

Chapter - 8

OTHER RELATED ISSUES

8.1 Introduction

8.1.1 The Narasimham Committee II, have observed that their recommendations relating to Technology Upgradation cannot be achieved “without basic bank automation. While banks in India have realised this, the pace is rather slow for various reasons”. It proceeded on to say: “Automation of banks needs to be coupled with process re-engineering and expedited”.

8.1.2 The status of automation in the banks in the country is not uniform. There are banks functioning for decades, having a sizable number of branch network in the rural and semi-urban centres. Compared to this, there are banks which are generally regional in character and not having a large number of branches in the country. In the recent past a few private sector banks have been established with the latest technology. Foreign banks located at major commercial centres of the country also transact their business in a computerised environment. The level and extent of automation in the banks in general vary because of their history, work culture and policies/strategies adopted by their management in branch expansion, and in respect of investment in technology and human resource development. In this background, to achieve technology upgradation in the banking sector as a whole and to afford a level-ground for the different players in the market, banks need to do re-thinking, re-orientating and re-engineering of the end-to-end activities that create value for the customers as well as the banks themselves.

8.1.3 Participating banks would need to work out appropriate technology plans in line with the financial application architecture that they would be adopting. An example of a technology plan is provided for illustrative purposes in **Annexure 17**.

8.2 Re-engineering

8.2.1 Re-engineering, in simple words, means *starting over*. It does not mean mere tinkering with what already exists or making incremental or peripheral changes which do not alter the basic structures. Re-engineering could in fact cover abandoning the long established procedures and practices which are not capable of delivering the value in the present context. Re-engineering in the words of Michael Hammer and James Champy (Reengineering the Corporation, 1993), entails,

“ Fundamental re-thinking and radical redesign of business processes to achieve dramatic improvements in critical and contemporary measures of performance such as cost, quality, service and speed”.

8.2.2 The banks have spent sizeable amounts in the past decade to automate tasks that the people were once adept in doing manually; but fundamentally the same jobs are being done. In the hi-tech environment it is not the division of labour that is very relevant but it is the process in which the people involved would look inward or upward to their

departments while the supervisors/management will look *outward* towards the customer, the ultimate receiver of the service from the banking industry. For the success of such a process, the banks should look *inward* towards their work and procedures in the context of the technology upgradation and attempt process re-engineering exercises. The approach should be to review and realign their systems and procedures to adapt to the latest technology, rather than applying the technology to the existing processes.

8.2.3 Considering the divergent level of computerisation and also the non-uniform approach of the banks as a whole, the Committee feels that the process of re-engineering, which should be attempted by all the banks, cannot be forced on them from outside. It should stem out of the urge from within and also the felt-need of the management of the bank concerned.

8.2.4 One of the basic goals of technology upgradation is to ensure efficient and effective decision making on the basis of MIS data. Process re-engineering should ensure the attainment of this objective instead of the current trend of technology which merely facilitates better work flow and not necessarily in better decision making.

8.2.5 Yet another requirement is that process re-engineering should start at the branch level but keep the concerns of the management and decision makers in a proper perspective.

8.3 **Recommendations**

8.3.1 Given the background of some of the banks that have a long heritage and well established customs and practices, it may not be easily possible for such banks to start over afresh. They can, however, choose the branches and areas of operation where they have already introduced a certain degree of automation and computerisation and review the systems and procedures in these branches/areas to adapt them to the technology that is newly introduced. These banks should now attempt to have a hi-tech bank within the bank, totally distinct and different from the other branches and areas of operation which now perform the routine business without that much of intensity of computerisation.

8.3.2 The stress should be laid on review of the processes, based on the technology introduced or likely to be introduced in selected areas, dovetailing with the processes at the other branches and, if necessary, there can be a separate manual or work procedure for this purpose, without disturbing the existing situation.

8.3.3 Such of the banks which do not expect any problem in introducing new systems and procedures tailored to the technology upgradation being attempted, can straight away proceed with the process of re-engineering.

8.3.4 The newly established private banks which have the advantage of starting with the latest technology from the very beginning, should take up the process re-engineering in right earnest.

8.3.5 Though the exercise of process re-engineering is left to the convenience and comfort of the bank concerned, each bank should, nonetheless, chalk out a time-bound programme, synchronising with the level of computerisation being planned by it, stemming from the directions of the top management. In any case, business prudence requires this activity to be given due priority.

8.3.6 The exercise of re-engineering would require complete commitment from the top management and a constant review till its final application. Such an exercise may need to be monitored by a designated authority. In the case of public sector banks, this may be assigned to the in-charge of Computer Policy and Planning Department. The designated authority would report directly on the matter to the Chairman of the bank.

8.3.7 The designated monitoring authority, to be effective, should constantly and continuously interact with the other banks, the Reserve Bank of India, the Government, IDBBI, IBA and institutions connected with Information Technology such as National Institute of Bank Management (NIBM), National Council for Software Technology (NCST), etc. The Indian Banks' Association would have to take the initiative of convening periodic meetings of the monitoring authorities of the banks, at least once a quarter to review and discuss the problems, if any, faced by the banks including the matching of their procedures with the technology. The basis for such meetings would be the reports of the designated authorities of different banks. The Reserve Bank may call the meeting of the Chairmen and Managing Directors of Public Sector Banks every half year to discuss the progress in upgradation of technology in the banks. The input for such meetings would be provided in the progress reports submitted to RBI and the issues raised by the CPPD Chiefs from time to time during the periodic meetings organised by the RBI.

8.3.8 Once the process re-engineering documentation is completed, its implementation has also to be monitored in relation to time schedules set up and then replicated to other branches / Departments etc.

8.4 Issues relating to Human Resources Development

8.4.1 If the technology upgradation programme of a bank has to be successful, it would depend largely on the human resources deployed by the bank to realise its objective. Banks should be able not only to attract but also to retain the high quality technical talent of human resources required. The Narasimham Committee-II have observed that technical employees need an environment where they can learn more and keep their knowledge up-to-date. The evolving technologies would provide the challenge and environment for such personnel to function exemplarily.

8.4.2 The main business of banking would, over a period of time, become unachievable if the policies of banks do not include computerisation as one of their main activities. In the rapidly changing IT situation, the benefits that accrue to the banks in the long run by computerisation and the need for banks to be competitive have made it imperative that banks devote more concerted, special attention to recruit/procure, compensate, retain and

develop the technical staff. Another important reason necessitating the need to pay extra attention in this area is the high turnover rate of employees of this cadre. Though the nature of work of the technical staff in IT areas may be similar as between banks, the working conditions, compensation, career path, self development and attitude do vary from bank to bank. This is an area where banks have to bestow attention in order to retain their IT staff.

8.4.3 It is also observed that specialised training on computer software and hardware is generally lacking in almost all the banks. Among the officer staff there appears to be inadequate appreciation of the advantages of computerisation and insufficient eagerness to derive the benefit of computerisation in the day-to-day work. Computerisation in fact aids and speeds up all the core activities envisaged under banking.

8.5 Recommendations

8.5.1 Considering the observations of the Narasimham Committee – II, and also taking into consideration the fast changing developments in the hardware and software technology, the Committee considers that banks should create an environment conducive to their rank and file, in absorbing the latest and advanced technology available all around. Education of staff on IT should be given due importance. Adequate budgetary allocation for the purpose, needs to be given. The training establishments of the banks should be strengthened with adequate personnel and other infrastructure facilities, to impart necessary IT training to the staff - **at all levels**. The banks may, if necessary, have tie-up arrangements with some specialised institutions imparting training in IT to conduct customised training programmes for the bank staff.

8.5.2 Excepting in the case of a few banks, there is no specialised training institution that can devote entirely to training of bank staff in IT. There are various institutions which profess to conduct training in different programming languages, software application, programming etc., but no institution is specialising in affording training to bank staff exclusively in banking related IT. This situation needs to be corrected. A continued training programme for all banks will need to be worked out by IBA in consultation with the Indian Institute of Bankers, IDRBT, the training establishments in banks, NIBM and NCST.

8.5.3 The larger banks should explore the possibilities of giving exposure to their technical staff on the latest developments that are taking place around the world in the area of IT and allied areas by deputing their technical officers to the banks and other specialised institutions abroad and also to the Seminars, Workshops, etc. relating to IT.

8.5.4 Providing incentives for acquiring specialised knowledge and skill in IT related matters will act as boost to increase the quality of the IT based talent within a bank. It will also attract more people to be inducted into this area from within as well from outside. The incentive may be in the form of financial benefits and/or better promotional opportunities. IBA may examine this issue, keeping in view the administrative constraints of the banks.

8.6 Sharing of Experiences by Banks on Technology Implementation

8.6.1 Given the varying degrees of technology in the banks, it is appropriate that they exchange information with one another on issues of mutual advantage, such as in the availability of new technology, difficulties in implementing a particular software package, using a common communication network (like the INFINET), standardisation of message formats etc. There are already three established places where interactions are possible :

- Meeting of the Chiefs of Computer Policy & Planning Department (CPPD) of 27 public sector banks (convened by the Reserve Bank of India at periodic intervals)
- Standing Committee on Technology Issues (secretarial support by the IBA)
- INFINET User Group (Secretariat at the Reserve Bank of India)

There is also a Working Group on Y2K Issues headed by the Deputy Governor, Reserve Bank of India, with the secretarial support provided by the Reserve Bank of India .

8.6.2 The National Institute of Bank Management has been organising Seminars for CPPD Chiefs of public sector banks on an annual basis on different themes for each year. Recently, IDRBT has started organising seminars/symposia for the Chiefs of CPPD. These seminars would provide opportunities for sharing of information on common issues if the themes are structured specifically for achieving such an objective.

8.6.3 The Indian Banks' Association has also included a section on Banking Technology in its monthly *IBA Bulletin*. IDRBT has started publishing a News Letter. The Reserve Bank of India is including periodically a feature on *Information Technology News* in its monthly *Reserve Bank of India Bulletin*.

8.7 Recommendations

8.7.1 The Committee feels that the meetings of CPPD Chiefs should be sufficiently frequent enough to be effective. Meetings to be convened by the IBA for the purpose once in two months would be useful. The Heads of Technology Departments of banks other than the public sector banks may also be invited by rotation for these meetings to provide opportunities for exchange of experiences about the technology implementation and management of change to modern technology.

8.7.2 The IBA Standing Committee on Technology Issues may also meet more frequently and include, in its agenda the issues relating to successful implementation of industry level technology projects like ECS, EFT, SPNS and Smart Card. Implementation of an industry level Data Warehousing under the aegis of the IBA may also require close co-ordination and sharing of experience by banks. This Standing Committee may also consider preparing an Approved List of Software Vendors on specified application packages such as Total Branch Computerisation (TBC) package, Inter-Branch Reconciliation (IBR) Package, ALM Package etc. The Model Guidelines for outsourcing

as recommended by this Committee in Chapter 4 may also be periodically reviewed by this Standing Committee based on the feed back given by the members of IBA. The capacity of IBA to handle these tasks would depend on the number of persons that IBA has in the area of IT to attend to the secretarial work relating to the Standing Committee on Technology issues. The IBA needs to recruit more IT persons on its staff.

8.7.3 CPPD Chiefs would need to participate actively in bringing into the open issues in banking technology. For the banking industry to benefit from such initiatives. IDRBT may take necessary action to create a Web-site and make reports, reviews and news items available on the Internet for downloading.

8.7.4 Vendors on Banking Technology may be persuaded by IBA to organise events like Exhibitions and Symposia and international events like International Transaction Processing Seminars / ACH Seminar etc. every year by the vendors based in USA and the events co-ordinated by Bank Administration Institute, USA. The goal should also be to make India a good market place for banking software. Such a move would be helpful in driving down the cost of banking technology over a period of time.