 2<sup>nd</sup> Floor, East Wing, Cuffe Parade, Mumbai - 400 005.

Tel. : 2218 7003 / 04 / 05 • Fax : 91-22-2218 5147 / 2215 5093

Telegram : INSTIEXAM • E-mail : iibgen@bom5.vsnl.net.in

Website : [www.iibf.org.in](http://www.iibf.org.in)

### GOVERNING COUNCIL MEMBERS

- PRESIDENT** - T. S. Narayanasami  
**VICE PRESIDENTS** - M. V. Nair  
- K. C. Chakrabarty

### MEMBERS

<b>Yogesh Agarwal</b>	<b>Gunit Chadha</b>	<b>Y. H. Malegam</b>
<b>Anantha Krishna</b>	<b>H. A. Daruwalla</b>	<b>M. D. Mallya</b>
<b>S. K. Banerji</b>	<b>Amitabha Guha</b>	<b>Bharati Rao</b>
<b>R. Bhaskaran</b>	<b>P. K. Gupta</b>	<b>Asish Saha</b>
<b>O. P. Bhatt</b>	<b>C. Krishnan</b>	<b>U. C. Sarangi</b>
<b>Y. K. Bhushan</b>	<b>A. C. Mahajan</b>	<b>M. Venugopalan</b>

### MANAGEMENT

- R. Bhaskaran**, Chief Executive Officer  
**P. J. Lonappan**, Dy. Chief Executive Officer  
**P. Balachandran**, Director of Academic Affairs  
**A. R. Barve**, Director of Examinations  
**D. R. Wazkar**, Director of Administration

### MISSION

The mission of the Institute is to develop professionally qualified and competent bankers and finance professionals primarily through a process of education, training, examination, consultancy / counselling and continuing professional development programs.

### ध्येय

संस्थान का ध्येय मूलतः शिक्षण, प्रशिक्षण, परीक्षा, परामर्शिता और निरंतर विशेषज्ञता को बढ़ाने वाले कार्यक्रमों के द्वारा सुयोग्य और सक्षम बैंकरों तथा वित्त विशेषज्ञों को विकसित करना है।

**Printed by** Shri R. Bhaskaran, **published by** Shri R. Bhaskaran on behalf of Indian Institute of Banking & Finance, and **printed at** Quality Printers (I), 6-B, Mohatta Bhavan, 3rd Floor, Dr. E. Moses Road, Worli, Mumbai-400 018 and **published from** Indian Institute of Banking & Finance, 'The Arcade', World Trade Center, 2nd Floor, East Wing, Cuffe Parade, Mumbai - 400 005. **Editor** Shri R. Bhaskaran.





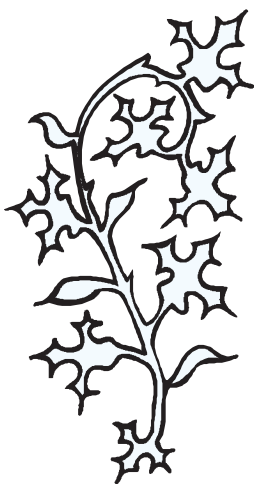
**R. Bhaskaran**  
Chief Executive Officer, IIBF, Mumbai.



*The Institute held its 9<sup>th</sup> Annual Bank HR Conference (previously known as the Bank Education Conference) at Kuala Lumpur in February - March, 2008. This was the first time that this conference was being held at a venue abroad. The theme of the conference was 'Building Human Capital for Meeting Emerging Challenges'. The conference was well received by the participants. We thought of using this background to once again talk about HR. Readers may recall that the January - March, 2007 issue was on HR management in Banks. Accordingly, we are carrying, in this issue, two key presentations from the conference - the key note address delivered by the then President of our Institute Dr. Anil Khandelwal and the inaugural address delivered by Dr. Zeti Akhtar Aziz, Governor, Bank Negara, Malaysia. Four other articles is on the issue of HR in Banks.*

*Quoting from some of the recent surveys on Indian banking, Dr. Khandelwal spoke about the key strengths, weaknesses and opportunities for Indian banking industry. According to him availability of large and skilled manpower is one of the key strengths of the Indian banks. In going forward banks should harness this manpower with appropriate training, conducive job environment and compensation.*

*In her address, Dr. Aziz makes a forceful statement on the qualities that leaders in the banking industry must possess. They should be visionaries, capable of adapting to changes, stay competitive and relevant. Such leaders have to be continuous learners and be on the cutting edge of excellence for the financial sector to forge ahead in the days to come. She points out that buying talents from the market is feasible but could result in high compensation not commensurate with the value added. Rather the preferred route could be building, developing and maintaining a line of talent from within the organisation.*



*Mr. Vinod Rai (I.A.S), Comptroller and Auditor General of India delivered the 2<sup>nd</sup> R. K. Talwar Memorial Lecture on 'Human Resource as a Key Driver in Indian Banking' on 25<sup>th</sup> July 2008. We carry his speech in this issue. One of the highlights of Mr. Rai's speech was that banks in India have to make human resources as the central theme in their organisational transformation*

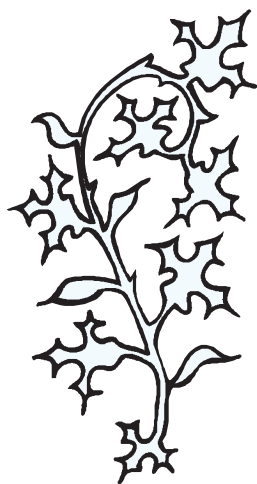


*exercise as this alone, according to him would bring differentiation and competitive edge in our quest for global banking standards. He emphasised the crucial role that the CEO and the board have to play in this transformation exercise.*

*Dr. A. K. Sengupta discusses the issues that public sector banks (PSBs) in India have to deal with in regard to human resources in the days ahead in his article 'Human Resource Management (HRM) in Public Sector Banks: Issues Forward'. According to him the four important issues with respect to human resource management in PSBs are talent acquisition, talent management, talent development and placement in right position and right promotion. In his paper he makes several important suggestions to strengthen the human resource department in PSBs in India.*

*Dr. N. K. Thingalaya makes a strong case for a putting in place a workable human resources development policy for regional rural banks (RRBs or Gramin Banks) in India as he feels they are beset with host of problems. These issues cannot be overcome unless a proper human resource policy is put in place. His conclusion that Commercial Banks could develop their core competence in non-agricultural space which Gramin Banks, strengthened by a positive Human Resource development can be nurtured as the main player in Rural Finance is worthy of consideration by policy makers more particularly because of the large issue of financial inclusion facing the country.*

*We reproduce in this issue two articles on HR that have been previously published in the in-house journals of Punjab National Bank and Oriental Bank of Commerce. These articles contain some unique insights and voice the views of practising bankers in matters of HR policy in the banks especially the PSBs. Mr. Naipal Singh and Mr. V. K. Sharma talk about the need for newer approaches to human resource strategies in the public sector banks. Given the large size of the organisations, the articles also clearly show that the HR issue in the banks is complex and does not have a one size fit all solution.*



*The theme of this Bank Quest is HR. But as per our practice we carry two articles on other topics. The first of them is a case study on Saraswat Co-operative Bank 'A Bank with Indian Flavour of Diversity' by Dr. Bala Krishnamoorthy and Swati Pawar in which the history of the Bank is traced along capturing the important milestones and also the important steps taken by the bank to be where it is today. In addition we are carrying three book reviews in the issue as well.*

*इसके अलावा श्री राजेन्द्र सिंह लिखित, 'स्वयं सहायता समूह द्वारा वित्त पोषण' लेख भी इस अंक में शामिल है।*

*I hope the readers will enjoy reading this issue.*

*(R. Bhaskaran)*



# Building Human Capital for Meeting Emerging Challenges

 Dr. Anil K. Khandelwal \*

## Ladies and Gentlemen,

Globalisation has made the world a global village where new markets (more particularly the BRICs economies) offer new challenges and opportunities. Global issues like trade barriers, exchange rates, tariff and distribution become important elements of managerial choice. Technology has increased accessibility, visibility and connection, including offering varied and faster delivery choices. The connected world is shrinking, changing rapidly and information is flowing more freely. The Banking sector is no exception.

Banking is a key driver for growth of the economy. The India growth story to a large extent will also fuel the growth of the Banking sector. Indian banking sector is undergoing rapid transformation and is expected to change and evolve considerably in the near future. With Indian economy moving to a higher growth trajectory, Indian banking industry is at the threshold of exponential growth. A Pricewaterhouse Coopers Report states that India may well be the third largest banking hub in the world by 2040.

In 2009, the Indian Banking sector is being opened up. Attracted by the idea of servicing a fast growing economy and the promise of a liberalised scenario post 2009, a host of foreign banks have either applied to or are in talks with India's banking regulator, the Reserve Bank of India, for licences. Hence, competition will intensify further. Indian Banks fall short on both counts : on scale as well as on efficiency. Indian Banks will have to adopt global best practices in order to retain their market share and customers as well as to attract new customers for fueling growth.

**Indian banking sector is undergoing rapid transformation and is expected to change and evolve considerably in the near future.**

Employees represent increasingly diverse demographic backgrounds. On the one hand, banks are grappling with the challenge of aging employees while on the other hand, there are the young entrants with altogether different cultural ideologies. Customers are increasingly segmented, literate and demanding and so are employee expectations, which are continuously rising as they gain in education and skills. Investors have become increasingly attuned to and actively concerned about not only financial results but also intangibles. Competitors come from both traditional large players but increasingly from smaller private and foreign banks. These trends are affecting all aspects of banking operations from managing capital requirements to positioning the bank in the customers' minds and how to engineer and deliver newer products and services in tune with the fast changing customer expectations.

## Key HR concerns for Indian banks :

Under this environment, HR departments are also expected to contribute to business results with HR practices being more and more integrated, aligned and innovative. A recent McKinsey report on the Indian Banking sector highlighted some of the key concerns on the HR front :

- Core capabilities of Indian banks, chiefly that of the PSU Banks, need radical improvements which get reflected in low innovation in products & services and / or in organisation and performance attributes.
- There are critical challenges faced by Indian banks in the following areas, which put it at a distinct disadvantage when compared with the global best.
  - People development
  - Skilling and Re-skilling
  - Recruitment and Retention of top performers
  - Motivation of top performers

\* Former CMD Bank of Baroda and ex-President, IIBF. Key note address delivered at the 9<sup>th</sup> Bank HR Conference of IIBF held in Kuala Lumpur between February 29 - March 1, 2008.

- 9 organisational outcomes were surveyed and it was found that newly emerging private and global banks are distinctly superior than most of the over 50-year old large Indian Public sector banks in each of these criteria :
  - Leadership,
  - Direction,
  - Environment & Values,
  - Accountability,
  - Coordination & Control,
  - Capabilities,
  - Motivation,
  - External Orientation and Innovation.
- Indian banks were found to be clearly lagging behind when compared to global best practices in
  - Communicating clearly their goals to employees
  - Shaping an inclusive working environment which encourages entrepreneurial culture
  - Motivating employees through performance-linked remunerations and incentives
  - Recruiting the best talent regularly from the best sources
  - Fostering collaboration among employees
  - Building a pool of leaders to achieve growth aspirations.
- Strong operating and end-product focus, but overall entrepreneurship low.
- Effective business controls are in place, but there is an urgent need to address the people dimension. Motivation levels are worryingly low.

### **An HR SWOT analysis for the banking industry**

A recent research study based on a Survey of Banking CEOs and HRM Heads conducted by Prof. Pradip Khandwalla and presented at the IBA-AHRD conclave in Mumbai in August'07 highlighted the following HR challenges for the Banking industry :

- Creating a high performing culture
- Talent retention
- Recruiting in today's context
- Managing mindsets
- Training for growth

- Compensating knowledge workers
- Building interpersonal relationships
- Going global
- Implementation of technology-based HR systems
- Human capital practices

The study also brought out a SWOT analysis for India Banks, the key findings of which are as under :

### **Key strengths**

- Large, skilled manpower especially a large set of skills in the younger executives
- High staff commitment and loyalty

### **Key Weaknesses**

- Skewed age profile most over 50 (PSBs)
- Too many clerical & subordinate staff (PSBs)
- High superannuation at senior levels (PSBs)
- Leadership deficit at senior levels in a time of rapid change and modernization
- Inadequate IT skills, resistance to IT (PSBs)
- Inadequate remuneration for attracting talent
- Relatively low skills base
- Low professionalization of HR systems

### **Key Opportunities**

- Large and qualified staff that can service many market segments and growth initiatives
- Lot of leadership potential in youngsters that can drive growth, if harnessed properly
- Bank's operating autonomy can facilitate induction of high quality, multi-specialist staff at all levels; rapid growth in banking business fuels career and job opportunities

### **Key Threats**

- High attrition / poaching of skilled, quality staff
- Difficulty in hiring highly qualified youngsters aspiring to high remuneration
- High staff costs overheads - a problem

### **Future role of HR in creating a high performing organisation**

The business context and organisation capabilities required to succeed have raised the bar for HR professionals and HR departments. HR professionals who would have succeeded 30, 20 or



**The reality is that appropriate people strategies must vary according to organisational circumstances.**

even 10 years ago would not be as likely to succeed today. As Lynda Gratton of the London Business School says, the future role of HR in creating a high performing organisation is three-dimensional, viz.,

1. External Dimension (Business Alignment)
2. Internal Dimension (Organisational Alignment)
3. Action Dimension (Implementation)

**The External (Business) Alignment**

Over the last decade, people strategy has largely meant having an internally coherent set of HR policies and practices. But this has not just been difficult and elusive but has also not yielded itself into creating high performing organisations.

There is no “ideal type” of people strategy with a set of HR policies and practices that can be adopted off the shelf by organisations seeking to manage their people better. The reality is that appropriate people strategies must vary according to organisational circumstances. The key circumstances are business goals and strategies. My argument is that, in order to play a strategic role in the organisation, the HR policies and practices that make up an organisation's people strategy should reflect, reinforce and support the organisation's business aims and objectives. This linkage between people strategy and business strategy can only ensure that the HR interventions can become a creator and not an inhibitor of sustained competitive advantage.

HR must be aware of the Business Agenda. It is important for Human Resource professionals to integrate their function and think in line with business themes. It is business competitiveness that must drive the HR Agenda. This will encompass addressing hitherto untouched areas for HR like :

- Generating top-line growth
- Controlling costs and managing risks
- Going global and globalising business operations
- Continuously improving processes

- Engaging employees
- Managing talent
- Addressing emerging skills shortage
- Issues of changing workforce demographics
- Effective internal communication strategy

**The Internal Alignment**

This dimension operates at the level of individual HR policy areas. The aim here is to achieve coherence and adopt a logically consistent approach that permeates across all HR activities and also other organisational functional areas. This would imply that all HR policies are aligned to each other and consistently relate to one another.

The focus of internal alignment is that all HR policies, whether in the area of Recruitment or Performance management or Compensation management or Development, etc. must be totally in sync with each other and working as well-oiled parts of the same machinery in fulfilment of the overall organisational goals and strategies.

**Action**

The third dimension is action or implementation. General practice suggests that the mere existence of HR policies and a people strategy is believed to be sufficient to ensure action. Yet, translating HR policies into action would appear to be absolutely fundamental to the question of whether the organisation is actually delivering in the area of people management.

Delivering business strategy through people is critical to the long-term performance of organisations and even more critical in creating a high performing organisation. At the heart of the delivery is the competence and will to build business alignment, align internally and to move from rhetoric to the reality of action. The challenge for the HR function is to relentlessly learn how to achieve excellence in Alignment and Action.

**HR as the “CREDIBLE ACTIVIST”**

The new HR competency model that emerged out of the 2007 Human Resource Competency Study conducted by the University of Michigan's Ross School of Business and the Society for Human Resource Management (SHRM) under the co-directorship of Dave Ulrich and Wayne Brockbank

talks about HR professionals requiring to master both people and business issues.

On the people side, HR professionals need to demonstrate care, concern and compassion for employees. On the business side, HR professionals need to meet customer and investor expectations by making sure that appropriate HR strategies are designed and delivered. HR professionals that emphasize the people side to the exclusion of the business side will not be successful. Likewise, HR professionals who focus on the business side without sensitivity to the human element will also not succeed. The research has shown a strong impact and connection of HR to both the people and business sides. The crux of the new Competency model for HR is in its being a “CREDIBLE ACTIVIST”.

Credibility enables HR to relate to people but being an activist means that HR has a point of view about business and actively participates in delivery of business results. Credible activist ensures that HR builds the right relationships with both people and business. When HR is credible, it is respected, admired, listened to and when it is the Activist, it offers a point of view, takes positions and challenges assumptions. HR professionals who are credible but not activists are admired but do not have much impact, whereas activists who are not credible may have ideas but will not be listened to.

The future role for HR is thus in being a “Credible Activist”. I will call this “HR with an ATTITUDE”.

### **Building Human Capital :**

Coming to the central aspect of building Human Capital, I would like to talk about “TALENT” and how a better understanding of the dynamics of the word Talent would help us manage it better, arrest the rising human capital shortfalls and finally to build Human Capital.

Companies are now going to “War” for talent. Simply stated, Talent is about the 3 Cs : Competence, Commitment and Contribution. Competence deals with the head (being able to do), commitment with the hands and feet (actually doing) and Contribution with the heart (doing it well). Bank's that can find effective ways of handling these 3 Cs will be on course to compete with the world's best.

At any level, HR professionals can facilitate a discussion on

- What are the environmental changes facing our business and what are our strategic responses?
- What are the current social and technical competencies that we have within the Organisation?
- Given our future environment and strategic choices, what technical and social competencies must employees demonstrate?

By facilitating these questions, HR departments can direct attention to employee skill gaps and competence standards. With standards in place, employees can be better and more objectively assessed to the extent to which they meet or do not meet the standards.

### **Building competence by investing in talent :**

Individual and organisation gaps can be filled in by investing in talent. Building Competence necessitates investing in Talent. There could be 6 such investments that HR can make

- Buying - this will include recruiting, sourcing and securing new talent from within or outside.
- Building - helping people grow through training and development or through on-the-job and life experiences.
- Borrowing - bringing in specialised knowledge through consultants, advisors or partners.
- Bounding - promoting the right people into key jobs
- Bouncing - removing poor performers from their jobs and / or from the organisation.
- Binding - retaining the top talent.

HR has to work on each of the above areas in order to effectively invest in talent. But, it must be remembered that employees who give value to the organisation must also get value back from the organisation. The organisation can offer them the following, which would definitely bring about more engagement :

- Vision - a sense of direction or purpose.
- Opportunity - an ability to grow, develop and learn.
- Incentivisation - Fair compensation and rewards for work well done.



- Impact - an ability to see the outcome or effect of work done.
- Community - peers, bosses and leaders who build a sense of community.
- Communication - knowing what is going on in the organisation and why.
- Entrepreneurship or flexibility - giving employees choice about their terms and conditions of work and freedom to experiment and innovate.

HR must help employees find meaning in their work and help them enhance their contribution to the organisation. If employees could find answers to some of these questions, their contribution could be enhanced substantially.

- Where am I going and why? How can the organisation help the employee reach his or her goals?
- How does the organisation build a community of support, a facilitative and friendly organisational culture so that the employee feels connected?
- What challenges do I enjoy? How does the organisation help an employee find challenges that are enjoyable and energising?
- How well can I access resources? How does the organisation help the employee manage health, space and financial requirements?
- What are my sources of delight? How does the organisation help the employee have fun?

Given the special problems of banks in India, post-CBS and the competitive reality, banks, especially Public Sector Banks are facing special problems in HR like Quantity vs. Quality, Compensation issues, new competencies, Leadership, etc., to mention a few. It must be said with some degree of regret that there is no professionalisation of HR in banks. Very few HR innovations are visible in banks. Most banks still rely on line managers to manage their HR function which at one level is a strength but due to their frequent shifting, continuity is a problem. While line managers bring with them the knowledge of operating realities, HR professionals can bring with them a long-term engagement and also a repertoire of expertise and knowledge of tools and techniques of HR. Most big corporates have HR professionals heading their HR function who not just provide the long-term engagement and

continuity but with their vast and long, professional experience have been able to successfully transform HR into a business-centric function. Banks need that sort of HR professionalism tempered with a dose of operational realities.

If banks have to create a reservoir of Human Capital, they have to radically change the present methodologies of managing HR, the processes of wage negotiations, compensation planning, performance management system and techniques, the existing training processes, content, etc. The HR Agenda for the banks is huge, complex and challenging. Time is running out. There is an imminent need to create break-through strategies for building young leadership, deal with legacy, bring about change with speed and engage the top management in creating new policies, new agenda and new strategies for the people side of business.

It is clearly evident that in the emerging scenario, what will be most important for all banks in the days to come is unleashing of the human capital. In every forum or conference, this stands out as the most critical issue to be addressed. HR will be in the forefront of driving organisational change and business performance through people. HR will also be the most important function that can help generate Human Capital value, which will be a dominant parameter alongside financial performance indices to determine the true market value of the organisation in the days to come.

In conclusion, I quote Winston Churchill, "However beautiful is the strategy, you must also look at the results". The advice appears all the more relevant for HR in today's context, where the ESSENCE of all HR activities lies in its FINAL IMPACT on BUSINESS.

I wish the conference all success.

Thank you.



# Building Human Capital for Emerging Challenges

 Dr. Zeti Akhtar Aziz \*

Let me first of all extend a warm welcome to the participants of this 9th Bank Human Resource Conference organised by the Indian Institute of Banking and Finance (IIBF). It is our honour to host this conference that is being held outside India for the first time. This is one of the concrete outcomes of the alliance that has been entered into between the Indian Institute of Banking and Finance and the International Centre for Leadership in Finance following the MoU that was signed about three months ago between the two organisations.

The development of human capital has to be a constant undertaking in an environment of constant change. As recent as ten years ago, we have seen the economic and financial environment dramatically transformed. There has therefore required a corresponding change in the knowledge, skills, competencies and capabilities that are now required, in particular, by the banking industry, which is a highly knowledge-intensive and skills based industry.

New challenges have also emerged in this environment arising from the rapid globalisation and internationalisation of the financial system and the significant advancement in technology. These developments have led to a rapid pace of innovation and enhanced international interdependence and inter-linkages. This has generated an environment that is increasingly more complex, competitive, uncertain and ambiguous. The recent episodes of financial turmoil, have shown that even financial systems in developed and advanced economies continue to be vulnerable to financial stress.

**The development of human capital has to be a constant undertaking in an environment of constant change.**

This more difficult operating environment demands new skills and the ability to manage these new challenges. Indeed, the role of leadership has changed. It is essential to have the talent that are not only able to see the new emerging opportunities, but also to be able to deal with the high level of unpredictability and navigate through turbulent conditions. The industry leaders need to be visionary and comprehend future trends, chart strategic directions and adapt to changes to stay competitive and relevant. Effective leaders in this era, will be those who are continuous learners, who are on the cutting edge of excellence, who have strong convictions, and yet, having humility to recognise the need to reinvent themselves and inspire their organization to adapt to the new environment. Such attributes are vital if the financial services sector is to forge ahead and remain at the forefront of new innovations and thus secure long-term competitiveness. In this process, there needs to be avenues for continuous learning. The establishment of ICLIF is part of our commitment towards providing such an avenue to enhance leadership capability and develop world-class leaders in the financial services sector.

The changing configuration of the global economy and financial markets, increasing regional economic and financial integration, increasing internationalization of financial services, the continued enhancement to the regulatory structures and approaches will have a significant bearing on the future of the financial services industry. The road in front of us is therefore likely to be significantly different to the one from which we have traveled on. The investment in human capital development is thus important for the future development and growth in the financial services sector.

Building human capital has become much emphasised in today's world. Successful banking

\* Governor of Bank Negara, Malaysia. Speech delivered at the 9<sup>th</sup> Bank HR conference of the Institute in Kuala Lumpur.

**The quality of human capital is the cutting edge of competitiveness.**

institutions in the future will be increasingly dependent on intangible assets such as talent. As competition intensifies, the need for banking institutions to attract and retain the best skills and talents will become more urgent. Going forward, the availability of talents will become the pivotal factor determining the capacity for the industry to reinvent and transform. Banking institutions would need professionals with the requisite skills and expertise not only at the strategic and management level, but also at the technical and operational level. Successful institutions will be the ones which accord high priority to the continuous enhancement of human capital.

Human capital development has thus become of strategic importance and is integral to the success of an organisation. The involvement by senior executives in the management of human capital development has also become essential. Senior executives need to take the lead and devote a considerable amount of their time to this initiative. Human resource development functions is integral to the talent management process and in supporting the human capital management strategy. Of equal importance is that this should occur at all levels in the organisation. In essence, the accountability for talent development requires concerted efforts throughout the organization and needs to be embedded as part of the working culture that is communicated, shared and understood at all levels.

While the need for human capital development is apparent, what is less apparent are the appropriate methods and policies that should be adopted to advance human capital development. The financial services industry needs to identify the appropriate strategic direction for human capital development. Attention need to be given to the entry level, to the specialists and to the senior management levels. This would benefit from greater industry-university linkages which is a major channel through which the talent requirement and talent gap can be narrowed. The industry involvement in the curriculum design and delivery will ensure graduates are equipped with the relevant knowledge and skills that meet the requirements of the industry. Participation by the industry players may be in the reform of the academic curriculum and methodologies and in providing other forms of practical support to the

institutions of higher learning. This will contribute directly towards meeting the human capital needs for the future. The quality of human capital is the cutting edge of competitiveness. Having competent staff to deliver high quality products and services is critical to building customer confidence and goodwill, driving customer satisfaction, enhancing reputation and ultimately realising individual institutions' corporate vision and strategic goals. It is therefore, in the best interest of banking institutions to strengthen further the competence and professionalism of staff in the industry. In this regard, financial institutions can of course adopt the measure of "buying talent" from the market. This may however, risk in high compensations that are not commensurate with the value added. The more desirable option is the building, developing and maintaining a pipeline of talent from within the company.

Let me turn to Malaysia's experience in human capital development for the financial services industry. In Malaysia, structured and comprehensive approach to human capital development has been a key part of our efforts for the development and advancement of the industry. The programmes by ICLIF, which is now in its 6<sup>th</sup> year of operations, provide programmes in leadership development for the senior management level in the financial services industry. The programmes carried out by the Institute of Bankers Malaysia, the training arm of the banking industry, have also been recently reviewed to meet the new demands of the financial sector. In addition, dialogue between the industry and other education providers including institutions of higher learning have taken place to promote well equipped supply of talent. In September 2007, Bank Negara Malaysia initiated the Financial Sector Talent Enrichment Programme (FSTEP) to train and prepare 1000 highly qualified graduates for immediate placements in banking and insurance institutions. This effort is undertaken in collaboration with the industry and training institutes and is aimed at boosting the supply of





well-trained and competent personnel for the financial services industry.

In the area of Islamic finance the continued international expansion has increased the demand for talent and expertise in the industry. The establishment of the International Centre for Education in Islamic Finance (INCEIF) in Malaysia in 2006 represents a structured investment in the development of human capital to support this global development of the Islamic financial services industry. The programmes are for practitioners and graduate students. In addition, it is envisioned that INCEIF will act both as a professional certification body as well as an education centre for post-graduate programmes in Islamic finance.

With the firm commitment to build human capital, the challenge is to formulate the appropriate strategies and mobilise the resources necessary to produce results that will enhance the intellectual

capital of the industry. This will require the combined efforts of internal strategies within banking institutions, that involves a holistic approach that coordinates the strategies for human resource management and development reinforced by strategies for organisational development. This will also involve putting in place the appropriate processes and structures. A total solution will be required. These efforts will also need to be supported by education providers. Finally, this initiative of bilateral engagement on the issues in developing talent in the industry will also gain from the synergy and will contribute to strengthening the ability to further the agenda of building human capital in the financial services industry.

On this note, I wish you a productive and successful conference.

Thank you.



#### **Emotional Intelligence : Leading Performance Dimension - A study on Executives in Mumbai \***

##### **Abstract**

The challenge for the corporate today is not only to attract and retain the right employees, but also to innovatively train them for acquiring the skill required to survive in the highly competitive global market. And emotional intelligence is one major dimension, which affects the performance in many ways. Thus it is the responsibility of management to train their employees in this aspect to get maximum out of them.

Whether we like it or not, our emotions are part of what makes us human and they follow and influence us wherever we go - and that means they follow us to work. Effective management of emotional intelligence is a strong predictor of success in both our personal life as well as professional life. Research shows that the measure of one's emotional intelligence, often referred to as emotional quotient (EQ), is twice as important as traditional leadership skills for job performance in management positions. Those with high emotional intelligence are much more likely to deliver superior performance as compared to the average players, regardless of industry. It is, perhaps, somewhat intuitive to understand that competencies in EI matter for salespeople who depend on their ability to relate with and successfully connect and influence with others, but interestingly the data for scientists and similar technical professions also points to EI as necessary for excellent performance - even more so than analytical thinking. In fact the more complex the job, the more EI matters. In complex roles, having a high level of analytical and technical skills are just the threshold requirement for people to perform competently, meaning these skills are simply the entry point. A deficiency of EI hinders the use of whatever threshold skills a person may have. "In short, out of control emotions can make smart people unproductive". Emotional intelligence impacts many areas under the umbrella of organizational effectiveness, such as in the areas of retention and leadership. Turnover rates can be very costly to organizations and can deeply affect the bottom line. The upside is that employees are more likely to stay with bosses who manage emotional intelligence. In other words, people don't leave jobs - they leave managers. People with good bosses are four times less likely to leave than are those with poor bosses. EI is very important in leadership roles, as leaders need everyone to do their jobs as effectively as possible and this requires a high degree of interpersonal effectiveness. Studies show that high EQ differentiates average from superior performers, which can be critical for leadership positions. The good news is, unlike IQ, research studies prove that emotional intelligence skills can be taught and developed over time. "Instead of being stuck with the hand they'd been dealt, people can take steps to enhance their emotional intelligence and make themselves more effective in their work and personal lives. Sure enough, strong emotions make it difficult to think straight, nonetheless, thought devoid of emotions renders satisfactory decision - making impossible. The problem is not with emotions as such, but with the appropriateness of emotion and its expression. Emotional intelligence is neither good nor bad, like any other intellectual skills, it is morally neutral. Without a moral compass to guide us on how to employ these skills, emotional intelligence can be used for good or evil. The subject can be seen in a continuum of related emotions. The value of EQ is to force us to look at the obvious and improve our ability to understand, apply the "obvious" and direct our energy towards the positive side of the emotional continuum. Here in this research the effort is taken to find out the score of emotional intelligence with respect to age, experience, and Designation, which will help Organization to explore the untapped potential. Paper finally asserts the fact that performance in the life as well as workplace is directly related to emotional intelligence of the executives.

\* Dr. Anjali Kalse, Source : BMA Review May-August, 2007.

## Human Resource as a Key Driver in Indian Banking

**Vinod Rai, I. A. S. \***

### **Distinguished Ladies & Gentlemen,**

I deem it a privilege to be amongst you this evening and to be able to deliver the lecture instituted after one of the greatest stalwarts on the Indian Banking scene. I am grateful to the Indian Institute of Banking and Finance for permitting me this honour.

Shri R. K. Talwar was a visionary. He stood far ahead of his times. He had the farsightedness to perceive that demographic transition in the Indian economy would induce dramatic changes in customer attitudes and behaviour patterns. He knew that the modern day consumer would be discerning and sophisticated in his demand for service. He felt that the youth would become the key driver of consumer patterns and since they were likely to grow more affluent, he stressed on the need to develop service and institutional capability. He realized that banks which were unable to match service levels would suffer severe attrition in their profitable clientele. He thus strived to make banking customer centric and pursued policies well ahead of his times. His report on customer service stands as a testimony of his insight into customer needs and aspirations. His leadership qualities, sincerity of purpose and the capacity to mould careers laid the foundation for the State Bank of India's organizational structuring which till today has stood the test of market competition. Shri Talwar was a great banker. A great leader. A great reformer. Above all he was an excellent human being whose footprints on the sands of time will remain etched for ever. I feel singularly honoured to share with you my views in a talk dedicated to a true Goliath in Indian Banking history.

Before I place before you my thoughts on the subject chosen by me, I need to put in perspective the critical role of banking in India's economic development over the next three to four decades. The Indian economy has truly come of age. An average GDP growth of about 9% consistently over

the last three years is indicative of changes in the structural pattern and not of any mere cyclical phenomenon. The BRIC countries are perceived to be forging ahead at rates much faster than other developed countries. The total domestic credit of these emerging economies is predicted to overtake that of UK, Germany and Japan by around 2020. Nearer home, if the Indian economy has to grow at a double digit rate, Indian banks will have to play a facilitator and pro-active role. The turf will be highly competitive. Demands very aggressive. In short, any bank which fails to adopt the right strategy and maintain its competitive edge will face extinction. Additionally, in the Indian context, financial inclusion is intractable. The challenge of the day is to create innovative business models to encompass a vast segment of underserved customers into an opportunity for growth. Such models will have to be architected, provided regulatory support and incubated to facilitate robust delivery channels and products. The challenge is daunting. The need critical. Our response has to match the challenge. I sincerely believe that if the customer has to come centre stage it is not mere technology but the human resource, operationalizing this technology in the Indian Banking firmament, which also has to undergo a paradigm shift. Hence, the focus today on HR being the key driver.

You will recall that during the period from early 1970s through mid-1990s, Indian banking witnessed unprecedented footprint expansion. It

**The Indian economy has truly come of age. An average GDP growth of about 9% consistently over the last three years is indicative of changes in the structural pattern and not of any mere cyclical phenomenon.**

\* *Comptroller and Auditor General of India*



entered new areas penetrating the rural hinterland of the country. To facilitate such growth a large number of qualified people were recruited as clerks and officers from the market. Rural banking, agro financing, small industry & small business financing were the new areas bankers targeted. A breakthrough was achieved. Exclusion however continued to dominate. What is to be noted here is that all through this era of large scale vertical and horizontal expansion, most of the banking operations were carried out manually and banking technology was yet to arrive. Financial sector reforms, initiated on the recommendation of the two Narasimham Committee Reports, helped Indian banking vindicate itself in terms of its performance, productivity, profitability and customer-centricity. It has successfully met the challenges of prudential norms under BASEL-I and has contained the growth of contaminated assets. It has also considerably brought down the non-performing assets and improved asset quality. The Indian banking sector is also among few banking sectors in the developing countries to have absorbed and used modern Information Technology for its operations and for customer service. It has also admirably repositioned itself to the challenges of the competitive environment.

The reforms process has been across sectors : diversified products, asset quality, prudential norms, technology, risk management, aggressive marketing of services and human resources. While far reaching reforms have been set in motion and largely implemented in areas like financials, asset quality, prudential norms & technology, the gap in skill sets, scale and scope of our human resources is substantial. If so, what are the critical HR issues confronting much of the Indian banking sector. Foreign and the new generation private sector banks have entered the market with certain distinct advantages like high technology, younger and talented staff with newer skills and competencies, a market related compensation structure, high marketing orientation, newer methods for acquiring and retaining customers, and a lean organization structure. The older banks which together commanded over 75% of business - had to cope with the competition with a huge baggage

of disadvantages. First generation technology, archaic systems and processes, unwieldy organization structure, older staff with poor marketing and technology skills and a highly regulated and centralized HR system continues to dominate. The newer banks could entice customers from the older banks largely due to their high technology and innovations in products and services. Older banks could also not contain the flight of talent to the newer banks on account of attractive compensation structure and better career progression opportunities offered by them.

The Narasimham Committee had very rightly emphasized on the imperative for far reaching reforms in the area of organization & methods, systems improvement and issues related to human resources. Its second report laid renewed emphasis on parallel reforms in HR. No doubt, we have taken action on a few - like abolition of BSRBs, implementation of VRS, granting of managerial autonomy to Public Sector Banks etc. yet much remains to be done.

The question to be asked now is : If Indian banking is to go global and graduate to world class standards in the matter of customer service, use of technology, provision of financial solutions, operational efficiency, productivity and profitability, what should be our HR agenda over the next few years? Now that many Indian banks have deployed high technology over a large number of their branches and are well on their way to get optimum value out of their investments, what is it that will give Indian banking a competitive edge and ability to compete globally? Another paradigm shift one can see is that many banks are emerging as financial powerhouses, much beyond the traditional borders of banking. They are aggressively participating in the retail revolution, SME financing, infrastructure financing, M&A financing, cross-border financing and the like. Are our people being groomed for these high end areas of banking? Success in the future will possibly lie in service differentiation and front office efficiency of bank branches. Innovations in products and services, business models and delivery channels would also contribute to long term success of the organizations.



What is the role of HR in this changing landscape of Indian Banking? How do we optimize the use of technology on which we have spent huge sums of money. The recurring and replacement expenses will move northward. Are our people adequately skilled in the newer realms of banking? How do we recruit, reward and retain talent? How to retrain our people in the newer skills and how do we make our people “unlearn” many of the past skills? How do we train our people to achieve higher service delivery standards? Are our people well trained and groomed in soft skills, in order to deliver superior customer experience? How do we create a large band of enterprising managers? How do we improve risk taking abilities of our managers and officers? How do we cut delays, speed up the decision making process and improve our response time? Are our HR policies and systems in tune with the demands of the time? On the leadership for critical positions and different levels like operational, business and strategic, have we institutionalized a system to ensure uninterrupted supply? How do we ensure smooth succession for critical roles in our banks? What are the training and development initiatives that we need to take to continuously train, groom and provide leaders for new age banking? In essence, what reforms do we have to bring about in our HR Policy framework, which will help catapult Indian banking to world class level?

No doubt, Indian banking has come a long way in its modernization aspirations. Yet, it will be clear to a discerning observer that our banks are too small in size and scale, by global standards. We have also to catch up in service delivery standards, innovations in products and services, corporate governance issues, global best practices, structured financial solutions, M&A financing and such other high end provinces of banking. Another perspective I would like to share is that our efficiency, productivity and profitability ratios do not compare well even by Asian standards. Our risk management systems need to be strengthened to match global standards. We have to be geared to meet these challenges, which no doubt seem to be daunting.

I have tried to raise these questions in order that the banking community can collectively ponder over them and lay an agenda and a roadmap

for ushering in far reaching reforms in the HR area, concomitant with improvements in related areas like organization, processes, technology use, etc.

### Agenda for HR reforms :

I now propose to set out before you an agenda for reforms in HR specifically targeting our inadequacies. I have had the privilege of being closely associated with the Financial Sector of the country at policy level, in the government for some years. I do not have the professional skills that all of you possess. I however have been a key observer of the working of the banking sector for the last few years and have felt that the vast potential of the human resources in the banks can be harnessed with imaginative and innovative new age HR policies and practices. The thoughts I am sharing with you here are a by-product of this experience and may be more relevant to public sector banks whilst applicable to Indian banking as a whole.

### Value of Intangibles :

I would like to begin the discussion with the findings of a Brooker Study on the increasing relevance of “intangibles” for an organization’s performance. The world is shifting from an industrial to a knowledge economy in which the value of intangibles is increasing : the value of such intangibles in a typical institution increased to 68% in 1992 from a mere 38% in 1982. “Today, more particularly in the service sector, sales turnover is directly proportional to the level of customer confidence in the organization, which is further impacted by effective customer service and customer relationships. In order to have a cutting edge in this area, the right kind of technology is not sufficient rather a proper organizational climate and the right PEOPLE COMPETENCIES BECOME MORE CRITICAL.” As we all know, banks, being service organizations, are impacted by many intangibles like trust, confidence, reputation, image and integrity. Increasingly, the “People” factor is becoming a key determinant of success.

### Role of Board and CEO :

- Despite being burdened by the legacies of the past and with no immediate labour reform in the horizon, Indian banks have now to make HR the central theme of their organizational transformation exercise. This alone can bring



differentiation and competitive edge in the race for global banking standards.

- This makes role of CEO and Board very crucial.

HR would need to be strategically aligned and connected with business. A study of financial analysts and portfolio managers cited by Ulrich D & others in their book HR SCORECARD : LINKING PEOPLE, STRATEGY and PERFORMANCE" {Harvard Business School} indicates that 35% of investment decisions are determined by non-financial information such as :

- i) Execution of corporate strategy,
- ii) Management credibility,
- iii) Quality of corporate strategy,
- iv) Innovation.

Given the criticality of HR issues, they need to be debated at Board level. Boards of banks now need to spend quality time on formulation and deliberation of strategies involving leadership development, succession planning for critical levels and specialized areas, performance standards, compensation and rewards management, redesign of organization structure etc. They should design and put in place a written policy and a blueprint for HR Agenda for short term and long term. This would provide direction and focus in undertaking various interventions in an integrated manner. The CEO should place HRD as one of the key areas to engage his attention and this, I suggest, should be non-delegatable. It will then send right signals across the organization. I would also like to suggest that at a time when Public Sector banks continue to dominate Indian banking, technology-enabled transformation and M&As appear inevitable. The CEOs should spearhead the transformation journey, champion HR functions to reduce people's anxieties, and simultaneously seek higher levels of productivity and performance. I do acknowledge that such M&A activity has not been possible in the immediate past due to the prevailing political economy. Nevertheless, such major policy changes do need longer gestation periods for acceptability. The time seems to be ripe now and innovative approaches will certainly yield results.

**We need to assess critically whether our current system is yielding the desired results and what improvements could be brought about, in tune with changing times.**

#### **Performance appraisal and performance management system :**

- The well known premise is that every employee is required to, and obliged to, contribute to the purpose and business objectives of the organization. The organization must provide an enabling environment and adequate resources towards this. For an organization to be successful in both good and turbulent times, every employee's contribution should be measurable and evaluated. We need to assess critically whether our current system is yielding the desired results and what improvements could be brought about, in tune with changing times.
- HR should focus on introduction and implementation of a Performance Management System, based on modern scientific models, with a view to improve transparency and accountability for performance. We have suffered far too long, from a truncated and outdated appraisal system, with very limited objectivity and credibility. I recall seeing the dossiers of executives seeking promotion to very senior levels of a very large bank. Indeed the best performers had a rating of 99 on a scale of 1 to 100. Though rather liberal, one could live with it. But the rather intriguing phenomenon was that the average performers, who had plateaued in their leadership and competence skills, had been uniformly rated at 97! Such assessment standards need to be drastically overhauled and a grading system reflecting performance, installed. For senior levels, a 360 degree appraisal is very important.

#### **Leadership Development :**

- We have discussed about the challenges of new age banking. The Indian banking sector - more particularly PSBs, is critically poised where

many challenges have to be addressed. We need leaders for future banking - leaders who have a strong and wide vision; who are quick and effective thinkers : sound decision makers and have strong relationship skills. PSBs, in particular, need to institutionalize the process of leadership grooming as a continuous organizational process. A well architected and scientifically devised process, both at operational and strategic level, for leadership development and creating a pipeline of leaders for various critical levels and specialized areas is an imperative. This can no longer be delayed. The Defence Services, for the kind of role their officers have to perform, have institutionalized such models. Modern scientific tools like Assessment Centres need to be used for evaluation, selection and development of senior cadres for leadership roles. Alliances with reputed management and leadership development institutes could be considered for formulating strategy and action plans. Motivation and reward mechanisms for star performers and innovators could be a valuable anchor in promoting superior organisation wide performance. Innovative variable pay schemes that are linked to business performance could be considered. It has often been argued that among PSB's there is very little flexibility to provide variable compensation packages. Nevertheless, it needs to be recognized that the Government has been uncharacteristically liberal in permitting boards of banks an autonomy package which inter-alia provides for performance linked incentives. This package does not profess to be comparable to the market. Yet it is a step forward. Within the overall envelope of a public sector pay structure, it leaves much to the innovative schemes that boards devise to incentivise the staff structure. Incentives do not come as monetary compensation alone. There could be a combination of schemes. Hopefully, once the beginning towards a performance linked structure has been endorsed, further liberalisation of the process can be anticipated. Banks have to continuously design schemes to motivate performers and CEOs must regularly address these with assessment of the strategies at the Board level.

**An organization whose people have enormous appetite for learning will have greater chances of success in the current era and this precisely has to be on the agenda of HRD.**

#### **Human Resources Management System : (HRMS)**

- There is also a need to develop transparency in HR administration. Implementation of a well designed and web based HRMS system could help improve transparency. A comprehensive data base on the employees, accessible on real time basis to the decision makers, could help in effective decision making at reduced cost. Age profile, skill profile, competency profile, mobility profile, special talent / achievements etc could be part of this data base, besides the personal details.
- Besides providing a 360 degree view of people and their functions, the web-enabled system can help reduce costs of HR administration and improve transparency in HR governance. It can also provide employees self-service functionalities, leading to increased employee involvement and motivation. Various sub-systems of HR can be integrated seamlessly with the use of technology and thereby, reduce the scope for aberrations and deviations.

#### **Knowledge Management and Learning Infrastructure :**

- Installation of knowledge management system and e-learning system for continuous training and retraining of the people could help enhance skills and competencies. In this era, when one is required to imbibe new skills at the speed of thought, class room training will have to be supplemented by self-service learning tools. The role of HR is to create a learning climate and an enabling infrastructure, - through conventional and new age tools. A clamour for knowledge and information must be seen within an organization. An organization whose people have enormous appetite for learning will have greater chances of





success in the current era and this precisely has to be on the agenda of HRD. The knowledge management platform, widely prevalent in software organizations, is perhaps a good example of how intellectual worth can be enhanced through better innovations, and greater knowledge enrichment.

### **Management of Diversities :**

Banks, and in particular public sector banks, have in course of time grown in rural, urban and metro areas having different culture and ethos. Within the organization there exist diverse groups of people. Issue of diversity management and creating a unified change spirit could be yet another agenda for HR function. Managing large number of women employees - now about 15% of the workforce-and giving them opportunities to contribute, even while ensuring proper work-life balance for them, itself could be a mammoth agenda. This group is highly talented and the issue is, what is the organization doing to harness its full potential? I also observe a very adverse gender bias in top echelons of PSBs. We can have special HR strategies for development and career progression of women employees. Similarly, we have a large number of socially disadvantaged category of employees. We can devise special development and grooming strategies for them. For high performers, we need to continuously innovate different models, fast-tracking their growth. Retaining talent and that too, high performers would itself pose a new type of challenge. HR would have to design appropriate retention strategy in respect of the star performers and new recruits. In essence, in a very discreet and tactful fashion, every organization may need to have a "fast track" mechanism for its best performers with a well calibrated skill enhancement and career progression plan. Modern HR policies do cater to such schemes with distinctly assessable rewards.

### **Frontline Excellence :**

Frontline employees will always call the shots. It is well known that customers' personal experiences with the bank far outweigh the bank's own communication to the customers. The frontline employees are a brand for these customers. It is

the attentive, empathetic and customer-focused employees at the frontline who bring the brand to life for customers during each service encounter. Given this reality, it is extremely important that the frontline is well trained in soft skills like communication, team-building, trust, empathizing etc. In PSBs most employees were recruited about 20 years ago. There is a colossal task before boards of such banks to hone up the soft skills of the frontline. That is for the sophisticated urban customer. In the Indian context the vast majority of rural, poor and disadvantaged financially excluded strata of society pose another challenge. This vast multitude do not possess the confidence to enter a modern bank branch. He feels intimidated by technology. His requirements are meager. He has to be provided the confidence and guided to approach a formal financial institution, apprise him of its advantage over the otherwise easily accessible informal channel and handhold his traversing this huge and daunting hiatus for enrolling in a bank.

With technology in place, much of the banking operations and processes at branch level are carried out through technology. This paradigm change itself brings about a question of proper man-machine mix and transition from banking processes to service delivery issues. Many staff would be rendered redundant and they would have to be reskilled and redeployed for alternate objectives. As a service organization, what would differentiate one from the other is the standard of service rendered on consistent basis. With technology at the branches, our people at front office would need to be groomed in skills to engage the customer in business conversation and advise him on financial matters. Banking skills alone are not sufficient for this. The training system of banks has a challenge to transform these employees, through training into sales and service agents. This is a huge agenda, as over 50% of PSB staff would have to be coerced in this programme. Banks may think of seeking collaboration of reputed marketing-training agencies for this.

### **The role of Micro Finance :**

The experiment of micro finance in India has met with success. Self help groups and NGOs have expanded the reach of banks. They provide credit

## Professionalisation means long term commitment and use of specialized knowledge.

at the doorstep to the rural poor though at rates higher than formal channels yet at rates far more competitive than the informal channel. Peer pressure being high, the rates of default in this sector is low. Whilst NABARD, RBI and the Government are engaged in providing a regulatory and development environment in this sector, its managers and foot soldiers need to be skilled appropriately. Credit linkage of such NGOs is taking place. However, the cornerstone of this movement is credibility. Its personnel have to possess compassion in their approach. They should have the capacity to leverage technology and more importantly, familiarize the rural milieu with it. Having constraint of infrastructure, this sector will have to be provided training facilities possessed by large banks. NABARD may have to take the lead in drawing up skilling curricula, coordinating and developing available facilities among institutions and ensuring adequate training cover. The skill sets of practitioners in this sector are quite contra-distinct from formal banking and an appropriately architected policy needs to be put in place at the earliest.

### Professionalisation of HR :

Professionalisation means long term commitment and use of specialized knowledge. On this parameter, we need to build, at each bank level, HR functions that contributes to business value. Banks being large and geographically dispersed organizations require highly decentralized HR function with centralized control.

Banks have to possibly distinguish and separate routine and maintenance functions such as : transfers, promotions, postings & placements from developmental functions like capability building for current and future banking, performance management system, potential development, succession planning, newer methodologies in training including e-training and also development of learning infrastructure, for different segments of staff. Since developmental function is a long term agenda quite often urgent maintenance functions drives it to the backburner. Such a tendency needs to be

overcome. I am of the considered view that banks have to professionalize development functions, so that HR can contribute to business value.

The manufacturing and services industries in the country and large corporates in India have highly qualified HR professionals who are driving transformation including mergers & acquisitions. They are facilitating these through modern HR policies. Many of these companies have professionally qualified HR executives from reputed institutions like IIMs, XLRI, Tata Institute of Social Sciences, to mention a few. These young men and women bring specialized knowledge to undertake in-house research, HR climate survey and initiate methodologies for potential development, assessment centres, performance management and learning infrastructure. They can also keep track of the best practices in HR and suitably adopt them. With their knowledge and exposure in behavioral sciences, they are better equipped to organize employee engagement programmes and will also be able to liaise with professionals in the field.

I would now like to deal briefly with the "Quality" issue. No doubt, Indian banking has performed well in recent times by quantitative parameters. In the matter of Quality, we have yet to travel a long distance to catch up with global standards. By Quality, I mean quality of customers, of assets, of people, of financials, of service, of governance, and the like. Worldwide studies have shown that it is the "Quality" which is the source of all profits in the long run on a sustainable basis. Creating high quality consciousness, pursuing six sigma, upgrading customer experience, would all have to be engineered by HR function through appropriate interventions backed by an HR Policy.

It is a well known fact that a happy and content staff team attract and retain customers. Many customers' complaints received in bank branches revolve around indifference, apathy, rude behaviour, unhelpful attitude and mishandling of the customer. Quite often, many such complaints are against officers. This in itself is sufficient ground for a huge training agenda for attitudinal reorientation of staff towards customers. This has to be a continuing phenomenon and remain uppermost in the minds of frontline staff.



**Some of the best bankers globally are today from India.**

HR could also mount a HR Climate survey, and identify restrictive practices which are still prevalent and come in the way of good customer service and management so as to devise a firm policy on this aspect.

**Road Ahead :**

We all know that for today's and tomorrow's banking, yesterday's methods, structures, policies, technologies and most importantly, yesterday's mindsets will be most inappropriate. Technology is also compelling us to reinvent ourselves, our methods and our way of doing business.

Our collective aspiration is to emerge as world class banking organizations. At the national level, we are all aspiring to see that at least two to three Indian banks acquire global size and scale and find a place in the top 100 banks of the world. To become global in character, it is necessary that we have global level technology, global HR policies besides financials and global best practices.

The agenda for HR Reforms is of a tall order. The next phase of challenge for Indian banks is clearly "People Challenges". Indian banking will be doubly blessed in its journey towards global banking, when it takes up People Challenges with a sense of urgency and enthusiasm.

With India emerging as a Knowledge Power, Indian banking and Indian bankers are bound to receive world attention and recognition for their banking acumen and best practices. Some of the best bankers globally are today from India.

To conclude, I would like to stress that the "People" factor will surely come centre stage and play a critical role in this evolution. We can procure best technology, in terms of hardware and software, but it is the man behind the machine who makes the difference. These are the men that we need to target. We need to reengineer their skill sets, ignite their minds towards customer and product priorities and convert our human capital into high value factors of production. The material is available. It has either to be reskilled or exposed to a global curricula. Time is of essence. To compete with the world we have to run faster than the fastest. India today is poised at the threshold of an economic superpower status. To make it cross the threshold and sustain its continued supremacy in the Financial Sector, there is no better human resource endowment than the galaxy of professionals gathered here today. You can help make the difference. You can carry forward the India story. You are the thought leaders of this sector. The leadership you have provided has been impeccable. All that is required is a renewed impetus in a direction which will help exploit the vast human potential of this sector.

I thus deem it a privilege to place my humble views on an issue so critical, to an assembly so august, to further an agenda so fundamental and, whose time has come.

I thank you for your indulgence.



**Diploma in Microfinance**

The Institute has recently announced a course, 'Diploma in Microfinance' in collaboration with Sa-Dhan, for microfinance professionals and those desirous of joining the microfinance sector. The Diploma has been designed as a two paper course : Perspectives in Microfinance and Operational Aspects of Microfinance. The two papers are being brought out in the form of a single book 'Microfinance - Perspectives and Operations' and will be available in all MacMillan outlets. The Institute has started inviting applications for the exam which will be held in December 2008. For details please visit our site [www.iibf.org.in](http://www.iibf.org.in).





# Human Resource Management (HRM) in Public Sector Banks : Issues Forward

 A. K. Sen Gupta \*

## Background :

Among the 12 services classified under the services definition of GATS, banking is one of the prominent ones. Banking industry in India is one of the most diversified and heterogeneous in terms of ownership; co-existence of private and public sector is one of the best examples of peaceful co-existence of two entirely different cultural systems in the services sector. Coupled with that, the country has a large number of foreign banks with altogether a different work culture and climate. The simultaneous existence of so many types of work ethos, systems and processes are truly symbolic of the great Indian unity amongst diversity. Notwithstanding the fact that lots of efforts have gone into bringing technological & process congruence, it is really unfortunate that very little has been done on the human resource front in this regard.

Unfortunately, public sector banking has been the biggest victim, being governed by outdated and prohibitive sets of government guidelines. The management often complains lack of adequate power and flexibility; the trade unions often look at any directional change with a sense of suspicion; majority of the workforce remains in dream-world of the pre-liberalized scenario of work security. The result is that public sector banks are least concerned about human resource management and reforms thereto and consequently remain under-productive.

Though renaming of personnel departments to HR departments took place quite a few years ago in some of the public sector banks, the work processes & culture in many of them till today remain outdated and are not in a position to meet changing expectations of the human talent within.

The scope of this paper is limited to address some of the fundamental issues in areas of human resource management front in the public sector banking in India.

## Human Resource Management (HRM) : Key Issues

The basic function of any HR department of a service organization like a bank revolves around the well being of the human resources working within. Here the phrase "human resources" mean both the officers and workmen staff.

The primary beliefs embedded in the scheme of things in HRM parlance are :

- To serve customer as the ultimate goal if one is to remain strategically competitive on a sustainable basis.
- Internal workforce, primarily those occupying frontline positions have to be extremely motivated since they are primarily involved in the process of delivery of customer service.
- Since people are at the core of this service organization, this resource will have to be considered as the most important stakeholder and has to be treated with as much care / empathy as possible.
- Since the objective of human resource management is to manage human resource talent, this is also known as talent management.
- Management has to evolve suitable talent management strategies to attract, manage, develop and retain this key asset.
- Since in a service industry like banking, there is very little product differentiation, the main differentiating strategy is with reference to human resources management.
- Since emotional instinct is as important as intelligence quotient for human resources, the policy cannot be uniformly applied to all, as each human being is different.
- This is true for all levels of a bank; the type of strategy might, however, vary according to the tier of cadre.

\* Director, SIES College of Management Studies (SIESCOMS), Navi Mumbai.

**The first step in respect of right human resource management is the right acquisition strategy for right people.**

- Commitment of top management is an essential pre-condition if human management resource management strategy is to succeed in any organization.

With the above theoretical perspective in background, let us look into some of the major human resource issues with special reference to public sector banks.

### 1. Talent acquisition :

The first step in respect of right human resource management is the right acquisition strategy for right people. This is vital as people are at the core of business delivery processes in a banking organization. Unfortunately, public sector banks are seriously affected because of resistance of union on one side and existence of a mammoth organization like Banking Services Recruitment Board (BSRB) for so-called common entrance process. There is very little flexibility and freedom for such banks to attract right talent from market place at market price. Although some freedom has been given of late, for all practical purposes, there is no concept of campus recruitment (direct recruitment of management trainees from the management institutes) in such banks. As a result, there is serious human resource scarcity in public sector banks at junior management level.

The other issue of concern has been that public sector banks have never resorted to the concept of employer branding from recruitment perspective and therefore, they are one of the least preferred career choices particularly of educated youth with talent. The banks are not to be blamed as they do not have the competitive advantage to attract right talent compared to their private / foreign compatriots or other players in the market place.

### 2. Talent management :

This is the second stage of talent development in an organization. Talent management involves the following steps :

- Placement of right person at right place
- Induction of human resource in the organizational culture
- Talent recognition
- Talent appreciation & feedback mechanism
- Creation of congenial climate for talent nurturing

Unfortunately, many of the above issues lack serious consideration in public sector banks. HR in the public service banking is still considered as a support service and not integrated with its strategic vision, mission and goals / objectives. As a result, placement of personnel in a given place is primarily driven by the criteria of "vacancy fulfillment" and nothing beyond that. There are very few occasions where proper induction takes place from an HR perspective, CVs of the people are scanned and right people are placed at right places. The major problem with public sector bank management is that few options are available to them and all HR functions are driven by several considerations other than pure merit because of several interferences from different quarters.

The other area of concern in this regard is the mix of the age of a public sector bank. Against average age of employees of a private sector in the range of 30-35, the same for a public sector bank is around 50, if not more. There is lot of division and unnecessary sense of animosity between different classes of people in terms of age, status, officers vs. workmen, and so on and so forth. Despite their best efforts, it has been very difficult for the bank management to change this age-old hostility and divide and this has come in as a strong way against creating right conducive climate for HR practices to percolate.

### 3. Talent development :

Apart from having right climate, the other important issue that one looks into before giving a medium to long-term commitment for a career, is satisfaction arising from job enrichment / rotation, getting recognition for doing a good job, expectation of performance-based payment, flexibility in terms of job hours and other related aspects, both monetary and non-monetary incentives and a fast track promotion process through which one can look for prospects of a good career ahead. Many of these issues are not possible in the public sector

environment, not because of unwillingness of management to provide but because of outdated government and regulatory systems and procedures.

Retaining right talent in a competitive scenario, thus, becomes quite difficult, if not impossible. No doubt things, of late, are changing but at a slower pace compared to general deregulation in the corporate scenario. In absence of proper talent development strategies, it has been very difficult for public sector banks to retain talent. This became obvious when many public sector banks came out with a voluntary retirement scheme which saw the exit of good talent quite contrary to intention of the management while introducing such scheme.

#### **4. Placement in right position and promotion :**

These concepts are virtually absent in public sector banks. Merit is often overlooked and other considerations outweigh for posting in positions that are always considered coveted and represent self-esteem, for example, foreign postings and posting in foreign exchange trading desks. Very often it has been observed that decisions to fill in some of these positions are not objective, are random and do not follow the principle of meritocracy. This is equally applicable for filling in the vacancies at top position like GM-Credit, etc. There are lots of grey areas in such policies that include lack of transparency and perceived objectivity.

#### **Issues forward :**

Does this mean that everything is lost in public sector banks as far as HR policies go? Does it imply that HRM has no relevance in public sector banking? What should be done to reverse the process and see emergence of good HR systems and policies in public sector banks? What makes good HR policies for the public sector banks within the given constraints?

The answer to many of the above issues lies in changes in some of the constraints of government rules and regulations. What this means is that all HR policies should be left to the management of banks both for evolution as well as implementation. Till that time it happens, many of the issues will remain unresolved. However, even within given constraints, many steps can be taken to make the HR systems effective and to make the workplace not only a place to work like machine but a place of fun

and to work and enjoy. Some of the riders in this regards are given in the following paragraphs :

- Setting up of a strong HR department both at the corporate as well as administrative offices (zonal / regional offices) of the banks and manning them with qualified and experienced HR people who are not only mature in age and exposure but also acceptable to people at large as executives with positive and objective approach. The top-most HR position in the bank like GM-HR, etc. should be handled by a person who commands respect from a wide cross section of employees and perceived as a positive person. HR top position should be considered as top-most coveted job in the bank at senior-most level.
- Every bank should have detailed policy guidelines regarding HR issues in the bank. This should be developed keeping in view the existing government guidelines and in consultations with the Unions. But the most important aspect is that these guidelines should be explicit, in line with strategic goals / objectives of the bank, transparent, and take into account complaint redressal mechanism of employees at large.
- The specific roles of the HR department should focus on the following aspects of the employees at all levels :
  - Right placement of right people at right jobs
  - Detailed job description including accountability at each level
  - A comprehensive code of ethics policy
  - Specific rewards (both monetary as well as non-monetary) appreciating talent. For example, the best branch manager award for each zone, best employee award for each branch, etc.
  - Open two-way communication channel between the line managers and employees and top managers to ensure that communication channels are being used properly at all levels.
  - Mechanism to identify talent at each level of operation and ways to appreciate the achiever
  - Specific means to design a well-structured succession planning at each level





- Creation of an internal Ombudsman for taking care of complaints
- Out-of-the-box thinking and innovation to ensure employee engagement like internal competitions on new product / process improvement, scheme of taking select achievers to a place for trip, etc.

The above are only some of the suggestions. The specific action plans could vary from bank to bank. The McKinsey Report on “War for Talent” provides seven talent imperatives that every successful company must adopt to remain competitive in this complex and competitive world. These include building talent mindset at all levels of the organization, creating employee value proposition (EVPs) that would induce employees to continue with a company, building a high-performance oriented culture, always recruiting the greatest available talent, developing all employees to their full potential and conscious attempt to retain high performers. HR departments of public sector banks should consider implementing some of these ideas to take care of these strategic imperatives.

When this author joined banking services in 1970s as a Probationary Officer in a large public sector bank, things were different. We had to go through lots bureaucratic and procedural practices; HR as a department was not existent: we had only IR and Personnel department. Ninety per cent of the time of both the departments was spent in resolving legal issues, union negotiations and yearly transfers on ritual basis. Promotions were, by and large, time-bound and used to follow a structured approach without scope for much flexibility. The banking system had very few options as well as mechanism to identify talent, leave aside managing the talent.

During the tenure of this author at the National Institute of Bank Management in early 1990s, things had already undergone change. In some of the bigger banks, HR departments had come into existence and processes and systems were much more employee friendly than the 70s. This period also saw the launch of the general economic reforms process and banks were also influenced by the same. With the advent of Narasimham Committee recommendations, process of partial

privatization of public sector banks through process of listing, arrival of the new generation private sector banks, the liberalization under commitment to GATS & banking system, public sector banks started facing the real challenges. This includes all aspects of banking including HR practices. The new generation leadership started appreciating the importance of HR policies and practices.

In today's scenario, the top management of many public sector banks has started implementing the right HR practices. Some of the latest instances have been performance-based promotion policies, objective methodologies for transfer to various positions, specific training policies for all categories of staff, introduction of appreciation scheme for bank employees at all levels, among many others. One of the unique cases has been launch of the Advanced Management Program by Indian Institute of Banking and Finance (IIBF) in collaboration with select management institutes. This 1-year long education program aims at professionalizing senior banking personnel. This novel experiment has found strong sponsorship from a few leading public sector banks. The initial indicators have been quite satisfying.

However, till the time playing ground becomes even, it is a difficult game that the public sector banks are in. The earlier the regulators and government understand this crucial issue, the better it will be for Indian banking system as a whole, as a substantial chunk of banking business in India is till today in public sector domain and will continue to be so at least in near future. Therefore, human resource management issues in public sector banks need to be given top priority both by the government / regulatory as well as the top management of these banks. This should be the key area of reforms if Indian banking system aspires to become globally competitive.



# Human Resource Management in banks - Need for a Changed Approach \*

 **Sunit Kumar Agarwal**

Human resource management in banks has drastically changed the scenario during the last decade. However, instead of positive approach maintenance, human resource management had remained on a declining trend, affecting not only the employee but also the management. A differentiation between what is 'Management' and who is an employee is so narrow that the demarcation line has lost visibility. One, who is an employee for higher one, is management for the lower one. Thus, the inter-employee relations are so deeply woven that employee-management duality is one and one and cannot be distinctively identified. The stratum has thus become so interwoven that human resource management could not touch to such a degree that a minute discrimination leads to dispute. Human resource management cannot be seen and developed in isolation. The true sense and ideas is losing ground due to indiscriminate implementation of theory of self-development. Need is for self-retrospection and to find out where we lack in this area of crucial management policy.

Human resource management has become a fashion mantra for all those who even do not have any idea of what does it constitutes. Mere chanting the words "Human Resource Management" carries no meaning unless the spirit behind it is applied enthusiastically. It is not an empirical formula whose application is made as a mathematical solution. HR Management is a science of love, affection, law, power, situational niche, trial and error and much more.

Though we all raise voice for human resource management but have any one of us even

tried to find out what does idea behind it carries. Leave other things at present and just concentrate on the first word "Human". Who is human? Why and for what reason, a human is supposed to work in inhumane conditions and we never tried to improve the surrounding situations. Organizations can be made of mortar, brick, wood but have to grow and work through two hands of man. The latest machines, technologies, policies, resources are ideal if not put to work through human hands. For every growth and development effort, competency development of human is recognized everywhere. Human resources management is not only supposed to find out new ways of developing employees competency but also to develop and implement mechanism of training, improved performance, counselling, mentoring, job rotation, career development etc.

Human resource management is as much as complex as a science and requires interpretation and implementation of management policies in a most delicate manner to avoid any conflict of interests or to lead an environment, where one may feel himself cheated. Human resource management does not simply mean framing of policies, it implies the co-ordination among all sectors. Even a small wrong step may lead to ailment, difficult to be cured.

To start from the point discussing the constituents of human resource management, as the words themselves denote, consist of three parts. The first amongst them is "HUMAN ", a living and the best creature of God, who has feelings, happiness, sorrows and above all capable of thinking, expressing, desiring to progress and excel and achieving new goals. Seldom the persons implementing the management policies become so inhuman when one needs their support in distress, depression and adversity.

**Human resource management in banks has drastically changed the scenario during the last decade.**

\* Reproduced from *Economic Banking Bulletin (Oriental Bank of Commerce) - Volume-3, Issue-7, July-2007*

**The role of human resource management in banks becomes more crucial being a service providing organization.**

The second constituent is “RESOURCE”. Resources are available in the shape of skill, knowledge, techniques, directions and supporting working guidelines are the tools to put the things in shape and place a product before the general public to maximize earnings in the shape of profits.

The third constituent is “MANAGEMENT”. The management has to play a vital role of coordination, harmony, consolidation between the first two constituents so that all three constituents, with their inter-coordinate role may smooth the path of progress and to excel in the field of expertise, beside maximizing utility gains. In banks, such a coordination, harmony and consolidation must be so strongly knitted with a bond to prevent any slippage or breaking the linkages as the banks, being the service provider, need a coordinated and smooth line of action to come out with the finished product in the shape of service that should not only be distinctively identified but be the best return for a price. The role of human resource management in banks becomes more crucial being a service providing organization. At macro level, human resource management must work in the interest of its organization for stabilizing itself, growing, diversifying, remaining to be more effective by improving its systems and services, to be more dynamic and playing leadership role. At micro level, the human resource management has to harmonize the applicability of human resource policies amongst its employees without any discrimination and to the best suited to them. Alienation among the employees and also from the management is a signal that somewhere, some differences are cropping up which are not beneficial to either. Prevention of least degree of alienation among its employees forms part of the strategy needed for the overall growth of the organization and thus this tendency should be curbed by taking proactive or preventive measures. No bias or jealous intention should be reflected while implementing the human resource policies.

Human resource policies are not a one time exercise. These become obsolete with passage of time or with the changing scenario globally. These cannot be static. Changing with time and environment is the first and foremost responsibility of human resource management or human resource development division. The policies devising division must be involved in the continuous process of molding and upgrading the policies, framing the new policies and analyzing the impact of policies and the probable conflict if not found suitable in a particular situation. Even the policy on the anvil may not be usable by the time it reaches to a stage of implementation it is becomes obsolete. Hence adopting a process of “Management Employee Communication Meeting” (MECOM) may be a good idea in framing the best policies.

The instruments of human resource management are many. The HR management instruments are supposed to metamorphose in generating of human resource process like role clarity, performance planning, development climate, risk taking, dynamism that may inculcate a feeling of wholeness in its employees so that they may emerge as more competent, satisfied and committed people that would make the organization to grow by contributing their best to it.

In economic theory of society, service sector, hitherto known as tertiary sector, is the most active sector that provides wide variety of services to individuals and thus surpasses both the primary sector (agriculture sector) and the secondary sector (industrial sector). Banks, a part of service sector besides, having a first role player amongst the other service providing sectors viz., insurance, transportation, communication and education, have a crucial economic role to play in the society. Banks, by providing financial assistance, serve a bridge between the production of goods and the beneficiaries or between the producers or manufacturers and the consumers. Banks, that are the backbone of the monetary strength of the Government, have great direct effect on the economic and fiscal policies of government. Though in general parlance, banking industry is looked just as a service providing sector but if seen with a microscopic analytical point of view, the growth, progress, expansion of whole nation is



**Policies are made with great precision but their implementation requires sharper precision and acumen.**

much more dependent on the growth, progress and expansion of banking sector, which can only be achieved through the motivated employees by providing conceptual learning and the inter-dependence of the employee management, management-organization and organization employee prism. Each one of us might have felt that just with the wrong implantation of HR policies, the unsatisfied employees led to the failure of various banks and thus leaving no alternative except that of merger or acquisition or winding-up.

The experience from the last decade has revealed that though the human resource management policies have taken a new twist with the changing scenario of the banking industry, even it is not out of context to state that although the banking industry, as a whole, comprised various different large and small banks, each bank has its own human resource management and separate policies. All banks are governed by the common policies of Government of India and rules and regulations framed by RBI. Certain Acts and legislations are equally applicable to all banks in India but have we ever thought what prompted the human resource management of a bank to frame policies for their own employees for a specified bank? Why all such policies are not made same or made applicable to one and the all banks in a similar fashion? What actually lies behind the scenes where one organization / bank may excel but the other fails?

Here comes the role of human resource management. The burden, human resource management carries is a crown full of thorns to frame policies and to implement them is such a fashion that can inject the sense of oneness amongst the employees to generate a bond of teamwork but not destroying their individual identity. Recognition is the soul of competency. The vital role thus, the human resource management plays is judged from the outcome it reflects as a final result and the overall implications.

Banks have left their age-old image of just deposit and lending institutions. They have now emerged with providing innovated services. Their means of working have changed drastically from manually to electronically. New products are launched to attract the new customers not only to generate profits but also to rule the country. The Darwin's law of

"Survival of the Fittest" has not lost its significance even today.

To survive, one has to be at the forefront but can one feel that survival is so, simple as it appears to be written in these lines? No. Survival of an organization, much more depends upon the zeal of the employee and the competency to strive hard in adverse environment. This may only emerge when there is a coherence, harmony and equality in the interests of the employee and that of the organization. Banks are no more different when talked in this respect. I have not come across any organization where despite conflict of the interest, either the bank or the employee had survived. A small jolt may take away everything as a straw is taken away in floods.

As alluded to earlier, simple policy framing with no implementation or implementation with biased or jealous motive is nothing better than a rotten wood. Banks can only survive when policies are framed that can lead to the development of the employees also. A competent, well educated, diligent, intelligent, motivated and fully satisfied employee is an asset to the bank but whether all such qualities are inborn in the employee or these are developed with the passage of time without any support of the management? Never! it has similar to an ostrich hiding its face in sand. Competency to do the work rightly, stands on different footing from expertise that comes by repeatedly doing one type of work in the right spirit.

Policies are made with great precision but their implementation requires sharper precision and acumen. One may criticize a policy but to have a critical analysis is what one may require judging the policy from a balanced angle.

Human resource management requires a change. One cannot carry the age old or obsolete policies. Implementation of policies (*i.e.* micro level implementation of policies) plays their role but the macro level policies exert more pressure. The human resource management has to change



the approach. The approach may broadly be categorized in the following manner:-

1. Policies should be framed by taking into consideration the nature of job of a division. It is said that comparison is odious. Framing and implementation of airtight policies may not bring the desired results. On the contrary, it may distort the whole scenario. At this stage, a turnaround may not be possible or may be too difficult. To avoid this situation, trial and error method be adopted and when one feels the fair chances about the outcome of the desired results, the policies may be implemented forthwith.
2. The overall policy on a point should have exceptional clauses. All the employees may not be measured with the same yardstick. Categorization with minimum of diverse group may be made but with due care and precaution.
3. As it is said, recruiting an employee is easier than to retain him / her, the promotion and posting policies should be fair. These are the areas that mostly affect the employees. Most of the banks have adopted a policy of promoting the employees to higher grade after having served in a particular scale for a particular period, although they have never thought of a promotion or applied for. Moreover placing them at the same station creates a sense of discrimination or better treatment than those employees who have succeeded at their own but transferred to far off places. Policies for promotion should be crystal clear. One should not feel discriminated or be criticised that mostly the promotions are based upon the individual liking. The knowledge, achievements play a little role. Retention of an outside agency for this purpose may lessen the pain as it may lessen the scope of promotion on personal liking or disliking. Human resource management has to strive in this aspect. A time-bound promotion may inculcate the feeling of protection in the employees and they may be in a better position to devote much more time for the growth and development of banks.
4. Human resource management should also think for the knowledge, training, acquiring skill, competency of the employees. A well-informed and motivated employee is an asset and prevents strikes and apathy towards work. Example of Tata Group companies is in hand which never held a strike.
5. Although job rotation is one of the areas where human resource management devises policies but in most of the cases, it is found that once an employee is placed in a department, he continues to that division throughout his service period. It gives a sense to such employee as his personal division and starts giving troubles to his fellow or co-employees. Barring those who are specially recruited for these divisions because of their specialized skill, knowledge or expertise, policies should be framed that other employees should not remain in a particular division more than say five or six years during the whole service period and not more than three years at a stretch. Working outside that particular division may lead such employees to think how they feel when other treats them in the same way they treated them. It is not a suggestion that one should adopt the policy of "eye for an eye" but it will definitely send a message that situation may change and one should not exploit the position.
6. It is seen that one may not perceive the deep-rooted evils while remaining in the same arena. Exchange of thoughts gives air to change but may not prove to be truly effective. Human resource management of banks should have developed an idea of deputation or sharing of staff (inter-bank or to other organization) so that one may have idea about the better policies of one bank so that on return to his parent bank, the better policies may be adopted and implemented. In other words, what is being done presently at higher level should be done at the possible first grade level officer also.
7. Union also plays a crucial role in the development of a competent human resource management but alas, most of the policies made in consultation with the union does not hold good for the entire work force. The role of the union in banks should be more positive and constructive and goal achieving and the assistance in policy framing be obtained with due care and precaution. Retired staff should never be a part of union in any manner.

8. With the change in the traditional concept of employee assessment, a one-way street where managers or superiors evaluate subordinates, is being shaken and stirred. An assessment or evaluation of the performance of an executive, not only from his boss but also from the juniors will definitely bring drastic change in the HRD Policies. It is rightly said that it would be like showing a mirror to an executive, which has both positive and critical sides to it.

Thus one can categorically say that unless a changed approach in the human resource management is adopted, bank may face difficulties

for survival. There are greater challenges before the banks as they have to tread in international arena. Employees and specially the human resource management have to mend their respective working manners and be adaptive to the new scenario. There cannot be any substitute to the human touch and hard work that only comes from a closely knitted relationship of love and affection. Is it not said, as you give, so will you get in return or as you sow, so shall you reap?



### Work Life Balance \*

#### Work Life Balance - 9 Strategies to Help You Regain Your Equilibrium

If you are a small business owner, you may have noticed that the relationship between personal and professional life can be rocky. Developing and maintaining a healthy work life balance can be tricky. I know pat success formulas don't help. I also know it is possible to take care of ourselves and our business if we are willing to do the work. Read about nine strategies that, taken together, can help you change course without abandoning the destination and help you restore work life balance.

#### Work Life Balance and the Power of Positive Thinking.

Can we learn how to respond optimistically and hopefully to events that challenge work life balance? According to psychologist and researcher Martin Seligman, the answer is YES. While some folks appear to be hardwired to respond optimistically to ups and downs in life and work, others are wired for pessimistic responses. Fortunately, you do not have to settle for the wiring you were born with. Find out how you can improve your resilience and your hopefulness by acquiring solid positive thinking skills. Refine Your Work Life Balance by Setting Healthy Boundaries.

Do you think of boundaries as ways to keep something or someone out in hope to maintain your work life balance and protect your time, energy and resources? What do healthy boundaries look like, and how can you know where and how to set them? Let's take a big breath and take another look at this business of setting boundaries.

#### Work Life Balance : Adding White Space

You most probably heard that work life balance is called the "holy grail of the 21<sup>st</sup> century. "In bookstores, the bookshelves groan with books devoted to the topic, yet ironically enough, quite a few people just can't find the time to read them. May this article help you cast a fresh eye on what work life balance means to you and take a further step towards balanced life.

#### Work Life Balance : The Gift of Too Much to Do

People are always asking me how I get everything done. How do I find the time to read so much? How can I travel and attend trainings while keeping up with my practice? How do I manage to write my blog and Authentic Promotion newsletter? How do I maintain work life balance that has become the Holy Grail of our times? In this article, I am gladly sharing one of my "secrets".

#### Work Life Balance : 9 Quick Tips for Managing Overwhelm

If you feel that your work life balance is teetering on the edge; isn't it time to make changes before the problems overwhelm you? Whether or not you own your own business, life is often overwhelming rich. I wish you joy in the dance as you move with order and disorder, discipline and insight, gracefully maintaining work life balance.

#### Your First Step to Balanced Life : Make room for enough

Here is the secret that underlies all life balance

#### Calling Your Energy Home

Find out about two main reasons we run short of energy we need to maintain work life balance and call your energy home with an energy inventory offered in this article.

#### Work Life Balance : Self Care, whether you Deserve it or not

Answering these simple questions will help you start or resume your journey toward real work life balance.

#### Transition to Balanced Life : Do You Have your Instrument Rating?

There are times in life and in business when it's just not possible to know what do next based on your usual sources of information. Read about the ways that will help you avoid error, achieve more, and enjoy a balanced life.

\* Source : [www.authenticpromotion.com/work-life-balance](http://www.authenticpromotion.com/work-life-balance)



# Corporate Business Strategy Vs HR Strategy in Public Sector Banks \*

 Naipal Singh

The human resource department is the heart of any organization and plays a key role in making business strategy in the organization. The core areas of this department has to be identified and implemented properly in public sector banks.

The HR efforts based on the critical business areas to be managed to get desired results in business. The HR plans and strategies have to be evolved for meeting the issues of globalization, managing higher profitability through higher growth, managing technologies, adding human values and managing its changes.

A paradigm shift is required from traditional personnel function to strategic HR function. The corporate business strategy and HR strategy aims at profit, productivity and customer satisfaction. The HRM focus under the strategic model is the 7c's of HR i.e. culture, competency building, career planning, coaching, consultant role, communication and compensation management.

## Indian Banking Transformation

In the Indian context, no other industry has shown such rapid changes as the Indian banking industry. The financial sector reforms in India have resulted in a structural transformation of Indian banking industry. The external forces have become stronger with the entry of private and foreign competitors in the market. Technology has made a road map and most of the banks, after fully computerization of the branches, have entered to implementation of core banking solution (CBS), the new medium of delivery of services to their valuable customers are like ATM, internet banking, tele-banking, SMS banking, mobile banking, RTGS, credit card, debit

card or electronic purse, etc. Customers of financial services have become more aware through the competition and their expectation levels are higher. Public sector banks have responded well to the boom of technology.

The changes may be observed in business strategy as banks which were hitherto capturing market through walk-in business, now have to start aggressive marketing campaigns. Banks have been successful in managing technology and have started moving up. Although, public sector banks have the higher average age profile of employees, yet such a transformation is nothing but short of a major achievement.

The advent of technology in terms of computers and communication has been changing totally the ways of doing banking business. It has brought in several advancements such as 24\*7\*365 banking, 'anytime anywhere' banking. The other developments includes offering of internet banking, mobile banking, tele-banking, real time banking facilities to the customers. The main focus has been on the ability to access and share information in improving efficiency and value addition to customer services. The banks are adopting customer centric approach to increase their customer base. The cost of e-banking is lower than that of traditional banking through branch. Indian customers are using electronic banking facility for payment of bills etc. Technology is increasingly finding its use in banking by way of convenience in product delivery and access managing productivity and performance, product design adopting to market and customer needs.

## Human Resources Transformation :

The average age profile of employees of public sector banks is on the higher side, thereby impacting the productivity level of PSBs vis-à-vis competitors in the private sector. Banks will have to recruit and retain talented work force in the areas of

**The financial sector reforms in India has resulted in a structural transformation of Indian banking industry.**

\* Reproduced from Economic Banking Bulletin (Oriental Bank of Commerce) - Volume-3, Issue-7, July-2007

**Banks need to have a proactive HR policy which should be duly approved by the Board of Directors.**

marketing, technology, HR, risk management, CA, FA, Forex etc. The industry level compensations agreements, makes difficult for banks to retain talented professionals and banks will have to evolve clear career path and opportunities for growth for its professionals. Although PSBs have been provided operational autonomy in the areas of HR, they are yet to make full use of such freedom. Perhaps a beginning could be made if banks move away from industry level agreements and decide their own individual HR policies. It is a need of the time that banks will have to make earnest efforts in banking about attitudinal changes among the employees of all levels. The HRM Practices should be focused on :

- HR philosophy, HR policy
- Building new workforce skill like marketing, team spirit, communication skills etc.
- Training staff to be competent at technology front, professional, expertise skills and learning attitude
- Psychological preparedness among employees to accept changes
- Promote human capabilities and their proper utilization and placement
- Instill the right work ethics and values
- Improve the quality at work life
- Establishing their own research & development center.

Banks need to have a proactive HR policy which should be duly approved by the Board of Directors. The policy should aim at linking performance with reward system. Innovative approach will be called for to sustain and improve motivation among the employees. Performance appraisal system should be made the key performance indicator and banks could also move ahead to introduce a 360 degree feedback system and identify the potential appraisal of employees. Banks must be bold and professional enough and conduct periodic organization climate

survey, assessment survey to access staff satisfaction and their aspiration levels. Such surveys throw feedback and give new inputs for HR policies and practices.

The age profile of bank employees need to be improved by fresh recruitment. At the same time, banks could also provide for faster promotion among staff to maintain high morale. The induction of technology would call for scientific method of man power planning, which in turn, would help in optimal utilization of workforce lateral entry of specialized workforce in areas like IT, HR, Marketing, Risk Management, Treasury, etc. should be encouraged.

The focus of training should be on developing the relevant skills in employees and should be regularly reviewed in the light of the emerging business environment. Banks should move towards e-learning methods so that cost of delivery and administration be reduced and effectiveness improved such initiatives should be scaled up to create an electronic resource repository which could be accessed by all employees and help in knowledge sharing. Infact, this would be a good initiative towards knowledge management and transforming into a learning organization. The shift in training should be marked by a change in approach as well instead of viewing training as a necessary "overhead", it should seen as building human capital within the organization.

The employees of today are technology savvy and continuously motivated to learn and assimilate the technology in work place. Technology provides for quicker and better transfer of knowledge throughout the organization for various reasons :

- It can improve the ability of people to communicate with each other, since it blurs the boundaries of the organization and provide for scope of development of relationships beyond hierarchies
- Technology provides opportunities for interpersonal interaction through various media *i.e.* video conferencing, e-mails etc.
- It eliminates the number of hierarchies while increasing the scope of control

It will put greater emphasis on employees contribution, by effectiveness of their performance.



In the process it strengthens employee's need for-recognition to his value contribution. The pay-for-performance can be effectively administered. The competency and skills of the employees can be recorded and in the process their learning requirements can be planned as a part of overall organizational learning effects. It allows empowerment of employees at ground level and facilitates better performance of organization through these frontlines at the point of interface with customer, which would lead to increased customer satisfaction and improved resultant business performance.

#### **Business Strategy vs HR Strategy :**

As business strategy is reoriented there is a need for corresponding changes in the approach to management of human resources. The changes in the operating environment have not led to any visible changes in HR practices in banks. Indeed, HRM practices have not taken firm root due to variety of reasons *e.g.* lack of clear HR philosophy in the industry, trade union pressures, industries level agreements relating to working conditions and compensation. There is a lack of change in approach of management towards its human resources while, other public sector undertakings have achieved much more than public sector banks in the areas of HRM.

To globalize the Indian banking industry, there is a need for a sound and stable financial system which can withstand the pressures of global market conditions and banks will be in a position to take the banking industry on international market. The process of globalization with banks successfully reorienting their business strategy and managing technology without comprising on their social commitment. The real challenges before banks in the coming years will be their human resources and meeting these challenges banks will face an uphill task.

The linking of business strategy with HR Strategy would require migration from the current "IR" based model to "strategic human resource management" model so that bank can truly leverage on the strength of the human resources in creating values specifically, the alignment process. These are reworking skill acquisition

**Banks should take their HR functions as a business embedded within a clear strategy as well as a structure.**

and development, culture, values, commitment, performance management, rewards and employees relations.

While it is desirable that HRM strategies are as closely aligned as possible with business strategy, yet the former should not over - influence the latter. After all the HRM strategy is aimed at making business strategy work and therefore, should sub serve overall business strategy. In the ultimate analysis, HRM strategies should be imaginative, innovative while at the same time, flexible to adjust rapidly to change.

The process of transformation of banks is most visible in the areas of business strategy, technology and complying with prudential regulatory guidelines. However, there is one area where change is not visible, it is in the area of human resources management. Surprisingly, public sector banks have shown inertia to change their approach to HR, as a result, disconnect between business strategy and HR strategy has emerged, which is likely to pose serious challenge to the banks in the future.

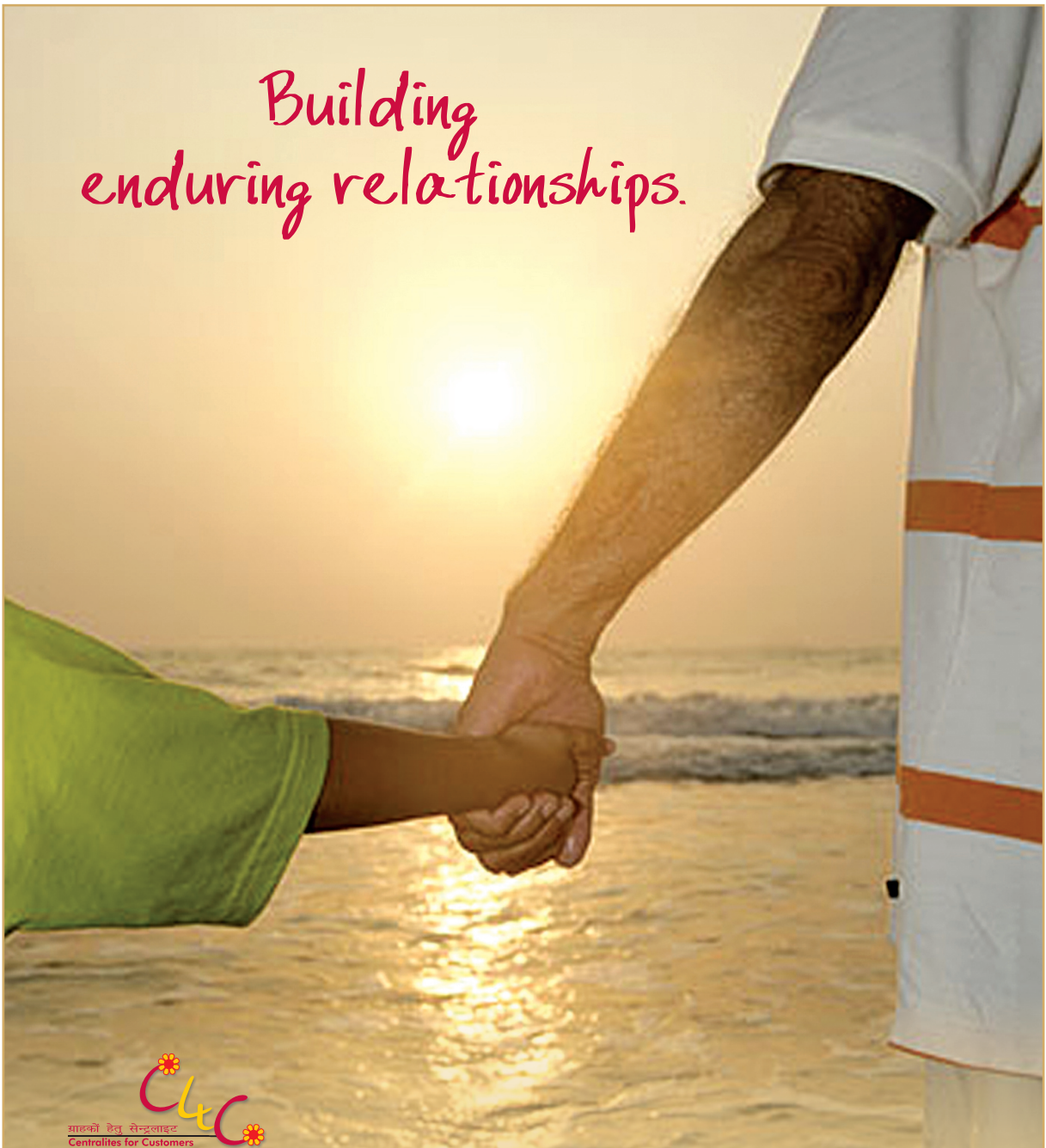
#### **Conclusion :**

It is, therefore, clear if Indian banks intend to realize their global aspirations and evolve into world class organizations, nothing short of a transformation in HR area would be the need of the hour. Banks should take their HR functions as a business embedded within a clear strategy as well as a structure. Strategy will help focus attention on the key factors and help respond to the changing business realities while structure would organize the HR resources and deploy them in the most effective manner.

In public sector banks, the HR functions continue to remain what they were earlier compliance, transfers, promotion, posting and training, perhaps this is a result of legacy inherited from the past when industry-wide norms were the bench mark for every aspect of personal administration. In particular, the public sector banks which dominate



# Building enduring relationships.



*To be a bank of the people, one has to invest in people. People are individuals, not numbers. People relate to a bank that thinks about them... and for them.*

*At Central Bank of India, we focus on being a people's bank with a 2-pronged approach... customer orientation and employee motivation. By nurturing relationships, both within and beyond, we have gone from strength to strength. Today, the warmth of our service is supplemented by our technology drive - leading to a spreading CBS branch network, the facilities of Anytime Anywhere Banking and a host of advanced services that simplify life for our stakeholders.*

*Today, Central Bank of India is not just about deposits and loans. We build relationships, pure and simple.*



**सेन्ट्रल बैंक ऑफ़ इंडिया**  
**Central Bank of India**

[www.centralbankofindia.co.in](http://www.centralbankofindia.co.in)

**Build a better life around us.**

the banking system in terms of business, have always been at a disadvantage in their HR area mainly due to industry level agreements strong collective bargaining by the employees and old mindsets. Notwithstanding the operational autonomy granted to the public sector banks by the Government significant changes in the HR practices of banks have not yet become visible. Once the move towards consolidation of banks gains momentum, the issue of people challenge will assume enormity. Ideally, banks should therefore, bring about a complete transformation in their HR function in a proactive manner. It is a big challenge for stabilizing the vision, mission values and general

business strategy. The HR professionals are helping to ensure managers perform and to be consistent with corporate vision, mission and values. These have to be made the base for the development and implementation of HRM plans. Together, they provide the logic that guide the choice of specific human resource policies and practices. Therefore, the HR department should work like a facilitator to achieve the business target and it should take care of its people and their families.



#### **Inclusive Growth : Infrastructure and human resources \***

There are two aspects, one is the infrastructure required for the bankers to take up the challenge of financial inclusion and the second one is the HRD requirements. No doubt the financial inclusion throws a challenge but at the same time, it gives opportunities to the bankers to make money. As a banker we should remember the interest of all the stakeholders.

When we pursue the policy of lending to the financially excluded mass, we must keep in mind the basic Dharma of banker. The essence of the banker is that we take money from depositors and lend. Therefore, there is an obligation on our part to see that the money we raise is deployed usefully. As a prudent banker we must keep in mind the safety of the depositors' money. When we think of opportunities, as Mr. Prahlad mentioned, there is a fortune at the bottom of the pyramid. But along with the fortune, you have also the 'Mummy' in the bottom of the pyramid. So we must take care of both and see that the fortune is retrieved and we don't get into bad assets in this particular sector.

Now, when we talk of the challenges, the foremost point is infrastructure requirements. There are few things which have to be done before we go further. My mind goes back to the PNB days when Boston Consulting group was engaged to do the restructuring of the bank. They have gone into various credit portfolios of large corporates, mid corporates and the retail segments. One of the lessons we learnt that we are averaging the cost of our funds and similarly we take the yield on advances. Every portfolio should be a profitable. But when we analysed on the basis of balance sheet of 1996, we found that the most profitable portfolio despite the high level of NPAs, is the high corporates, mid level corporates and the retail segment was a losing proposition. So there is an element of cross subsidization. Today we are having the worst of both worlds on the corporate side, we are unable to dictate high rate of interest and also saddled with directed lending for financial inclusion, we have to find the way as to how to balance credit portfolio and also to see that the cost of operations is kept at minimum. Unlike the decades of 70s and 80s today banking sector has the advantage of IT. The IT will help us to reduce the cost of operations and the over all cost. Technology use in banks has become a buzzword. Banks which are not in advanced stage of IT may suffer on account of poor follow up of loan accounts and the monitoring etc.

Again coming to infrastructure, we are having certain mind sets. The mind set in the organization is not to outsource activities. Why I should not outsource monitoring, recovery and other things and confine myself to core function? We can take the help of Post Offices, we can take the help of NGO's etc. I think the Banking Institution has to innovate delivery of credit in this particular segment in order to keep the cost of operation at minimum so that we can manage our net interest margin in this particular portfolio.

When we talk of financial inclusion we only think of rural areas, but it is to be noted that still 50% of the urban population are financially excluded. To address this we need credit bureaus and have to create proper processing centers. The Hub and spoke approach is the most accepted concept for dealing with retail credit provided it is implemented. The farm service center where we are educating the farmers will be of help to include this segment in banking system.

\* Source : Presentation made by Mr. K. N. Prithvi Raj, ex-CMD, Oriental Bank of Commerce at BANCON, 2006 at Hyderabad.



## Needed : A Human Resources Development Policy for Rural Banks

 Dr. N. K. Thingalaya \*

Among the many innovations made in the field of rural banking in India, one of the prominent institutional innovations is the formation of regional rural banks - gramin banks. Though they were thrust upon the rural banking scenario in 1975 by the Government of India driven by its impatience about the slow progress made by banks in rural areas, the new credit agency raised some hopes about its comparative advantages. However, what was conceived as an experimental model to be tried initially in selected agro-economic zones, attracted the attention of most of the state governments. Between 1975 and 1987, as many as 196 gramin banks came into existence all over the country, excluding Goa, Pondicherry, Sikkim and Andaman and Nicobar Islands; (Thingalaya 2005). As a result of the amalgamations at the state level, their number has come down to 91 as on March, 2008.

The policy-makers' obsession with the propagation of gramin banks as low cost rural credit agencies, made them almost blind to the need for building up an integrated rural credit apparatus from the village level. With a mandate to provide credit to only the target groups, these banks were forced to operate in truncated rural economy, catering to only a few sections of the rural society. This has adversely affected their viability and growth. Making smaller advances to the poorer people, at lower interest rates, operating in smaller premises (with a ceiling on rent) in backward villages, these banks were managed by people drawing lower salaries. Their lending operations were narrowly confined to the target groups - marginal farmers, landless labourers and village artisans. They were not permitted to lend to the borrowers from the non-target groups in their operational areas. Relaxations were made after much damage was done to the viability of their branches. This has led to what may be termed as the under-utilisation of the installed capacity of this rural credit agency (Thingalaya 2002).

The staff members of gramin banks were not provided an exposure to the nuances of managing the credit proposals beyond those of pretty small advances. Expertise in handling medium size credit proposals emanating from the rural customers outside the target groups could not be built up during the last 30 years of the existence of these banks in the village set up. With limited exposure to the outside world and the selections being made locally, the staff was novices in banking. There was no promotion policy in place for the staff, when these banks started functioning. Some banks headed by rural-minded persons could show good results, while many others just existed in the rural sector, with huge accumulated losses. Thanks to the owner's benevolence, they were not wound up.

The scope this article is confined to making a plea for the adoption of a human resources development policy for the gramin banks. Operating mostly in the less developed districts in different parts of the country, they have been engaged in an obstacle race. At some points of time, their survival was in doubt. The financial sector reforms have added to their woes, without making any concrete proposal to integrate them into the established banking set up. The major stakeholder - the Government of India had no time to formulate any long term plans for the development of these banks, which were not revenue-earners. According to the latest available data, 81 gramin banks out of 96 are making profits during 2006-07. Many of them have become income tax payers.

Wage differentials between the gramin banks and their sponsoring banks were removed through court intervention and not by any long term policy perspective. It is high time that the policy-makers now take steps to put in place a workable human resources development policy for gramin banks, keeping in view their compatibility with that of the commercial banks. Rural banking must be

\* Emeritus Professor, Justice K. S. Hegde Institute of Management



recognised as a specialised field, not as an unwanted adjunct to banking. Now that the financial resources of the gramin banks are better managed, as indicated by their profitability, the focus should be on better management of human resources.

### Evolution of Gramin Banks :

The Working Group on Rural Banks, which has formulated the ideological framework for gramin banks, has been categorical in stating : "One of the more important objectives of the rural banks would be to attempt effective coverage of small and marginal farmers, landless labourers and rural artisans. The performance of these banks will be judged primarily by their success in coverage of such categories of borrowers towards meaningful productive activity and recovery of their advances rather than by the profit they make" (emphasis added), (GOI, 1975). While profitability of rural banking was not accorded high priority, it was mandated to adopt a lower wage structure for them, for evolving them as low cost credit agencies.

Most of the staff was recruited from the local areas, where these banks were located or from the same language areas. They were appointed at scales, which were on par with that of the local state governments. In the early stages of rural banking expansion, they have undergone many hardships in venturing into remote villages, devoid of basic necessities. Young and enthusiastic, as they were, they could establish the rural branch network extensively. Fatigue in their performance is visible now, after a long period of rural posting, in terms of their reluctance to stay in the villages.

The N.I T. Award in 1990 brought wage parity, equating their emoluments with those of commercial banks, on the principle of 'equal pay for equal work'. But the volume and the type of business handled by them were different from those of their counterparts in commercial banks. The hefty pay packets and the disbursement of arrears have further added to their complacent attitude. Under-utilization of the 'installed capacity' of the rural financial infrastructure was the inevitable consequence as it took some time for the business to grow in tune with the increase in the wage bill. Wage hike, which the owner could have given in a graded manner by earning the good will of the staff,

was obtained by them through legal battle. For long, many gramin banks were in red as a result.

Initially, the Government of India did not delegate the authority to evolve a human resource development policy to either the sponsor banks or the Reserve Bank of India; NABARD came to the picture much later. Promotion of clerks into the officers' cadre could not be effected in the absence of any clear policy guidelines. There was a recruitment ban for some time. Many of the banks could not open more branches as a result of staff shortage. Immediately after the introduction of financial sector reforms in the 90s, there were uncertainties about the future shape of gramin banks. There was some talk about their mergers or their reincarnation as local area banks.

While considering the issue of salaries of employees of gramin banks, the Committee on Banking Sector Reforms has strongly urged that "there should be no further dilution of the basic feature of RRBs as low cost credit delivery institutions". Strangely, all the talk was about keeping the gramin banks as low cost credit outlets intending to serve the common man at lower rates of interest. At the same time, many microfinance institutions (MFIs) have cropped up, charging exorbitant rates of interest, without hindrance or objections from any regulatory agency. Their huge overhead cost is considered as the justification for them to fleece the poor borrowers. The most incongruous situation is that the gramin banks have been lending at much lower rates of interest, when the MFIs are making a killing.

### Human Resources of Gramin Banks :

There are 63,614 staff members working in 14,524 branches of gramin banks operating in different states in India as on March 2007. Details of their deployment in different demographic areas are furnished in table below.

Table-1 : Human Resources of Gramin Banks : March 2007				
Classification	Officers	Clerks	Sub-staff	Total
Rural	12,927	14,151	10,629	42,707
Semi-urban	6,435	5,396	2,737	14,568
Urban	2,812	2,520	1,007	6,339
<b>Total</b>	<b>27,174</b>	<b>22,067</b>	<b>14,373</b>	<b>63,614</b>
Source : Statistical Tables Relating to Banks in India, 2007, Reserve Bank of India				

From the inception of gramin banks, the selection of staff was made from the local areas, with a view to man their branches with persons conversant with the local ethos. Their exposure to general banking is limited, though they under went training at different stages. For officers in scale I, fifty percent of the vacancies were filled by direct recruits and in the other two scales, it was 100 percent from internal candidates only. No conscious efforts were made to widen the human resource base by inducting specialists from agricultural universities.

No recruitments were made by these banks since 1991. The promotion channel for officers from scale I to scale II was opened in 1998. For scale II to scale III was opened only in 2001-02. Fresh recruitments were permitted only from 2006-07. There was a time, when the wage bills were eating into the total income of some banks. However, most of them have travelled a long way, reducing or wiping out the accumulated losses. Business of these banks has increased substantially, as can be seen from the table below.

**Table-2 : Growth in Business of Gramin Banks : 1991 to 2007**

Business Indicators	1991	2007
Deposit Accounts (Lakh)	321.48	651.09
Deposit Amount (Rs. crore)	4,849.69	81,630.50
Advance Accounts (Lakh)	na	149.58
Advances Amount (Rs. crore)	3,750.57	47,855.11

*Source : Basic Statistical Returns of Scheduled Commercial Banks in India, 1991 and 2007, Reserve Bank of India*

Though there was hardly any branch expansion during the period, there has been remarkable growth in business, largely facilitated by the removal of restrictions on lending to non-target groups. Consequent to business expansion, many of the banks have adopted organizational revamping by opening area offices in key centres. As their areas of operations have increased substantially after the amalgamations, they have decentralized the organizational structure by appointing area managers in selected district head quarters. These offices are headed by scale III officers only, as none of the gramin banks have scale IV officers promoted from within under the existing promotion policy. In the sponsor banks, such positions are normally held by Divisional Managers of scale IV or even scale V in some cases.

Along with the growth of the banking sector in general, the volume of business handled by the branches of gramin banks also have shown signs of growth. A few of them have become more profitable than some of the old generation private sector banks.(Thingalaya 2007). The volume of business per branch has risen appreciably in most of the banks. For example, in one the gramin banks in the south, Karnataka Vikas Gramin Bank it is Rs.13.03 crore and in a gramin bank in the north, Gurgaon Gramin Bank, it is Rs.21.59 crore as on March 2008. Surprisingly, the profit per employee in this bank is much higher at Rs.5.17 lakh compared to its sponsoring bank's, Rs.3.18 lakh during financial year 2008. However, the average size of the business handled by the staff of the sponsoring bank is higher at Rs.586 lakh compared to that of Gramin Bank at Rs.330 lakh. Inferentially, the productivity of the gramin bank staff is not very low vis-à-vis that of their counter parts in the public sector banks, if allowances are made for the differences in the nature of business handled by them. An officer working in the gramin bank, under the present promotion policy, cannot aspire to move to scale IV position during his career, though his competence may not be lower than that of the officers in the public sector banks.

### **HRD Needs Revamping :**

Under the Regional Rural Banks Act 1976, the Government of India is empowered to formulate the rules for the appointment and promotion of officers and other employees of gramin banks. Almost two decades after the establishment of gramin banks, the Government of India came out with the Regional Rural Banks (Appointment and Promotion of Officers and Other Employees) Rule 1998 on July 29, 1998 creating the position of scale III in these banks. It has laid down the rules for the promoting officers from scale II to scale III for the first time. The eligibility was prescribed as "officers holding post for seven years in scale II on regular basis." It was stipulated that the entire promotion should be made from within the bank, on the basis of seniority-cum-merit.

Since then, during the last ten years, many changes have taken place in the banking sector. New banks in the private sector are evincing some interest in entering the rural business. Some of them have



made ostentatious presence in rural areas with ATMs. Banks have also been directed to double their credit exposure to the agricultural sector. Gramin banks are also asked to increase their agricultural advances. Many of them have opened their area offices, promoting the eligible officers to scale III. These promotees, or at least most of them, have completed ten years of service and some of them would have also retired, while there is no provision to move up in the hierarchy. It is observed that in many gramian banks they have this category of officers stagnating.

NABARD, which has a stake in ensuring the healthy growth of gramian banks, has made a mention of HR Initiatives in its Annual Report 2008. It is said, "GOI has constituted a committee under the chairmanship of Dr. Y. S. P. Thorat, the then chairman of NABARD in May 2007 for reviewing and formulating a comprehensive HR policy addressing manpower requirements and other related issues of regional rural banks. The committee's report is under consideration of GOI" (NABARD 2008).

It is necessary at this juncture to recognise the strategic importance of the rural banking cadre. While the policy-makers were goading the bankers to move into rural areas since 1969, no serious attempt appears to have been made to develop a rural banking cadre. In the context of globalization, the rural economy is gaining importance as a significant contributor to the economy's growth. Immense possibilities of development of the agri-business are opening up with export-oriented contract farming emerging in areas, where commercial crops are grown. Many MNCs are also vying with each other to enter into the rural business. In this changing scenario, the rural banker cannot afford to remain in his brick and mortar branch, selling only the traditional products. He has to build up a super market, selling innovative financial products, including insurance, mutual fund and other financial services. These products have already made their appearance in rural India, though not in large scale.

Gramin banks have to be treated as mature rural credit agencies, which need to be strengthened by inducting specialists into their work force. Alternative scenarios of integrating this rural outfit

with the banking system should be worked out with a view to select the best possible mode of integrating them. From the long term perspective, it would be worthwhile considering the gramian banks as the most suitable rural credit agency by facilitating the exit of commercial banks from the rural scene; (Thingalaya 2003). The commercial banks can develop their core competence in non-agricultural space. Strengthened gramian banks, with a positive human resource development policy can be nurtured as the main player in rural finance.

### References

1. Government of India, (1975); Report of the Working Group on Rural Banks, New Delhi.
2. Thingalaya N. K. (2005) Regional Rural Banks : Need for Consolidation and Convergence, CAB Calling, Pune, Jan-Mar 2005
3. Thingalaya N. K. (2001) Consolidation of the Banking Sector : Realigning the Rural Banking Segment, in Bank Quest, Mumbai July-Sept 2001
4. Thingalaya N. K. (2003) Restructuring Banks in India : Need for Changing the Rural Banking Structure in Bank Quest, Mumbai, Oct-Dec 2003.
5. Thingalaya N. K. (2002) Relevance of Regional Rural Banks, Paper presented at IRMA Silver Jubilee Symposium, Anand. (volume yet to be published)
6. Thingalaya N. K. (2007) : Small is as Beautiful as Big in Industrial Economist July 15, 2007, Chennai.
7. NABARD (2008) : Annual Report of NABARD 2007-08, Mumbai,





# Human Resources Development in Banks : Need for a Changed approach \*

 V. K. Sharma

We are in service sectors and in present competitive environment and developed market, we need to update our “knowledge” and also to improve “HRD”. I feel that there is need to change the approach of “Human Resources Development” in Banks. The object of this article is to highlight necessity of cordial relations and to improve HRD so as to get best results in our overall performance.

I divide this article in three parts, first part containing views for “Human” as resources or capital and the letter 'R' in HRD should denote resource or relation. In second part I have tried to analyse actions taken in the past by the banks and effect thereof in long run. Part three dwells on the need to change approach in HRD and steps that need to be taken for an overall improvement.

## Part - 1

The abbreviation HRD denoting, “Human Resources Development” is creation of western countries, they treat and deal human force as resources. Resources are explored, exploited and discarded after their use. Continuous use of resources makes them weak and futile, they decay with time. However, human beings become wiser, stronger and grow from within with each challenge / problem encountered. Wisdom and strength in human beings appreciates with time but use of resources always makes them weak, futile and depreciate. Human force is thus 'capital' in true sense. In Western countries managements treat their employees as resources and in turn their employees act indifferently with no attachment for the institutions, eagerly waiting for the weekend break. In India most of business houses treat their employees as part of one family but for smooth working and proper decorum, discipline is maintained keeping in view the human values and relations.

In my view HRD is “Human Relations Development”, an art to convert human force to capital. Further, banking is a service industry where role of human capital is more important, as such, we have to

**A boss is boss irrespective  
of being young or elder to  
those working under him / her.**

strengthen it to strengthen the rest of our assets. The employees of an institution having good HRD not only give quality work but also surpass the targets assigned and dedicated to the institution. They are found more efficient, self disciplined, inspired, motivated & motivating, dedicated and competent. In HRD first and the foremost point is to build harmonic relations. We ought to learn the art of maintaining relations with subordinates, with contemporaries and with seniors / bosses. The small art is not so difficult, good relations always prevail, all our problems and let the institution and employees grow to greater heights.

HRD relates to people working for and in the institution. In office work place we come in contact with three types of people, our subordinate, contemporary and our bosses. My views in brief on how to maintain good and harmonic relations with people in these three categories are as under :

### *Dealing with Juniors*

A boss is boss irrespective of being young or elder to those working under him / her. Being the head of Department / Division / Institution, he / she is the custodian / warden, responsible for all acts and working in office. He / she has to manage and perform the affairs to achieve the desired target with the available staff & resources. We should always keep in mind that a single person can achieve nothing and recognize the importance of team spirit. To get good results, smooth working and overall growth, the tips given hereunder may prove fruitful to leader / incumbent :

1. Discover the area of creative potential out of your subordinates, bring out the hidden beauty / potential by being positive and responsible,

\* Reproduced from PNB Monthly Review June-2007.



select out the best and give them full freedom to bring out their total creativity, let them grow to share responsibilities.

2. Instead of always dictating and imposing our views, let them participate, hold regular meetings and put office problems before the subordinates for their views and solutions thereof. You will be surprised that encouraging participation of our juniors will bring the results the way we want. Further by doing so we may inspire, motivate and make them self-confident.
3. Provide proper working environment to the staff and take care of their day-to-day & official necessities without their asking. Keep in view their competence, ability to use the competence and wisdom before giving authority and / or assigning them a job.
4. Take genuine interest in the development of the staff. A person who desires people around him / her to grow, will also grow automatically because he / she will have extra time at his / her disposal, for his / her development when his / her responsibilities will be shared by his / her juniors. Always keep in mind that failure of our subordinates is our failure.
5. Appreciate good qualities of your staff and convey your feelings to them at appropriate time. Condemning people puts them in to frustration, make proper rapport with subordinates in a way that they do not feel bondage. Good relation will always lead to better environment.
6. Avoid condemning the staff every time. Condemned people will neither respect nor cooperate. Listen to their constraints. Give a patient hearing to those working under you, appreciate their genuine difficulties and help or guide them to the possible extent, they will not be bothered for petty things.
7. Interact with staff to know about their family and have counseling, if need be, it is a great tool. A person whose family life is not smooth, cannot have good professional life. Merely a personal touch about his welfare will show very good results in improving industry relations.
8. Nothing will fit in frame of a biased mind with a pre-formed notion, imagination fixed with whims and fancy / firm opinion and will, considered

**The action is in our hand, do it gracefully, joyfully, honestly, with belief that it a duty given to us by the God.**

things wrong. People change with the situation, we should not act on pre-formed notions, good or bad, on our past dealing or hearsake, by doing so we may lose a good worker. As far as possible have your independent views based on dealing with the staff.

#### *Relationship with Contemporary*

In an exhibition one student came with collection of crabs from different countries, the crabs were kept in covered glass jars. Unfortunately one glass jar had no cover on it and crabs were trying to jump out of it. One onlooker pointed out the student asking him to put a lid on the jar so that the crabs may not jump out of it, the student smiled & confidently replied. "Uncle, they cannot, these are Indian crabs, the others will pull him down". Generally it is seen that in human beings this tendency is more. Why we forget that there is something known as destiny. Lord Krishna clearly told Arjun to work unconditionally with devotion and forget about the fruit / result. The action is in our hand, do it gracefully, joyfully, honestly, with belief that it a duty given to us by the God. God is competent enough to watch our interest. Further whatever God gives us, good or bad, is in our interest, which we may at a later stage, is in our interest. Never pull down your contemporaries in any way, have healthy and helpful relations with to them. Have healthy interaction and competition will help us in maintaining cordial relations and we will grow with the institution.

#### *Relationship with Seniors*

Authority lies with the boss, how he / she uses it depends on him / her. Subordinates should instead of evaluating their boss, work within the frame work planned by the boss or settlements agreed upon with the management. Some officers are quite liberal and give freedom to their staff, encourage them for their overall development and growth, in such an environment, it becomes the duty of the staff not to take undue advantage

**Never get disturbed if the boss does not appreciate your good qualities / suggestions as this leads to frustration / disappointment.**

of this liberty, one should not treat this as a weakness but thank the Almighty for providing opportunity to work under such a caring boss.

To be happy and tension free, keep reasonable distance with seniors act within the authority, do your best and forget. Never get disturbed if the boss does not appreciate your good qualities / suggestions as this leads to frustration / disappointment. We may now jump to second phase.

## **Part - II**

So far we discussed whether HRD means resource or relations, developing good relation, improving HRD at branch / office level. The problems at institution / industry level are more aggravated than those at branch / office level. At industry level these are sorted out through discussions at management and union level. In the present competitive environment, no banks can tolerate any disturbance.

Time is not lost, we need to change our approach and in turn improve HRD on industry / institution level. There are two ways to reforms, first to learn from our past experience, analysing our actions and their output and or and second to adopt good regulations fitting in the present competitive scenario. To learn from our past, we have to highlight and analyse our past actions. We may take few of them taken at time of nationalization of banks, side by side highlight the outcome of the actions and affect thereof.

### **1. Selection & Promotions**

Twenty banks were nationalized during 1969 and 1980, to fulfill the need of social banking and put a check on misuse of public funds. Rapid expansion of banks, recruitment of staff at mass level was carried in a hurry and disorganized manner compromising with skilled professionalism. Due to large expansion, last promotions were done and banks were forced to transfer their staff from places like Delhi, Punjab and Mumbai to more

deficit areas in Bihar, Orissa, Rajasthan etc. This resulted in refused by the skilled, professionals and capable staff. Thus banks, to some extent, were forced to fill the vacancies with less qualified persons, infusing staff with lack of knowledge, capability & decision making etc. Though lot of improvement has taken place in promotion process and selection procedure, we need to strengthen it further to have professionals.

### **2. Transfer Policy**

The transfer policy was not transparent, there were no set guidelines on transfer on promotion, banks used to transfer officers at random, from Delhi, Mumbai, Punjab to remote areas of Bihar, Rajasthan in rural areas, far from their family without proper facilities, for which shifting their families was very difficult. These officers had to serve in unhygienic environment for years together say 7-8 years. This made others to think twice before accepting a promotion; deserving candidates either forgo promotion or shift to some other job.

With introduction of a transfer policy, deserving employees will not refuse promotions, they as well as their families will bear with the bank, if confident, to be back after a fixed period. Further the stall will not feel discriminated because of different treatment to officers in same cadre and same or similar situations. In case of a set policy, we will not lose the deserving, inspired, capable and competent officers.

Till 1998, it was assumed that staff delivers better results if kept on transferring to far places on promotions without any time frame to come back to his parent zone. The policy did not give right results, instead staff with wisdom / skilled preferred to stay away from promotions. However with the paradigm shift in the attitude of the banks since 1999, better sense prevailed and it was practiced to keep the staff comfortable to get the best results. More promotional avenues were opened and staff was transferred to nearby zones with definite period of return and the policy delivered very good results in attracting deserving staff.

### **3. Training**

Selection of candidates for training programmes is not done in true spirit, the person who is not considered so important or who can be easily



**We need to inspire / motivate our staff and bring them forward for taking higher responsibility.**

spared is usually sent for important programs / seminars, thereby defeating the purpose of training. More painful is that after giving an intensive training in particular field, the trainee is not given that job, thereby wasting time, money and talent which not only derails the bank but also the employee.

Emphasis should be more on motivation, customer service, improve competence to make staff to be fit to work in all situations, inspire them to grow and take responsibility independently. We need to have training programs on regular basis to update and expertise our staff in different fields and use them in the field of their specialization which is the requirement of time.

**Part - III**

In this last phase I would like to highlight the need in the present scenario. With liberalization, introduction of norms of transparency, coming up of many private banks, foreign banks and competition among the nationalized banks, we need to take corrective measures / changes in our style of working which mainly cover improving the customer service, updating our knowledge, taking timely decisions and strengthening of back office. We need to encourage talents, skills, innovativeness and changing HR policies with changing scenario and changing customers. We need to inspire / motivate our staff and bring them forward for taking higher responsibility.

For tackling various problems at Administrative offices / Branch / institution level, I desire to share my views for dissolving many a problem, these points I have learned from my experience / mistakes, discussions and feed back from staff at all levels in our branches. These points / suggestions in brief are as under :

a) Placing right person for right job, considering his taste, knowledge, capacity, capability, integrity etc. in the interest of branch / bank for optimum utilization will not only lead the bank to compete with other banks but also grow it horizontally as well as vertically.

b) DAC sections may be equipped with staff having competence, sincerity, integrity and ability to use their competence with passion so that the staff get justice and not be harassed for petty mistakes which are bound to happen to in day to day business. Further, guilty and fraudulent person should be punished at all costs and should not be let free.

c) Conducting seminars and asking / inviting some successful managers to share experience and interactions will motivate the staff and also encourage the speakers.

d) If the Regional Manager himself pays quarterly visit to the branches in place of RO staff, he will come to know of many things which are not brought to his notice otherwise. The RM who interacts with his staff is always respected by them, they feel inspired and motivated. Interaction with staff will prove to be a good thinking exercise, we may come out with solutions to improve customer service and other branch problems. Discussion should be solution oriented and not complicating the situation.

e) To remain fit in all situations, all our employees should always remain young, a young person is a person who desire to know and learn more and more. Any person who has a young body but no desire to learn, who don't want to change himself with the circumstances, don't update his knowledge, don't equip with latest tools of use, is an old man in real sense. Such a person remains outdated and as such is not only discarded by the masses but also become sick. For this, the bank may conduct programmes on self confidence, team building, motivation, inspiration, building relation, recognizing potential, stress management, meditation etc., calling eminent persons in the field from within and outsiders.

f) We have to come out of our liking and disliking in the interest of our institution. Most of us want others to change but do not change themselves. This can be done only when we are flexible and ready to adopt good things with others & change as per the need and best interest of the institution. Unless we are ready to change, there shall be no



progress. Let us be ready to change ourselves in a manner that the problems are dissolved.

- g) A good musical instrument player always tunes his instrument by tensioning and / or loosening the strings / membrane of the instrument to the optimum level to have otherwise the sound will be noise instead of music. Similarly, we should be able to understand human mind to tune our staff to make a perfect balance to get the best results, maintain proper decorum, happy relations and harmony.

Sometimes when things are not done gladly, we need to change people with authority. The message I desire to convey is that instead of being goody goody every time, exercising of authority, those

who have, is required to set the things in the right way, when not done otherwise. However, authority should be used carefully so that action may not bounce back, for this the thumb rule is, "always use the authority supported by dispassion (detachment)". Remember that any person who uses the authority having capacity, capability and without fear or favour can hardly be let down, he will not only be immediately obeyed, followed but also respected even by his enemies. Such people are called the great masters and remembered for years together even after they are no more.



#### Work / Life Balance Quiz

**Take this quiz to see if you are in balance,** (This will be self-evident)

**Agree**

**Disagree**

1. I feel like I have little or no control over my work life
2. I regularly enjoy hobbies or interests outside of work
3. I often feel guilty because I can't make time for everything I want to
4. I frequently feel anxious or upset because of what is happening at work
5. I usually have enough time to spend with my loved ones
6. When I'm at home, I feel relaxed and comfortable
7. I have time to do something just for me every week
8. On most days, I feel overwhelmed and over-committed
9. I rarely lose my temper at work
10. I never use all my allotted vacation days
11. I often feel exhausted even early in the week
12. Usually I work through my lunch break
13. I rarely miss out on important family events because of work
14. I frequently think about work when I'm not working
15. My family is frequently upset with me about how much time I spend working

☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐
☐



 **Dr. Bala Krishnamoorthy \*\***

### Case lead

Mr. Shah felt proud as he looked at the new massive construction of the Saraswat Co-operative bank. He gazed with disbelief at the huge office complex of the bank. He went through a bout of mixed emotions and he could not make it out if he was happy or unhappy about the changes taking place in his favorite bank. He wondered, "Is Saraswat Co-operative Bank has any flavor left with it of co-operative banking spirit or co-operative movement?" "Why should I as a customer of Mandvi Co-operative Bank change because it is merged with Saraswat Co-operative Bank?" With these feelings he entered the premises of Saraswat Co-operative Bank and rested in one of the cozy sofas in the reception area waiting for his turn for the banking transaction. Mr. Shah was actually Number 1(one) customer of the Mandvi Co-operative Bank, which was later, merged with the Saraswat Co-operative Bank. He reviewed the changes in Saraswat Bank since the time he became a customer.

Shah did not like the merger of profit making Mandvi Co-operative Bank with Saraswat Co-operative Bank. One of his friends had told him that many co-operative banks get into lot of trouble after merger and nobody tries to resolve the crisis and due to that ultimately customers have to suffer. Mr. Shah wondered whether the board members of the Mandvi Co-operative Bank have taken the right decision or it is the greed of the Saraswat Bank to acquire more and more co-operative banks as it has done so far.

Mandvi Bank had a network of 19 fully computerized branches spread in Mumbai and the deposits and advances as on March 31, 2007 stood at Rs.605 crore and Rs.287 crore respectively. The bank was looked after by an experienced, professional banker and it also had a visionary Board of Directors. Under

## A Bank with Indian Flavour of Diversity : A Case Study\* of Saraswat Co-operative Bank



**Swati Pawar \*\*\*** 

their able guidance the Board decided to merge with a stronger bank so the strengths could be synergized and threats could be tackled properly. (Annexure I).

"The marriage of convenience will strengthen co-operative banks," said Mr. Bhawanji Haria, Chairman, Mandvi Co-operative Bank.

"We have a strong Maharashtra customer base and Mandvi Bank has a strong Gujarati clientele and the merger will help connect with Gujarati customers," said Mr. Thakur, Director, Saraswat Co-operative Bank at a press conference.

To Mr. Shah, as a customer the transformation of the Mandvi Co-operative Bank into the Saraswat Co-operative Bank and its present emphasis on competitive positioning was a bit scary. Therefore, he was afraid whether he would receive the same warmth, courtesy, and smoothness in operations as he used to receive from executives of Mandvi Co-operative Bank.

### Industry Background

One must understand the industry background / national developments, when the Saraswat Bank was started. The Co-operative Societies Act of 1904 was essentially directed towards measures to alleviate wherever possible the enormous hardships caused by agricultural indebtedness, which was a painful feature of credit in India in those times. The Act sensibly allowed the setting up of societies for purposes other than credit. Incidentally, it also legalized formation of federal bodies. It was this that gave a boost to the co-operative movement. The number of Co-operative Societies and their membership increased over the period 1907 to 1914 from 843 and 90,844 to 14,881 and 6,95,998 respectively. The rapid progress of the co-operative movement, however,

\* This case has been developed for classroom education and discussion purposes. It is not intended to serve as an endorsement, source of primary data or to illustrate either effective or ineffective handling of a decision making process. This case can be used to discuss and educate students on different types of banking in a developing country and challenges faced by the banks.

\*\* Professor Business Environment and Strategy, NMIMS University

\*\*\* Research Associate, Ph. D Scholar, NMIMS University



became a matter of concern for the government. While the sums involved in the movement became larger and larger, and the arrangements for financial management in federal societies became more and more complex, the arrangement for inspection and audit raised their own problems.

### **Humble Beginning...**

The starting of communal co-operative societies was but natural during this era. Co-operation was best observed among people or clans - that had a common tradition and a common sense of belonging. Within a given community there was a certain understanding and trust so essential for the successful functioning of a co-operative credit society. The Gaud Saraswat Brahmin community in Bombay city was one such community. And why should they be lagging behind. They were not lacking honorary workers and the spirit of service was very much in the air. After much discussion it was decided to call a general meeting to adopt the constitution of the proposed society.

### **The Foundation :**

In 1910 the leaders of the Saraswat community from all over the Bombay province met at Sawantwadi to attend the session of the United (Samyukta) Gaud Saraswat Parishad. The idea of starting a co-operative society was originally put forward at the Parishad's session for the benefit of the members of the community, including all its sections. The starting of communal co-operative societies was but natural for those times. Co-operation was best observed among people or clans - that had a common tradition and a common sense of belonging. Within a given community there was a certain understanding and trust so essential for the successful functioning of a co-operative credit society. The Gaud Saraswat Brahmin community in Bombay city was one such community. The Saraswat Co-operative Banking Society was registered on 14th September 1918. The constitution drafted state the objects of the society as follows :

- a. To raise funds by means of issuing shares, borrowing money, accepting money on deposit at interest or otherwise.
- b. To lend money to shareholders at interest with or without security.

- c. To invest the money or funds of the society not required for object (b).
- d. To encourage thrift, self-help and co-operation among the shareholders.

Mr. J. K. Parulkar - Chairman of the Society, Mr. N. B. Thakur - Vice-Chairman, Mr. P. N. Varde Hon. Secretary, Mr. S. G. Rajadhyaksha Hon. Treasurer and other 28 gentlemen who attended the meeting signed the first draft constitution. Thus they became the founding fathers of the bank. Four more than the original 32 who had signed the constitution became the Society's members raising the total to 36. Between them 237 shares were divided. The paid-up capital amounted to Rs.6,012.

Since Saraswat community is devoted mainly to educational and allied pursuits, it was natural that the number of printers, publishers and proprietors of schools who have received finance from the Bank was greater than others. Among others who approached the Bank in the initial period were surgical, chemical and drug dealers and manufacturers, cloth dealers, radio importers, export traders and paper and tea merchants. Within six years of its establishment the society admitted its first lady member on 11<sup>th</sup> June 1924. By 11<sup>th</sup> September 1943 it boasted of 216 lady shareholders.

### **The early years (1918 to 1947)**

Between 1917 and 1918 the price rise was quite steep. The society conducted very limited business in its first few months. The profit for the year ending March 1920, after meeting the preliminary expenditure was only Rs.29. The rental of the office space during that time was twice as much as the profit earned by the society. During 1922-27, the main task before the honorary workers was to put the society on a sound basis. That called for enforcing discipline to convince members who had failed to pay their calls as well as against borrowers failing to meet their liabilities to the society. The period between 1927 and 1932 was marked by modest expansion. On 18<sup>th</sup> June 1929 the erstwhile Society attained the status of an Urban Bank and it was a historic event in the life of The Saraswat Co-operative Banking Society Ltd. Though there was no appreciable increase in the membership and the paid-up capital, the resources of the society increased considerably with resultant benefits to

the institution, its members and clearly, to the community as well.

In the early war years, the Secretary for the State of India seemed to be mainly concerned about using India's silver for meeting the United Kingdom's coinage and essential war requirements, for the sake of conserving dollar exchange. In the three years 1940-43, India was a net exporter of silver to the tune of 68 million ounces. The banking took shape in such a milieu in the early forties. The Saraswat bank was not greatly affected by these developments, except to the extent that any bank normally would. The bank was profoundly aware of the importance of the purchase of bullion and it started a bullion department of its own in October 1937. The significant fact was that the demand for loans to carry on business activities rose steeply between 1945-46. During the year as many as 127 applications for loans for a total amount of Rs.5,48,713 were received of which 120 applications for Rs.5,38,463 were sanctioned. (Annexure II)

### Years of Expansion and Transition -1947 to 1968

The year 1947 was a tumultuous year. India became free on August 15 1947. Reading the Bank's Annual Report does not get the feeling that the day generated any special excitement. The committee had a reason to be pleased. The membership of the Bank stood at a healthy 2,481 in 1947, which was 423 in the year 1932. By 1949 the Bye-laws regarding membership of the Bank had been amended so as to make the capital structure "more elastic" and serviceable to the members. It had been made possible to register shares in the name of one or more persons with a maximum of three persons and with benefit of survivorship. Registered associations, Institutions or Companies open to members of the Gaud Saraswat Brahmin community could enroll as members of the Bank and be entitled to all benefits of membership. And a new class of membership had been evolved with a view to meeting the needs of Non-Saraswat doing business in partnership with Saraswat members except that the membership carried no right to vote or participate in the management of the Bank or in the distribution of its profits, or liability, in the event of liquidation. Throwing open the membership of the co-operative to all people "irrespective of caste"

who were the resident in "the area of operation of the bank" was a significant development. The bank had emerged from its swaddling clothes of caste to serve an entire community. The 1953 saw the beginning of the formation of a bank staff association. The year 1956-57 saw new features in the functioning of the bank. A Ladies' Branch was started as from 15<sup>th</sup> August 1957, which was managed entirely by ladies and was strictly intended only for lady customers.

The co-operative movement received a tremendous boost during 1960-70 from the policy of the Government of India to use it as an instrument of agricultural development, rural industrialization and regulated distribution of essential goods. The Maharashtra Co-operative Societies' Act 1960 came into force on 26<sup>th</sup> January 1962. Meanwhile the Saraswat Co-operative Bank went from strength to strength. By 30<sup>th</sup> June 1961, the total membership of the bank crossed the 6000 mark to reach the figure of 6601, which was a net increase of 638 over the previous year. Out of this again 993 or 15 per cent were lady members. Membership of Non-Saraswats amounted to 806 or 12 per cent of the total membership. Progress made by bank in deposits during period 1950-51 to 1966-67 i.e. till its Golden Jubilee year was greater than those of all scheduled banks, as shown in the following table :

Table No. 1			
	1950-51	1966-67	% Rise
All Scheduled Banks	Rs.881 crore	Rs.3762.54 crore	326
Saraswat Bank	Rs.108.76 lakhs	Rs.518.02 lakhs	480

Source : The History of Saraswat Bank

The 50 years of an eventful career have helped the bank to grow in stature, achieve its social and economic objectives and produce an image of what an ideal bank should be.

### Box-1

#### Mr. V. P. Varde

Mr. Varde joined Saraswat Co-operative Bank as its honorary secretary in 1921, when the institution was in its infancy. It was given to him to see it grow into healthy manhood. Including all those years he served the bank from 1921 to 1965. The Credit Society was converted into a full-fledged bank under his able guidance in 1933. He introduced

many new savings schemes, joined individual savings with national development plans and set wholesome norms for consideration and sanction of advances. He emphasized that a Co-operative Bank's success should be judged not so much by the profits made at the end of a financial year, but the social service the bank rendered to its members. It was Mr. Varde who ensured the financial success of the Bank and made certain that its guiding spirit should be cooperation first, last, and always. He became Chairman in 1935 and could well have continued in the same position as long as he wanted to but retired voluntarily in the year 1965, handing over his reins of office to Mr. V. P. Pandit.

It was worth pointing out that in many of the developments in the decade 1960-70, Mr. V. P. Varde played a notable part. The Union Government set up in 1964-65 a committee presided over by Mr. Varde for indicating the lines of development of urban banks and later extended the Banking Regulation Act to urban banks. He had wrought a miracle by dedication and hard work.

### 1968 to 1991

During the decade 1970-80 urban co-operative banks were witnessing expansion and diversification on an unprecedented scale. Loans to small-scale industries and entrepreneurs were critically encouraged. In 1970 the Bank embarked on a very interesting experiment. In its drive to take banking facilities to the doors of residents, the Management undertook the experiment of providing a Mobile Unit in Pune city and suburbs. Known as the "Bank on Wheels," the van had a Cash counter, sitting accommodation for customers and a small banking staff and yes, an armed guard as well.

Watchful as ever of the progress and efficiency of the bank, the Government of Maharashtra showed its appreciation of both by entrusting to it the payment of salaries of teaching and non-teaching staff of some of the aided, non-government schools and technical schools in Greater Bombay in 1973. As a result, 123 schools and the members of their teaching and non-teaching staff opened about 4500 individual Savings Bank Accounts with the bank.

A self-operating Minors' Accounts Scheme was introduced for minors above 4 years of age with effect from 22<sup>nd</sup> April, 1976. The bank entered into an agreement with the Unit Trust of India to sell its units. The bank also agreed in principle to participate in the Housing and Urban Development Corporation's scheme of financing of co-operative housing societies of middle and higher-income group of people of Greater Bombay to the extent of Rs.10 lakhs. Following required authorization from RBI, during the year 1975-76 the bank granted a loan of Rs.1 crore to the Maharashtra State Road Transport Corporation for the purchase of 106 new bus-chassis which was about the highest single loan given by the bank for a social purpose.

### Box-2

#### Dr. S. P. Adarkar (1968-1980)

In 1968, Dr. Adarkar became a member of the Board of Saraswat Co-operative Bank. He was elected as Vice- Chairman of the bank in 1974 and on 19th January 1978 as the Chairman. His contribution for getting license from RBI for dealing in foreign exchange was great. Mergers with two co-operative banks namely Janata Sahakari Bank Ltd., and the Vishvakarma Co-operative Bank Ltd. took place successfully in his tenure.

### Move towards Commercialization and Professionalisation of Services

Sixty Years! Year 1978! It was an unbelievable story. From small beginning, the bank had truly grown into a giant. It still continued to give loans as when it first began its long career to members to pay off their debts, or for celebrating marriages or for seeing children through school and college. Advances were given to enable members to build homes or to have them repaired. Loans were also given for purchase of domestic appliances and other consumer articles. But increasingly the bank was moving towards other activities such as financing businesses, enabling entrepreneurs to attain self-sufficiency and helping small-scale industries. The Bank was moving away from being an urban co-operative to a scheduled bank, slowly, but perceptibly. The Bank was changing with the times. What had started as a community bank was blossoming as a bank for all people. The decade





1980-90 saw the flowering of the Saraswat Co-operative Bank in its splendor. The Bank appointed Borkar Consultants to study the organizational structure and systems under which it functioned and made recommendations as a self-corrective measure. The consultants went into great details into the working of the Bank and ended up with suggesting remedial measures to be taken by the Bank both in organizational design and operating style. The Bank reached an important milestone of crossing Rs.100 crore mark in deposits, which increased, from Rs.8106.71 lakhs to Rs.10445.95 lakhs during the year 1981-82 to 1982-83. On 1<sup>st</sup> September 1988 along with ten other urban co-operative banks, the Saraswat Bank too was conferred Scheduled Bank status in recognition of its stable and strong banking over the years.

The Bank recognized that it was important to train employees at all levels to prepare them to meet the growing needs of the bank in the changing scenario and environment. To that end the Bank organized 26 training programs in just one year 1989-90 at the Staff Training College at Vashi involving 601 staff members to instruct them on various aspects of the working of the bank. The management also decided to observe 1990-91 as "The Year of the Customer". All this time the Bank proceeded with deliberate speed to computerize its various activities, even as simultaneous efforts were being made to adopt an innovative approach in the style of marketing various Saving Schemes.

### **Box-3**

#### **Mr. Suresh Prabhu (1987-1992)**

Mr. Prabhu was elected as a Vice-Chairman in the year 1986-87. And in the year 1990, he became the Chairman of the Bank.

His aim was "complete computerization and staff involvement." During the tenure of Mr. Suresh Prabhu, for providing better services the bank sent 602 of its staff members to undergo training at its Staff Training College at Vashi. Branch offices were renovated and the administrative structure was streamlined. A number of new positions at the upper and lower management level were created and filled both by internal promotion as well as by direct recruitment from outside. New departments like P.R.O and O&M were set up. Importantly, the

Bank entered into tie-up arrangement with Canara Bank for launching the credit card CANCARD.

He was quick in realizing the necessity of adopting innovative measures to meet the changing and more demanding market requirements. He said that apart from undertaking Merchant Banking activities, the Bank should propose to undertake Mutual Fund business.

His emphasis was more on deregulation, diversification, innovation and induction of new technology. This was necessary for preparing everyone for a more participative role in strategy formation.

As a perspective student of banking, Mr. Prabhu has watched the development of urban co-operative banks over long period of time and noted that over the decades, the objective of the banking system itself has undergone changes in consonance with national objectives and priorities. Mr. Prabhu realizes only too well, for instance, that the funds from urban co-operative banks are required to flow for productive investment with greater emphasis on meeting the needs of the weaker sections of society.

Commercial banking enabled Urban Cooperative Banks(UCB) to mobilize vast deposits together with liberal policy propelled the growth of UCBs in terms of numbers as also in size. In the year 1990-91 Saraswat Bank saw the opening of more branches outside Maharashtra. By the end of August 31<sup>st</sup>, 1991 the bank could boast of 50 branches in four states, Maharashtra, Karnataka, Madhya Pradesh and Goa. Various structural and administrative changes took place in the Saraswat Co-operative Bank during this tenure. For the country as a whole, 1992 was a traumatic year with the revelation of scandals affecting the stock market and several banks that rudely shook public confidence in the financial structure. The Saraswat Co-operative Bank, however, was unaffected. True, there was a marginal decline in its aggregate deposits but with the restoration of confidence and the sound financial position of the institution the Bank could ride the wave of unease with commendable aplomb. The Bank introduced the "Aapat Bandhav" scheme in a tie-up arrangement with New India Assurance Co. Ltd., which the shareholders can avail of at a

very reasonable payment of premium. In 2001 the bank entered into alliance with HDFC to strike a strategic alliance to provide services in the areas of insurance, correspondent banking arrangement for drawing of demand drafts, pay-orders and at-par facility, and money management, amongst others.

The banking sector was facing challenges of increased costs and severe competition. To overcome this problem Saraswat Bank introduced computerization in the organization for the same. The bank installed 14 ATMs in the year 2004 to offer multiple channels of delivery like any branch banking, any time banking, internet banking though in a limited way and telephone banking. The number of ATMs has now increased to 44 in the year 2006-07. The use of ATMs that was 27% in the year 2006 has gone up to 50% in the year 2007. The Bank had also formalized tie-up with 'BANCS' a consortium led by Bank of India for sharing ATMs so that customers can now access any of the 3000 plus ATMs across the country. The IT team of the Saraswat Co-operative Bank has developed skills in multiple technologies as well as domain skill sets which are unique and in-demand in the Banking industry. Saraswat Bank leveraged the existing infrastructure - both hardware as well as software to provide services to other smaller Banks in the co-operative segment in a SaaS (Software as a Service) model so that this cost is shared across several Banks. SIL (Saraswat InfoTech Ltd.) provides end-to-end services as well as managed services to other banks by taking over their IT infrastructure.

Now, the Saraswat Co-op. Bank Ltd. is the premier Urban Co-operative Bank in the country, with a branch network of 127 fully computerized branches covering five states viz. Maharashtra (117), Gujarat (01), Madhya Pradesh (01), Karnataka (03) and Goa (05). There are around 20 support departments to strengthen the functioning of the branches.

#### Box-4

##### Mr. Eknath Thakur

Mr. Thakur is serving Saraswat Co-operative Bank as a Director. Approximately seven co-operative banks were merged with Saraswat Co-operative Bank during the tenure of Mr. Eknath Thakur. Eknath Thakur, an Ex- Rajya Sabha Member, says : "The RBI wants a small number

of large cooperative banks rather than a large number of small ones." Mandvi Co-operative Bank Ltd, with a large Gujarati clientele, is to merge with India's largest co-operative bank, Saraswat Co-operative Bank Ltd. "It is for the first time that a profit making co-operative bank is merging with Saraswat Bank," said Mr Eknath Thakur, Director, Saraswat Co-operative Bank. About mergers and acquisitions of co-operative banks he says, "We are looking out for some more such marriages".

#### March towards Professionalisation

*"To emerge as one of the premier and most preferred banks in the country by adopting highest standards of professionalism and excellence in all the areas of working!!!"*

The Mission statement of the Saraswat Co-operative Bank! Every employee of the Bank strives to adopt the best practices, offer wide spectrum of products, maintain highest service levels and comply with all the regulatory requirements. To comply with this mission statement, the bank sets itself certain goal to be achieved every year. In the financial year 2005-06 the goal was to reach business level of Rs.10,000 crore. This mission was named as 'Dr. Adarkar Mission' as a mark of respect to late Director, Dr. S. P. Adarkar. The Bank earned a net profit before tax of Rs.100 crore plus in the year 2006-07. The next mission was christened as 'Dr. Adarkar Mission II - The Co-operative Conquest' and it has set a business goal of Rs.25,000 crore plus to be achieved within five years i.e. 2006-2011.

Every year the Saraswat Bank terms financial year differently and functions to help it achieve its mission. The year 2003-04 was declared as the 'Year of Training' and launched a major initiative for operationalising a pro-active and dynamic training system that would facilitate the unleashing of human potential and drive growth. During the same year 90% of total employees of the bank were trained at the in house training college. The training college was also catered to the varying training needs of personnel of other co-operative banks. The year 2005-06 was considered as the 'Year of Marketing'. The purpose was to have extensive marketing of products and services and to internalize marketing as part of organizational culture.

The Bank has not only set the mission but also framed strategy to achieve the same. The strategy includes investing to increase the knowledge and skills of the human resources, developing innovative products to suit various customer segments, leveraging modern technology to enhance value to the customer, range products and services and reducing operational cost, augmenting sources of revenue and enhance returns on assets, pursuing both organic and inorganic growth by expansion and acquisition, and leveraging USP of the Bank.

The bank officials were very strict in granting loans to members. Applications were minutely scrutinized. Officials went to great lengths to check on the financial affairs of applicants for loans and very little was left to chance. Officials even went to the extent of checking on the proper utilization of loans. The keynote of all transactions was: Safety First. Never in its first twenty-five years the bank, had any occasion to pledge its credit for borrowing money from the apex bank in order to meet the demands during the period under review.

### Mergers at Saraswat Bank

"We want to strengthen the co-operative movement," reasons Bhawanji Haria, Chairman, Mandvi Co-operative Bank. With Mandvi too in the bag, Saraswat has attained a size that's at par with many of the old private sector banks. "We are looking out for some more such marriages," says Mr. Eknath Thakur

The RBI stated that, merger is "with a view to encouraging and facilitating consolidation and emergence of strong entities and providing an avenue for the non-disruptive exit of weak and unviable entities in the co-operative banking sector". Co-operative banks plumbed the depths in 2001 when the securities scandal involving broker Ketan Parekh broke out. The Gujarat-based Madhavpura Mercantile Co-operative Bank was just one co-operative up to its neck in risky stock market

lending. At least a dozen more urban co-operative banks, with an exposure to equity, bullion and other riskier assets, went bust one after the other in Gujarat and Maharashtra in the wake of the stock market meltdown six years ago.

Two urban co-operative banks, namely the Vishwakarma Co-operative Bank Ltd. at Khetwadi and the Prabhadevi Janata Sahakari Bank Ltd. at Prabhadevi in Bombay were amalgamated with the Saraswat Co-operative Bank on 25<sup>th</sup> August 1978. In mid-80s, the Saraswat Co-operative Bank snapped up Vengurla Co-operative Bank thus enabling to have its presence felt in Konkan. In the year 1983 the Reserve Bank of India accorded permission for reconstruction of the Malvan Urban Co-operative Bank Ltd and its amalgamation with the Saraswat Co-operative Bank. The merger of Nagpur Co-operative Bank followed this in 1992-93. In March 2006, Maratha Mandir Co-operative Bank got added to the Saraswat fold. And the latest catch was the 33-year old Mandvi Co-operative Bank, which has a deposit base of Rs.575 crore and advances of Rs.307 crore. Post-merger, Saraswat Bank had its deposit base of Rs.12,567 crore, and 105 branches. Bank has signed MoU on 3<sup>rd</sup> March 2007 for absorbing The Annasaheb Karale Janata Sahakari Bank Ltd., Sangli, with its 11 branches and The Murgharajendra Sahakari Bank Ltd., Miraj, with its 11 branches. These two banks will contribute a total business of Rs.258.17 crore. Other urban co-operative banks under the consideration for merger are Nashik Peoples' Co-operative Bank Ltd., Nashik, Shrimant Malojiraje Sahakari Bank Ltd; Phaltan, The Kolhapur Maratha Sahakari Bank Ltd; Kolhapur. With a strong balance sheet, Saraswat's eyes are now set on Rupee Co-operative Bank, Suvarna Co-operative Bank and also the South India Co-operative Bank.

The following table displays the details of the mergers with various banks.

Table No. 2 : Tentative position of the mergers								
(Rs. in crore)	Maratha Mandir	Mandvi	Annasheeb Karale	Murgha Rajendra	Nashik Peoples'	Shrimant Malojiraje	Kolhapur Maratha	Total
Deposits	182.15	604.88	78.86	69.87	124.25	159.25	65.46	1284.72
Advances	110.40	282.02	56.71	52.73	68.16	104.14	46.25	720.41
Total Business	292.55	886.90	135.57	122.60	192.41	263.39	111.71	2005.13
No. of Deposits accounts	1,71,000	12,02,339	65,220	60,892	1,30,478	1,02,212	1,31,159	8,63,300
No. of Branches	11	19	11	11	14	14	15	95
No. of employees	233	252	106	162	164	227	76	1220
Gross NPA	66.54	40.38	35.93	32.56	62.31	30.21	23.26	291.19
Net Gain / Burden	-35.08	+75.55	-39.59	-39.39	-6.93	-23.15	-33.81	-102.40



Saraswat Co-operative Bank organized training sessions for Mandvi employees to accustom them with the products, software, systems and procedures etc of the bank. The training sessions were also arranged on credit appraisal, monitoring and recovery procedures. After the merger, some of the Saraswat employees are posted at Mandvi branches and vice versa to ensure a smooth cultural fusion between the two banks. Now the Bank welcomes the customers of Mandvi Bank and is ready to offer all the facilities that are being offered now and assures them of excellence in the service standards.

It appeared as a long journey remembered Mr. Shah. He also recalled looking at the massive growth and development; it was not that scary and bad as he thought it would be. There were a lot of positives in the bank, the speed of service delivery, competitiveness in the commercial banking sector etc. Sustenance of the banking in the co-operative sectors calls for incremental changes in product delivery, implementation of missions of the bank. Perhaps the whole world is changing fast and the IT boom has come to stay even in the co-operative sector. Mr. Shah felt reassured that one day the benefits of modernization would reach the semi urban and rural India. He also consoled himself that change is inevitable. May be they could have involved us in the merger and we could have a say in what was happening in our own Bank!

### Notes

- The case can be run in the class after the lecture on emergence of Co-operative banking in India.
- Encourage students to do prior reading and give the case for group discussion.
- Flavor of diversity refers to emergence of bank as a Co-operative Society and further branching out as a Banking Service Institute.

### References

- Annual Report. (2006-07). The Saraswat Co-operative Bank Ltd. Mumbai.
- Deshmukh, P. G. (2002). Working of Co-operative Banks in India - Overview and Prospective. Kanishka Publishers, Distributors. New Delhi
- Kamath, M. V. (1994). 75 years of serving the

common man. Mumbai. The Saraswat Co-operative Bank Ltd.

- Report on Trend and Progress of Banking in India. (2005-06). Reserve Bank of India.
- Sharma, O. P. (2007). Brief History of Urban Co-operative Banks in India, Retrieved October 8, 2007 from [www.rbi.org](http://www.rbi.org)

### Leading questions

1. Can co-operative banks ever be able to compete with commercial / multinational banks?
2. What were the cultural issues involved when Saraswat Co-operative Bank merged with other co-operative banks? / Will the cultural affinity be an impediment for Co-operative banks to professionalize their services?
3. Is customer a stakeholder for the bank? Should he / she be involved when merger discussions take place?
4. Discuss the business environment, which facilitated the co-operative banks growth in India.
5. What are the legal issues involved in merger of co-operative banks?
6. Discuss the role of leadership in building up co-operative bank taking example of Saraswat Co-operative Bank.

### Teaching Notes

#### A. Commercialization of co-operative banks

As the financial involvement of the government in co-operatives increased, its interference in all aspects of the functioning of cooperatives also increased. Co-operatives have made the most progress toward commercialization, although the performance of individual institutions within each of these categories has been highly mixed. Organizational strengths such as committed leadership, efficient use of resources, transparency in operations and involvement of members are, however, pre requisites for the co-operatives to be able to take advantage of the opportunities. Improvements in overall governance would strengthen co-operatives and equip them to become premier vehicles of co-operative movement.

#### B. Cultural issues of co-operative bank mergers

Interest is concentrated almost exclusively on the economic benefits of M&As, with scant attention



being paid to “soft” cultural and organizational considerations. Early emphasis on cultural assessments and communications plans is particularly important. Cultural aspects therefore constitute a significant obstacle to combinations even though the differences continue to ease with time, education and training. Any merger or acquisition is a complex process taking up more time than usually expected : it requires integrating very different organizations, blending often very diverse cultures and dealing with complex questions of dissimilar work organization. This requires high levels of managerial capacity in change management, the constitution of effective teams and network integration all demands for which many managers are ill-equipped but which can lead to an accumulation of critical errors and misunderstandings and ruin what, at least on paper, might look like a highly promising deal.

### *C. Legal issues in mergers of banks*

The banking industry expects the government to clear legal hurdles for its consolidation by permitting voluntary mergers and removing the difference in tax treatment for banks. The benefit of carry-forward and setting off of accumulated losses are not extended to banks although consolidation and the pace of mergers are expected to increase in the sector. While the government wants to play the facilitator's role in the consolidation process, voluntary mergers in the banking industry cannot take place as the Banking Regulation Act, 1949 provides for amalgamation or reconstitution of banks for which the Reserve Bank of India has

passed an order of moratorium (this happens when a bank is distressed). Mergers are also subject to approval of Registrar of Co-operative Society under State / Multi State Co-operative Societies Act.

## Annexures

### Annexure-I

Financial Status of Mandvi co-operative Bank and Saraswat Co-operative Bank at the time of Merger

	Mandvi co-operative Bank	Saraswat co-operative Bank
Branches	19	86
Net profit	Rs.1.7 crore	Rs.101 crore
Net NPAs	5.5 per cent	nil
Paid-up capital	Rs.12 crore	Rs 48 crore
Capital adequacy ratio	12.30 per cent	12.11 per cent
Deposit base	Rs.575 crore	Rs.6,800 crore
Advances	Rs.307 crore	Rs.4,900 crore

### Annexure-II

Loan Applications sanctioned during 1945-46

No	Reason	Amount (Rs.)
5	Repayment of debt	10,650
15	Sickness expenses	4,700
54	Domestic	22,455
3	Marriage expenses	1,075
27	Business	2,35,287
2	Education	1,300
4	House building & repairs	8,700
8	Investment	34,296
2	Loans to Co-op. & other bodies	2,20,000
120	<b>Total</b>	<b>5,38,463</b>



### Diamond Jubilee & CH Bhabha Research Fellowship 2008

The Indian Institute of Banking & Finance awards **Diamond Jubilee & CH Bhabha Research Fellowship** to commemorate the Diamond Jubilee of the Institute by enabling a member of the Institute to undertake research study on the latest developments in the field of banking and finance in any country, for a period of up to 10 weeks.

Application form for the next year award is available on the Institute's website [www.iibf.org.in](http://www.iibf.org.in). Eligible members can download the application and submit the duly filled in application to the Corporate Office of the Institute on or before 31.10.2008.


**राजेन्द्र सिंह \***

## स्वयं सहायता समूह द्वारा वित्त पोषण

80 और 90 दशक के प्रारम्भ में स्वयं सहायता दल संस्थागत व्यवहार्यता और बांग्लादेश के ग्रामीण बैंक-मॉडल की सफलता चर्चा के विषय रहे हैं। कुछ गैर-सरकारी संस्थाओं ने ग्रामीण बैंक मॉडल को पूरे देश में लागू करने की शुरुआत भी की। वर्ष 1992 के आरम्भ में राष्ट्रीय बैंक ने वाणिज्यिक बैंकों के लिए मार्ग निर्देश जारी किए जिसमें प्रायोगिक आधार पर 500 स्वयं सहायता दलों के बैंक लिंकेज की योजना बनाई गयी। स्वयं सहायता दलों-बैंक लिंकेज मॉडल अपने आप में नवोन्मेषी था जिसका उद्देश्य था कि औपचारिक बैंकिंग प्रणाली को अनौपचारिक स्वयं सहायता दलों से जोड़ दिया जाए जिससे लेन देन की लागत में कमी आए। यह बैंक और ग्रामीण निर्धनों दोनों के लिए लाभदायक हैं क्योंकि यह एक ऐसी पारदर्शी अनुपूरक ऋण व्यवस्था है जिससे उन ग्रामीण निर्धनों तक पहुंचा जा सकता है जो अब तक किसी भी ऋण से वंचित रहे हैं। इससे स्वयं सहायता दलों के सदस्यों में मितव्यता आई, स्वयं सहायता दलों को प्रोत्साहन मिला और ऋणों के उपयोग में एक अनुशासनात्मक दृष्टिकोण का सूत्रपात हुआ। यह अपने आप में एक बड़ा कदम था जिसमें बैंक ग्रामीण निर्धनों के अनौपचारिक संगठनों को बिना किसी संपार्श्विक प्रतिभूति के या शर्तों के ऋण उपलब्ध करा रहे हैं। इस नई संकल्पना को अपनाने में बैंकों ने काफी समय लिया। पहले तो स्वयं सहायता दलों के खाते खोलने में भी आनाकानी की जाती थी। परन्तु बाद में बैंकों के दृष्टिकोण में अभूतपूर्व परिवर्तन हुआ।

### स्वयं सहायता दल की परिभाषा

यह बीस या उससे कम व्यक्तियों का एक अपंजीकृत संगठन है, जिसमें एक ही वर्ग के समान व्यक्तियों को साझी आर्थिक समस्याओं से निपटने के लिए शामिल किया जाता है।

इन स्वयं सहायता दलों को ऐच्छिक रूप से नियमित बचत करने की सलाह दी जाती है। इन बचतों के माध्यम से ये अपने

दल के सदस्यों को ऋण देते हैं। ऋण के लिए ब्याज लिया जाता है। अतएव इस प्रक्रिया में बचत करना, उधार लेना और वसूल करना शामिल है। यह एक तरह से वित्तीय मध्यस्थता का कार्य है जिसमें आवश्यकताओं का वरीयता के आधार पर चुनाव किया जाता है और वित्तीय खातों के रख-रखाव के लिए शर्तें और नियम बनाए जाते हैं। इससे स्वयं सहायता दल के सभी सदस्यों में एक वित्तीय अनुशासन की भावना जागृत होती है क्योंकि ऋणों के रूप में जो पैसा दिया जाता है वह सदस्यों का ही होता है।

स्वयं सहायता दल के सदस्यों को बड़ी राशियों का भी लेन-देन करना पड़ता है जो इनकी व्यक्तिगत बचत से कई गुना अधिक होती है। इससे सदस्यों को बैंकिंग की बुनियादी बातों का पता चलता है और उन्हें इसका भी एहसास होता है कि पैसे की कीमत समय से है और यह एक दुर्लभ वस्तु है।

### बैंक लिंकेज

जब एक स्वयं सहायता दल बचत, आधार और वसूली की बुनियादी प्रक्रिया से अवगत हो जाता है तब इसे बैंक से लिंक कर दिया जाता है। यहां लिंकेज का अर्थ स्वयं सहायता दल को बैंक ऋण उपलब्ध कराना है। जिससे उसके संसाधन और भी बढ़ जाते हैं और साथ ही इनकी बचत में भी अतिरिक्त वृद्धि हो जाती है, यह प्रतिभूति का कार्य करती है।

स्वयं सहायता दल के लिंकेज में बैंक ऋण प्रदान करते हैं और दल सदस्यों के लिए ऋण मांग का निर्धारण करते हैं, ऋण स्वीकृति के लिए शर्तें निर्धारित करते हैं। इस तरह बैंक ऋण उन्ही स्वयं सहायता दलों को मिल पाता है जिनके सदस्य ऋण लेने और अदा करने में अनुभवी होते हैं। इसमें लेन-देन लागत की (स्वीकृति, संवितरण, निगरानी और वसूली) बचत हो जाती है। साथ ही, बैंक व्यावसायिक दरों पर ऋण मुहैया कराते हैं। यहां अनुदान नहीं होता और वसूली के पीछे कारण

\* सेवानिवृत्त, मुख्य प्रबंधक, इन्डियन ओवरसीज बैंक, लखनऊ.



यह है कि दल सदस्यों पर एक दूसरे का दबाव होता है जिससे वसूली समय से सुनिश्चित हो जाती है।

### माइक्रोफाइनेन्स

वास्तव में बैंक तो पहले ही ग्रामीण इलाकों में लघु एवं सीमान्त कृषकों, खेतिहर मजदूरों, भूमिहीन व्यक्तियों को प्रत्यक्ष रूप से बैंक की योजनाओं के अन्तर्गत तथा राज्य पुरो निधानित योजनाओं के अन्तर्गत ऋण प्रदान कर रहे थे।

उपलब्ध आंकड़ों के अनुसार मार्च 2004 तक बैंकों द्वारा दिए गए अग्रिमों में 55 प्रतिशत मामलों में अग्रिम की राशि रु.25,000/- तक है। परन्तु आर्थिक सुधार कार्यक्रमों के लागू होने और कड़े विवेकपूर्ण मानदण्डों के फलस्वरूप छोटे ऋण खातों की संख्या में लगातार कमी आई है। फिर भी यह माइक्रोफाइनेन्स की श्रेणी में शामिल नहीं है। माइक्रोफाइनेन्स की अपनी विशेषताएं हैं जिनके बारे में वर्णन नीचे दिया जा रहा है।

माइक्रोफाइनेन्स की संकल्पना निर्धन व्यक्तियों के सामाजिक आर्थिक दशाओं एवं पिछले दो-तीन दशकों में माइक्रोफाइनेन्स संस्थाओं के विश्व व्यापी अनुभवों पर आधारित है। यह संकल्पना छोटी बचतों को, जो गरीबों से संभव है, उनके घरों से उसे इकट्ठा किया जाए, गरीबों की छोटी-छोटी आवश्यकतायें पूरी की जायें, ऋणों के अन्तिम उपयोग के बारे में सख्त रवैया न अपनाया जाए। साथ ही ऋणों की अदायगी परिवार की आय पर आधारित हो न कि व्यक्ति की आय पर, यहां ब्याज दर की उतनी निर्णायक भूमिका नहीं होती जितना कि सुविधाजनक ऋण वितरण, समय से ऋण सुविधा, पर्याप्त और सतत ऋण सुविधा, साप्ताहिक, पाक्षिक और मासिक आधार पर ऋण अदायगी का निर्धारण सुनिश्चित किया जाय, माइक्रोफाइनेन्स प्रणाली में गहन पर्यवेक्षण सुनिश्चित किया जाए, महिलाओं की भागीदारी बढ़ाई जाए और स्वयं सहायता समूहों की प्रणाली अपनाई जाए।

अध्ययनों से पता चलता है कि गरीब परिवारों को ग्रामीण इलाकों में रु.6000 प्रति वर्ष और शहरी इलाकों में रु.9000 प्रतिवर्ष की आवश्यकता है। भारत में ऐसे कुल ऋणों की आवश्यकता लगभग रु.49500 करोड़ की है। फिर भी अन्य आकलन के अनुसार यह रु.20000 (करोड़) से रु.30000

(करोड़) तक है। स्वयं समूहों को मार्च 2007 तक रु.18000 करोड़ तक दिया जा चुका है।

भारतीय रिजर्व बैंक की सूचनाओं के आधार पर ग्रामीण परिवारों का ऋण खातों के आधार पर कवरेज 17.20 प्रतिशत का है। यदि व्यक्तिगत आधार लिया जाए तो यह संख्या और भी कम हो जाएगी। इसी तरह ग्रामीण परिवारों का बचत खातों के आधार पर कवरेज 18.4 प्रतिशत का है। यहां इस बात पर भी ध्यान दिया जाना चाहिए कि यह कवरेज समस्त ग्रामीण परिवारों से संबंधित हैं और इसमें गरीब परिवारों की संख्या कम होती है। यहां महत्वपूर्ण बात यह है कि गरीब परिवारों को वित्तीय सेवाओं की बहुत बड़ी आवश्यकता है।

### वित्तीय संस्थाओं का योगदान

व्यावसायिक बैंकों, सहकारी बैंकों एवं क्षेत्रीय ग्रामीण बैंकों द्वारा सामाजिक जिम्मेदारी का निर्वहन गरीबों की आकांक्षाओं के अनुरूप नहीं रहा है। इसके मुख्य कारण हैं - ग्रामीण इलाकों में शाखाओं की कमी, गरीबों द्वारा कोलैटरल सिव्योरिटी (संपार्श्विक प्रतिभूति) देने में असमर्थता और जागरुकता की कमी। देश में गरीबों के लिए प्रति वर्ष रु.50000 करोड़ ऋण आवश्यकता का अनुमान लगाया गया है। जहाँ तक इसके सापेक्ष ऋण उपलब्धि का प्रश्न है वह मात्र 10 प्रतिशत अर्थात् रु.50000 करोड़ है।

विश्व बैंक और राष्ट्रीय अनुप्रयुक्त आर्थिक अनुसंधान परिषद द्वारा वर्ष 2003 में आंध्रप्रदेश एवं उत्तर प्रदेश में एक नमूना सर्वेक्षण किया गया जिसमें बताया गया है कि सीमान्त कृषकों, भूमिहीन मजदूरों के लगभग 87 प्रतिशत लोगों को संस्थागत स्रोतों से ऋण उपलब्ध नहीं है। संस्थागत स्रोतों का लाभ साधन संपन्न बड़े कृषकों को हुआ है। बड़े कृषकों के लगभग 66 प्रतिशत लोगों के जमा खाते हैं और 44 प्रतिशत लोगों को ऋण सुविधायें उपलब्ध हैं।

### ब्याज दर

जहाँ तक माइक्रोफाइनेन्स संस्थाओं द्वारा ब्याज वसूल करने का प्रश्न है वह व्यावसायिक बैंकों, क्षेत्रीय ग्रामीण बैंकों एवं सहकारी बैंकों द्वारा प्राथमिकता क्षेत्र के अन्तर्गत ऋणों से अधिक है। यह ब्याज दर 21 से 30 प्रतिशत

वार्षिक दर से वसूल किया जाता है जो साहूकारों द्वारा वसूल किए गए ब्याज दरों से कम हैं।

माइक्रोफाइनेन्स संस्थाओं द्वारा निर्धारित ब्याज दर अनेक कारणों से प्रभावित होता है जैसे-निधियों की लागत, ऋण वितरण प्रणाली पर लागत, वसूली की लागत और अनुत्पादक आस्तियों के लिए किए गए प्रावधान एवं लाभ की सीमा आदि। माइक्रोफाइनेन्स संस्थाओं द्वारा ऊँचा ब्याज वसूल करने का मुख्य कारण ऋण वितरण एवं किश्तों की वसूली में बढ़ते परिचालन लागत है। यहाँ यह ध्यान देने की बात है कि ग्रामीण क्षेत्रों में दूर-दराज गावों के आने-जाने में कठिनाई, लाभार्थियों का एक बड़े क्षेत्र में फैला होना एवं परिवहन पर बढ़ता व्यय भी महत्वपूर्ण कारण हैं।

यद्यपि सूचना प्रौद्योगिकी आधारित प्रौद्योगिकी एवं अन्य किफायती नवोन्मेषी उपायों को अपना कर परिचालन लागत में कमी की जा सकती है फिर भी जब तक यह संभव नहीं हो पाता तब तक माइक्रोफाइनेन्स संस्थाओं को वर्तमान ब्याजदरों को वसूल करने की छूट मिलती रहनी चाहिए। यह इन संस्थाओं के निरंतर वृद्धि और उन्हें बनाए रखने में सहायक होगी।

### साहूकारों द्वारा गरीबों को ऋण

साहूकारों द्वारा यद्यपि गरीबों का शोषण होता है फिर भी यह ग्रामीण वित्त का एक मुख्य श्रोत है। साहूकारों को ग्रामीण इलाकों की पूरी जानकारी होती है, उनका सम्पर्क व्यक्तिगत तौर पर लोगों से होता है, उनसे किसी भी समय और कही भी सम्पर्क किया जा सकता है। इनसे ऋण लेने के लिए ग्रामीण निर्धनों को कोई औपचारिक कार्यवाही नहीं करनी पड़ती।

साहूकारी प्रणाली से हानियां भी हैं जैसे अधिक ब्याज दर वसूल करना, गरीबों का शोषण और गलत तौर-तरीके। चूंकि ग्रामीण इलाकों में रहने वाले लोग व्यक्तिगत और प्राकृतिक दोनों आपदाओं से प्रभावित होते हैं अतएव इनके लिए खेती, बीमारी, शादी, परिवार में मृत्यु आदि के समय भी साहूकारों से सहायता लेना आसान होता है। जहाँ कृषिकों के पास जमीन या मकान रहता है उसको साहूकारों द्वारा गिरवी रख लिया जाता है। अतएव साहूकारों की मंशा कर्ज के नाम पर इस जमीन या मकान को हड़पने की रहती है।

चूंकि साहूकारी प्रथा राज्य का विषय है अवैध संबंधित राज्यों ने इसके लिए अधिनियम बनाए हैं। परन्तु साहूकारी लेन-देन में इनका विनियमन नहीं हो पाता। इन कानूनों के रहते हुए भी साहूकार अपने अनौपचारिक तौर-तरीकों और एकाधिकार प्रवृत्ति के कारण फलते-फूलते रहते हैं। इन परिस्थितियों में यह व्यावहारिक होगा कि साहूकारी प्रथा को एक विधिक दर्जा दिया जाए और गरीबों को किसी भी शोषण से बचाने के लिए इस प्रक्रिया में सुरक्षा के सभी उपाय किए जाएं।

इस संदर्भ में भारतीय रिज़र्व बैंक ने एक तकनीकी ग्रुप का गठन श्री एस. सी. गुप्ता की अध्यक्षता में किया था। इस ग्रुप ने सुझाव दिया है कि साहूकारों को ऋण प्रदान करने के लिए आधिकारिक मान्यता प्रदान की जाए और इनका पंजीकरण सुनिश्चित किया जाए। यद्यपि यह उपाय अच्छा है फिर भी इसको लागू करने के लिए पूर्ण विनियमन और सुरक्षा कवच की आवश्यकता है जिससे साहूकारों द्वारा इसका दुरुपयोग न हो। इसके लिए एक विकल्प जिला स्तर पर एक 'लोकपाल' (आम्बड्समैन) की स्थापना है जिससे ब्याजखोरी को रोका जा सके। यहाँ यह भी ध्यान देने की आवश्यकता है कि साहूकारों को जब आधिकारिक मान्यता प्रदान की जाए तो उसमें स्वयं सहायता समूहों के माध्यम से ही ऋण वितरण प्रक्रिया को प्रोत्साहन देने की व्यवस्था हो।

### स्वयं सहायता समूह - बैंक लिंकेज योजना का प्रभाव

माइक्रोफाइनेन्स द्वारा गरीब वर्ग के लोगों को छोटी-छोटी वित्तीय सेवाएं और उत्पाद प्रदान किए जा रहे हैं जो मानव विकास के लिए अत्यंत आवश्यक है। इन कार्यक्रमों में महिलाओं की विशेष भागीदारी रही है। लगभग 90 प्रतिशत स्वयं सहायता समूह और बैंक लिंकेज कार्यकलापों में महिलाओं का विशेष योगदान रहा है। ऐसा अनुभव किया गया है कि इनके माध्यम से महिला सशक्तिकरण को एक नया बल मिला है। इनकी बढ़ती भागीदारी से घरेलू स्तर और सामाजिक स्तर पर आर्थिक क्रियाकलापों एवं निर्णय लेने की क्षमता में वृद्धि हुई है।

अध्ययनों से पता चला है कि स्वयं सहायता समूह-बैंक लिंकेज कार्यक्रमों का ग्रामीण निर्धनों के सामाजिक आर्थिक विकास पर सकारात्मक प्रभाव पड़ा है। उदाहरण के लिए उनकी आय में

वृद्धि परिसम्पत्तियों में वृद्धि, बचत में वृद्धि, ऋण लेने की क्षमता में वृद्धि सुनिश्चित हो पाई है।

### माइक्रोफाइनेन्स के समक्ष चुनौतियां

स्वयं सहायता समूहों के माध्यम से माइक्रोफाइनेन्स की प्रगति काफी प्रभावशाली रही है और यह सभी के आकर्षण का बिन्दु बना हुआ है। परन्तु असली चुनौती यह है कि इस गति को बनाये रखा जाए और स्वयं सहायता समूह आन्दोलन आगे बढ़ता रहे। इसके समक्ष चुनौतियों का जिक्र यहाँ किया जा रहा है :

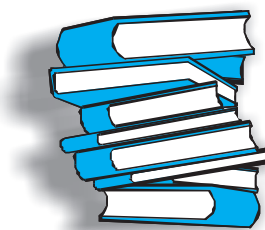
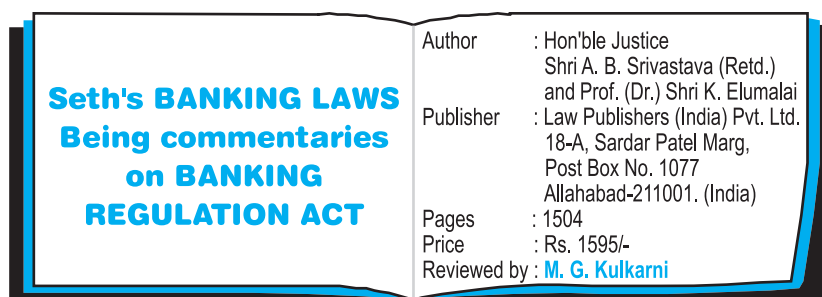
- स्वयं सहायता समूहों की प्रगति काफी सराहनीय रही है, परन्तु ऐसा देखा जा रहा है कि इन समूहों का कारोबार सही नहीं चल रहा है। जहाँ गैरसरकारी संगठनों द्वारा स्वयं सहायता समूह बनाए गए हैं वहाँ समूहों के गठन और बैंक लिंकेज के बाद गैर सरकारी संगठन अलग हो जाते हैं। बैंक शाखाओं के पास स्टाफ की कमी से इसकी देख-भाल नहीं हो पाती और वे बिखर जाते हैं।
- जहाँ स्वयं सहायता समूहों को अनुदान से जोड़ दिया जाता है वहाँ अनुदान मिलने के बाद इन समूहों के कार्य-कलाप में ढिलाई आ जाती है और वे बिखर जाते हैं। अतएव स्वयं सहायता समूहों के विकास में अनुदान शामिल नहीं किया जाना चाहिए।
- स्वयं सहायता समूहों की प्रक्रिया सहभागिता तथा विकेन्द्रीकृत व्यवस्था पर आधारित है जिससे सदस्यों में स्वावलंबन की भावना जागृत हो और उनको शक्ति मिले। इनके लिए स्वयं सहायता समूहों का एक संगठन बनाना आवश्यक है जिससे उन्हें बनाए रखने में और उनकी निरंतर प्रगति सुनिश्चित करने में सहायता मिल सके।
- स्वयं सहायता समूहों का गठन और उनका संवर्धन एक महत्वपूर्ण बिन्दु है। अभी तक इस पर आने वाले व्यय को विकास एजेंसियां जैसे नाबार्ड एवं अन्य एजेंसियां तथा सरकार वहन करती हैं। अतएव भविष्य में गठन करने वाले व्यय को पूरा करने के लिए बैंक और स्वयं सहायता समूह के सदस्यों को आगे आना चाहिए।

- स्वयं सहायता दल के परिपक्वता अवधि के पहुंचने के बाद सदस्यों को माइक्रो एवं लघु उद्यमों के लिए तैयार किया जाना चाहिए। इसके लिए उनमें उद्यमिता की भावना जागृत करने की आवश्यकता है जिससे वे एक उद्यम लगाकर आर्थिक रूप से स्वावलम्बी बन सकें और गावों में रोजगार सृजन में अपना योगदान दे सकें। उसके लिए उन्हें आधार भूत सुविधाएं, प्रशिक्षण, परामर्शी सेवाएं, वित्तीय सुविधाएं और विपणन सहायता प्रदान करनी चाहिए। यह कदम ग्रामीण विकास को एक गति प्रदान करेगा।

स्वयं सहायता समूहों द्वारा माइक्रोफाइनेन्स को गति प्रदान करने के लिए और उन्हें बचत, ऋण और बीमा की सुविधाएं मुहैया कराने के लिए माइक्रोफाइनेन्स संस्थाओं को प्रोत्साहित करना अत्यन्त आवश्यक है। साथ ही इनकी देखभाल के लिए उचित नियंत्रणात्मक उपायों को भी लागू करना आवश्यक है। यहाँ यह सुनिश्चित करना आवश्यक है कि ऋणों की गुणवत्ता बनी रहे। इसके लिए आधार भूत सुविधाएं, कुशल प्रसार सेवाएं, प्रसंस्करण एवं विपणन सुविधाओं को सुनिश्चित करना आवश्यक होगा।







This treatise on the Banking Regulation Act with commentary from the pen of an erudite judge and an experienced author has now been thoroughly revised and updated. The statute under the Banking Regulation Act covers all facets of banking *i.e.* business of banking, control over management, acquiring of undertaking by the Government, suspension and winding-up of banking companies, etc. The statute under different sections has been well explained with upto date and latest case laws decided by various high courts and apex court of India. The lucid analysis of the sections with sub heads / note adds quality to the book. Authors have incorporated the amendments introduced to the Statute and also law / ratio laid down by the high courts and apex court till December 2007 at appropriate sections. The different forms and schedules stipulated by the Statute have been provided for easy reference and benefit of readers.

The new addition contains important enactments of Recovery of Debts due to Banks and Financial Institutions Act 1993 (RDDBFI), Negotiable Instruments Act 1881, Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 (SRFAESI) with amendments made till December, 2007. The provisions of the said important Acts are briefly discussed with commentary with the latest and important case laws and also contain rules governing the RDDBFI Act and SRFAESI Act. The up to-date amended bare provisions of Banker's Book Evidence Act 1981, Deposit Insurance Corporation Act, 1961, Depositories Act 1996, RBI Act 1934, etc. and the rules governing Banking Companies (Nomination) Rules 1985, Banking Regulation (companies) Rules 1949, and Banking Regulation (Co-operative Societies)

Rules, 1960 will help the reader to go through the provisions of a particular enactment conjunctively. The book covers the regulation of IDBI, National Housing Bank, NABARD, etc. and the duly amended Banking Ombudsman Scheme 2006.

Authors have added very important section on 'Banking under Consumer Law'. Under the Consumer Protection Act, banking is one of the services which is justiciable for deficiency on the part of the bank on the principle "if you have a duty, I have a correlative right". Authors have explained the scope of banking service / deficiency with the help of latest case laws of the various Forums / Commissions, high courts and apex court under different heads.

It appears this is a first attempt to bring various subsidiary Acts, Rules, Schemes, Regulations and other relevant provisions into one compendium in the revised edition. This compendium contains 32 Acts with rules, notifications, regulations, schemes with plethora of latest judicial decisions. The book is pithy and precise, neatly divided under appropriate and lucid headings / sub-headings. Extensive footnoting, index and synopsis, shows the painstaking research that went into the making of the volume, and impressive attention to detail.

Authors will get good feedback from the wide range of readers they have targeted. The book will certainly become popular with legal professionals, bankers, law students, corporate houses, teachers and those concerned with this important branch of law.



# **Overview of Banking Development : 1947-2007**

Author : D. T. Pai  
 Publisher : D. T. Pai, Manipal  
 Pages : 130  
 Price : 100/-  
 Reviewed by : **N. A. Mujumdar**



In this interesting book Shri D. T. Pai, a professional banker and former Chairman and Managing Director of Syndicate Bank takes us through a conducted tour of the transformation process through which the Indian banking system has passed since independence. It makes a fascinating reading - banking in the colonial era; during the period 1947 till the nationalisation of major banks in 1969; in the post-nationalisation period; and during the 1990s when banking sector reforms were introduced as part of the process of liberalization and globalization of the Indian economy. These reforms, Shri Pai concludes, have made the banking system "strong and sound". "The banks have been able to show strong balance sheet growth in the post-reforms period in an environment of operational flexibility. Improvement in the financial health of banks is reflected in the improvement in Capital Adequacy and Asset quality. This progress has been achieved despite the adoption of international best practices in prudential norms and renewing our goals of social banking viz., maintaining wide reach of banking system and directing credit towards important disadvantaged sections of the society" (Page 111).

Shri Pai emphasizes that in an increasingly integrated world, it is necessary that our banking system is perceived as sound by international standards. Compared to global benchmarks, 'Balance sheet and profitability indicators reveal that Indian banking sector compares well with global range under these parameters' (Page 112).

Shri Pai discusses how the 'Social Control' of banks introduced in 1968 was aimed at making bank credit an instrument of economic development, spreading the banking habit in the country, duty aligning credit policy and practices with national development programmes. This led to nationalization of 14 major

banks in 1969; then there was massive branch expansion, and directed credit policy aimed at reaching credit to neglected sectors-priority sector- and disadvantaged sections of the population. In the 1990s the adoption of Basel norms upgraded the Indian banking system. Shri Pai also provides a wealth of statistical data useful to researchers.

Shri Pai's book acquires current relevance for another reason. For instance, the High Level Committee on Financial Sector Reforms (Chairman : Shri Raghuram G. Rajan) recently appointed by the Planning Commission asserts : 'The Committee does not see a compelling reason for continuing government ownership. There are other activities where government attention and resources are important' (see the Committee's Draft Report, April 2008, Page 10). The Committee has therefore recommended : 'sell small underperforming public sector banks, possibly to another bank or to a strategic investor to gain experience with the process and gauge outcomes' (Page 11). This is where market theology overtakes, to borrow a phrase from the Committee's Report reasoned debate. Shri Pai has demonstrated concretely that the performance of public sector banks in India today is in no way inferior to other private sector banks in the world. It is to the credit of Indian banking policy makers that they have been able to successfully blend the objectives of social banking with the market theology of maximising profitability of banks. The branch expansion programme in the post-nationalisation period was unprecedented in the history of world banking. In retrospect one could see the widening and deepening of the Indian banking system as a process of modernisation of the Indian economy. Only the public banking system and directed credit could achieve these goals. And all this was achieved



well before the concept of 'Financial Inclusion' became fashionable. Ironically, the High Level Committee referred to above also advocates 'a national goal of ensuring in 3 years that 90 per cent of households, if they so desire, have access to a deposit account and to a payment system....' (Page 7).

Shri Pai's book provides an antidote to such doctrinaire policy prescriptions inspired by pure

market theology, and not rooted in the India-specific socio-economic milieu. This book needs to be read by not only bankers and researchers but also by policy makers.

#### Key learning points from the 9<sup>th</sup> Bank HR Conference- 2008

The Institute had organised the 9<sup>th</sup> Bank HR Conference (previously called the Bank Education Conference) at Kuala Lumpur between 29<sup>th</sup> February and 2<sup>nd</sup> March 2008. The theme for the conference was 'Building Human Capital for Meeting Emerging Challenges'. The conference was attended by around 30 participants from India. The various sessions held in the conference were :

- Building human capital: Issues and options
- Role of Technology in banking education and Trends in e-learning
- Strategies for attracting/retaining professionals
- Building human capital: experiences from Emerging Market Economies
- Strategies for Unleashing human capital in Indian banks: Panel Discussion

The speakers in the various sessions were Ms. Swarna Srinivas, Director, KESDEE, Mr. Madan Padaki, CEO, Merit Trac Services Pvt. Ltd, Ms. Mandeep Maitra, Country Head - Human Resource, HDFC Bank Ltd. Mr. Arvind Singh, CEO, Quest On the Frontier Pte Ltd., Singapore, Dr. C. S. Venkata Ratnam, Director, International Management Institute, New Delhi, Ms. Puan Siti Zubaidah Haron, General Manager, Human Capital, Malaysia Deposit Insurance Corporation, Ms. Ranjini S. Goonatilleke, Director General, Institute of Bankers, Sri Lanka, Prof. Y. K. Bhushan, Governing Council Member, IIBF & Senior Advisor, ICFAI Business School, Mumbai, Dr. Rozali Bin Mohamed Ali, Chairman of JCY International Berhad & Board Member, ICLIF and Mr. David J. S. Winfield, Executive Director & CEO, ICLIF, Kuala Lumpur.

The session on role of technology in banking education gave a glimpse on what solutions technology offers in learning especially in the areas of banking and finance. It also discussed the role technology can play in recruiting the right person for the right role and also proper assessment of employee potential through the use of technology.

In the session on attracting and retaining talent the speakers spoke about recruitment strategies to be used for attracting the right kind of talent and also how such talent can be retained through various incentive schemes- monetary and non-monetary. Strategies for recruiting and retaining talent in banks across board were discussed. Live examples from banks were given to explain the success of such recruitment and retention schemes. One such strategy was to follow a four-step recruitment and retention strategy: create employer brand, innovate products and services, attract talent and engage talent. Another strategy that emerged out of the discussions was to treat recruitment as marketing and follow the four P's of marketing in recruitment too viz., product, place, pricing and promotion. This means to recruit by addressing the following questions: (1) who do the organization want to recruit? (2) who do they wish to retain? (3) why do individuals choose to join an organisation? (4) why do they leave an organisation? (5) why do they stay with the organisation? The discussion also drew up a list of top retention drivers which could serve as a useful checklist to HR managers.

One of the important highlights of this conference was the cross-country learning opportunity it provided to the participants. The session on building human capital- experiences from emerging economies brought to the table experiences in building human capital from Malaysia, Sri Lanka and India especially in the banking and finance sectors in these countries. Representatives from the three countries spoke about the challenges in recruiting the best people, getting the best out of them and retaining them. The session discussed the true measure of human capital and strategies to build them which includes aligning talent to organisational goals, focusing on core competencies, emphasizing on total performance management systems and also pointed out that it is critical for HR systems to respond to the personal needs of employees. The session outlined the various strategies followed so far in building human capital as suggested by management literature and as per practice in various organisations. The session also sought to bring to focus the new paradigms currently in practice at the work places in their countries and how these have helped build human capital with efficiency and effectiveness. The session drove home the point that it is essential for business and HR strategy to be in alignment with each other and for proper strategy compensation fit.

The panel discussion on unleashing human capital in Indian banks summarised most of the discussions emerging out of the various sessions and ending with an optimistic view of the future of Indian banking.



# **Glimpses of Emerging Trends in Trade and Development**

Editor : Dr. V. B. Angadi & others  
 Publisher : Himalaya Publishing House  
 "Ramdoot", Dr. Bhalerao Marg,  
 Girgaon, Mumbai-400 004.  
 Pages : 409  
 Reviewed by : **Dr. K. M. Bhattacharya**



During the last fifteen years, the Indian economy has witnessed dramatic changes. To address the emerging issues of changing economic situation, Lala Lajpatrai Institute of Management has conducted seminars, conferences, workshops with a view to enhancing the knowledge of the students and exposing them to the latest developments in the field of trade, finance and marketing.

The publication under review entitled **"Glimpses of Emerging Trends in Trade and Development"** is a compilation of the various papers presented and debated at the seminars on (1) Global Trade and Finance and (2) Marketing and Related Issues.

Section I of part 1 contains papers presented at the two-day seminar on WTO, focus on the key issues in Doha Development Agenda which were adopted in Nov.2001. Among the various papers presented, the paper, on Building Capacity for Trade by Dr. Mohan Mathew needs a special mention. He explains the complexities that characterize the rapidly globalizing world and the steps that some of the developing countries have taken to open up their economies and reap the benefits of globalization.

In his paper on "The World Trade Organization and India's Agri Export Response", Dr. Ashutosh Kumar evaluates the impact of WTO Agreement on Agriculture on India's external sector, especially the agri-exports, and attempts to validate his hypothesis that Indian agriculture exports have performed better during the post-WTO period as compared to the pre-WTO period and, therefore, argues that India's entry into the WTO was a step in the right direction.

Among the technical papers on Global Trade and Finance in Section II of part 1 of the book, the article by Prof. M. N. Rudra Basavaraj on "Glimpses of

Global Business" makes an interesting reading. He has reviewed the growth of top global 500 companies in terms of revenue, profits, assets and employees in 2004. In his concluding remarks he has listed many challenges some new and some old. The gender issue, age issue, race and affirmation, action, outsourcing strategy and managing a multinational, multicultural and multiracial people around the world have become so complex, sophisticated and demanding that global entrepreneurs and managers have to learn to find new creative and innovative solutions with the advancing knowledge of service, technology and management and more important, the changing lifestyles of customers around the world.

Among the articles in this section, the article on Human Resources issues in Mergers and Acquisitions by Dr. Sharad Kumar needs a mention. Mergers and acquisitions of banks have significant impact on organizational behavior, personal policies and HR issues as the employees from two distinct banks are required to work together, co-operate and co-ordinate with each other in order to achieve common and redefined organizational goals set up by the newly formed entity. There are lot many organizational behavior and HR related issues ranging from organizational philosophy; organization climate; management and leadership styles and practices; compensation methods and compensation packages; hierarchy, span of control and reporting relationships; decision making process and delegation; work norms, etc. which have impact on personal policy implication. Dr. Sharad Kumar has also identified several other areas of human issues like organizational behavior issues and a host of personal management issues which are very very relevant in any merger and acquisition exercise of banks.

Chapter three of Section III contains an interesting article on Basel-II New Capital Accord by Dr. V. B. Angadi. The concept of risk sensitive capital requirement in the banking sector underlying the Basel-II Capital Accord (New Accord) is by and large theoretically sound, albeit empirical evidence is not conclusive. In practice, the New Accord is found to be too difficult to be implemented particularly in some of the emerging economies. The article presents a brief profile of Basel-II New Accord it also addresses issues pertaining to procyclicality of the Accord, and examines problems of financial crises, capital requirement and financial stability sketches emerging scenarios under different assumptions.

The book also deals with the issues relating to emerging retail and franchise management scenario. The Indian retail sector is witnessing tremendous growth with the changing demographics and an improvement in the quality of urban people. The growing affluence of India's consumer class, the emergence of a new breed of retail entrepreneurs and a flood of imported products in the food and grocery space, has driven the current retail boom in the Indian market.

The other technical papers presented on the subject by various authors deal with issues relating to the growth of organized retailing in India, franchising, branding, etc. The article by Dr. S. V. Kulkarni entitled "The PLC of Marketing - Ideas for Improvement" offers an interesting reading. According to him, improving marketing effectiveness will vary according to the sector or industry we are trying to improve. There cannot be a unique solution, what is possible perhaps is using the basic framework of international intellectuals at the improvement strategy formulation level and subsequent customization by using Indian operational techniques used by the successful companies.

The publication is very timely and contains interesting analysis and deliberations on contemporary global, economic and financial issues with a special reference to India. The book will provide good insights to the practising managers of the corporate world and interesting food for thought to the academicians, researchers and students of management.



**STATEMENT ABOUT OWNERSHIP AND OTHER PARTICULARS OF BANK QUEST, THE JOURNAL OF INDIAN INSTITUTE OF BANKING & FINANCE**

- |                                       |   |
|---------------------------------------|---|
| 1. Place of Publication               | : Mumbai  |
| 2. Periodicity of Publication         | : Quarterly   |
| 3. Publisher's Name                   | : Shri. R. Bhaskaran  |
| Nationality                           | : Indian  |
| Address                               | : Indian Institute of Banking & Finance<br>World Trade Centre, Mumbai 400 005.                              |
| 4. Editor's Name                      | : Shri R. Bhaskaran   |
| Nationality                           | : Indian  |
| Address                               | : Indian Institute of Banking & Finance<br>World Trade Centre, Mumbai 400 005.                              |
| 5. Name of Printing Press             | : Quality Printers (India), 6-B, Mohatta Bhavan,<br>3rd Floor, Dr. E. Moses Road, Worli,<br>Mumbai-400 018. |
| 6. The Name and Address of the Owners | : Indian Institute of Banking & Finance<br>World Trade Centre, Mumbai 400 005.                              |

I, Shri R. Bhaskaran, hereby declare that the particulars given above are true to the best of my knowledge and belief.

30.09.2008

R. Bhaskaran  
Signature of Publisher

**Books Added to the IIBF Corporate Library**

No.	Title	Author	Publisher & Year of Publication
1.	Applied Financial Accounting & Reporting	Geoff Black	Oxford University Press (India), 2007
2.	Balance - Sheet Analysis Credit Cards Foreign Exchange by Co-operative Banks	R. R. Beedu	Snow White, 2008
3.	Banker's Guide Non - Performing Assets, 3 <sup>rd</sup> edn.	Sudhan D. Yardi & others	Snow White, 2008
4.	Beyond HR : the New Science of Human Capital	John W. Boudreau & Peter M. Ramstad	Harvard Business School Press, 2007
5.	Bhashyam & Adiga's the Negotiable Instrument Act, 18 <sup>th</sup> edn.	Ranganath Misra	Bharat Law House, 2008
6.	CEO of me : Creating a Life that Works in the Flexible Job Age	Ellen E. Kossek & Brenda A. Lautsch	Pearson Education, 2008
7.	Commercial Banking : the Management of Risk, 3 <sup>rd</sup> edn.	Benton E Gup & James W. Kolari	John Wiley & Sons (Asia) Pte, 2005
8.	Credit Appraisal, Risk Analysis & Decision making : an Integrated Approach to on & off Balance Sheet Lending	D. D. Mukherjee	Snow White, 2008
9.	Economics, 11 <sup>th</sup> edn.	Richard G. Lipsey & K.Alec Chrystal	Oxford University Press (India), 2007
10.	Guide to Bank Statutory Audit, 2008 - 09	Sudhan D Yardi & others	Snow White, 2008
11.	Handbook of Banking Information, 26 <sup>th</sup> edn.	N. S. Toor	Skylark Publications, 2008
12.	India Development Report, 2008	R. Radhakrishnan (editor)	Oxford University Press (India), 2008
13.	Managerial Economics, 7 <sup>th</sup> edn.	D. N. Dwivedi	Vikas Publishing, 2008
14.	New Beginning : the Turnaround of Indian Bank	Ranjana Kumar	Tata McGraw Hill, 2008
15.	New Earth : Awakening to your Life's Purpose	Eckhart Tolle	Penguin Books, 2005
16.	Power at Work : the Art of Making Things Happen	Jo Owen	Pearson Education, 2008
17.	Project Management Step-by-Step : How to Plan & Manage a Highly Successful Project	Richard Newton	Pearson Education, 2006
18.	Retail Banking : Everything you need to Know to Work in a Bank	Raghu Palat	Cortlandt Rand Consultancy, 2006
19.	Road Less Traveled : New Psychology of Love, Traditional Values & Spiritual	M. Scott Peck	Arrow Books, 2006
20.	Strengthening the Leadership : a Success Strategy for Urban Co-operative Banks through Disclosures & Government Practices	D. Masthan & S. Bhalerao	Booksline, 2007
21.	Taxmann's Foreign Exchange Management manual with CD, 12 <sup>th</sup> edn.	Taxmann	Taxmann Allied, 2008
22.	Unleashing India's Innovation : Toward Sustainable & Inclusive Growth	IBRD / The World Bank	The World Bank, 2007
23.	We are like that only : Understanding the Logic of Consumer India	Rama Bijapurkar	Penguin Portfolio, 2007
24.	World Development Indicators, 2008	IBRD / The World Bank	The World Bank, 2008
25.	World Economic Outlook, April 2008 : Housing & the Business Cycle	International Monetary Fund	International Monetary Fund, 2008



### **Contributing articles to the Bank Quest : (English / Hindi)**

Articles submitted to the Bank Quest should be original contributions by the author/s. Articles will only be considered for publication if they have not been published, or accepted for publication elsewhere.

#### **Articles should be sent to :**

*The Editor : Bank Quest*

Indian Institute of Banking & Finance

"The Arcade", World Trade Centre, 2<sup>nd</sup> Floor, East Wing, Cuffe Parade, Mumbai-400 005, INDIA.

#### **Objectives :**

The primary objective of Bank Quest is to present the theory, practice, analysis, views and research findings on issues / developments, which have relevance for current and future of banking and finance industry. The aim is to provide a platform for Continuous Professional Development (CPD) of the members.

#### **Vetting of manuscripts :**

Every article submitted to the Bank Quest is first reviewed by the Editor for general suitability. The article may then be vetted by a subject matter expert. Based on the expert's recommendation, the Editor decides whether the article should be accepted as it is, modified or rejected. The modifications suggested, if any, by the expert will be conveyed to the author for incorporation in case the article is considered for selection. The author should modify the article and resubmit the same for the final decision of the Editor. **The Editor has the discretion to vary this procedure.**

#### **Features and formats required of authors :**

Authors should carefully note the following before submitting any articles;

##### **1) Word length :**

Articles should generally be around 5000 words in length.

##### **2) Title :**

A title of, preferably, ten words or less should be provided.

##### **3) Autobiographical note and photograph :**

A brief autobiographical note should be supplied including full name, designation, name of organization, telephone and fax

numbers, and e-mail address (if any) or last position held, in case of retired persons. Passport size photograph should also be sent along with the submission.

##### **4) Format :**

The article, should be submitted in MS Word, Times New Roman, Font size 12 with 1½ line spacing. A soft copy of the article should be sent either in a floppy or by e-mail to drwazkar@iibf.org.in

##### **5) Figures, charts and diagrams :**

Essential figures, charts and diagrams should be referred to as 'Figures' and they should be numbered consecutively using Arabic numerals. Each figure should have brief title. Diagrams should be kept as simple as possible. In the text, the position of the figure should be shown by indicating on a separate line with the words : 'Insert figure 1'.

##### **6) Tables :**

Use of tables, wherever essential, should be printed or typed on a separate sheet of paper and numbered consecutively using Arabic numerals (e.g. Table 1) and contain a brief title. In the body of the article, the position of the table should be indicated on a separate line with the words 'Insert Table 1'.

##### **7) Picture/photos/illustrations :**

The reproduction of any photos, illustration or drawings will be at the Editor's discretion. Sources should be explicitly acknowledged by way of footnote. All computer-generated printouts should be clear and sharp, and should not be folded.

##### **8) Emphasis :**

Words to be emphasised should be limited in number and **italicised**. Capital letters should be used only at the start of the sentences or for proper names.

#### **Copyright :**

It is important that authors submitting articles should declare that the work is original and does not infringe on any existing copyright. He / she should undertake to indemnify the Institute against any breach of such warranty and consequential financial and other damages. Copyright of published article will vest with the publisher (Institute).



## SUBSCRIPTION FORM FOR BANK QUEST / IIBF VISION

I would like to subscribe / renew my subscription to BANK QUEST / IIBF VISION.

Placed below are my particulars :

(IN CAPITAL LETTERS)

Shri/Smt/Kum : \_\_\_\_\_

Membership No. (If a member of the Institute) : \_\_\_\_\_

Existing Subscription No. (If already a subscriber) : \_\_\_\_\_

- for Bank Quest - ORD \_\_\_\_\_

- for IIBF Vision - VN \_\_\_\_\_

Mailing Address : \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Pin : \_\_\_\_\_

Tel Ph : \_\_\_\_\_ Fax : \_\_\_\_\_ E-mail : \_\_\_\_\_

I would like to subscribe for one copy of the Bank Quest as follows (Put tick in box) :

☐ 1 Year (4 issues) Rs. 140.00

☐ 2 years (8 issues) Rs. 240.00

I would like to subscribe for one copy of the IIBF Vision as follows (Put tick in box) :

☐ 1 Year (12 issues) Rs. 40.00

☐ 2 Years (24 issues) Rs. 80.00

No. of copies required (if subscribing to multiple copies) : \_\_\_\_\_

I enclose demand draft no. \_\_\_\_\_ dated \_\_\_\_\_ for Rs. \_\_\_\_\_

Date : \_\_\_\_\_ Signature : \_\_\_\_\_

**PLEASE NOTE**

- 'IIBF Vision' is provided every month to all Life Members of the Institute at the address recorded with the Institute.
- Subscriptions will be accepted for a maximum period of 2 years only.
- Subscriptions will be accepted by demand drafts only; drawn in favour of 'Indian Institute of Banking & Finance,' payable at Mumbai.
- Superscribe name & address on reverse of demand draft.
- Mail subscription form and demand draft to :  
The Director of Administration, Indian Institute of Banking & Finance  
"The Arcade", World Trade Centre, Second Floor, East Wing  
Cuffe Parade, Mumbai 400 005.

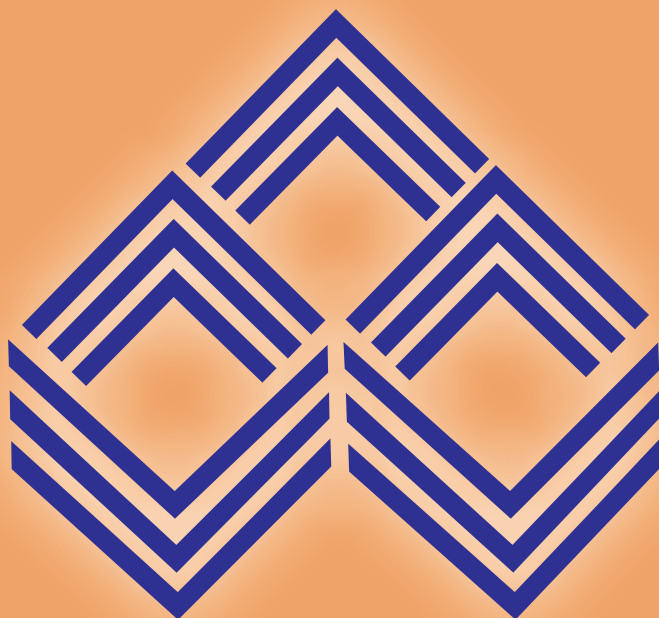


[www.iob.in](http://www.iob.in)

**इण्डियन ओवरसीज़ बैंक**  
**Indian Overseas Bank**  
Good people to grow with

## **Our Commitment to Grow Continues**

FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30TH SEPTEMBER, 2007



**Total Business**  
Rs.1,29,628 Crores  
up Y-o-Y by 32.06%

**Operating Profit**  
Rs. 867.20 Crores  
up Y-o-Y by 52.04%

**Net Profit**  
Rs. 588.20 Crores  
up Y-o-Y by 24.65%

**Earnings per Share**  
Rs. 10.79  
up Y-o-Y by 24.60%

**Book Value per Share**  
Rs. 81.88  
up Y-o-Y by 26.48%

**Gross NPA**  
Down from  
2.96% to 2.10%

**Net NPA**  
Down from  
0.57% to 0.35%

# ALL OF INDIA HAS NOW COME TOGETHER AS ONE LARGE BRANCH

Union Bank achieves complete banking  
integration with 100% CBS.

Union Bank has become the first large nationalized bank to bring 100% of its branches under CBS platform. For the convenience of our customers we have networked all our 2513 outlets across the country.

यूनियन बैंक ऑफ इंडिया



Union Bank of India

LINKING THE NATION

