

COMMITTEE ON CAPACITY BUILDING

Report and Recommendations



Reserve Bank of India

July, 2014



LETTER OF TRANSMITTAL

Chairman

**Committee on Capacity Building
Reserve Bank of India,
Central Office Mumbai**

**Dr Raghuram Rajan
Governor
Reserve Bank of India,
Mumbai**

July 23, 2014

Dear Sir,

I have great pleasure in submitting the Report of the Committee on Capacity Building in Banks and Non Banks. On behalf of the members of the Committee, colleagues and on my own behalf, I convey my sincere thanks for entrusting us with this responsibility.

With regards,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'G. Gopalakrishna'.

**(G. Gopalakrishna)
Chairman**



LETTER OF TRANSMITTAL

Chairman

**Committee on Capacity Building
Reserve Bank of India,
Central Office Mumbai**

**Shri R Gandhi
Deputy Governor
Reserve Bank of India,
Mumbai**

July 23, 2014

Dear Sir,

I have great pleasure in submitting the Report of the Committee on Capacity Building in Banks and Non Banks. On behalf of the members of the Committee, colleagues and on my own behalf, I convey my sincere thanks for entrusting us with this responsibility.

With regards,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'G. Gopalakrishna'.

**(G. Gopalakrishna)
Chairman**

COMMITTEE ON CAPACITY BUILDING
Report and Recommendations



(G. Gopalakrishna)
Chairman



(N.S. Vishwanathan)
Member



(Mohan V. Tanksale)
Member



(Shyam Srinivasan)
Member



(Ranjan Dhawan)
Member



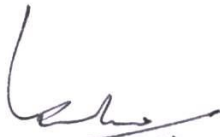
(K. Ram Kumar)
Member



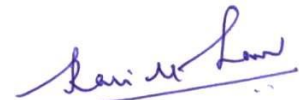
(R. Bhaskaran)
Member



(Achintan Bhattacharya)
Member



(V K Madhav Mohan)
Member (Co-opted)



(P.R. Ravi Mohan)
Member Secretary

Table of Contents

Sr.No.	Content	Page
1	Executive Summary	1
2	Introduction	35
3	Approach	38
4	Acknowledgements	42
5	Chapter I: Capacity Building - Setting the Context	43
6	Chapter II - HR strategy and Training intervention for capacity building	51
7	Chapter III - Examining skills required and prescribing qualification/certification	75
8	Chapter IV - Building capacities of members on Boards of banks	93
9	Chapter V- Capacity Building - System-wide Perspective	102
10	Annex - I : Study of training practices across banks	124
11	Annex - II: Qualifications for different functional areas in banks	145
12	Annex - III: Training interventions for various levels of employees	146
13	Annex - IV: Skill requirements for various banking functions	147
14	Annex - V: Capacity Building initiatives and competency standards – Cross Country study	164
15	References	178

Executive Summary

Recommendations of the Committee on Capacity Building in Banks and Non Banks

Para	Aspect on which recommendation is made	Recommendations of the Committee
1.6	Approach to capacity building of banks and non-banks	<p>The Committee opined that the examination of any given stream of thought on capacity building would necessitate an analysis of:</p> <ul style="list-style-type: none">(i) various key success factors for augmenting capacity in its employees from an individual bank context(ii) putting in place human resources management practices conducive to capacity building(iii) Various training methodologies and innovations therein that would facilitate efficacy in capacity building(iv) system wide institutions and processes to support sustainable and methodical approach to capacity building(v) level of variance in capacities of employees within banks and bank groups on one hand and banks and non-bank institutions on the other,(vi) an understanding of entry levels of knowledge, skills and attitude in employeesvii) given the evolving economic and regulatory developments, exploring any mandatory certification requirements(viii) amplifying capacity related requirements in Boards of banks. <p>The subsequent chapters elucidate the assessment of the Committee in these dimensions and their recommendations thereon. The comprehensive approach to the issue of capacity building would also address the requirements of implementation of any specific FSLRC related</p>

		recommendations by the concerned key stakeholders like Government of India and the regulators.
2.2.1	Enhancing Human Resources Management practices	<p>Committee extensively deliberated on the key aspects of Human Resources Management framework in banks. It recommends the following for enhancing the framework in the current milieu:</p> <ul style="list-style-type: none"> (i) HR aspects in general and Talent development in particular need to be provided consistent focus and commitment, by the Board and top management of banks. (ii) Human resources management function should be assigned to people with expertise in HR management and with sufficient domain knowledge on banking affairs. (iii) HR management in banks needs to scale up to the new evidence based HR paradigm involving extensive leverage of data, analytics, scientific rigour and critically evaluated research/case studies to support HR related decisions/practices and proposals. Extensive use of metrics for HR management function is critical. (iv) Alignment of human resource planning with the strategic planning should be the key to achieve strategic goals of banks and non-banks. Talent and leadership requirements need to be planned strategically over the long term, say over 5 years and above. (v) Role Mapping exercise should be regularly carried out to identify different roles in the bank/non-bank and recruitments may be made accordingly. Identify skill-sets required for various positions and address the gaps by various capacity building efforts. (vi) There is a need to build robust inventory of human resources and outline career building plan for each individual who joins the bank. The HR database should

		<p>at any point in time be able to provide details relating to qualifications, training, experience, continuing education details, new qualifications obtained by an employee as also his/her experience in specific vertical/functional areas.</p> <p>(vii) Placement of employees needs to be based on well laid out parameters like qualifications, certifications, training and experience of the concerned employee rather than being ad-hoc/discretionary.</p> <p>(viii) While generalist officers have in general served the banks reasonably well, the evolving business context requires mapping of competencies and aptitude of individuals and to decide on their placements appropriately. The role of specialists is increasingly becoming crucial and hence there is need for suitable HR intervention in this regard. Bankers will need to specialize in different business functions while maintaining basic general competency. Corporate banking, retail banking, treasury, risk, finance, technology, and HR will increasingly require staff with relevant aptitude. Banks need to identify 5–6 such tracks within which the staff can be groomed.</p> <p>(ix) Banks may be required to design suitable policies to provide exposure to different domains to “generalize” the specialists at senior level to help facilitate career progression, prepare them for administrative responsibilities and to discharge their functions effectively in senior positions. Policy for cross functional movement should also be put in place.</p> <p>(x) It is not sufficient to recruit fresh talent at an entry level. Since rapid retirements over the medium term will lead to a disappearance of skill sets and know-how at senior</p>
--	--	--

		<p>levels of the organization, such potential drain in knowledge needs to be assessed by identifying manpower requirements within different job families. This “skills need projection” has to be juxtaposed against the projections of supply of staff, net of retirement, in the same job families. Certain job families like credit, treasury and technology are typically in deficit and need to be planned for at various levels.</p> <p>(xi) The Assessment Centre methodology can be used as one of the inputs to map the skillsets and decide on appropriate placement both during entry level and even for entry to executive cadre which demands strategic thinking, team building skills, innovation and conceptual skills besides strong communication skills. An Assessment Centre consists of a standardised evaluation of behaviour based on multiple inputs. Several trained observers and techniques are used. Judgments about behaviour are made, in major part, from specifically developed assessment simulations. Various methods used as part of assessment centre process includes case study interviews, group exercises, competency based interviews, in-tray tests, fact finding exercises, problem solving tasks, case presentations, psychometric/personality/aptitude tests, role-play exercise.</p> <p>(xii) There is a need to define and develop competency model as a tool to describe the characteristics that define successful employees or leaders. Ideally, competency models should be limited to 6-8 competencies and should be detailed in terms of specifying indicative behaviours and corresponding proficiency levels. Ultimately, there needs to be linkage between</p>
--	--	---

		<p>competency model and all key talent management processes within the organisation like recruitments, performance assessment and management, development, etc.</p> <p>(xiii) A transparent and comprehensive performance assessment exercise needs to be instituted as part of human capital management. The factors to be taken into consideration include clear key performance/result areas, a holistic performance evaluation framework which includes 360 degree feedback, feedback mechanism, ensuring adequate performance differentiation between employees and suitable reward and recognition.</p> <p>(xiv) The recruitment process should not be sporadic or lumpy but ensure regular in-take so as to ensure growth in manpower in tandem with business needs. The recruitment process needs to be re-engineered to reduce the time lag between conduct of exams and issue of appointment letter. Delay in recruitment cycle could involve losing out on the best talents.</p> <p>(xv) While carrying out performance analysis, there is a need to pin-point the exact nature of problem leading to under-performance by some employees. The underperformance could have arisen due to a training deficiency or due to other emotional/behavioural factors. Thus, performance analysis is the process of verifying that there is a performance deficiency and determining how the deficiencies could be corrected - through training or other means (like transferring the employee to another function or place). Developing training for fixing problems that training would not fix would be a futile exercise.</p> <p>(xvi) HR function should be more attuned to the needs of both the organisation and the employee and should</p>
--	--	---

		<p>endeavour to build reasonable balance between the two instead of rigid adherence to inflexible rules.</p> <p>(xvii) Requirement of different skills and experience is a continuously evolving concept and depends on the business scenario, integration of technology, market dynamics, etc. Periodic review of policies and procedures relating to HR may be done.</p> <p>(xviii) One common pitfall in skill building is identifying development/skill building actions that are in the extremes - too inadequate or too much challenge or risk. The critical aspect to be evaluated is the importance of the assignment or job to the organization and the degree of previous experience required for success. Sometimes institutions are reluctant to take a risk in providing an individual with an assignment that is a first - time learning and repeatedly rely on those who are proven in a given area. What is critical is to find an opportunity that is not of the highest importance level to allow the first - timer to develop skills or to provide support from the more experienced person. Conversely, a person who is given a highly important role with many “firsts” and little support is likely to be set up for failure.</p> <p>(xix) From a risk management perspective, each bank must delineate comprehensive processes to assess attrition risk and gaps in skillsets and institute appropriate mitigation plans. There is a need for proper succession planning by identifying critical roles across the organisation, assessing availability of suitable candidates for such roles.</p>
2.2.2	Creation of position of “Chief Learning Officer”	(i) Position of Chief Learning Officer may be created in all commercial banks. The official will be responsible for Leadership Development, Collaborative Learning across

	and concept of return on learning	<p>the organization, developing learning pedagogies tailored to the organization, measuring the quantum and quality of learning across the organization through various indicators, develop a Learnability Index for all personnel (i.e. a measure of the ability to learn of an individual) and apply that as an input into promotability, disseminate knowledge throughout the organization and continuously monitor and augment learning and sharing across the organization.</p> <p>(ii) A research project can be commissioned by banking research institutes in India to define the parameters and methodology to define a measure of the Return on Learning.</p>
2.2.3	Strategies for addressing issue of replacement / replenishment of talent in banks	<p>One of the major bottlenecks banks face is in terms of finding suitable replacement of talent that is necessitated on account of attrition, retirement etc. To tide over this issue, the Committee recommends various solutions like developing an Expert Pool internally and allowing free movement of talent within the organization for creation of a larger workforce of trained personnel. Special recruitments based on job roles and competency could also be considered.</p>
2.2.3	Job Rotation	<p>Banks must avoid transfer for the sake of preset norms. Job rotation in banks especially, PSBs, should not be done in a mechanical manner but through a well laid down criteria. Banks should allow specialization up to say level III or IV such that the demands of contemporary banking needs are met. Transfers should focus on critical requirement like leadership across the geography and posts that require high concentration of power. In short, need based transfers may be undertaken.</p>
2.3.2	Process of Skill	<p>The Committee recommends that the process of skill</p>

	<p>Development – Six Steps</p>	<p>development should ideally move through the following six steps:</p> <p>i) Identification of Business Objectives and learning objectives for the year – The task commences with prime focus on the following question- “what are the specific areas of operations in the organization which need to be developed and how to meet the skill gap?”. Before venturing into skill development plan, the important aspect that needs to be answered is whether the bank has a clear view regarding the roles currently existing in the organization and where expertise is required to be developed.</p> <p>ii) Sourcing of Training requirements - Once skill development requirements are derived from the business context, the next stage is to identify people matching the role and to identify their development requirements. The identification can be done through a skill mapping/assessment exercise or recommended sourcing/self-assessment.</p> <p>Recommended sourcing – Here, the supervisor/ talent review committee recommends a particular employee for a specific training program. Sourcing can be also done by analyzing performance reports of employees; <u>Self-assessment</u> - Where the employee himself offers his nomination through an online platform on perusing an option for training in a specific job environment. Once the sourcing is done, the group of employees to whom the training needs to be imparted is identified.</p> <p>iii) Administering Training through adoption of the 70:20:10 learning model - Different methodologies can be adopted for training people; however one of the contemporary methods adopted throughout the world is the 70/20/10 learning model. 70:20:10 learning model is a unique learning system</p>
--	--------------------------------	--

		<p>where people are trained through experiences (70%), feedback (20%) and formal training sessions (10 %). It is said that adult learning happens maximum through experiences or on the job exercises, the balance through coaching and formal classroom training techniques. Thus, there needs to be more emphasis on job learning exercises, for example learning through projects.</p> <p>iv) Formulation of training schedule - How do we plan in advance, so that employees have minimum ambiguity as to what is their future learning curve - In this phase a detailed schedule containing the training objectives, the names of people for whom the training will be administered, the type of activities to support the 70:20:10 learning model are identified and charted. This list and individual letters should be published in the beginning of the year so that employees clearly know about training programs they will have an access to, during the year.</p> <p>v) Monitoring through tests and talent review - This stage reviews whether the training delivered as per the plan has really proven beneficial for the organization and has given a return for the employee as well as for the organization. Some ways to measure the effectiveness of training programs administered are as under:</p> <p>Conduct of tests (Certification) - An annual test may be held to gauge the improvement in the knowledge level of employees who had undergone training in a relevant sphere. Alternatively there can be a system where employee has to pass a certification program compulsorily to progress to the next band or grade.</p> <p>Talent review – The supervisor or a talent review committee may check upon whether the employee has benefitted or has shown improvement as a result of the training</p>
--	--	--

		<p>administered, this can be done by conducting interviews or Viva sessions.</p> <p>vi) Rewarding Learning - Creating a learning organization Deciding Placement/ rewards based on Score obtained - To boost learning attitude in the Bank, reward and recognition programs must also be designed around it. For example, employees who successfully pass certification programs can be provide weightage during promotion. Incentives can be designed for encouraging learning. A leadership development centre can be opened and people who continuously perform and learn can become a member of the centre. Top 100 or 200 leader's pool can be developed through this way to be groomed as future leaders of the bank. The data which we get out of this exercise can be used in myriad number of ways. For example, employees who score good marks in the tests/assessments can be given choice placements or awards that will help them to develop themselves as domain experts in the field.</p>
2.3.3	Training to be customized to the nature of institutions	<p>Training needs accordingly have to be modified to suit the profile of employees in different categories of banks and also on larger analysis based on clientele.</p> <p>The Committee, therefore, recommends that recognized training institutions, apart from those run or sponsored by RBI, may organise appropriate courses for NBFCs and RRBs more particularly in customer interface areas. Further, Cooperatives have established a number of training institutions across the country. However in terms of latest courseware and training methodology there is scope for improvement. CAB, NIBM, IIBF etc may engage with co-operatives to improve the quality of training in these institutions.</p>
2.3.4	Capacity building-	(i) Banks should endeavour to expand enrolment of select

	Need for trainers	<p>internal employees as part-time faculty to provide for adequate internal support for training initiatives.</p> <p>(ii) In the event of talent crunch at middle or senior management level, banks may consider the possibility of outsourcing various training activities including management of their training institutes.</p>
2.3.5	Perspective on Training Strategy	<p>(i) The training plan of an organization should have intimate linkage with the career path of the individual; competency gaps should be identified through talent reviews and training should be imparted in a way that helps people to learn and apply the take-aways in real life work situations. There should be training and development goal for each individual based on his/her strengths, which may be identified by way of an assessment or talent review process or through existing qualifications obtained by the individual. The training strategy also needs to be dovetailed with strategic and business imperatives of the bank. All banks may prepare a specific action plan in this regard.</p> <p>(ii) An area of concern relating to induction training provided to newly recruited officers by banks, especially public sector banks is that the duration of the training is restricted to as less as 2 or 3 weeks in some banks. The Committee felt that induction training which heralds the initiation of an officer in the world of banking should be well thought out and comprehensive. There has to be an adequate mix of classroom training, on-the-job training and robust mentoring and monitoring of such officers for optimal results and long terms benefits to banks.</p> <p>(iii) The committee observed that most bank employees worked in situations that required multiple competencies. The Committee, therefore, felt that general professional</p>

		<p>qualification like JAIIB, CAIIB etc could be recommended for all bankers, though the same may not be made mandatory. Banks may encourage training/further knowledge enhancement initiatives by reimbursing course fees, providing incentives etc to employees. Banks could also provide due recognition for completion of such courses by incorporating the same in employee assessment and career progression. Acquisition and testing of computer skills may be made mandatory for both officer and clerical cadres. General branch management skills will also need substantial upgradation.</p> <p>(iv) Every employee should be given a training of not less than 5 days a year. The training of senior officers is often relatively incomplete on account of exigencies of service. This must be remedied and the bank must ensure that the senior officials are also trained for not less than 5 days a year.</p> <p>(v) Institutes like CAFRAL, NIBM, IIBF etc, must develop suitable training capsule for senior officers with significant emphasis on current developments in banking sector, policy issues and leadership skills.</p> <p>(vi) Important training programmes of longer duration say more than 5 days should have testing methodology in order to assess the utility of such training programmes</p> <p>(vii) Case method of training is also one of the effective training methods that can be focussed upon and developed.</p> <p>(viii) In order that the leadership pipeline is not choked it is suggested that all scale IV and V officers undergo a week to 10 days Executive Development Programmes in appropriate places. Over the years, NIBM has been</p>
--	--	---

		<p>organizing programmes on Leadership Development in banks mainly for Senior Management in collaboration with leading universities abroad. Training Programmes similar to AMP of IIBF and Top Management courses of some B-Schools are also examples of such training.</p> <p>(ix) Banks should have minimum infrastructure to provide sufficient training to staff at junior levels. For middle and higher level officers, banks may consider procuring services of specialised training agencies / management institutions.</p> <p>(x) Training programs for critical areas could be combined with certification. Banks may work on this issue in consultation with institutions offering certification in various areas relating to banking and non-bank institutional training. This will improve the training efficiency and also help record and assess the performance.</p> <p>(xi) Improving effectiveness of training: Training loses its value once it is not applied or transmitted prospectively. The best form of transfer of knowledge and impact evaluation is considered to be subjecting an employee to “on the job” training (more so in the case of entry level staff) and monitor his/her progress. Current training methods are generally focussed on classroom sessions, case studies, and e-learning. However, to enhance effectiveness of training in adult learning context, hands-on training in the form of simulations, special projects, and exposure to different roles through job rotations would need to be used more frequently.</p> <p>(xii) Banks can also examine setting up job-linked, skill-enhancing functional academies which will be run by line managers to provide the requisite skills and knowledge</p>
--	--	--

		<p>to existing employees and talent hired laterally in the organization. The design of courses offered by internal academies should be heavily loaded towards application orientation rather than power point based theoretical presentations.</p> <p>(xiii) For the sake of uniformity of administration of training inputs, efforts should be made to develop common training schedules and material in functional areas in accordance with specific competency standards for such areas. This will ensure uniform and updated inputs. This will also enable codification of knowledge on specific areas of training.</p> <p>(xiv) Assessing specific training needs should not exclusively be based on performance appraisal. The training needs have many sources and dimensions. Training is not only to bridge performance gaps but also for building alternate and new capabilities to prepare someone for other roles lateral or next level. Training needs analysis needs to be more broad based and comprehensive instead of revolving around performance appraisal alone.</p>
2.3.6	Coaching and mentoring paradigm	While individual banks may consider putting in place coaching/mentoring processes for entry level employees if required based on their individual requirements and needs, the focus of coaching and mentoring may be mainly on middle and senior management. This could be further supplemented with system like sessions with leaders wherein groups of select employees spend a few hours with leaders/top management.
2.3.7	Mentoring programme for CMD/CEO	CAFRAL can administer the mentoring program for CMD/CEOs of banks. It can create a pool of select, top notch, highly regarded Mentors who can be invited to

		conduct the mentoring programs for CMD/CEOs of banks.
2.3.8	Mode of providing training programmes	<p>(i) All banks may adopt e-learning methodology and ensure that function specific lessons are made available to the staff and their knowledge is tested periodically. The e-learning modules should be updated regularly.</p> <p>(ii) Each bank should develop or use knowledge or procedure nuggets and place the same in the intranet such that these are available to the staff on demand as reference.</p> <p>(iii) New channels like mobile based learning, webcasting, video conferencing, virtual classroom services should be explored which will help organizations to reach a wider gamut of people at minimum cost and within shortest possible time.</p> <p>(iv) In order that the officials at higher/critical functions are updated on banking related subjects on a continuous basis, a e-learning module may be introduced as part of Continuous Professional Development (CPD) programme accompanied by certification, subject to due accreditation by accreditation agency.</p>
2.3.9	Top Management Training	<p>i. Policy formulation, Resource allocation, Enterprise Risk Management, Treasury, International finance, Corporate Credit, Risk based audit, balance sheet management, capital management etc are critical and strategic for senior management. Similarly big picture focus on overall financial institution management, is essential before one steps in as an ED.</p> <p>ii. Skills in respect of transformation management, change management, business management, crisis management, skills in handling print and electronic media, decision making and strategic planning also need to be imparted as part of top management training and</p>

		<p>also for group of middle management officials identified as potential leaders.</p> <p>iii. War game exercises can be organised for the senior management</p> <p>iv. Top Management could be trained by CAFRAL, NIBM and IIBF on these areas leveraging on internal and external expertise.</p>
2.4	Supervisory Focus on HR Management in banks	<p>(i) Detailed guidelines on key expectations of regulator on HR management and capacity building in banks may be issued based on relevant recommendations made by the Committee in this report. This may be factored in during HR related risk assessment process of RBS/AFI.</p> <p>(ii) Focused detailed thematic reviews may be conducted periodically to assess the HR management including training practices and follow up on specific issues with the respective banks.</p>
3.4.1.1	Entry Point Qualification	<p>i. A candidate may either undergo training at pre-recruitment finishing school as practised by private banks or must pass a certificate course after recruitment (post recruitment training) within, say, 6 months after joining the bank's service which could be ensured through suitable incentives/dis-incentives. Certain accredited training agencies/finishing schools may aid banks in accomplishing such tasks. This scheme is also expected to be cost effective for the banks. In order to address the constraints of recruited staff being made available for training, during the first year, the banks may factor the floating staff in their manpower planning so that the branches do not suffer for want of staff and this floating staff could continue to be a permanent feature of manpower planning.</p> <p>ii. Wherever the banks have outsourced training for new</p>

		<p>recruits, an effort may be made to ensure that these institutes offer certain minimum standard inputs, which may be decided while finalising the course contents.</p> <p>iii. IBPS tests candidates on subjects such as English, Quantitative Aptitude and Current Affairs. They may also consider introducing a basic banking paper in its CWE. Ultimately, as suggested in Chapter V there is a need to graduate to a full-fledged Banking Aptitude test.</p> <p>iv. In case of recruitment of specialists, additional entry point tests/assessment may be considered.</p>
3.4.1.2	Qualifications for generalists and specialists	<p>(i) The generalist positions could continue to be handled by personnel who are graduates and general banking oriented qualifications like CAIIB, Diploma in Banking etc would be desirable for all including such recruits. CAIIB though a general qualification also contains key inputs that are closely linked with the needs of key functions in banks.</p> <p>(ii) Generally post-graduation in relevant field of specialization has been the norm in both private sector banks and foreign banks for specialist positions. This could be considered even for public sector banks.</p> <p>(iii) Given the critical nature of such positions and specific knowledge requirements associated with such positions, apart from post graduate qualification in relevant field, additional professional qualifications/certifications in the relevant fields like accounting, risk management, investment management/treasury etc. could be formally reckoned as part of identification and grooming of talent for manning specialist positions in banks.</p> <p>(iv) For certain specialised areas like forensic audit, development of risk models, specific professional certifications/trainings in these areas would be desirable.</p>

		<p>An indicative list of qualifications in respect of various positions identified by the Committee and training interventions for such positions are provided in Annex II and III respectively.</p>
3.4.2	Skill Requirements	<p>As regards the skill sets that are needed in the banks, the Committee notes that the skill set requirements is linked to the various hierarchical levels and role functions. The Committee arrived at the broad indicative skill requirements as also detailed skill requirement template across various banking domains.</p>
3.4.3	Skill gaps in commercial banks	<p>Skill gaps for frontline staff include lack of complete knowledge of products, processes and systems, at higher levels skill gaps are concentrated around motivational, leadership and team management skills. In some of the banks skill gaps existed at entry levels owing to constant churn of employees, while such gaps were prominent in the area of forex, treasury, risk management due to large scale retirements</p> <p>The Committee recommends that banks should clearly articulate the skill gaps faced by them as an integral part of their human resource management practices, and clear cut strategy to address the gaps and tackle the challenges faced by them in this regard.</p>
3.4.4	Mandating Certification	<p>(i) The personnel involved in selling function, must necessarily undergo an appropriate certification process. This includes selling of asset based retail banking products, third party, treasury and wealth management products. The recommendation is also broadly in line with practices obtaining in few other international jurisdictions. This could potentially address the issue of mis-selling, excessive selling and minimise customer</p>

		<p>complaints.</p> <p>(ii) Some of the functions within the bank which are very critical include credit management, policy and planning, finance and accounting, funds management and treasury, risk management, compliance, information security and internal audit /information systems audit. Officials working in these functional areas should undergo a course pertaining to the subject that entails certification.</p> <p>(iii) Certain aspects like AML/KYC also need concerted efforts in knowledge dissemination across the banking sector. Though no compulsory certification is being prescribed for such functionaries, certain number of mandatory hours of learning or e-learning (which may or may not end with certification) will be useful for officials working in these areas. Certification in KYC/AML, may however, be desirable for officials working in critical segments/processes like verification of KYC compliance and AML monitoring.</p> <p>(iv) Outsourced work such as Debt recovery and BC/BF are currently mandated for training and certification. Similarly outsourced services such as credit card, IT etc. should be subject to certification.</p> <p>(v) Banks may plan a road map to achieve the mandatory certification in identified areas for the concerned officials working in the aforesaid functional areas over a period of 3 to 5 years. To begin with, certain key positions within the functional areas (for example, front office personnel of treasury) may be prioritised for obtention of certifications.</p> <p>(vi) For officials newly posted to one of the aforesaid functional area, a minimum time period, say 2 years may</p>
--	--	--

		<p>be provided for obtaining certification.</p> <p>(vii) In the event of the concerned officials not being in a position to complete the certification within the prescribed period, banks may transfer the official to another functional area not requiring certification.</p> <p>(viii) The certifications can be obtained from eminent banking institutes like IIBF, NIBM and other accredited national and international bodies on basis of examinations testing the required level of skillsets/competency standards for the relevant subject area for relevant role/designation. Requirements regarding competency standards are indicated in Chapter V.</p>
3.4.5	Continuing professional education requirements for enhancing knowledge and skills	<p>The Committee recommends that at least for those areas where mandatory certification has been recommended by the Committee, the validity of certificate and its continuation would have to be made contingent upon completion of certain number of learning hours through various modes like attending training/seminars/conferences, certifications, e-learning etc., which would aid and abet continued learning. The requirement of continuous education in respect of various job functions/profiles could be developed accordingly. The CPE in respect of certification awarded by various national/international professional bodies like ICAI, CFA Institute, GARP, ISACA, IIA etc. can be given due recognition as part of the framework.</p>
3.4.6	FSLRC recommendations – Imperatives for skill-building	<p>In the context of implementation of FSLRC non legislative recommendations, the Committee recommends that any regulations/guidelines arising therefrom need to be factored in for testing as part of certifications. Further, certification for relevant personnel in compliance, legal and policy/planning functions should incorporate curriculum relating to current</p>

		policy and legal environment.
4.2.1	Examination of compulsory certification for Board members	The Committee recommends that compulsory certification of individuals before their appointment as a Director of the Board may not be considered as of now. However, as prescribed by the Reserve Bank under extant regulations on corporate governance, some form of training intervention albeit under a different nomenclature could be considered. These training inputs could be administered by various organizations including RBI, the banks concerned themselves, specialised training on areas like treasury management, foreign exchange etc by such institutions as NIBM, IIBF, CAFRAL etc. Banks could also consider deputing them to institutions in India and abroad for embellishing their banking skills.
4.2.3	Induction Process for Board members	Considering the extent of responsibility cast on the Directors, the Committee is of the opinion that the skills of the Directors would need constant and substantial upgradation. As a starting point, the Committee feels that a good induction process will go a long way in welcoming a newly appointed director and impressing upon him or her expectations of the bank as also the regulator. Committee therefore recommends a formal and systematic induction process and the details of specific areas in which the new inductees to Board can be sensitized.
4.2.4.1	Training intervention for Board members	Apart from the induction process, the knowledge level of the directors needs to be further developed and enhanced by providing regular training in certain specified subject areas prescribed by the Committee. (i) Given the dynamic and evolving world of banking and the need for Board members to be reasonably attuned to these new developments, atleast one day of knowledge enhancing interventions every year through formal

		<p>training/seminar/conferences in relevant banking areas may be mandated for all non Executive Board members. In the event of the Board member not having banking related experience, longer duration of knowledge enhancing sessions beyond one day could be considered.</p> <p>(ii) To provide a forum for further exchange of information and best practices among the Board member fraternity, a formal Forum for Board Members could be instituted under the aegis of CAFRAL which could meet periodically to discuss matters of contemporary relevance.</p> <p>(iii) RBI may hold seminars on annual basis for the benefit of Board members to update them on regulatory developments and expectations from the regulator.</p> <p>(iv) Going forward, the Committee is of the opinion that Government / RBI may consider laying a road map for prescribing certain specific qualification / certification while considering appointment of directors on the Board of commercial banks, if felt necessary.</p>
4.2.4.3	Mentoring Programme for Board	<p>(i) Mentoring of Board of Directors may be considered as one of the methods supporting effective leadership capacity building in banks.</p> <p>(ii) CAFRAL, whose main mandate is to train the Board of Directors, can administer the mentoring program for Board of banks. It can create a pool of select, top notch, highly regarded Mentors who have been invited to conduct the mentoring programs for various banks. It can construct an exclusive, Mentor Invitation Program (MIP)</p> <p>(iii) To ensure that the Board Mentoring Program (BMP) is highly successful, CAFRAL can invest in the MIP, the development and training of Mentors and periodic review, research and updates of the BMPs in banks; conferences and experience sharing sessions between</p>

		Mentors can be conducted periodically so that constant review and improvement can occur; CAFRAL's research capability must be brought to bear on the BMP.
5.2.1	Development of Competency Standards:	Committee recommends creation of competency standards/framework in various areas of banking in India. A Competency Standards/framework can be created under the aegis of a body like CAFRAL with involvement of IBA, NIBM, IIBF and other stakeholders from banks and academic bodies. Various sub-committees can be created under different subject areas of banking to develop competency standards in respective areas. Based on this the existing qualifications, certifications, training programmes may be fine-tuned.
5.2.2	Recommendations on competency standards/framework	<ul style="list-style-type: none"> i) There is a need to crystallise the domain by covering all important areas that demand an exhaustive overhaul of competencies. This is especially so as jobs in the financial industry are becoming increasingly more complex, require deeper knowledge, expertise and skill sets. The coverage may include various key areas in banking like retail lending, corporate lending, credit risk, operations, market risk, operational risk, compliance, treasury and asset liability management etc. ii) The certification levels based on the competency framework need to reflect the career progression and competency development pathways for a financial/banking practitioner. As is the general practices in other jurisdictions, the certification levels can be calibrated at four levels - Foundation, Intermediate, Advanced and Expert levels. iii) Fresh graduates with no prior experience in the financial sector can also be certified under the competency framework, as long as they undergo foundation training

		<p>and assessment. The accredited training providers can introduce new programmes targeted at this pool.</p> <p>iv) Both core competencies and technical/functional competencies need to be reckoned. Core competencies are knowledge, skills and behaviour that are generally applicable to all bankers across a broader canvas of roles. Technical competencies are specialised know-how or abilities that are required for success in a particular role, job or function.</p> <p>v) The certification based on competency standards could be awarded by eminent banking oriented training institutions like IIBF, NIBM or CAFRAL based on an assessment of employees through examinations/tests. The assessment methods may extend beyond examinations to include competency-based interviews, workplace assessment and workplace simulation.</p> <p>vi) While international jurisdictions do not generally incorporate exclusive standards on technology in banking, the Committee opines that there are pressing requirements for prescribing competency standards relating to IT in banking. There would thus be an imperative that officials handling IT in banking and non-bank institutions must necessarily enhance their skills and capabilities to keep pace. Today, these professionals in the financial sector need not only expertise in IT but also stronger understanding of the business needs and processes of financial institutions and a sound understanding of underlying financial products and market developments.</p> <p>vii) Due recognition needs to be accorded to allow for exemptions for certain competency units with the attainment of relevant local or international academic</p>
--	--	--

		<p>qualifications and/or certification by professional bodies/institutes.</p> <p>viii)The Competency standards should also reflect the agreement of the financial practitioner to adhere to the standards of professional competency, industry ethics and a commitment to a career in their chosen field.</p>
5.2.3	Accreditation agency	<p>(i) An Accreditation Agency may be set up as an independent quality assurance body for the banking sector which could be responsible for assuring and accrediting learning initiatives within the banking industry, institutional audits and programme evaluation. The agency may have a governing body comprising representation from RBI, CAFRAL, NIBM, IIBF, IBA, commercial banks and other prominent members/experts. One of the training/learning institutions can act as the secretariat of the committee and its Director could be its convenor. This committee will develop appropriate policies and procedures for accreditation in the area of capacity building for the banking sector and also for FIs and NBFCs.</p> <p>(ii) The accrediting agency will carry out extensive review and evaluation in order to ascertain that institutions providing training to banking industry have the requisite calibre to conduct training programmes envisaged under the competency framework. The major focus areas will be (a) accreditation of training institutes/training service providers/finishing schools in the industry (b) coverage and pedagogy for such institutes and important training courses and (c) content and coverage of certification courses. (d) approval for training providers for continuing professional education (e) approval for trainers being used by the providers to ensure quality of training.</p>

		<p>(iii) Even relevant graduate, diploma and certificate courses offered by Universities could be covered under accreditation. This could help in enabling Universities to align their curriculum and pedagogy to the requirements of the industry.</p> <p>(iv) Eminent institutions like IIBF, NIBM which are already in the field of banking related training/certification for many years may be considered for exemption from formal accreditation process. Such institutions may however need to ensure that the courses offered by them are in line with the competency standards.</p>
5.2.4	Conducting a common Banking Aptitude Test (BAT)	<p>(i) A Banking Aptitude Test as national, online test can be conducted at the entry level. The BAT score can be designed to provide an insight into the candidate's aptitude for banking; it is a necessary but not sufficient condition for selection as a bank employee. The frequency of the BAT can be either "on demand" or at specified intervals during every year, depending on operational convenience. Currently, apart from IBPS CWE, different banks also conduct their own recruitment tests; the BAT is conceptualized as a national level, uniform standard setting exercise in collaboration with all banks; all banks can subscribe to and participate in the design and adoption of BAT as their common basic filter for recruitment.</p> <p>(ii) The common banking aptitude test could be modelled on the "item response theory" method of testing instead of the current "classical test theory" testing methodology to better differentiate and assess candidates aspiring for careers in banking.</p>
5.2.5	Training/Learning	(i) Clear focus areas of expertise to specialise in the

	<p>Infrastructure oriented to banking</p>	<p>evolving environment needs to be crystallised by such institutions. RBI may guide and help facilitate clear delineation of focus areas for such institutions to minimize duplication in roles.</p> <p>(ii) Institutes like CAFRAL, NIBM, CAB, Pune, IGIDR, IIBF need to create Centres of Excellence in different areas of relevance to banks in accordance with their core competence so as to benefit the industry.</p> <p>(iii) Enhanced scale of research activities by CAFRAL, IGIDR and NIBM</p> <p>(iv) Development of frameworks for best practices in different areas of banking can be explored by CAFRAL, NIBM and CAB, Pune in their areas of core competence</p> <p>(v) Collaboration among other reputed institutions like Universities/academics for research and learning programmes need to be further enhanced.</p> <p>(vi) Providing right incentives to attract the bright talents as faculty for training and research institutions.</p> <p>(vii) Exchange of personnel between the institutes and industry and academia need to be encouraged for sourcing talent on a global basis.</p> <p>(viii) Initiatives for training the trainers for enhancing in-house training expertise in banks.</p> <p>(ix) Enhancing scale of consultancy engagements by bodies like NIBM and CAB, Pune to their constituents.</p> <p>(x) Enhancing new methodologies like e-learning, certification programmes can be incorporated as part of design of value added training/learning products.</p> <p>(xi) The institutions need to be scaled up in terms of human resources and infrastructure to cater to enlarged demand in future in different specialised areas.</p> <p>(xii) Establishment of a Case Clearing House at the</p>
--	---	---

		<p>Industry level may be considered. NIBM may host the case clearing house for the industry.</p> <p>(xiii) Research may also be focussed on talent management like assessing effectiveness of various talent strategies, converting talent strategy to specific programs and processes that are effective and efficient, the linkage between the success of talent programs and processes and the achievement of business results/business strategy and organizational success.</p> <p>(xiv) There is also need for more finishing schools for entry level employees and more training providers catering to different levels/scales of officials in different subject/competency areas for training purpose.</p> <p>(xv) New training institutions catering to different categories of banks and NBFCs may also be considered.</p>
5.2.6	Centre of Excellence for Leadership Development for banking sector	<p>(i) A centre of excellence (CoE) for leadership development may be created either as an independent institute or under the aegis of CAFRAL.</p> <p>(ii) The aforesaid CoE may serve as a knowledge repository for leadership development by conducting research on leadership evaluation and training, high performance leadership practices, undertaking surveys, organizing seminars and conferences and evolving related centres of excellence. The centre may also collaborate with existing networks in leadership development across industries and human resource management to address gaps in developing leadership and management practices.</p>
5.2.7	Foster development of data and research on skills in banking sector	<p>(i) Comprehensive information system needs to be created on demand and supply in banking sector in respect of various skillsets/competencies/job roles. The industry snapshot needs to be developed and regularly updated to assist stakeholders in planning for the future of their</p>

		<p>industry.</p> <p>(ii) There is also a need for high level economic modelling of skills demand and supply as part of the scenario approach to future capacity development in the banking sector. The modelling needs to provide projections on supply and demand against each of the scenarios, including changes in the balance of skills and qualifications at industry level.</p> <p>(iii) The aforesaid research output needs to inform training/curriculum improvements and other initiatives to address the imbalance in skillsets/competencies. It will help in assessing the degree to which the market or institutions can deal with issues of undersupply or oversupply of skillsets, and when and to what extent government should intervene.</p> <p>(iv) There is also need to conduct periodic studies/benchmarking exercises on capacity building, productivity improvements based on study of cross jurisdiction practices, new innovations in terms of technologies and practices to make capacity building processes more efficient and effective.</p> <p>(v) The research would also assist people in the industry to choose and develop their career paths through inputs like possible areas of development / expertise where people can grow and their future potential.</p>
5.2.8	Monitoring framework for capacity development in banking sector	<p>(i) Creation of an institutionalized monitoring framework for assessing through surveys and research, oversee the various developments in respect of various initiatives and develop indicators/metrics to assess progress in capacity building effort for the benefit of various stakeholders.</p> <p>(ii) The initiatives in individual verticals of the financial sector as a whole could ultimately coalesce into an integrated</p>

		strategy, monitoring and intervention at the FSDC level.
5.2.9	Creation of skills registry for the banking sector	Keeping in view the improved skillset requirements and given the enhanced need for assurance for personnel working in the banking industry, the Committee recommends creation of skill registry for the banking industry.
5.2.10	Interventions at the primary/secondary and higher/tertiary education levels	<p>(i) Partnership of institutes in banking with educational institutions, both at under graduate and higher levels which potentially induce students to consider taking up careers in banking/financial sector. A large part of student community is not adequately exposed to availability of rewarding career opportunities in banking sector. The institutes can assist through various modes like conducting sessions on career in banking, career guidance cells, facilitating training for students to take up various certification examinations/e-learning courses to enhance knowledge and sponsoring quiz program for students.</p> <p>(ii) Incorporating banking oriented subjects/courses and enhancing quality of courseware in secondary education/college education</p> <p>(iii) Study visits to banks by students in schools/colleges to observe their basic functions and to develop interest in banking oriented careers.</p> <p>(iv) Promote the incorporation of digital literacy into all undergraduate and graduate level courses.</p> <p>(v) Using various ICT media like social media, mobile media to reach out to students on careers in banking.</p> <p>(vi) Support more of work-integrated learning(WIL) that would feed banking ready professionals.</p> <p>(vii) Integrate skill-based training as part of the graduation curriculum in the Indian higher education space.</p> <p>(viii) Strengthening quality in the tertiary sector: There is a</p>

		<p>need for focussed Skill Development Initiatives based on the foundation of Competency Standards to increase the employability of the graduates and make them suitable for hiring by the industry. It is a well-accepted fact that the quality of skills imparted is highly inconsistent across the different institutions in the ecosystem of talent. The competency Standards needs to be utilised to serve as a base to develop the required training programmes to develop the skills of the students and make them job-ready.</p> <p>(ix) The Competency Standards will need to be used to review and redesign the relevant curricula across universities and colleges. These standards need to be modified on a periodic basis to maintain relevance to the industry which in turn will trigger the process of updation of the education curricula.</p> <p>(x) Using a banking competency-based framework, there is a need to determine areas of focus for skill development programs so that any incumbent or new entrant into the industry will have a clear understanding of how to equip themselves for various job roles.</p> <p>(xi) Financial literacy to be initiated and expanded early in the cycle at school level itself</p> <p>(xii) Use of flipped classroom model involving combination of face-to-face and online delivery enhancing learning, particularly at graduation/post-graduation level.</p> <p>(xiii) The demand for flexibility and mobility in the future world of work will impact the way people manage their careers. Currently there is little research or data about career advice. There is an important role for industry in providing career development advice underpinned by up-</p>
--	--	---

		<p>to-date labour market information and a 'real life' perspective.</p> <p>(xiv) Need for increase in Ph.D candidates to facilitate overall capacity building: To ensure increase in enrolment in doctoral and post-graduation courses, education policy level changes are required. This will ensure that the supply in these areas increases leading to increase in innovation and research facilities in India. Some of the steps that can be taken to for capacity building in this context include setting up dedicated CoEs for research and innovation, providing competitive access to public research grants to the institutions , concerned institutes to focus on faculty and infrastructure development, create a conducive environment and provide incentives to attract and retain high quality faculty, opening more Government sponsored and private higher education institutions of high quality, enabling better access to research information and databases through supporting information services.</p>
5.2.1 1	Improving academic-industry interface	<p>(i) Customized design of vocational courses to suit the industry with high level of onsite practical internship at banks. Extensive industry inputs in designing various levels of courses catered to either requirement of generalists or specialist positions</p> <p>(ii) Exchange of students for summer internships in banks</p> <p>(iii) Programmes either as part of regular course or separately to enhance the employability of students in banks, like development of soft skills etc.</p> <p>(iv) Onsite training/projects at banks need to be enhanced.</p> <p>(v) Giving weightage to industry experience while recruiting faculty to encourage industry professionals to take up faculty positions and to encourage industry professionals to take up</p>

		part-time faculty assignments
5.2.1 2	Public-private partnership	<p>(i) The Committee notes that for specific focus on banking sector, there is a need for strong involvement of concerned banking stakeholders as envisaged in the report in respect of various aspects of the capacity building ecosystem and driven by key entities like IBA and other learning/training institutes in banking sector with support of the regulator. BFSI SSC can collaborate with these institutes and carry out specific functions in accordance with its core competence.</p> <p>(ii) While there is Gol co-funding support for skill development initiatives of NSDC and sectoral skill councils, an exclusive funding arrangement under the nomenclature of Financial Sector Development Fund with a large corpus can be considered by Government of India to support various capacity building/training initiatives in financial sector.</p>
5.2.1 3	Building bigger bridges of capacity-exceeding the frontiers	As a measure of capacity building there is also a need to exceed the frontiers and deepen focus on creating awareness for the benefit of customer by an industry-wide initiative to supplement efforts of individual institutions.
5.2.1 4	Implementation of the Recommendations	<p>The Committee provides following suggestions on implementation of the recommendations:</p> <p>(i) The sectoral capacity building in respect of financial sector needs to be primarily supported and driven by individual regulators as part of their development role under an over-arching monitoring framework of FSDC.</p> <p>(ii) The recommendations in the report can be grouped under short term and medium term for the purpose of implementation.</p> <p>(iii) Based on recommendations, from a prudential perspective the regulator may provide detailed guidelines</p>

		<p>to banks/NBFCs relating to HR Management issues with a view to enhance capacity building and mitigate associated risks in such institutions. This may be carried out in the short term, within one year.</p> <p>(iv) In many subject areas indicated in the report, eminent banking oriented institutions like IIBF already offer certification courses. Hence, existing certifications offered by IIBF, NIBM and well known professional bodies like ICAI, GARP, ISACA, etc could be recognised as eligible for offering the mandatory certification requirements for relevant subject areas in the interim. Thereafter, after development of competency standards and accreditation agency, the course contents could be fine-tuned by the aforesaid bodies if required along with possibility of more accredited training service providers in future.</p> <p>(v) Individual training and learning institutions in the banking sector could further enhance their capabilities and services in line with the recommendations of the Committee over the medium term.</p> <p>(vi) Other major recommendations in terms of development of competency standards, accreditation body, accreditation standards, academic industry interface, monitoring framework etc could be driven by the industry through IBA and key institutions like IIBF, CAFRAL and NIBM which can be implemented over the medium term.</p> <p>(vii) For enhancing private-public partnership, research on skill gaps in the industry and various long term systemic measures, the key industry stakeholders may collaborate with Government of India and NSDC.</p>
--	--	--

Introduction

Committee on capacity building in banks and non bank institutions-

Genesis and Terms of reference

THE GENESIS

The Committee on capacity building in banks and non-bank institutions in India (the Committee) was constituted with the objective of implementing non-legislative recommendations of the Financial Sector Legislative Reforms Commission (FSLRC), relating to capacity building in banks and non-banks, streamlining training intervention and suggesting changes thereto in view of ever increasing challenges in banking and non-banking sector; also on anvil were objectives of evolving an appropriate certification mechanism where feasible, examining possible incentives for undergoing such certification and covering all stages of hierarchy-from the lowest rung to the Board level executives. The recommendations of FSLRC on the legislative as also non-legislative front are legion now and focus on bringing about a paradigm shift in the arenas of financial regulation and supervision. While the legislative changes would result in amendments to various financial enactments where necessary and feasible, the Committee on capacity building derives its inspiration from the non legislative recommendations exhorting the financial sector to enhance capacities and capabilities of human resources in financial sector.

The ambit of the Committee is essentially human resource intervention that would be required for improving the efficacy and efficiency of personnel employed at various levels by banks and non-banking financial companies regulated by the Reserve Bank. Scores of NBFCs regulated and supervised by RBI would essentially form part and parcel of the initiative to enhance skill building of employees serving them. Needless to add, their training requirements would be slightly variegated when compared to the employees engaged by the banking sector. This is on account of significant evolution of the training ethos in banking companies as compared to those in NBFCs. Training needs were essentially found to be certainly better oriented, more organized and definitive in banks. NBFCs (at least most of them)

possibly do not imbibe such regimented training curricula as found in banks and perhaps may not have essential rigors of continuous training, entry level expertise and building upon existing capabilities which seem more evolved in banks. However, there seems to be significant focus on training initiatives in non bank institutions of late. The Committee's interaction with McKinsey India and Manipal Global Education Services also corroborated such heightened focus on training. NBFCs seem keener to be abreast with all other financial institutions and are found to be spear-heading training intervention.

It was against the aforesaid background that the committee was constituted by RBI. The Committee consisted of the following members:

1. Shri G.Gopalakrishna, Director, CAFRAL(Ex-ED, RBI) - Chairman
2. Shri N.S.Vishwanathan, Executive Director, RBI
3. Shri Mohan V. Tanksale, Chief Executive, Indian Banks' Association (IBA)
4. Shri Shyam Srinivasan, Managing Director and Chief Executive Officer, Federal Bank Ltd
5. Shri Ranjan Dhawan, Executive Director (in charge of HRD), Bank of Baroda
6. Shri K. Ram Kumar, Executive Director (HR), ICICI Bank Ltd
7. Shri R.Bhaskaran, Chief Executive Officer, Indian Institute of Banking and Finance (IIBF)
8. Dr Achintan Bhattacharya, Director, National Institute of Bank Management (NIBM), Pune
9. Shri P.R.Ravi Mohan, Chief General Manager-in-Charge, Department of Banking Supervision, Central Office, Reserve Bank of India - Member Secretary to the Committee.

TERMS OF REFERENCE

1. To identify capacity building requirements keeping in view the role of the financial sector and what it should deliver.
2. Examine the skills required at various levels/operations to deliver on the required role.

3. Identify qualifications relevant to specific areas of operations in banks and non-banks.
4. Evolve methodologies for prescribing certification for required qualifications.
5. An additional mandate that was entrusted to the Committee was to examine if the members on Bank Boards also need to be certified by way of say, an appropriately designed course which could be made mandatory for every individual before appointment to the Board of the bank.

The Approach of the Committee

The Committee's work was steered in certain desired and desirable directions by the Chairman Shri G. Gopalakrishna, former Executive Director of RBI, who has since assumed the role of a trainer cum administrator in his existing capacity as Director of Centre for Advanced Financial Research and Learning(CAFRAL) and eminent bankers, trainers and HR specialists who have been intimately associated with the training functions in respective institutions.

Keeping in view the background of various members associated with the Committee, their wide and diverse experience in putting in place practical approaches to training and skill building, it was decided that the task of the Committee could be accomplished if each member had at his disposal a definite set of objectives on which recommendations could evolve. Thus, the Committee in its very first meeting on February 20, 2014 set for itself the task of allocating the terms of reference amongst members for deliberation, discussion and crystallization of views that would ultimately come to be summed up in the form of a report and relevant recommendations of the committee.

The mandate of the Committee was essentially to delineate an entire philosophy on capacity building, replete with processes associated with systematic approach to training that is codified by institutions across India and the globe. The approach thus sought to include "Training needs analysis", "Training of Trainers", "Codification of knowledge, content and training inputs available vastly in the banking sector and across the training universe" as well as "leveraging technology to evolve the best possible form of propagating, propagandizing and disseminating the vast reservoir of knowledge, skill, attitude and habit inputs that form the core of any training methodology that can be applied to constituents of financial sector".

The approach to the whole process can be summarized as follows:-

1. **Brainstorming:** Regular meetings and interaction amongst members through face to face discussions, correspondence and exchange of views through mail,

2. **Engaging external experts:** Co-coordinating and synergizing the views of special invitees - for instance Shri. VK Madhav Mohan, a leadership and management mentor and an ex-banker and former Director on the Board of State Bank of Travancore with diverse qualifications and skills was specifically co-opted for imbibing external inputs, which could otherwise be submerged by more or less homogeneous views of members having similar background as bankers or trainers for banks. This also enabled a counterpoint of view to emerge vis-à-vis convergent views that could stem from likeminded bankers. Also McKinsey India and Manipal Global Education Services made presentations and shared their experience with the Committee members on capacity building in financial institutions.
3. **Multi-pronged analysis of training needs:** Needless to add, the Committee also tapped the large reservoir of training experience accumulated by banks over a period of time and the Chairman steered the committee's task on a 40 parameter approach to training intervention seeking to examine the present scenario in terms of age-wise, entry-wise, cadre and category wise requirement for capacity building/training.
4. **Synergising diverse training needs of bank groups on one hand and banks and non-banks on the other:** The Committee also had the important task of understanding the dissimilar needs of training in similarly regulated banks. Public sector, private sector and foreign banks come with their own individual and idiosyncratic approaches to training based on the organizational profile, business objectives and special focus area(s) of their operations. In addition, there was also the significant requirement of clearly identifying and recognizing the fact that NBFCs with their different business model could not be equated with banks on parameters of evolution of training philosophies, budgetary allowances, impetus on training and extent of training intervention. The Committee had this diversity in evolution of institutions as an essential challenge to reckon with while identifying precise training requirements of banks/non banks. This approach is delineated in greater detail in some of the following chapters.
5. **Attitude and habits to coalesce with functional training:** The Committee, during the course of discussions also had to come to terms with the fact that

mere allocation of budgetary resources and making available human resources for training would not perhaps serve the issue. The essential task of honing, refining and re-orienting attitudes of employees while subjecting them to new forms of skill upgradation and preparing them for managerial or higher responsibilities was considered to be a factor that could not be ignored. Attitudinal training was thus considered to be an essential adjunct to any other field of training, be it in operations, learning of new skills or upgrading one's own knowledge quotient. The need for preparing a prospective executive/manager or supervisor with an appropriate mental framework was considered to be as important as exposing him to new work responsibilities and challenges.

6. **Board level training-handling sensitively:** The Committee recognized that the aspect of training Board level executives would have to be approached a little differently, as many of them came in with expertise in certain very specialized areas and could possibly perceive any effort to train them as an affront to or an exercise at undermining their capabilities. It was felt that perhaps some form of regular and periodical interaction with such members could serve as an effective instrument for training them than subjecting them to a more rigorous regimen based on classroom sessions or skill building tests. This, primarily, became the approach to enunciating knowledge/skill/attitude interventions for them.
7. **Customer protection to be the desirable end by utilizing all means:** It was felt that the training focus should have a definite emphasis on front office areas which aid in creating a first impression of any financial institution in the minds of customer. The Committee completely took note of the essential backbone of FSLRC recommendations that hinged on consumer protection.
8. **Mentoring:** Mentoring as a means of “on the job coaching” was discussed at some length and the need for “chief learning officers” in banks and non banks came to be re-iterated at several points in time. The need for a more or less “personalized coach” for trainee executives was considered to be essential to keep the latter abreast with the right way to perform jobs, the appropriate systems that needed to be followed and for larger customer satisfaction and protection. There was an overwhelming influence on ensuring transfer of

knowledge in institutions by such means. Mentoring of Board was also looked upon as inevitable in this day and age.

9. **Incentives for training:** Some form of direct correlation between training and incentives in career progression was also given a lot of thought, especially in view of “burn out” of young entrants within few years of serving banking/non banking sectors.
10. **Technology in training:** E-learning was espoused as a useful tool by all members who advocated the same for wider learning, reach and portability. The overwhelming premise behind advocacy of e-learning was the consequent reduction in training costs that institutions could achieve.
11. **Collaborative training:** Training jointly conducted by institutions with similar mandate for training, client profile and objectives as a means to enhance efficacy of indigenous training programmers and comparative studies on training methods adopted by international institutions was also identified as a useful tool for imparting the best to the trainee fraternity.
12. **Capacity Building – Systemic Measures:** Host of systemic measures were deliberated upon to ensure that capacity building initiatives are comprehensive and also sustainable over the long run.

There was also agreement on the thought that training requirements in Regional Rural Banks/Urban Co-operative Banks were often overshadowed by those of larger commercial banks; the aspirations of the former were thus sought to be integrated with those of the larger commercial, banking network.

With the above basic approach, the members were given the tasks of undertaking intense and focused study on various aspects to the terms of reference. The recommendations of the Committee are summarized in the Executive Summary. These also find a mention in relevant chapters at appropriate places.

While the main focus of the Committee’s work is in respect to commercial banks, the recommendations would also apply equally in respect of other categories of banks as also to NBFCs.

Acknowledgements

The Committee acknowledges with gratitude the support of Governor Dr. Raghuram Rajan in entrusting the Committee with the task of examining and offering recommendations on the vital issue of capacity building in banks and non-banking financial institutions. The Chairman acknowledges the cooperation extended by the members of the Committee in completing the task entrusted to it.

The Committee gratefully acknowledges the immense contribution of Shri.V.K.Madhav Mohan, Management expert and Mentor for providing vital inputs and suggestions to facilitate effective capacity building. Shri.Madhav Mohan was co-opted as an external member to the Committee. The Committee wishes to acknowledge useful inputs by McKinsey and Company and Manipal Global Education Services. The Committee would also like to express its gratitude for inputs on competencies, skillsets and training interventions across various functions by IIBF and NIBM. The Committee thanks the concerned commercial banks for providing feedback on the questionnaire on capacity building.

The Group wishes to gratefully acknowledge the contribution by Shri R.Kesavan, GM, DBS, Central Office in providing excellent Secretarial support to the Committee by preparing detailed agenda items and background material, preparing material for draft chapters and also taking care of all the logistics for the meetings of the Committee. The supporting role played by other team members of the Secretariat - Shri.Umesh Panaria, AGM, Shri.S.Balaji, Manager and Shri Rohan Mane, Assistant - is also acknowledged by the Committee.

The Committee also places on record its deep appreciation for the dedication and efforts put in by Shri.N.Suganandh, DGM, Reserve Bank of India for providing research assistance and in compiling, refining and generating comprehensive final draft report.

Contributions made by Shri Rajesh R Tiwary, AGM in compiling the responses from banks on the 40-point questionnaire and Ms V Mala, Manager and Shri Vishal Awachar, Assistant in providing logistic support for a crucial meeting involving McKinsey and Manipal Institute are also gratefully acknowledged.

Chapter - I

Capacity Building - Setting the Context

1.1 Introduction

Given the need for the Committee to examine capacity building requirements for banks and non-banks, it is imperative to set the context. There is a need to clarify about the concept of capacity and capacity development and articulate the elements/components of capacity development. These would need to be juxtaposed against the developments in the Indian economy in general and in banking sector in particular. This chapter thus sets the context to further unravel the dimensions of capacity development in subsequent chapters of the report.

1.2 Concept of Capacity and Capacity Development

A broad review of the literature on capacity and capacity building reveal the following facts and facets:

Capacity has been defined as “the ability of people, institutions and societies to perform functions, solve problems, and set and achieve objectives” (UNDP 2002.)

Capacity development is the process whereby individuals, groups, and organizations enhance their abilities to mobilize and use resources in order to achieve their objectives on a sustainable basis. Efforts to strengthen abilities of individuals, groups, and organizations can comprise a combination of (i) human skills development; (ii) changes in organizations and networks; and (iii) changes in governance/institutional context. (ADB, 2004).

Capacity building is a complex notion – it involves individual and organizational learning which builds social capital and trust, develops knowledge, skills and attitudes and when successful creates an organizational culture which enables organizations to set objectives, achieve results, solve problems and create adaptive procedures which enable it to survive in the long term. (DFID, 2007).

The OECD (2001) defines human capital as the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being.

DFID states that In thinking about capacity building there is also a need to recognize different elements of capacity that together form a 'capacity system' which is made up of:

- institutions and organizations with buildings and core infrastructure (such as ICT and libraries);
- human capacity, with depth and breadth to ensure both quantity and quality, and a demographic and experience profile to ensure sustainability over the long term;
- incentive structures to encourage people and
- data and other research resources to ensure the sustainability of the system and to provide the basis for good research leading to evidence-informed policy and practice.

1.3.1 Perspectives on capacity

In Concept of Capacity (2006), Morgan states that there was a range of perspectives on the concept of capacity. Some practitioners and analysts continue to see capacity mainly as a human resource issue to do with skill development and training at the individual level. This 'capacity as training' perspective has a long-standing history and is still a widely-held view. In development cooperation programmes, such an approach is usually combined with external interventions in the form of technical assistance and functional improvements.

Many other practitioners and analysts now accept that the scope of capacity issues goes beyond the usual training and technical assistance approach. The general sense of the term from this perspective is one of the ability to deliver or implement better. The focus here is on capacity as general management problem-solving - the means - as part of an effort to improve results and performance - the ends.

A more grounded operational way of assessing and managing capacity issues is to recognize that the concept of capabilities can provide a basic organizing concept

which enables participants to find a useful focus. Without such an organizing concept, most ventures into this boundaryless subject soon lose traction. A few key questions in this context are the following:

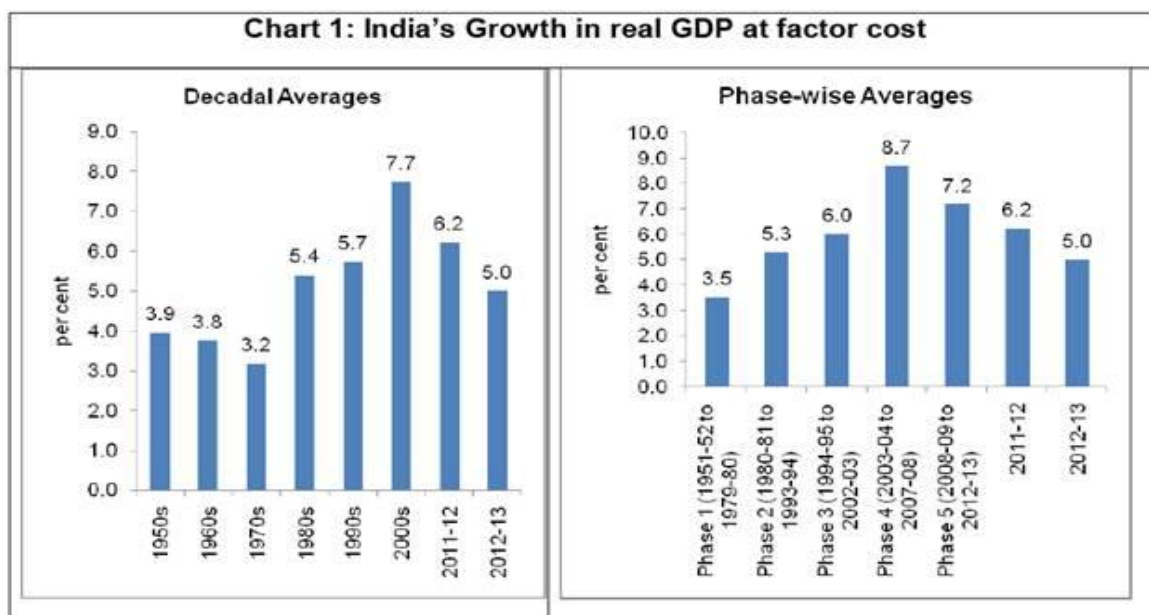
- What capabilities do we need to make our contribution and why?
- What is the state and effectiveness of our current capabilities?
- What capabilities do we need to improve and which do we need to downgrade?

The aforesaid details elucidate that the notion of capacity building or capacity development goes beyond exclusively focusing on training or building skillsets in terms of an individual institutional context and encompass the wider dimensions of achievement of outcomes in an evolving economic environment from a systemic perspective. The end result is to bring about efficiency and effectiveness by improving the system's ability to deliver and perform at the optimum level.

1.4 Indian Growth Story

India's economic growth story since independence is charted below. The golden period was during the period of 2003-04 to 2007-08 during which average growth of nearly 9 per cent was posted with pick-up in investment. The Indian economy grew at 9.5 per cent during the three-year period from 2005-06 to 2007-08 enabled by moderate inflation, fiscal consolidation and acceleration in savings and investment. This was the highest average growth rate achieved during any three year period in the history of independent India and it was second only to China among the major countries during that period.

India's high growth story was cut-short beginning with the global financial crisis of 2008-09 (real GDP growth dropped to 6.7 per cent). The economy rebounded strongly in 2009-10 (8.6 per cent) and 2010-11 (9.3 per cent). Coordinated fiscal and monetary policies played a significant role in the recovery of the economy and in the maintenance of financial market stability. The growth momentum has been losing steam since then, with growth rates of 6.2 per cent in 2011-12, 5.0 per cent in 2012-13 and projected to be around 5.5 per cent in the current year 2013-14.



Note: 1950s pertain to 1951-52 to 1960-61, 1960s pertain to 1961-62 to 1970-71 and so on.

From a cross-country perspective, India has been one of the fastest growing economies in the world. This is evidenced in the growing share of India in the world's GDP in Purchasing Power Parity (PPP) terms since 1980. Looking at India's growth history and our performance vis-à-vis the rest of the world, Indian economy has the potential to grow at 9 per cent and above in future.

India is a young nation and her population is also young. This 'demographic dividend', which has helped us in the past, would definitely help in the future as well. However, in this age of technology and innovation, there is a need for highly skilled human capital to give us an edge over other nations. More funds need to be invested for setting up institutions in the areas of Research and Development.

India has been lagging behind in innovation and entrepreneurship. It is ranked 89th out of the 118 nations in the Global Entrepreneurship and Development Index, 2013 (GEDI), published by GEDI, a specialized non-profit research and consulting firm. The 'Doing Business 2013 report', a study conducted by the International Finance Corporation of the World Bank Group ranks India at 173rd among the 185 countries surveyed on the criteria of 'starting a business'. Our education system needs to restructure itself significantly to promote innovation and entrepreneurship. Productivity and efficiency in banking services would be the bulwark for all round economic development in India.

A FICCI-Ernst and Young report in 2013, highlighted following projections about India in the year 2030:

(i) India is expected to become the most populous country by 2030. India will have one of the youngest populations in the world by 2030.

(ii) Its population, aged between 18-23 years is expected to reach 142 million by 2030, accounting for 10% of the total population

(iii) India's urban population is expected to grow faster than its overall population and is estimated to account for 41% of total population by 2030

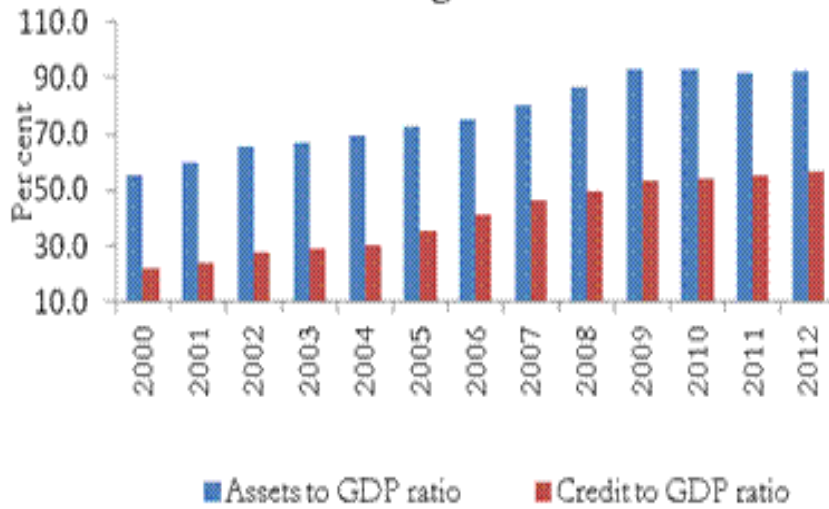
(iv) India is expected to be the fastest growing economy in the world over the next 15-20 years. India's real GDP per capita is expected to grow at a CAGR of 5.9%, higher than emerging markets' average of 5.4% and global average of 4%

(v) Industry and services sectors are expected to contribute ~92% of India's GDP by 2030

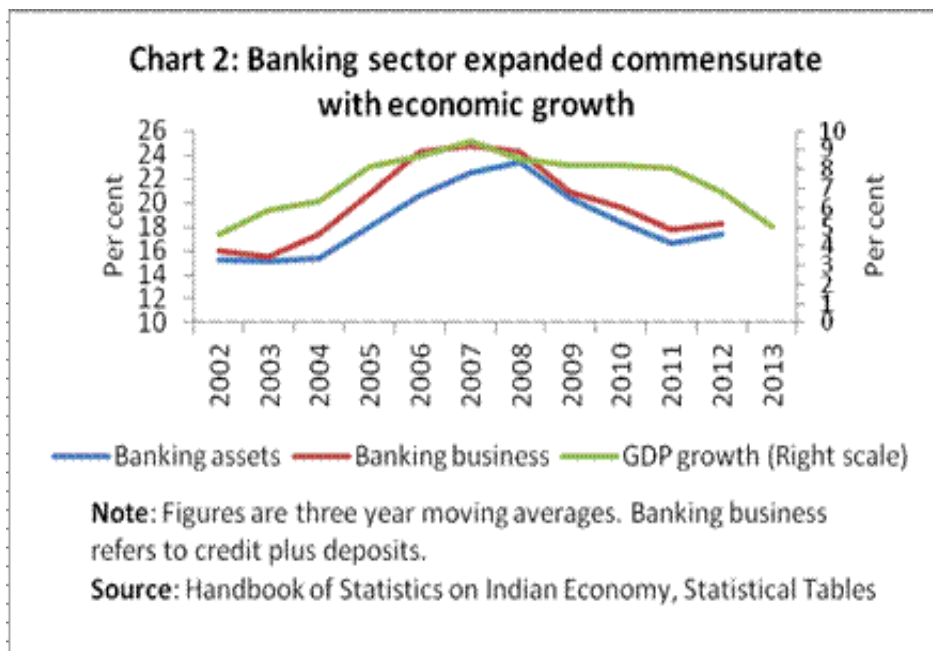
1.5 Banking Sector

India has a bank dominated financial sector: commercial banks account for over 60 per cent of the total assets of the financial system comprising banks, insurance companies, non-banking financial companies, cooperatives, mutual funds and other smaller financial entities. Banking expansion as reflected in the growth of total assets of banks was rapid till the intensification of the global financial crisis which affected the Indian economy through trade, finance and confidence channels. Bank assets as a percentage of gross domestic product (GDP) rose from 60 per cent in 2000-01 to 93 per cent by 2008-09, but thereafter it has plateaued. Bank credit to GDP ratio more than doubled from 24 per cent to 53 per cent during this period but has remained around that level in the following years (Chart 1).

Chart 1: The expansion of banking assets moderated since global financial crisis



The growth of the banking sector was influenced by the performance of the economy and vice-versa, reflected in a co-movement between the growth in banking business and real GDP growth (Chart 2).



Banking sector plays a very important role in the economic growth of the country. Our banking system has to ensure that it remains efficient and supports the activities of the real sector. In order to improve productivity and efficiency, banks need to be given more flexibility in operational matters, particularly in manpower practices.

Attaining greater productivity and efficiency requires not just the right technology, systems and processes, but also the manpower with the right skills and attitude, demonstrating the necessary flexibility and adaptability to be able to keep pace with the changing times.

1.6 Capacity Building in banks and non banks

Given the issues of growth and development and the impact of the banking sector and non-banking financial sector to the development of the real economy, the capacity building needs to be accorded priority focus to prepare for the growth trajectory and to broad base our growth. Human capital being the key factor in the service oriented world of banking, it is imperative that various strategies of capacity building are conceived and implemented to augment capacity for the present and the future.

The Committee opines that the examination of any given stream of thought on capacity building would necessitate the following:

- (i) analyzing from an individual bank's context the various key success factors for augmenting capacity in its employees**
- (ii) putting in place human resources management practices conducive to capacity building**
- (iii) analyzing various training methodologies and innovations therein that would facilitate efficacy in capacity building**
- (iv) building system wide institutions and processes to support sustainable and methodical approach to capacity building**
- (v) reckoning level of variance in capacities of employees within banks and bank groups on one hand and banks and non-bank institutions on the other,**
- (vi) an understanding of entry levels of knowledge, skills and attitude in employees**
- vii) given the evolving economic and regulatory developments, exploring any mandatory certification requirements**
- (viii) amplifying capacity related requirements in Boards of banks.**

The subsequent chapters elucidate the assessment of the Committee on these dimensions and the recommendations thereon. The comprehensive approach to the issue of capacity building would also address the requirements of implementation of any specific FSLRC related recommendations by the concerned key stakeholders like Government of India and the regulators.

The Committee examined the extant practices obtaining in banks for undertaking focused training programmes, the training calendars and schedules envisaged from the larger need of ascertaining whether employees continued to receive inputs for enhancing knowledge, skills and attitude on a continuous basis. A 40-point agenda was prescribed for banks with the latter being required to address these 40 points and furnish their feedback. These related to such diverse aspects as average age of employees in banks, the training impetus, whether there was an articulation of training policies and implementation thereof, whether there were ad-hoc systems for launching training initiatives of the human resource intervention was well entrenched and spanned all cadres of employees. These are separately tabled in **Annex I** at the end of the report.

Chapter - II

HR strategy and Training intervention for capacity building

2.1 Introduction

The quality of practices and processes of the Human Resources Management function impacts the success of capacity development and talent management in individual banks. The best practices in respect of various components of HR functions like recruitment, induction programme for new recruits, performance assessment, competency mapping and job placement, career progression/promotion policy and training together support and facilitate capacity building. Under the overall framework of best in class HRM framework, specific focus needs to be accorded to the training practices in banks. The premise on which the committee's approach was based was that irrespective of background and academic credentials of any entrant to the financial sector, continuous and unabated training intervention on operational, functional and specialized areas can be of help and such endeavor alone would aid in updating, scaling up and building capacities. Hence, capacity building will require improvements in human resource management practices in general and greater impetus in particular on the training front in terms of new strategies and methodologies.

Survey by McKinsey

As part of Bancon 2013, McKinsey conducted survey covering 20 leading banks—public sector as well as private - accounting for about 70 per cent of the banking staff and over 70 per cent of assets in India's banking system. In addition, approximately 10,000 employees across management levels from the participating banks were covered in their "Voice of Employee" survey.

The survey observed talent gap across levels in banks. The shortfall for talent for public sector banks was driven by high average age leading to high retirements at senior management levels (Figures 1 and 3), whereas for private sector banks it was driven by high attrition rates especially at junior management levels(Figure 2). The average age of employees across levels was 41 years for public sector banks in

2012–13 (down from 46 years in 2010–11). The same for private sector banks was 33 years in 2012–13 (again down from 34 years in 2010–11).

Figure 1

Higher average age across levels compounds the urgent need for succession planning approach for PSU banks

	Average age across levels: PSU banks Years		Average age across levels: Private sector banks Years	
	2010–2011	2012–2013	2010–2011	2012–2013
GM/EVP/President	57	57	51	53
DGM/SVP/Corp VP	56	56	48	49
AGM/DVP/VP	55	55	46	46
CM/AVP	53	53	42	42
SM	51	50	40	39
M	48	45	38	35
AM	42	39	32	29
Overall	46	41	34	33

Source: McKinsey Benchmarking Study, 2013

In public sector banks, more than three-fourths of the current population for levels AGM and above is expected to retire by 2020 (Figure 3).

Figure 2

The attrition levels are higher for the junior management as compared to the senior ones

Level-wise attrition rate (excluding retirements)
Per cent, 2012–2013

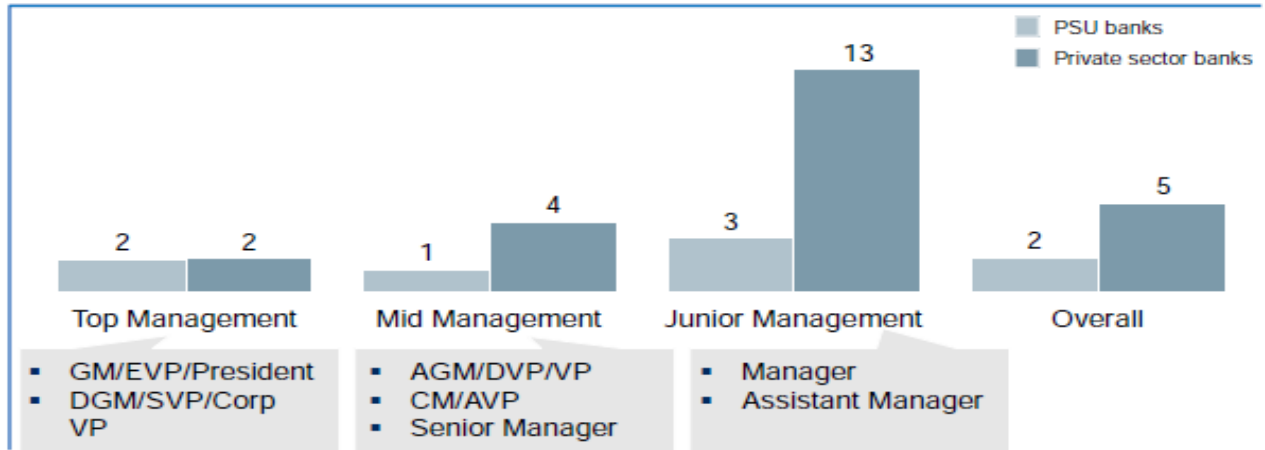
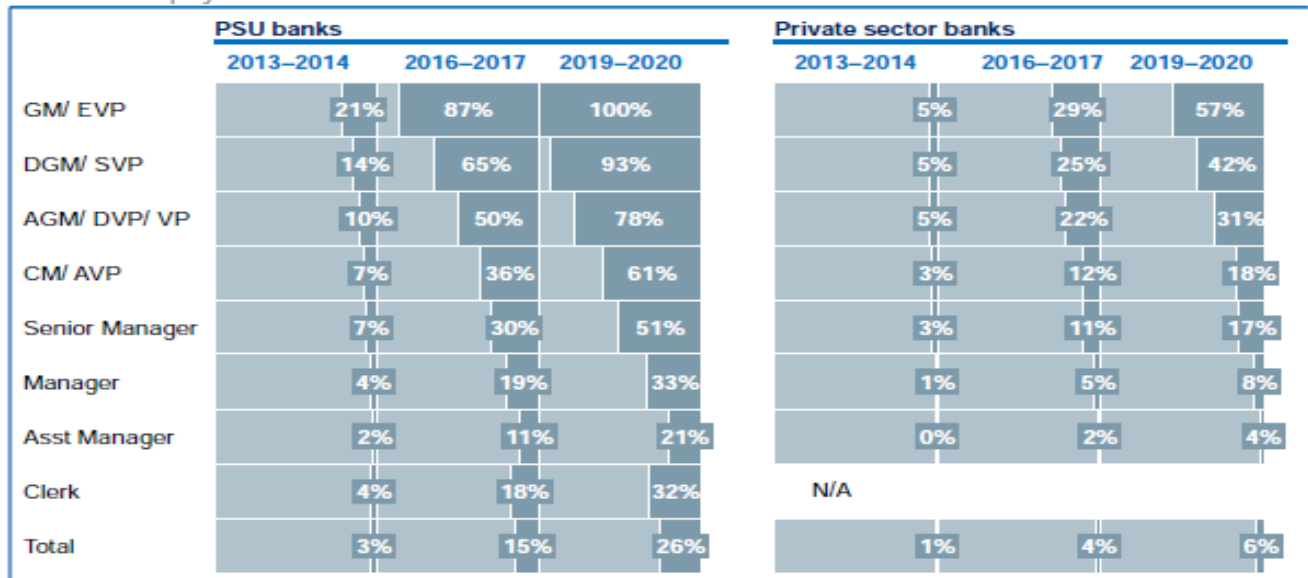


Figure 3

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

Leadership gap created by retirements
Per cent of employees at various levels

Per cent positions left vacant by retirement/attrition



Source: McKinsey Benchmarking Study, 2013

2.2 HR Strategy

2.2.1 Enhancing Human Resources Management practices

The above survey presents the challenges staring at the face of banks in general and public sector banks in particular. The Committee felt that there is a need for major improvement in human resource management practices internally in banks, with particular focus on public sector banks to improve human capital and build HR capacity and capability. It may also be mentioned in this context that among the many findings in the report released by the Senior Supervisors Group in connection with financial crisis was that firms which weathered the recent crisis better have senior management members who have expertise in a range of risks. This underscores the need to attract and develop talent across all critical functions and various levels of the organisation.

Contemporary HR literature reveals that certain human resource management policies and practices do distinguish many high performing companies. These sets of practices are called high performance work systems. They promote organisational effectiveness. There is a need for HR functions in banks to imbibe such practices. In particular, in public sector banks there is a need to enhance professionalism in HR management to keep pace with the challenges in the emerging environment.

Committee extensively deliberated on the key aspects of Human Resources Management framework in banks. It recommends the following for enhancing the framework in the current milieu:

- (i) HR aspects in general and Talent development in particular need to be provided consistent focus and commitment, by the Board and top management of banks.***
- (ii) Human resources management function should be assigned to people with expertise in HR management and with sufficient domain knowledge on banking affairs.***
- (iii) HR management in banks needs to scale up to the new evidence based HR paradigm involving extensive leverage of data, analytics, scientific rigour and critically evaluated research/case studies to support HR related***

decisions/practices and proposals. Extensive use of metrics for HR management function is critical.

- (iv) Alignment of human resource planning with the strategic planning should be the key to achieve strategic goals of banks and non-banks. Talent and leadership requirements need to be planned strategically over the long term, say over 5 years and above.**
- (v) Role Mapping exercise should be regularly carried out to identify different roles in the bank/non-bank and recruitments may be made accordingly. Identify skill-sets required for various positions and address the gaps by various capacity building efforts.**
- (vi) There is a need to build robust inventory of human resources and outline career building plan for each individual who joins the bank. The HR database should at any point in time be able to provide details relating to qualifications, training, experience, continuing education details, new qualifications obtained by an employee as also his/her experience in specific vertical/functional areas.**
- (vii) Placement of employees needs to be based on well laid out parameters like qualifications, certifications, training and experience of the concerned employee rather than being ad-hoc/discretionary.**
- (viii) While generalist officers have in general served the banks reasonably well, the evolving business context requires mapping of competencies and aptitude of individuals and to decide on their placements appropriately. The role of specialists is increasingly becoming crucial and hence there is need for suitable HR intervention in this regard. Bankers will need to specialize in different business functions while maintaining basic general competency. Corporate banking, retail banking, treasury, risk, finance, technology, and HR will increasingly require staff with relevant aptitude. Banks need to identify 5–6 such tracks within which the staff can be groomed.**
- (ix) Banks may be required to design suitable policies to provide exposure to different domains to “generalize” the specialists at senior level to help facilitate career progression, prepare them for administrative responsibilities and to discharge their functions effectively in senior**

positions. Policy for cross functional movement should also be put in place.

- (x) It is not sufficient to recruit fresh talent at an entry level. Since rapid retirements over the medium term will lead to a disappearance of skill sets and know-how at senior levels of the organization, such potential drain in knowledge needs to be assessed by identifying manpower requirements within different job families. This “skills need projection” has to be juxtaposed against the projections of supply of staff, net of retirement, in the same job families. Certain job families like credit, treasury and technology are typically in deficit and need to be planned for at various levels.*
- (xi) The Assessment Centre methodology can be used as one of the inputs to map the skillsets and decide on appropriate placement both during entry level and even for entry to executive cadre which demands strategic thinking, team building skills, innovation and conceptual skills besides strong communication skills. An Assessment Centre consists of a standardised evaluation of behavior based on multiple inputs. Several trained observers and techniques are used. Judgments about behaviour are made, in major part, from specifically developed assessment simulations. Various methods used as part of assessment centre process includes case study interviews, group exercises, competency based interviews, in-tray tests, fact finding exercises, problem solving tasks, case presentations, psychometric/personality/aptitude tests, role-play exercise.*
- (xii) There is a need to define and develop competency model as a tool to describe the characteristics that define successful employees or leaders. Ideally, competency models should be limited to 6-8 competencies and should be detailed in terms of specifying indicative behaviours and corresponding proficiency levels. Ultimately, there needs to be linkage between competency model and all key talent management processes within the organisation like recruitments, performance assessment and management, development, etc*
- (xiii) A transparent and comprehensive performance assessment exercise needs to be instituted as part of human capital management. The factors to*

be taken into consideration include clear key performance/result areas, a holistic performance evaluation framework which includes 360 degree feedback, feedback mechanism, ensuring adequate performance differentiation between employees and suitable reward and recognition.

- (xiv) The recruitment process should not be sporadic or lumpy but ensure regular in-take so as to ensure growth in manpower in tandem with business needs. The recruitment process needs to be re-engineered to reduce the time lag between conduct of exams and issue of appointment letter. Delay in recruitment cycle could involve losing out on the best talents.*
- (xv) While carrying out performance analysis, there is a need to pin-point the exact nature of problem leading to under-performance by some employees. The underperformance could have arisen due to a training deficiency or due to other emotional/behavioural factors. Thus, performance analysis is the process of verifying that there is a performance deficiency and determining how the deficiencies could be corrected - through training or other means (like transferring the employee to another function or place). Developing training for fixing problems that training would not fix would be a futile exercise.*
- (xvi) HR function should be more attuned to the needs both the organisation needs and the employee needs and should endeavour to build reasonable balance between the two instead of rigid adherence to inflexible rules.*
- (xvii) Requirement of different skills and experience is a continuously evolving concept and depends on the business scenario, integration of technology, market dynamics, etc. Periodic review of policies and procedures relating to HR may be done.*
- (xviii) One common pitfall in skill building is identifying development/skill building actions that are in the extremes - too inadequate or too much challenge or risk. The critical aspect to be evaluated is the importance of the assignment or job to the organization and the degree of previous experience required for success. Sometimes institutions are reluctant to take a risk in providing an individual with an assignment that is a first - time learning and repeatedly rely on those who are proven in a given area. What*

is critical is to find an opportunity that is not of the highest importance level to allow the first - timer to develop skills or to provide support from the more experienced person. Conversely, a person who is given a highly important role with many “firsts” and little support is likely to be set up for failure.

(xix) From a risk management perspective, each bank must delineate comprehensive processes to assess attrition risk and gaps in skillsets and institute appropriate mitigation plans. There is a need for proper succession planning by identifying critical roles across the organisation, assessing availability of suitable candidates for such roles.

2.2.2 Creation of position of “Chief Learning Officer” and concept of return on learning

Given the high rate of knowledge obsolescence, all commercial banks must commit to create a culture of learning in their organizations. To drive this culture of learning on a mission mode, the Office of The Chief Learning Officer (CLO) could be considered.

The concept of Return on Learning (ROL): The most popular model for training evaluation is the Kirkpatrick Model. The 4 levels of evaluation in the model are Reaction, Learning, Behaviour and Results. Till date, most global organizations have struggled to meaningfully go beyond the second level viz. Learning. A very miniscule number have experimented with Behaviour level. There is not much credible evidence on measurement of results viz ROL. Hence, detailed research needs to be undertaken in this regard.

The Committee recommends the following:

- (i) Position of Chief Learning Officer may be created in all commercial banks. The official will be responsible for Leadership Development, Collaborative Learning across the organization, developing learning pedagogies tailored to the organization, measuring the quantum and quality of learning across the organization through various indicators, develop a Learnability Index for all personnel (i.e. a measure of the ability to learn of an individual) and apply that as an input into promotability, disseminate knowledge throughout the organization and**

continuously monitor and augment learning and sharing across the organization.

- (ii) A research project can be commissioned by banking research institutes in India to define the parameters and methodology to define a measure of the Return on Learning.

2.2.3 Strategies for addressing issue of replacement/replenishment of talent in banks

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

(i) Develop Expert pool internally

An expert pool can be created in-house for critical/specialized roles and the pool can be trained/ certified so as to develop on the required competencies. Succession planning can be programmed from this pool.

(ii) Free Movement of talent

Recruitment can also be streamlined by opening new channels like Lateral recruitment where there is free movement of talent. Currently, public sector banks have a constraint in opting for middle and senior level talent from other organizations. This needs to be changed to facilitate lateral movement of talent atleast for positions where there is dire need for talent.

(iii) Job Rotation

It is observed that job rotation and transfers have become a matter of routine. Given the need to maintain good relationship with the customer, job rotation has to be a carefully planned exercise. Possibly, rule based job rotation and transfers are coming in the way of developing specialist officers, particularly in public sector banks. Job placement should be undertaken on the basis of employee's education/qualifications, skill level, experience, business needs etc.

The Committee feels that this issue needs to be examined by banks, particularly by public sector banks. Banks must avoid transfer for the sake of preset norms. Job rotation in banks especially, PSBs, should not be done in a mechanical manner but through a well laid down criteria. Banks should allow specialization up to say level III or IV such that the demands of contemporary banking needs are met. Transfers should focus on critical requirement like leadership across the geography and posts that require high concentration of power. In short, need based transfers may be undertaken.

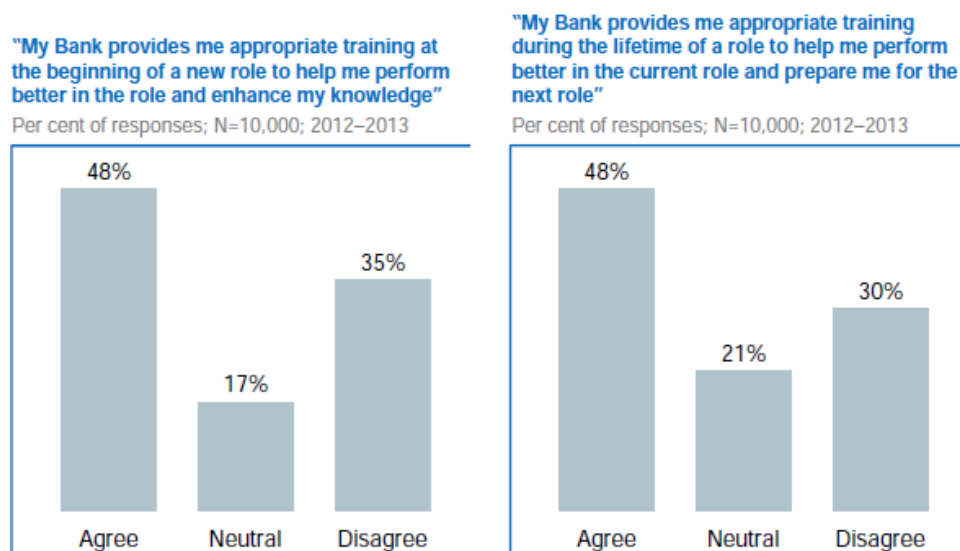
2.3 Training

2.3.1 Empirical analysis and statistics: Are banks and FIs keen on training today?

The regulatory requirements and economic landscape in the contemporary milieu have pushed the training needs to a higher scale. The training provided to employees would need to fit in with the requirements of the job. McKinsey survey revealed that employees seek higher training support at the beginning and during the lifetime of a new role (Figure 4).

Figure 4

Less than 50 per cent of respondents believe that the current training is appropriate at the beginning and during the lifetime of a new role



Source: McKinsey Benchmarking Study, 2013

While each of the surveyed banks had a fully-functional in-house training centre, only 42 per cent of the total manpower on-roll attended a training program in the year 2012-13. This proportion has improved only marginally, by 6 per cent, since 2010-11.

Some significant pointers based on survey conducted as part of Committee exercise(indicated in Annex I) are summarized below:-

- Banks normally do have a definite emphasis on training needs analysis, a somewhat scientific and systematic approach to training design and methodologies and practices to put in place variegated training modules.
- The training frontier has extended to embrace all cadres of employees and has not remained the sole bastion of officers and executives.
- There is awareness on categorization of programmes to suit the requirements of different levels of employees and post entry behavior. Thus, banks have induction (on-boarding of employees), behavioral, functional and leadership training, aimed at covering all paradigms.
- Banks also actively embark on a process of re-training of employees, so that old habits can be unlearned and new skill sets acquired.
- Repetitive training and some form of mandated training rigor making it compulsory for bank employees to undergo specific programmes in each operational area were considered to be of help to build on the skill sets that employees have acquired over a period of time.
- Training, in fact, has been seen to improve the confidence levels of employees on one hand and their commitment to jobs on the other.
- The Committee also deliberated on related issues at length and had the following to observe:
 - It was observed that competencies required by the banks range from beginner to expert. Also some of the required competencies are general while there are some areas of work where the banks need functional/specialist competency at expert level.
 - It is observed that, generally banks recruit people with diverse qualifications and train them to become bankers. Also, given the speed with which the banking policies and processes have been changing

banks need to constantly engage themselves in continuous development of its staff.

- Though banks incentivize professional certification through IIBF there has been a steady increase in the training needs. This is because as an employee moves up the hierarchy it is necessary not only to train him/her in functional area but also in imparting managerial aptitude and attitude.
- Most of the banks have established their own training institutes where the bank staffs work as faculty. SBI has the largest training network. Many large banks have established regional and apex training centres for their use. The training programmes offered are mostly subject based.
- Banks also use external training institutions for important subjects such as treasury, risk, international banking, leadership development etc. MDPs offered by B-Schools like IIM, ISB etc, Training courses offered by specialist training institutions established by banking industry like NIBM, CAFRAL, CAB, IIBF and courses of other private training institutes are used by the banks.
- In a presentation to the Committee the consultants like Mckinsey and Manipal Education had indicated that the minimum training that an officer must undergo each year should not be less than 6 days. In addition there must be some internal coaching. Further, developments such as introduction of core banking, new regulation for AML/KYC, BCSBI codes etc call for intensive capacity building efforts.
- Another area where training is important is induction/on boarding of new recruits. In the last 10 years, the banking system has been recruiting entry level staff at the rate of about 40 thousand persons a year. These recruits need massive induction training so that they are job ready quickly.
- Certain New Generation Private banks make an effort to put all the recruits through a “finishing school”, whereas PSU banks, in general, offer training for around 20 days with some extent of on the job training.

However the number of days of on the job training has also been reduced due to shortage of staff.

- As indicated earlier, there will be a serious crunch at senior levels of banks, particularly public sector banks. As such the immediate challenge for the banks is augmentation of staff at senior levels.
- In view of the aforesaid, training function becomes very important and perhaps in all dimensions, especially in relation to skill enhancement on operational front.

2.3.2 Process of Skill development - Six Steps

The Committee deliberated in detail on evolving a systematic approach to skill development/capacity building in banks.

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

j) Identification of Business Objectives and learning objectives for the year –

The task commences with prime focus on the following question- “what are the specific areas of operations in the organization which need to be developed and how to meet the skill gap?”. Before venturing into skill development plan, the important aspect that needs to be answered is whether the bank has a clear view regarding the roles currently existing in the organization and where expertise is required to be developed.

ii) Sourcing of Training requirements - *Once skill development requirements are derived from the business context, the next stage is to identify people matching the role and to identify their development requirements. The identification can be done through a skill mapping/assessment exercise or recommended sourcing/self-assessment.*

Recommended sourcing - *Here, the supervisor/ talent review committee recommends a particular employee for a specific training program. Sourcing can be also done by analyzing performance reports of employees; Self-assessment - Where the employee himself offers his nomination through an online platform on perusing*

an option for training in a specific job environment. Once the sourcing is done, the group of employees to whom the training needs to be imparted is identified.

iii) Administering Training through adoption of the 70:20:10 learning model -

Different methodologies can be adopted for training people; however one of the contemporary methods adopted throughout the world is the 70/20/10 learning model. 70:20:10 learning model is a unique learning system where people are trained through experiences (70%), feedback (20%) and formal training sessions (10 %). It is said that adult learning happens maximum through experiences or on the job exercises, the balance through coaching and formal classroom training techniques. Thus, there needs to be more emphasis on job learning exercises, for example learning through projects.

iv) Formulation of training schedule - How do we plan in advance, so that employees have minimum ambiguity as to what is their future learning curve - In this phase a detailed schedule containing the training objectives, the names of people for whom the training will be administered, the type of activities to support the 70:20:10 learning model are identified and charted. This list and individual letters should be published in the beginning of the year so that employees clearly know about training programs they will have an access to, during the year.

v) Monitoring through tests and talent review - This stage reviews whether the training delivered as per the plan has really proven beneficial for the organization and has given a return for the employee as well as for the organization. Some ways to measure the effectiveness of training programs administered are as under:

Conduct of tests (Certification) - An annual test may be held to gauge the improvement in the knowledge level of employees who had undergone training in a relevant sphere. Alternatively there can be a system where employee has to pass a certification program compulsorily to progress to the next band or grade.

Talent review – The supervisor or a talent review committee may check upon whether the employee has benefitted or has shown improvement as a result of the training administered, this can be done by conducting interviews or Viva sessions.

vi) Rewarding Learning - Creating a learning organization Deciding Placement/ rewards based on Score obtained - To boost learning attitude in the Bank, reward and recognition programs must also be designed around it. For example, employees who successfully pass certification programs can be provide weightage during promotion. Incentives can be designed for encouraging learning. A leadership development centre can be opened and people who continuously perform and learn can become a member of the centre. Top 100 or 200 leader's pool can be developed through this way to be groomed as future leaders of the bank. The data which we get out of this exercise can be used in myriad number of ways. For example, employees who score good marks in the tests/assessments can be given choice placements or awards that will help them to develop themselves as domain experts in the field.

2.3.3 Training to be customized to the nature of institutions

Any exercise or endeavor in capacity building is incomplete unless broad parameters on which the edifice can be built is laid out. There is undoubtedly competition amongst peer groups in banks, domestic banks have to compete with foreign banks internationally and even locally on technology and brain-drain fronts, relative conservatism in government run banks have to face up to challenges of profit oriented dynamics of private banks and then there are non-bank institutions, which have different profiles of employees with different mind sets, attitudes and functional style. Within the banking sector, one has to reckon the distinction between larger commercial banks on one hand and urban and rural banks on the other. **Training needs accordingly have to be modified to suit the profile of employees in such banks and also on larger analysis based on clientele.** Therefore, in the training arena, there is no concept of "one size fits all". The only thing common is that every institution needs to imbibe a training culture that is the only "unifying" factor amongst other diverse factors affecting training needs.

Customer profile in such diverse institutions is expected to be marked by diversity as well. Efforts will thus have to be geared to address these differences ably. In fact, the need perceived is even greater when we look at the clientele banks have to deal with in remote areas, villages and the not so urban centres. There would be an added

imperative in such areas to be more attuned to challenges posed by customer queries, curiosity and possibly the need for guidance to customers. The modes and methodologies to coach customers and guide them in an appropriate manner can possibly be steered better through specific training modules prescribed by recognized training institutions.

The Committee, therefore, recommends that recognized training institutions, apart from those run or sponsored by RBI, may organise appropriate courses for NBFCs and RRBs more particularly in customer interface areas. Further, Cooperatives have established a number of training institutions across the country. However in terms of latest courseware and training methodology there is scope for improvement. CAB, NIBM, IIBF etc may engage with co-operatives to improve the quality of training in these institutions.

2.3.4 Capacity building- Need for trainers

The ideal strategy to build capacity would also have to incorporate precise training needs of employees operating at different levels, entrusted with varying responsibilities and essentially performing variegated jobs and operations. There would be a need to synergize capacity building exercises with allocable budgets, choosing the right kind of training intervention for the right work profile and also to determine which quotient of capacity building should be targeted-knowledge, skill, attitude or habit, the nature of training – internal or external and the appropriate faculty.

FIBAC survey 2012 and BCG analysis indicated that the number of trainers per 1000 employees varied between various bank groups as follows: Private New-Big (14), Private New-Small (10.8), Private-Old (2.3), PSU-Large (0.8) and PSU-Medium (1.9). Further, while the majority of faculty was part-time faculty (regular employees who came in as faculty) for new private sector banks, majority of faculty in respect of public sector banks consisted of full time faculty. This mainly explained low level trainers per 1000 employees in respect of public sector banks.

It would be imperative that a readily available batch of job trainers be present in organizations as it may not be possible to impart all kinds of training in external institutions or simulating all types of work circumstances and situations. In contemporary competitive times, there is also significant talent crunch in certain banks when it comes to placing people as trainers. Such placements get superseded by demands of business, operational requirements at various levels, as a result of which perhaps there would also be need to supplement the efforts of training institutions run by banks and the recognized trainers within the banks.

Committee recommends that:

(i) Banks should endeavour to expand enrolment of select internal employees as part-time faculty to provide for adequate internal support for training initiatives.

(ii) In the event of talent crunch at middle or senior management level, banks may consider the possibility of outsourcing various training activities including management of their training institutes.

2.3.5 Perspective on Training Strategy

Sample survey among various categories of banks in respect of officer cadres conducted as part of the Committee exercise (Annex I) had revealed the following:

(a) For Public Sector Banks: Average per employee man hours for training reported during 2011-12 varied from 12.62 hours to 25.00 hours whereas during 2012-13 it varied from 13.85 hours to 34 hours.

(b) For private sector banks: Average per employee man hours for training reported during 2011-12 varied from 13.42 hours to 27.00 hours whereas during 2012-13 it varied from 15.74 hours to 31.73 hours. One private sector bank reported 76.8 man hours during 2011-12 and 78.7 man hours during 2012-13.

(c) For foreign banks: Average per employee man hours for training reported during 2011-12 varied from 22.7 hours to 45.00 hours whereas during 2012-13 it varied from 20.1 hours to 36 hours.

Thus, wide variation was observed among banks in respect of average training in terms of man-hours.

The Committee recommends the following:

- (i) The training plan of an organization should have intimate linkage with the career path of the individual; competency gaps should be identified through talent reviews and training should be imparted in a way that helps people to learn and apply the take-aways in real life work situations. There should be training and development goal for each individual based on his/her strengths, which may be identified by way of an assessment or talent review process or through existing qualifications obtained by the individual. The training strategy also needs to be dovetailed with strategic and business imperatives of the bank. All banks may prepare a specific action plan in this regard.**
- (ii) An area of concern relating to induction training provided to newly recruited officers by banks, especially public sector banks is that the duration of the training is restricted to as less as 2 or 3 weeks in some banks. The Committee felt that induction training which heralds the initiation of an officer in the world of banking should be well thought out and comprehensive. There has to be an adequate mix of classroom training, on-the-job training and robust mentoring and monitoring of such officers for optimal results and long terms benefits to banks.**
- (iii) The committee observed that most bank employees worked in situations that required multiple competencies. The Committee, therefore, felt that general professional qualification like JAIIB, CAIIB etc could be recommended for all bankers, though the same may not be made mandatory. Banks may encourage training/further knowledge enhancement initiatives by reimbursing course fees, providing incentives etc to employees. Banks could also provide due recognition for completion of such courses by incorporating the same in employee assessment and career progression. Acquisition and testing of computer skills may be made mandatory for both officer and clerical cadres. General branch management skills will also need substantial upgradation.**
- (iv) Every employee should be given a training of not less than 5 days a year. The training of senior officers is often relatively incomplete on account of exigencies of service. This must be remedied and the bank must ensure that the senior officials are also trained for not less than 5 days a year.**

- (v) Institutes like CAFRAL, NIBM, IIBF etc, must develop suitable training capsule for senior officers with significant emphasis on current developments in banking sector, policy issues and leadership skills.**
- (vi) Important training programmes of longer duration say more than 5 days should have testing methodology in order to assess the utility of such training programmes**
- (vii) Case method of training is also one of the effective training methods that can be focussed upon and developed.**
- (viii) In order that the leadership pipeline is not choked it is suggested that all scale IV and V officers undergo a week to 10 days Executive Development Programmes in appropriate places. Over the years, NIBM has been organizing programmes on Leadership Development in banks mainly for Senior Management in collaboration with leading universities abroad. Training Programmes similar to AMP of IIBF and Top Management courses of some B-Schools are also examples of such training.**
- (ix) Banks should have minimum infrastructure to provide sufficient training to staff at junior levels. For middle and higher level officers, banks may consider procuring services of specialised training agencies / management institutions.**
- (x) Training programs for critical areas could be combined with certification. Banks may work on this issue in consultation with institutions offering certification in various areas relating to banking and non-bank institutional training. This will improve the training efficiency and also record the performance.**
- (xi) Improving effectiveness of training: Training loses its value once it is not applied or transmitted prospectively. The best form of transfer of knowledge and impact evaluation is considered to be subjecting an employee to “on the job” training (more so in the case of entry level staff) and monitor his/her progress. Current training methods are generally focussed on classroom sessions, case studies, and e-learning. However, to enhance effectiveness of training in adult learning context, hands-on training in the form of simulations, special projects, and exposure to**

different roles through job rotations would need to be used more frequently.

- (xii) Banks can also examine setting up job-linked, skill-enhancing functional academies which will be run by line managers to provide the requisite skills and knowledge to existing employees and talent hired laterally in the organization. The design of courses offered by internal academies should be heavily loaded towards application orientation rather than power point based theoretical presentations.*
- (xiii) For the sake of uniformity of administration of training inputs, efforts should be made to develop common training schedules and material in functional areas in accordance with specific competency standards for such areas. This will ensure uniform and updated inputs. This will also enable codification of knowledge on specific areas of training.*
- (xiv) Assessing specific training needs should not exclusively be based on performance appraisal. The training needs have many sources and dimensions. Training is not only to bridge performance gaps but also for building alternate and new capabilities to prepare someone for other roles lateral or next level. Training needs analysis needs to be more broad based and comprehensive instead of revolving around performance appraisal alone.*

2.3.6 Coaching and mentoring paradigm

Coaching and mentoring are key talent development methods. Coaching involves educating, instructing and training subordinates while mentoring means advising, counselling and guiding. Formal mentoring process needs to be introduced at higher levels. Team of potential future leaders should be mentored and groomed to enable them to take on higher responsibilities. One of the suggestions is the possible employment of retired bankers/financial professionals as tutor officers, who can guide new employees at work, monitor and correct the course of learning for them. With fresh campus recruitments happening today more frequently, an increasing proportion of valuable workforce now consists of “freshly out of the oven” recruits who would stand to benefit the most from such coaching/mentoring processes.

Another perspective is that most mentoring and coaching programs work better when it is semi-formal and limited to middle to senior level employees. At junior levels it degenerates into a ritual when it is formal and leads to very little value in an highly attriting pool. The sheer numbers, logistics and bringing it together makes it an improbable intervention when it is for several hundreds of employees. In this context, blending mentoring into the classroom training works much better. Then, if it is supplemented by systems like engagement sessions with leaders wherein groups of employees spend a few hours with leaders the outcome would be much better.

In this context, Committee recommends the following:

While individual banks may consider putting in place coaching/mentoring processes for entry level employees if required based on their individual requirements and needs, the focus of coaching and mentoring may be mainly on middle and senior management. This could be further supplemented with system like sessions with leaders wherein groups of select employees spend a few hours with leaders/top management.

2.3.7 Mentoring programme for CMD/CEO

Given the exponential rate of knowledge obsolescence in the 21st century knowledge economy, continuous learning and personal growth is mandatory for the CMD/CEO. However his position, responsibilities and overall stress level demand that the learning and personal growth program has to be crafted on a bespoke basis. The CMD/CEO's individual needs have to be carefully assessed and understood. Only a trusted Mentor can design and oversee such a program.

The CMD/CEO's relationship with his immediate reportees is immeasurably important to the organization. The Mentor can bridge the gaps, alleviate conflict and smoothen the relationships at the very top of the organization. Further, the Mentor can facilitate the building of the relationship between the management team (including the CMD/CEO) and the Board of Directors.

Considering the strategic importance of leadership at the very top, mentoring of the CMD/CEO is far more critical than mentoring of anyone else in the hierarchy. An

independent, creative approach beyond the hierarchy is vital for the renewal and sustainability of the organization. CMD/CEOs need an “insider-outsider” who can provide an independent perspective and who can indicate alternative courses of action and their implications in the utmost confidence. Such an “insider-outsider” is the Mentor who is neither a member of the hierarchy nor is interested in furthering his own position and therefore is not driven by any interest other than the welfare of the organization and the CMD/CEO.

The Committee recommends the following:

CAFRAL can administer the mentoring program for CMD/CEOs of banks. It can create a pool of select, top notch, highly regarded Mentors who can be invited to conduct the mentoring programs for CMD/CEOs of banks.

2.3.8 Mode of providing training programmes

The banking network is well spread in India. There are a large number of rural branches and a number of other RFIs. Considering that the reach of training benefits should encompass employees in various places, rural centres, remote areas etc, e-learning could be the best solution, in terms of availability, time and cost. The Committee suggested in this context that significant doses of functional training may be imparted in future through e-learning and other alternate delivery channels. Private sector and Foreign banks have already introduced e-learning based modules and certification.

Fortunately, in today’s times there is no dearth of training material, media for training and a fraternity of willing trainers who comprise people who form the active workforce, the retired banking/non-banking community and field experts as also freelancers. The training environment has actively embraced technology and successfully converted the conventional class-room mode to an interactive, more communicative, one-to-one and one-to-many personalized training methods involving technology (Skype, dedicated learning portals, web enabled universities etc.). Capacity building can be immense and diverse provided the technological tools

are used to the best possible extent with minimum load on resources of training and maximization of receivers of training.

The Committee accordingly recommends:

- (i) All banks may adopt e-learning methodology and ensure that function specific lessons are made available to the staff and their knowledge is tested periodically. The e-learning modules should be updated regularly.***
- (ii) Each bank should develop or use knowledge or procedure nuggets and place the same in the intranet such that these are available to the staff on demand as reference.***
- (iii) New channels like mobile based learning, webcasting, video conferencing, virtual classroom services should be explored which will help organizations to reach a wider gamut of people at minimum cost and within shortest possible time.***
- (iv) In order that the officials at higher/critical functions are updated on banking related subjects on a continuous basis, a e-learning module may be introduced as part of Continuous Professional Development (CPD) programme accompanied by certification, subject to due accreditation by accreditation agency.***

2.3.9 Top Management Training

There is an imperative need to understand the training requirements of top management and fulfil the same. Public Sector Banks have also been witnessing an increasing number of relatively younger officers scaling new peaks in hierarchy in short spans of time. Their needs will have to be integrated in the present and future scenario.

Accordingly, in the arena of top management training, the Committee recommends that

- i. Policy formulation, Resource allocation, Enterprise Risk Management, Treasury, International finance, Corporate Credit, Risk based audit, balance sheet management, capital management etc are critical and strategic for senior management. Similarly big picture focus on overall***

financial institution management, is essential before one steps in as an ED.

- ii. Skills in respect of transformation management, change management, business management, crisis management, skills in handling print and electronic media, decision making and strategic planning also need to be imparted as part of top management training and also for group of middle management officials identified as potential leaders.*
- iii. War game exercises can be organised for the senior management*
- iv. Top Management could be trained by CAFRAL, NIBM and IIBF on these areas leveraging on internal and external expertise.*

2.4 Supervisory Focus on HR Management in banks

HR management function impinges upon the governance and oversight activity of a bank. HR management practices would directly impact strategic, reputational, operational risks and indirectly impact other risk categories through ineffectiveness of controls.

The Committee noted that succession planning and key HR related policies are examined in detail as part of Risk Based Supervision/Annual Financial Inspection process of RBI.

In the light of the other recommendations made by the Committee in the report, the Committee recommends the following in regard to regulatory/supervisory focus on HR management function in banks:

- (i) Detailed guidelines on key expectations of regulator on HR management and capacity building in banks may be issued based on relevant recommendations made by the Committee in this report. This may be factored in during HR related risk assessment process of RBS/AFI.*
- (ii) Focused detailed thematic reviews may be conducted periodically to assess the HR management including training practices and follow up on specific issues with the respective banks.*

Chapter - III

Examining skills required and prescribing qualifications and certification

3.1 Introduction:

There is a compelling need for a strong focus on human capital management given the requirement of keeping abreast with a fast evolving and dynamic economic environment and to support the needs of the real economy and its growth in a sustainable manner. There are various challenges in the context of prevailing trends in terms of scarcity of suitable talent pipeline, significant attrition and retirements and continuous demand for specialised skills in the banking industry. To address these concerns and to enable professionalism keeping in view the demands of a growing economy like India, there is a need to examine measures relating to identification of requisite qualifications and to suggest the need for obtaining certifications by the workforce in the banking industry and the non-banking industry.

The Committee discussed the present state of affairs, perused the best practices in a few international jurisdictions and considered various choices before offering the recommendations in respect of the following areas of terms of reference:

- (i) Examine the skills required at various levels/operations to deliver on the required role,
- (ii) 'Identifying qualifications relevant to specific areas of operation in banks and non-banks';

While the need for compulsory certification is also examined in this chapter, the methodologies for prescribing certification for required qualifications are addressed as part of Chapter V.

While the recommendations relate particularly to banking sector, these could also be appropriately made applicable in respect of non-banking financial sector.

3.2 Key Drivers and challenges for the banking system:

- (i) The regulatory environment in which banks in India are functioning is undergoing a paradigm shift. Apart from the basic approaches for handling major risk categories, Basel II further entails progressive advancement to sophisticated but complex risk measurement and management approaches to credit, market and

operational risks depending on the size, sophistication and complexity of the respective banks. Some of the banks have applied to Reserve Bank of India for moving to Advanced Approaches of calculating Pillar I capital.

- (ii) In addition, Pillar 2 and Pillar 3 of Basel II emphasize the need for developing better risk management techniques in monitoring and managing risks not adequately covered or quantifiable under Pillar 1 and increased disclosure requirements. The banks are required to carry out Internal Capital Adequacy Assessment Process which comprises a bank's procedures and measures designed to ensure appropriate identification and measurement of all risks to which it is exposed, an appropriate level of internal capital in relation to the bank's risk profile and an application and further enhancement of risk management system in the bank.
- (iii) Basel III Capital Regulations has commenced in India from April 1, 2013 and would be fully implemented as on March 31, 2019. There are various direct and related components of the Basel III framework like increasing quality and quantity of capital, enhancing liquidity risk management framework, leverage ratio, incentives for banks to clear standardised OTC derivatives contracts through qualified central counterparties, regulatory prescription for Domestic Systemically Important Banks and Countercyclical Capital buffer (CCCB) framework.
- (iv) The growing emphasis on fair treatment to customers calls for moving over from "Caveat Emptor" (Let the Buyer beware) to the principle "Caveat Venditor" (Let the seller beware) and impending comprehensive framework for consumer protection in India.
- (v) Globally heightened regulatory requirements in respect of KYC / AML practices to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.
- (vi) Extensive leverage of technology for internal processes and external delivery of services to customers requiring robust IT governance and Information security governance framework and processes in banks.
- (vii) In the background of growing volume of non - performing assets and restructured assets causing concern for the financial as well as the real sector in India, a framework for revitalizing distressed assets in the economy has been implemented with effect from April 1, 2014. The Framework lays down guidelines

for early recognition of financial distress, information sharing among lenders and co-ordinated steps for prompt resolution and fair recovery for lenders.

- (viii) Frauds are a cause for concern within the banking system, particularly for the public sector banks, which account for a large proportion of total frauds reported in the banking system. Frauds do not just represent lost money; they also indicate serious gaps in banks' systems and processes and in the internal control framework. Plugging these gaps and institutionalizing a mechanism for identifying accountability and taking stringent action against the perpetrators of the frauds is very important for tackling this menace.
- (ix) Need for robust Management Information System (MIS) and information technology platforms to provide the board and the top management with timely, reliable and complete risk related information on the bank for effective decision making.
- (x) Impending developments in regulatory policies and economic environment are likely to result in banks facing a far more competitive environment in the coming years. As banks' customers – both businesses and individuals - become global, banks will also need to keep pace with the customer demands and develop global ambitions. The challenge for banks will be to develop new products and delivery channels that meet the evolving needs and expectations of its customers.

All these developments will present significant challenges for the banking system and banks will need to prepare themselves to these challenges adequately in terms of human capital, technology and processes.

3.3 Areas where the financial world needs greater inputs today

Some essential inputs that were furnished by members centered on the following. These then would be construed as areas which have an ever increasing scope for building capacities and applying:-

- An overwhelmingly large majority voted for specialized training in credit especially since credit quality and problems associated with it are proving to be a major challenge today. Banking institutions are targeting and running wherever possible specific modules catering to putting in place appropriate training inputs on credit appraisal, monitoring and typical processes involved.

- Increasing competition in the financial world and a fast emerging new set of qualified youngsters has created a significant demand for specialized areas like treasury management, forex, information technology etc., which can be best addressed by a judicious mix of knowledge and skill based inputs. The response was mixed though, as certain members felt that these requirements were a little skewed and depended more on the profile of businesses of respective groups of banks.
- Product knowledge in such competitive circumstances has enhanced the need for greater awareness of products and services.
- At a slightly more operational level, it was seriously felt that the application of regulatory norms on KYC/AML and their monitoring from a perspective of handling money laundering alerts, escalation of suspicious transaction reports needs larger focus and application of skills.
- Customer service is another area which, in contemporary times requires an equiproportional mix of attitude and technological training, coupled with knowledge inputs. Today, with an increasing number of banks and FIs venturing into tele-calling mode, soft skills have become as important as conventional skills and expertise.
- Given the increasing need for specialisation in different areas of risk management, such requirements are best met with training interventions with expert institutions, advanced programmes run by institutions dedicated to the subject and perhaps international exposure in the form of exchange programmes with other institutions and deputation to foreign training institutes.
- At management levels, leadership programmes serve the best interests of any organization and the financial world is no exception.

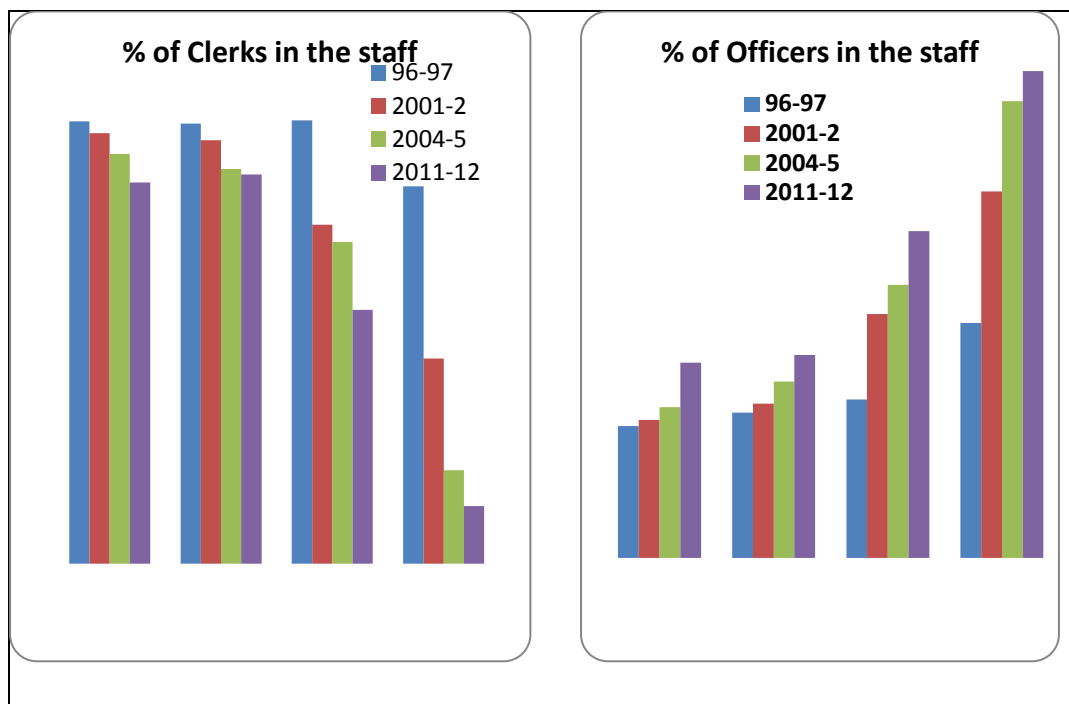
3.4 Deliberations of the Committee and Recommendations:

3.4 1 Prescribing Qualifications

Prescribing requisite qualifications, enabling employees to attain certain basic and advanced levels of expertise would be the logical consequences in the effort to constantly undertake skill building of employees and upgrade them on a regular

basis. Thus, the Committee examined the above perspectives to evolve appropriate methodologies in order to arrive at certain pointers to what could possibly be construed as a set of desirable qualifications. Changing dimensions in staff composition would also decide on what qualifications are required at various levels. The PSU banks and old Private Banks have clerks and officers. New Private and foreign banks are more officer oriented. The following chart (based on RBI data) gives the breakup of staff positions:

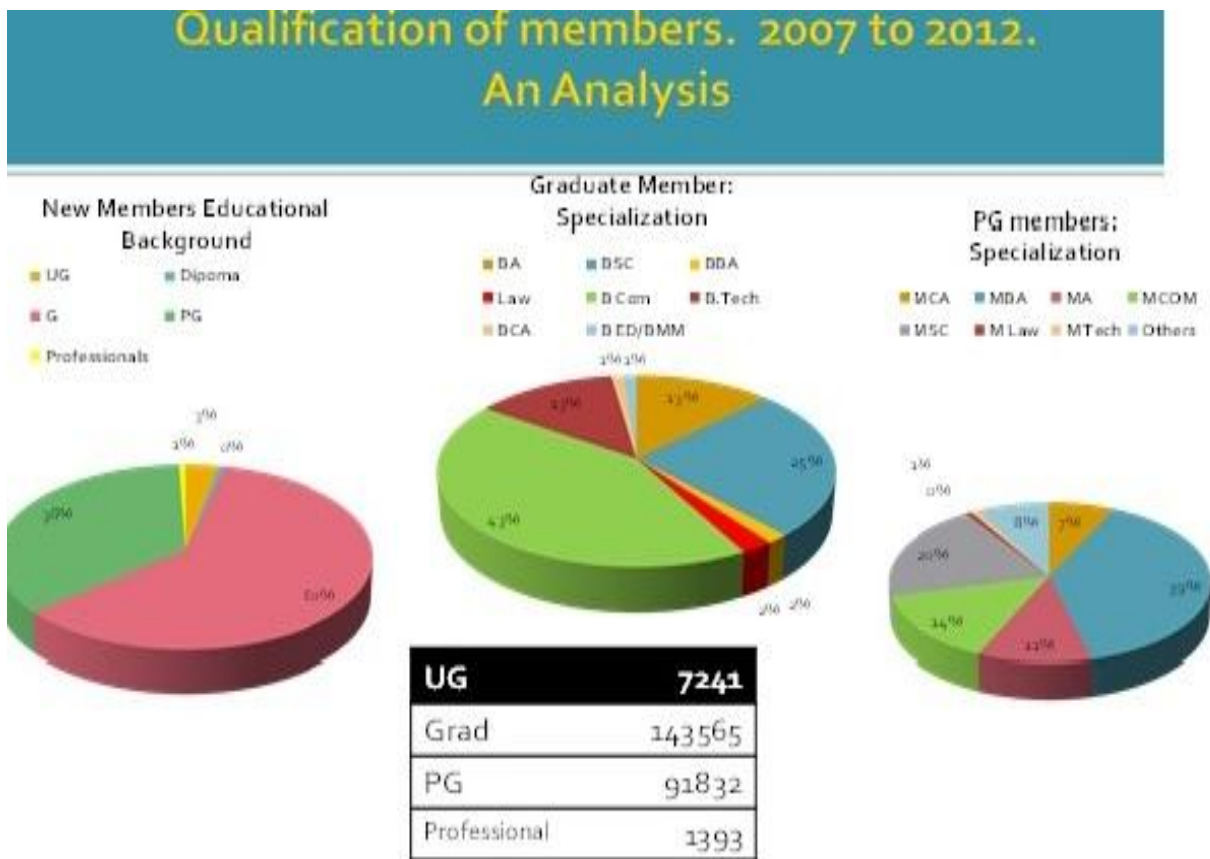
Chart 1. Staff strength and distribution.



Source: IIBF

In contemporary times, a major chunk of staff in banks belongs to the Y and Mobile Generation. There is a genuine and pressing need to acquaint them and equip them in taking up leading banking roles and acquiring critical banking skills. As banks do not prescribe 'specific subject qualification' such as banking, commerce etc for being eligible for recruitment and as the majority of the current recruitment exam is based on IQ, the profile of entrants to this sector could be as wide and varied as the number of educational disciplines available today. Thus there would be an imminent need to synergize these variable skill sets in one direction to achieve maximization of banking process know-how, organizational goals and operational skills. A depiction of variously qualified entrants is as under:-

Chart 2: Academic Qualification of new recruits



Source: IIBF

3.4.1.1 Entry Point Qualification

The committee observed that there are no prescribed entry point qualifications in the banking industry. The PSU banks recruit through a common written test cum interview process managed by IBPS. Many old Private Banks also use IBPS route and also undertake campus recruitment.

New Private Banks engage with some educational institutions for preparing graduates for bank jobs. These institutes identify the candidates subject to certain minimum educational qualifications and act as finishing schools for such identified candidates. Almost the entire requirement of some private sector banks is met by these institutions. In these cases, the training institutions have a structured MoU with the banks concerned that ensures that the candidates are placed with banks immediately on successfully completing the course.

The committee observed that since the year 2005 the annual intake of banks is around 40,000 new employees each year. The current level of recruitment will taper down and it is reasonable to assume that the annual intake will come down in future. In this connection, the committee observed that the banking sector employs more than a million employees and the annual turnover could be anywhere around 10% (retirement plus recruitment).

The PSBs' employment program is possibly the largest recruitment drive monitored by GOI and as such stipulating an implementable minimum entry point criterion for such banks may not be feasible. Further, stipulating an entry point qualification may involve some cost to the individual concerned.

The committee also observed that in the case of PSBs, the post recruitment training efforts pose a major challenge and banks are found to be outsourcing the same to many agencies. Major commercial banks have their own training systems though the same cannot be said of all such banks.

Taking into account all the above views, the Committee recommends that

- i. A candidate may either undergo training at pre-recruitment finishing school as practised by private banks or must pass a certificate course after recruitment (post recruitment training) within, say, 6 months after joining the bank's service which could be ensured through suitable incentives/dis-incentives. Certain accredited training agencies/finishing schools may aid banks in accomplishing such tasks. This scheme is also expected to be cost effective for the banks. In order to address the constraints of recruited staff being made available for training, during the first year, the banks may factor the floating staff in their manpower planning so that the branches do not suffer for want of staff and this floating staff could continue to be a permanent feature of manpower planning.***
- ii. Wherever the banks have outsourced training for new recruits, an effort may be made to ensure that these institutes offer certain minimum standard inputs, which may be decided while finalising the course contents.***

- iii. IBPS tests candidates on subjects such as English, Quantitative Aptitude and Current Affairs. They may also consider introducing a basic banking paper in its CWE. Ultimately, as suggested in Chapter V there is a need to graduate to a full-fledged Banking Aptitude test.*
- iv. In case of recruitment of specialists, additional entry point tests/assessment may be considered.*

3.4.1.2 Qualifications for generalists and specialists

It is observed that banks often differentiate between specialists and generalists. The business functions for specialists included areas such as treasury, derivatives trading, IT, Forex, Risk Management, Service Delivery Groups, Product roles, legal, etc. The generalists are deployed in branches, administrative functions, finance, some areas of treasury, taxation, branch managers, operations, relationship/sales managers etc. In public sector banks, the educational requirement is generally as per the field of specialization. In private sector banks and foreign banks, post-graduation and professional qualifications like CA/MBA/LLB etc. are preferred for certain specialist positions, depending on job requirements.

In this context, the Committee recommends:

- (i) The generalist positions could continue to be handled by personnel who are graduates and general banking oriented qualifications like CAIIB, Diploma in Banking etc would be desirable for all including such recruits. CAIIB though a general qualification also contains key inputs that are closely linked with the needs of key functions in banks.***
- (ii) Generally post-graduation in relevant field of specialization has been the norm in both private sector banks and foreign banks for specialist positions. This could be considered even for public sector banks.***
- (iii) Given the critical nature of such positions and specific knowledge requirements associated with such positions, apart from post graduate qualification in relevant field, additional professional qualifications/certifications in the relevant fields like accounting, risk management, investment management/treasury etc. could be formally***

reckoned as part of identification and grooming of talent for manning specialist positions in banks.

(iv) For certain specialised areas like forensic audit, development of risk models, specific professional certifications/trainings in these areas would be desirable.

An indicative list of qualifications in respect of various positions identified by the Committee and training interventions for such positions are provided in Annex II and III respectively.

3.4.2 Skill Requirements

As regards the skill sets that are needed in the banks, the Committee notes that the skill set requirements is linked to the various hierarchical levels and role functions. The Committee provides the broad indicative skill requirements as follows:

First line staff: At this level there is not much of discretion with the staff about the job role. The products are standardized. The job role is predominantly one of delivery of service. The systems are well laid and the supervision machinery is well structured. Staff should be able to do the job once they are given basic information, knowledge and process skills. The knowledge and skills required by this set of people are.

1. **New Recruits:** These officials should have sufficient knowledge and skill inputs to make them job ready. As such there is a strong need to give all of them some common denominator knowledge about banking and as to how to do transactions. This is a high priority today. New employees need familiarization with products, processes, procedures and delivery. As they have to communicate with the customers they need language skills. There is as yet no entry point professional qualification in the banking sector. This explains the existence qualifications like JAIB/CAIB being offered by Institute of bankers across the world. The new recruits will be front line staff after the probation period. As such giving them training in banking and CBS will be necessary.

2. Front line staff: This is the transaction and customer interface level. These staff needs good transaction skills, good customer handling skills, selling skills, (lead identification, follow up and closure) and language skills to converse with the customers. They must have service related knowledge and also knowledge on KYC, Customer Service Codes, Rates of Interest, Product details, ability to explain the basis of transaction etc. These are areas where accuracy is important. The speed with they can put through the transaction correctly is important. The new recruits will, after training become front line staff.
3. Back office staff: Not all employees in the front line will have interface with the customers. Some of the staff will be involved in documentation etc. The back office staff needs knowledge & application skills on procedures. They must be well versed in various IT applications used by banks. Over the next few years, as the systems stabilize, this will become a routine function.
4. Officers supervising front line staff: These people need knowledge and skill in all activities of a branch and also certain specialized Knowledge in the business vertical say Deposits, Home Loans, and SME etc.
5. Supervisory officers in Back Office: Ability to use the IT applications. Process and sign off details. Knowledge and computer skills. Eye for specifications. Ability to withstand monotony.

Banks use many forms of outsourcing. Essentially outsourcing has customer interface and therefore there is close supervision. Employee is able to carry out the transaction on a routine manner and not much of discretion is granted. Back office does not have to innovate or customize the transaction to each customer. The banks require that products and procedures are handled as prescribed.

Employees of service Providers such as Software Companies, Debt Collection agents, Business correspondents (financial inclusion), Relationship executives: Specific process knowledge, domain knowledge for marketing and Do's and Don'ts. Good customer handling skills.

Supervisory roles - Employees in this level supervise the front line, undertake trouble shooting, do business development and have certain KPIs. Some of them take up functional roles also. They need a full knowledge of the products, processes, procedures and ensure good delivery of transactions and products. The knowledge and skill requirements are:

6. Branch Manager: Transaction banking, Customer handling skills, Team Skills, Product Knowledge, Marketing Skills, Leadership. Decision skills. Data handling skills. The officers in the support role to the branch manager in big branches will need similar skills. Negotiation skills are of paramount importance to the branch manager.
7. Functional manager at the branch or the controlling office (first) level: These are persons who handle credit proposals, negotiate terms with the borrower, structure a deal with the borrower etc. Some of them are involved in financial advisory and selling wealth management products. They are also involved, somewhat partially in the delivery of products. Yet their focus is on a given item of business. Examples of functions are SME, Agricultural, and Credit Appraisal etc. These staff needs deeper knowledge in the given vertical and ability to trouble shoot. Must have team skills, decision skills, process skills, communication skills and analytical skills
8. Functional Manager in the Head office: These people need expert level knowledge in the vertical, team skills, business development skills, decision skills and advanced analytical skills.
9. Business manager: In contrast to a functional manager a business manager is one who handles all products and is focused on overall business development. Branch Manager, Regional, Zonal and General Manager (of geography) are business managers. They need very good business development skills, good knowledge about products. Good Marketing skills are important at this level. Good team skills. Decision Skills.
10. Head of a function in a bank: In depth knowledge. Policy making skills. Team skills. Decision making skills. High data handling/analytical skills.

11. Top Management: Governance, Policy making, goal setting and project management, stakeholder management, Board and overall bank management.

Specialist functions - These are functions which are not part of business verticals but are critical for overall goals of the bank. Some of these can be called support functions.

12. Technology Managers: Need full knowledge of the technology, its use and trouble shooting.
13. Information Security Managers: Need knowledge of the domain of information security management
14. Channel Management: Need Channel and vendor management related skills. Customer Service focussed. Channels could be part of the front line organization or supplementary.
15. Treasury & Fund Management: Ability to put through deals is critical. Should be well informed about market, regulations, and products. Good computing and data analytical skills. Decision skills are important.
16. Risk Management: Should possess good knowledge on over all banking and specific risk management skills. Product, processes, regulations etc.
17. Accountants: Overall banking. Specific Knowledge on accounts/disclosures/balance sheet etc. Professional Qualification needed.
18. Compliance: Should possess good knowledge on over all banking rules and regulations. Specific compliance management skills about, Product, Processes, Performance, Procedures etc. Team and getting things done by others is a skill that will help perform the compliance function smoothly.
19. Secretary: Overall Banking. Specialist knowledge on Board Matters, Governance: Market Reports: Company Matters etc. Professional Qualification needed.

20. Financial Advisory: Ability to understand customers' financial position and risk appetite. Product Knowledge: Advising skills: Do's and Don'ts
21. Training: Awareness of HRD processes and training skills

It is essential to point out that the depth of functions, namely specialization will somewhat vary depending upon the volume of business/transaction, size and geographical spread of the bank. Each of the above roles needs different knowledge and distinct skill sets. Imparting of knowledge, skill and other attitudes call for different interventions.

All employees need knowledge and skill for the job they do. The required level of knowledge and skill will vary depending up on the job role and business size. Whether an employee needs knowledge and standard skills (certificate) and whether he needs specialised skills (Training and Certification) and how much of the skills and expertise can be obtained on the job will depend up on (a) the position of the person in the hierarchy, (b) length of service and (c) the level of expertise needed in the job.

While the above provides a broad overview, a more detailed indicative requirement of key skillsets across various banking domains in the emerging milieu is provided at Annex IV.

3.4.3 Skill gaps in commercial banks

The responses to the survey conducted with cross section of banks revealed insights into some of the skill gaps faced by them. Skill gaps vary across various cadres of employees across banks. Skill gaps for frontline staff include lack of complete knowledge of products, processes and systems, at higher levels skill gaps are concentrated around motivational, leadership and team management skills. In some of the banks skill gaps existed at entry levels owing to constant churn of employees, while such gaps were prominent in the area of forex, treasury, risk management due to large scale retirements. The constraints faced by public sector banks in identifying/recruiting personnel with suitable skill sets are primarily due to inability to offer differential pay or incentive to select personnel, not resorting to campus

selection, selection from common pool of candidates clearing IBPS exam etc. For private sector banks, availability of skilled talent for key business areas, attractiveness of banking sector as employer, talent retention particularly in view of increased rural push, scarcity of candidates with requisite skill sets for specialized positions are some of the challenges.

The Committee recommends that banks should clearly articulate the skill gaps faced by them as an integral part of their human resource management practices, and clear cut strategy to address the gaps and tackle the challenges faced by them in this regard.

3.4.4 Mandating Certification

A comparative study of profile of banking related courses offered by various universities reveals that there are certain educational institutions which offer MBA in Banking & Finance, while some other universities offer bachelor degree courses in commerce, with banking & finance as key subjects. Many bank employees also invariably acquire professional qualifications related to banking and finance from IIBF. Though the Institute's JAIIB and CAIIB courses are well recognized by the banking industry, presently, there is no course whose completion and obtaining a mandatory certification on such completion is mandated. There are other ancillary requirements though, for instance, bankers handling demat accounts must pass the exam conducted by SEBI and NSE while those selling insurance products must pass the exams prescribed by IRDA. NISM (an institute promoted by SEBI) accredits institutes which train and certify wealth management advisors. NISM accredited qualification is compulsory for wealth managers in capital market segment.

IIBF conducts training cum certification for Debt Recovery Agents, as per requirement of RBI guidelines. Similarly they also certify BC/BFs. FIMMDA, FEDAI, ICSI etc collaborate with IIBF in the certification process in treasury, forex and compliance areas respectively. IIBF's certification for customer service is in association with BCSBI.

The committee while acknowledging the benefit of certification for improved functional competency observed that it may be difficult to mandate certification in all areas of banking. Nevertheless, the Committee felt that mandating of certification in certain critical areas would be necessary to bring about a general discernible improvement in professionalism and competency in such key areas.

One of the prime focus areas of FSLRC report is the aspect of consumer protection in general and on retail consumer protection in particular. In this context, it has become imperative that the persons entrusted with selling function in banks who interface with customers clearly appreciate the regulatory/statutory requirements, possess required product knowledge and are capable of advising adequately.

Accordingly, the Committee recommends the following:

- (i) The personnel involved in selling function, must necessarily undergo an appropriate certification process. This includes selling of asset based retail banking products, third party, treasury and wealth management products. The recommendation is also broadly in line with practices obtaining in few other international jurisdictions. This could potentially address the issue of mis-selling, excessive selling and minimise customer complaints.***
- (ii) Some of the functions within the bank which are very critical include credit management, policy and planning, finance and accounting, funds management and treasury, risk management, compliance, information security and internal audit /information systems audit. Officials working in these functional areas should undergo a course pertaining to the subject that entails certification.***
- (iii) Certain aspects like AML/KYC also need concerted efforts in knowledge dissemination across the banking sector. Though no compulsory certification is being prescribed for such functionaries, certain number of mandatory hours of learning or e-learning (which may or may not end with certification) will be useful for officials working in these areas. Certification in KYC/AML, may however, be desirable for officials***

working in critical segments/processes like verification of KYC compliance and AML monitoring.

(iv) Outsourced work such as Debt recovery and BC/BF are currently mandated for training and certification. Similarly outsourced services such as credit card, IT etc. should be subject to certification.

(v) Banks may plan a road map to achieve the mandatory certification in identified areas for the concerned officials working in the aforesaid functional areas over a period of 3 to 5 years. To begin with, certain key positions within the functional areas (for example, front office personnel of treasury) may be prioritised for obtention of certifications.

(vi) For officials newly posted to one of the aforesaid functional area, a minimum time period, say 2 years may be provided for obtaining certification.

(vii) In the event of the concerned officials not being in a position to complete the certification within the prescribed period, banks may transfer the official to another functional area not requiring certification.

(viii) The certifications can be obtained from eminent banking institutes like IIBF, NIBM and other accredited national and international bodies on basis of examinations testing the required level of skillsets/ competency standards for the relevant subject area for relevant role/designation. Requirements regarding competency standards are indicated in Chapter-V.

3.4.5 Continuing professional education requirements for enhancing knowledge and skills

The Committee noted that there was no specific mandated requirement for continuous professional education for employees in banks and non bank institutions. Certain banks encouraged adoption of E-learning and various other certification programmes by way of incentives and reimbursement of course fee for continuous professional development of workforce, while some others were providing structured training programmes at regular intervals. One of the banks had also indicated that

certification emanating from JAIIB/CAIIB, KYC/AML programmes of IIBF, other similar certified courses from NISM/AMFI/IRDA etc., is deemed essential before absorbing employees in certain critical areas. One bank also reported that they conducted tests for employees on areas related to banking awareness every year. In one of the foreign banks there were prescribed benchmarks for completion of training. In another foreign bank, 5 days of training per individual were targeted which varied per business profile of employees, while relationship managers were required to be certified on products and skills.

The Committee recommends that at least for those areas where mandatory certification was recommended by the Committee, the validity of certificate and its continuation would have to be made contingent upon completion of certain number of learning hours through various modes like attending training/seminars/conferences, certifications, e-learning etc., which would aid and abet continued learning. The requirement of continuous education in respect of various job functions/profiles could be developed accordingly. The CPE in respect of certification awarded by various national/international professional bodies like ICAI, CFA Institute, GARP, ISACA, IIA etc. can be given due recognition as part of the framework.

3.4.6 FSLRC recommendations – Imperatives for skill-building

The Financial Stability and Development Council (FSDC) in its meeting in October, 2013, identified and agreed to voluntarily implement the twelve non-legislative recommendations of FSLRC relating to regulatory governance, transparency and improved operational efficiency in the Indian financial sector.

These 12 steps/measures to implement FSLRC by the financial sector regulators relates to (1)Customer protection in general (2) Customer Protection for retail customers (3) Framing regulations(4) Notices for violation of regulations (5) Transparency in providing regulatory information (6) Transparency in Board meetings (7) Reporting – publishing information about the activities of an organization measured against its objectives(8) Approvals – moving towards a 90

days approval period for all permissions/ licenses to do business, launching new products and services (9) Investigation for violation of regulation- should be time bound and investigating persons should be separate from those determining violation or imposing penalty (10) Adjudication (11) Imposition of Penalty; and (12) Capacity Building.

The requirements specifically related to capacity building, as indicated in the Handbook released by MoF, Gol, included:(i) internal capacity building within MoF and DEA (ii) DEA to design and initiate training and certification programs for staff of regulators, in order to bring them up to date on recent developments in financial regulatory governance, and common principles necessary to harmonise financial sector regulation. (iii) workshop and conferences for senior staff of financial agencies to be organized by DEA (iv) All financial agencies need to issue regulations which require 15 per cent of all existing staff of all financial firms to pass the certification test every year. This would ensure that within a horizon of three years, a large swathe of individuals within financial firms would also possess adequate knowledge about the policy and legal environment. As regards point (iv), the recommendations relating to mandatory certifications, need for continuing education requirements have also been provided earlier in the chapter.

In the context of implementation of FSLRC non legislative recommendations, the Committee recommends that any regulations/guidelines arising therefrom need to be factored in for testing as part of certifications. Further, certification for relevant personnel in compliance, legal and policy/planning functions should incorporate curriculum relating to current policy and legal environment.

Chapter - IV

Building capacities of members on Boards of banks

4.1 Introduction

Post financial crisis, the ability of Boards of banks to adequately guide and oversee their institutions have been called into question several times across the global financial world. Concerns have been raised on whether Boards with their wide ranging representations from different segments of financial streams have actually risen to the occasion in stemming the rot that pervaded the financial world post crisis. There have been indications to the effect that many such Board Members actually happened to be passive spectators in good and bad times. There have been queries on their credibility, competencies and ability to steer the course of the institutions in desirable directions. In the wake of the economic crisis, directors are expected to have an enhanced understanding of the business of banking and the legal/regulatory imperatives underpinning the banking business.

4.2 Deliberations of the Committee and Recommendations

4.2.1 Examination of compulsory certification

4.2.1.1 Looking back at the mistakes and bank failures of the past few years, many boards regret that they did not clearly understand the risks their management team assumed. While the directors are not involved in the day-to-day management of the bank, they are involved in the strategic planning of the bank. In the rapidly changing economic and regulatory environment, bank boards have come under constant scrutiny of the regulator, shareholders, government bodies, rating agencies and media. Needless to add, the involvement of the board is likely to increase with the implementation of new regulations and requirements. It will become increasingly challenging to profitably undertake banking operations in a safe and sound manner in future. This will require directors to possess knowledge and skills to perform their duties and help their banks stay competitive, be abreast of all developments on the banking front and help organization grow. In fact, they could possibly use their knowledge and experience gained from their own profession in their role as a

director. The directors may already possess various attributes such as basic management experience and skills, ability to discern from modern banking developments and a willingness to participate actively in matters relating to the respective bank's functioning despite lack of time.

Their competencies are put to test invariably when they are required to contribute to i) framing of internal policies and guidelines that provide controls and limits on the various risks a bank is/may be exposed to; ii) monitoring of risks through periodic control reports, to ensure they remain within acceptable ranges; iii) oversee bank management to ensure it operates in the best interest of the various stakeholders and iv) an active compliance process by ensuring that the bank is in tune with various rules and regulations prescribed by the regulators from time to time.

There was an overwhelming agreement on the fact that members on Bank Boards are invariably endowed with specific and also expert skills in banking matters and especially in certain fields where they have achieved expertise and excellence. It is this professional achievement in the respective sphere that is responsible for their induction on various Boards. The point that had to be debated intensely was whether such skills and knowledge could be assumed as "given and existing" or would there be requirements of upgradation of the same though some process of training and certification.

4.2.2.2 The Committee discussed extensively the issue of whether certification of the members on bank Boards should be made mandatory for every individual before appointment to the Board of the bank. In terms of the Banking Regulation Act, 1949, not less than fifty-one per cent, of the total number of members of the Board of Directors of a banking company are required to have special knowledge or practical experience in accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small-scale industry or any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, would be useful to the banking company. Thus, in the absence of any requirement for a specific educational qualification for nomination as a Director, the issue required elaborate discussion. While some of the members were strongly of the view that compulsory certification before appointment will help in bridging the

knowledge gaps, certain other views were not in favour of such a proposal, primarily considering limited pool of suitable executives willing to take up the position of a Director in a bank. Also internationally, no major country has the requirement for compulsory certification of such a prescription of compulsory certification of individuals before their appointment as a Director of the Board.

4.2.2.3 Further, considering the aspect of such Directors coming in with accomplished levels of performance in their own respective fields and the exalted status they are bestowed with on becoming a Board member, it was also surmised that such Directors may have reservations on being treated as relative novices. It has to be borne in mind that their appointment to Boards is based on certain credentials for which they are known, like exemplary legal skills, years of experience in co-operative management, steering leading industries to growth etc. As such, it was felt that the aspect of training intervention needs to be approached sensitively. None can deny the basic benefits of training on banking subjects to bankers including Board members, but as has been repeatedly stressed across various chapters in this report, it is attitude coupled with aptitude that can ensure receptivity to training inputs. Perceived reluctance to get trained by Board members counted as top management may actually prove to be detrimental to any effort or attempt to put them through training schedules. Nevertheless, it was agreed that this alone could not be the reason to dissuade banks from training their new inductees on Boards or constantly upgrade their skills in banking. It was felt that an alternative medium of regular interactions amongst top management of banks within the organization coupled with interactions with banking regulators/supervisors, special seminars on topics of banking relevance and conferences as are organized by RBI for their own Directors on the Board of various banks could be an effective alternative. This would nullify the opposition or reluctance to the regimented rigor of a training programme, while simultaneously allowing free-wheeling interactions amongst Board members of various banks, when they assemble for a common cause. The advantages in getting a firsthand view from regulators etc during conferences of Directors would further pave the way for transmission and transfer of bank related know-how.

The Committee, therefore, recommends that compulsory certification of individuals before their appointment as a Director of the Board may not be considered as of now. However, as prescribed by the Reserve Bank under extant regulations on corporate governance, some form of training intervention albeit under a different nomenclature could be considered. These training inputs could be administered by various organizations including RBI, the banks concerned themselves, specialised training on areas like treasury management, foreign exchange etc by such institutions as NIBM, IIBF, CAFRAL etc. Banks could also consider deputing them to institutions in India and abroad for embellishing their banking skills.

4.2.3 Induction Process for Board members

4.2.3.1 In the absence of prescribed qualification / certification, the Committee studied the existing training imparted to the Directors across the banking system and the adequacy thereof. It observed that presently most banks do not have an internal training programme for training new inductees on the Board, however, the new inductees are deputed for training with external agencies like IDRBT, IPE, ASCI, CAFRAL, Thomson Reuters Academy etc. In some of the banks, new inductees on the Board are imparted an overview of the organizational structure, businesses of the Bank and its subsidiaries, financial performance of the Bank and the Group, pre-joining regulatory requirements and compliances to be done, Board composition etc. The inductees are given copies of presentations which include such overview as well as the Annual Reports of the Bank. This, of course, is complemented by the “on the job” quotient that comes while the Board member participates in various proceedings where top management is involved.

4.2.3.2 In some banks it was observed that though there was no structured design for imparting induction training to new board members, the systems put in place by banks ensured that long term strategic directions, business plans, process of decision making and other key management processes are provided to the new inductees by the Whole Time Directors of the Bank/ Board. Additionally, they are provided an understanding of the organizational structure, businesses and related strategies, governance policies and procedures which is also accompanied by a one-

to-one presentation from key Departments/ Business Heads on focussed areas of work and projects. It is the primary duty of the director to represent what he or she believes to be the true long-term interest of the bank. Where those interests are not being considered by fellow directors, it is up to the individual to challenge such a decision. While doing so, the director needs to take a balanced view and should be prepared and be able to confront others on the board including the Managing Director/CEO. The ability to intervene, when and how to intervene would be based on strategic judgement skills that the Director already bring in, in the wake of his exemplary credentials in his own sphere and the “what why and how” would depend upon the banking awareness modules that banks put in place for such new inductees. It was definitely felt that the responsibility of banks training their own Directors both on and off the job was immense and needed to be under-scored and underlined and where necessary possibly to be re-iterated as well.

Considering the extent of responsibility cast on the Directors, the Committee is of the opinion that the skills of the Directors would need constant and substantial upgradation. As a starting point, the Committee feels that a good induction process will go a long way in welcoming a newly appointed director and impressing upon him or her expectations of the bank as also the regulator. Committee therefore recommends a formal and systematic induction process which should inter-alia be able to sensitize the new inductees in the following areas:

- The structure of the bank concerned, the role and function of each department/units, the geographical spread of the bank.
- Understanding of the banking terminology and related aspects, basic systems and procedures adopted by bank
- On site visit of a few major bank divisions, a model branch, and the apex office.
- The requirement of the bank's risk department to understand how various risks are managed and minimized.
- Meetings with all General Managers/heads of various functions who should brief the director of the major problems affecting their areas of business and their expectations from the board.

- Whether the compliance department is functioning independent of risk; whether it reports to the board-appointed committee; and whether there is any conflict of interest with other internal functions.
- Supervisory expectations as understood from the observations in past AFI Reports.'
- Regulatory expectations from the bank-instances where there have been strictures, penalties, admonition/warning by RBI should definitely be brought to their notice.
- Role clarity and Do's and Don't's as a Director as per regulations.

4.2.4 Training intervention for Board members

4.2.4.1 *Apart from the above induction process, the knowledge level of the directors needs to be further developed and enhanced by providing regular training in the following areas:*

- Awareness and understanding of important guidelines of RBI, IRAC norms, statutory and other restrictions, policy initiatives of GOI, inputs on credit and audit related areas, Basel guidelines.
- Corporate Governance, understanding of global governance best practice - and its relationship to performance
- Roles and Responsibilities of bank directors, independence of "independent" directors and how best to not compromise the same.
- Awareness on Dos & Don'ts as a Director, Evolving Role of Directors, Responsibilities & Challenges.
- Understanding the requirement of supervisors as well as stakeholder expectations of board member competence and independence
- Best practices of IT Governance, other emerging technologies and cyber security
- Training on IT Governance and Information security governance
- Leadership & Organisation Development
- Board's contribution to Risk policies
- NPA Management and its impact on profitability
- Understanding external audit, internal audit, internal controls, and the role of the Audit Committee

- Role of the Board in the loan committees
- Expectation of bank regulators and the expected role of Directors with respect of the principles of Risk Management
- Asset/Liability management and bank investments
- Director and executive officer compensation and Board oversight responsibilities
- The Board's role in strategic planning, the offering of new products, and the use and control of third party vendors, suppliers, contractors and partners
- Understanding and examination of the important Board reports, financial statements, bank performance reports etc, and identifying 'red flags'
- Performance metrics & value drivers
- Ethics and values, Managing talent and capacity building
- Importance of robust Management Information System

4.2.4.2 The above programmes can be conducted/ developed by various agencies such as CAFRAL, NIBM etc, as also by regulators such as RBI, SEBI, PFRDA, IRDA etc. Such programmes will not only equip the existing Directors to upgrade their knowledge base and can also be utilized by executives who aspire to be Directors. This will enable banks to tap the qualified/certified professionals in their future search for Directors.

The Committee recommends the following:

(i) Given the dynamic and evolving world of banking and the need for Board members to be reasonably attuned to these new developments, at least one day of knowledge enhancing interventions every year through formal training/seminar/conferences in relevant banking areas may be mandated for all non Executive Board members. In the event of the Board member not having banking related experience, longer duration of knowledge enhancing sessions beyond one day could be considered.

(ii) To provide a forum for further exchange of information and best practices among the Board member fraternity, a formal Forum for Board Members could be instituted under the aegis of CAFRAL which could meet periodically to discuss matters of contemporary relevance.

(iii) RBI may hold on annual basis seminars for the benefit of Board members to update them on regulatory developments and expectations from the regulator.

(iv) Going forward, the Committee is of the opinion that Government / RBI may consider laying a road map for prescribing certain specific qualification / certification while considering appointment of directors on the Board of commercial banks, if felt necessary.

4.2.4.3 Mentoring Programme for Board

The Board comprises of eminent professionals. However, their individual eminence does not automatically translate into a collective effectiveness. Therefore, the Board needs to coalesce into a body that can guide the CMD and the organization and place it on the trajectory of growth, profitability, governance and sustainability. Current Board practices are purely based on the formal board agenda; these are entirely related to operations, compliance and strategic directions. More often there is no systematic mechanism to identify which Director has what knowledge and skill base that can be brought to bear on the bank's prospects; any such indications occur by chance only during the course of discussions on agenda points. However, it is vital for Directors to know and understand the capabilities of their fellow Directors and leverage them for the benefit of the bank. A Mentor can facilitate such a proactive strengthening of the Board's functioning. Today, Directors too need constant learning and growth. A Board Mentoring Program can fulfill this need by dovetailing individual needs into the necessity for a collectively effective Board. The pedagogy for such a program could include lectures, case studies and workshops apart from personal mentoring sessions.

Based on the aforesaid, Committee recommends the following:

- (i) Mentoring of Board may be considered as one of the methods supporting effective leadership capacity building in banks.**
- (ii) CAFRAL can administer the mentoring program for Board of banks. It can therefore create a pool of select, top notch, highly regarded Mentors who have been invited to conduct the mentoring programs for**

various banks. It can construct an exclusive, Mentor Invitation Program (MIP)

(iii)To ensure that the Board Mentoring Program (BMP) is highly successful, CAFRAL can invest in the MIP, the development and training of Mentors and periodic review, research and updates of the BMPs in banks; conferences and experience sharing sessions between Mentors can be conducted periodically so that constant review and improvement can occur; CAFRAL's research capability must be brought to bear on the BMP.

Chapter - V

Capacity Building - System-wide Perspective

5.1 Introduction

One major dimension that needs to be examined in respect of capacity building is to look beyond an individual institution's perspective and consider various measures on a system-wide basis to support and drive capacity building. The success of these measures would hinge on coordination and collaboration of all relevant stakeholders. The various aspects that need to be reckoned from a system basis include: (a) Development of competency standards (b) Creation of Accreditation Agency (c) Introducing Banking Aptitude test (d) Re-orienting Training/Learning institutions catering to the banking sector/non-banking financial company capacity building (e) Centre of Excellence for Leadership Development for banking sector (f) Foster development of data and research on skills in banking sector (g) Monitoring framework for capacity development in banking sector (h) Creation of skills registry for the banking sector (i) Interventions at the primary/secondary and tertiary education levels (j) Improving academic-industry interface (k) public private partnership. The Committee deliberated on the above aspects and gave its recommendations to enhance capacity building initiatives on a firmer footing on a long term basis.

5.2 Deliberations of the Committee and Recommendations:

5.2.1 Development of Competency Standards:

Competency is a function of the combination of knowledge and skills possessed by a person and how well he/she applies in the work place. Competency is concerned with a person's or a group of persons' job skills, his/her strengths and weaknesses in areas like teamwork, leadership, and decision-making. Knowing the job roles and the competency required for the jobs will help in arriving at the appropriate intervention tools and material for capacity building. The committee observed that there had been no effort to study the competencies in bank jobs in India.

The Committee recognized the benefits of the competency standards/framework. The development of an industry competency framework would elevate the level of professionalism and competence in the banking industry through appropriate training and certification programmes. For banking institutions, the competency framework will serve as a source of reference and impetus in sharpening competencies of staff and enhancing organizational capabilities to meet future challenges. The framework could also provide a benchmark for performance measurement and recognition for skills improvement. Thus, various advantages identified by the Committee in formulating Competency Framework include: (a) help in identifying and defining the minimum knowledge, skills and competencies needed to perform optimally on their various jobs/tasks, (b) providing finance professionals a clear roadmap for building competencies as they progress in their career, across different job roles and levels. (c) serve as a tool for banks to assess their overall human capital capabilities (d) to standardize capacity and competency development with a view to nurturing and producing a knowledgeable, skilled and competent workforce (e) serve as the basis for design of training/certification programmes, their evaluation and accreditation (f) To ensure that practitioners continually update their knowledge and skills in line with the dictates of their assignments (g) To Identify competency gaps and develop required learning intervention to bridge identified gaps. (h) To provide a basis for sustaining career development in the banking industry

In view of the aforesaid, Committee recommends creation of competency standards/framework in various areas of banking in India. A Competency Standards/framework can be created under the aegis of a body like CAFRAL with involvement of IBA, NIBM, IIBF and other stakeholders from banks and academic bodies. Various sub-committees can be created under different subject areas of banking to develop competency standards in respective areas. Based on this the existing qualifications, certifications, training programmes may be fine-tuned.

5.2.2 Recommendations on competency standards/framework:

The Committee studied the details of competency standards in few international jurisdictions vis-à-vis those that prevailed in the Indian context. The cross-country study of capacity building in general and competency standards, certification and accreditation in particular is detailed in **Annex V**. Based on an understanding of the Indian context and with the intent to bring the said standards at par with those being implemented on international levels, the Committee makes the following broad recommendations:

- i) There is a need to crystallise the domain by covering all important areas that demand an exhaustive overhaul of competencies. This is especially so as jobs in the financial industry are becoming increasingly more complex, require deeper knowledge, expertise and skill sets. The coverage may include various key areas in banking like retail lending, corporate lending, credit risk, operations, market risk, operational risk, compliance, treasury and asset liability management etc.*
- ii) The certification levels based on the competency framework need to reflect the career progression and competency development pathways for a financial/banking practitioner. As is the general practices in other jurisdictions, the certification levels can be calibrated at four levels - Foundation, Intermediate, Advanced and Expert levels.*
- iii) Fresh graduates with no prior experience in the financial sector can also be certified under the competency framework, as long as they undergo foundation training and assessment. The accredited training providers can introduce new programmes targeted at this pool.*
- iv) Both core competencies and technical/functional competencies need to be reckoned. Core competencies are knowledge, skills and behavior that are generally applicable to all bankers across a broader canvas of roles. Technical competencies are specialised know-how or abilities that are required for success in a particular role, job or function.*
- v) The certification based on competency standards could be awarded by eminent banking oriented training institutions like IIBF, NIBM or CAFRAL based on an assessment of employees through*

examinations/tests. The assessment methods may extend beyond examinations to include competency-based interviews, workplace assessment and workplace simulation.

vi) While international jurisdictions do not generally incorporate exclusive standards on technology in banking, the Committee opines that there are pressing requirements for prescribing competency standards relating to IT in banking. There would thus be an imperative that officials handling IT in banking and non-bank institutions must necessarily enhance their skills and capabilities to keep pace. Today, these professionals in the financial sector need not only expertise in IT but also stronger understanding of the business needs and processes of financial institutions and a sound understanding of underlying financial products and market developments.

vii) Due recognition needs to be accorded to allow for exemptions for certain competency units with the attainment of relevant local or international academic qualifications and/or certification by professional bodies/institutes.

vii) The Competency standards should also reflect the agreement of the financial practitioner to adhere to the standards of professional competency, industry ethics and a commitment to a career in their chosen field.

5.2.3 Accreditation agency

At present, there is no agency that looks into capacity building issues and ensures standardization of content, syllabus, satisfactory pedagogy etc. At the national level, a National Skill Development Council has been established as a “non-profit” entity and has a BFSI vertical which has approved some training institutions in the banking domain.

IRDA has approved Insurance Institute of India (I.I.I) as an accreditation agency in the insurance domain. The training institutes have to be registered with IRDA and I.I.I, NISM (SEBI promoted Institute in the capital market domain) accredits courses

and training institutes in its area of operation. The IRDA and SEBI interventions aim at certifying in the selling/customer interface areas.

It is observed that the accreditation of training and certification has just begun in other countries. The Committee recognized various benefits of an accreditation agency like (a) providing assurance that the learning programmes in/pertaining to banking industry meet the international best practices and benchmarks (b) assure that accredited programmes are relevant and required by the banking industry (c) facilitate enhancement in knowledge and skills of personnel in banking industry (d) provide a learning pathway for members of banking industry (e) provide regional and international recognition of learning initiatives (f) provide recognition of quality to the registered training provider.

In view of the aforesaid, the Committee recommends the following:

- (i) An Accreditation Agency may be set up as an independent quality assurance body for the banking sector which could be responsible for assuring and accrediting learning initiatives within the banking industry, institutional audits and programme evaluation. The agency may have a governing body comprising representation from RBI, CAFRAL, NIBM, IIBF, IBA, commercial banks and other prominent members/experts. One of the training/learning institutions can act as the secretariat of the committee and its Director could be its convenor. This committee will develop appropriate policies and procedures for accreditation in the area of capacity building for the banking sector and also for FIs and NBFCs.***
- (ii) The accrediting agency will carry out extensive review and evaluation in order to ascertain that institutions providing training to banking industry have the requisite caliber to conduct training programmes envisaged under the competency framework. The major focus areas will be (a) accreditation of training institutes/training service providers/finishing schools in the industry (b) coverage and pedagogy for such institutes and important training courses and (c) content and coverage of certification courses. (d) approval for training providers for continuing professional education (e)***

approval for trainers being used by the providers to ensure quality of training.

(iii) Even relevant graduate, diploma and certificate courses offered by Universities could be covered under accreditation. This could help in enabling Universities to align their curriculum and pedagogy to the requirements of the industry.

(iv) Eminent institutions like IIBF, NIBM which are already in the field of banking related training/certification for many years may be considered for exemption from formal accreditation process. Such institutions may however need to ensure that the courses offered by them are in line with the competency standards.

5.2.4 Conducting a common Banking Aptitude Test (BAT)

Since banking is a critical pillar of the economic architecture the need for appropriate human resources in banks and related institutions is bound to grow in importance. Consequently, it is vital to specify a base level of banking aptitude (including knowledge and competence) before a candidate can be recruited and trained by banks. Currently, IBPS conducts common recruitment exam, which is mainly subscribed to by the public sector banks. However, there is a need for a comprehensive national, online Banking Aptitude Test (BAT) to enable banks to select the right candidates. The BAT could be the first project of the banking training, certification and accreditation agency or any other independent professional body.

Banking Aptitude Test (BAT) scores need to be produced with the candidate's application for bank jobs; this is visualized as a completely online test administered on the same lines as the CAT of the IIMs and GMAT/GRE at third party testing centres. The syllabus for the BAT can be made available online for candidates to prepare either by themselves or by attending a coaching program.

The BAT is visualized as an entry level, mandatory filter for candidates to be considered for appointment. Banks can apply their own selection criteria and process to candidates who have obtained a BAT score. Each bank can prescribe its own cut-off BAT score for it to consider a candidate's application; however, a BAT score must

be mandatory, just like the GMAT score is mandatory for a candidate to be considered for admission to an MBA program in an American business school; this is also similar to a mandatory CAT score being mandatory for a candidate to be considered for an MBA admission at many Indian business schools; the concept of the BAT is similar to the NET exam.

Further, examinations like GMAT is based on "item response theory"(IRT) methodology of testing compared to the "classical test theory"(CTT) type of testing which is currently being followed for banking recruitment exams in India. The former is generally considered as a superior form of testing.

The Committee therefore recommends the following:

- (i) A Banking Aptitude Test as national, online test can be conducted at the entry level. The BAT score can be designed to provide an insight into the candidate's aptitude for banking; it is a necessary but not sufficient condition for selection as a bank employee. The frequency of the BAT can be either "on demand" or at specified intervals during every year, depending on operational convenience. Currently, apart from IBPS CWE, different banks also conduct their own recruitment tests; the BAT is conceptualized as a national level, uniform standard setting exercise in collaboration with all banks; all banks can subscribe to and participate in the design and adoption of BAT as their common basic filter for recruitment.***
- (ii) The common banking aptitude test could be modelled on the "item response theory" method of testing instead of the current "classical test theory" testing methodology to better differentiate and assess candidates aspiring for careers in banking.***

5.2.5 Training/Learning Infrastructure oriented to banking

The Committee noted the roles played by prominent institutions like Indian Institute of Banking and Finance (IIBF), National Institute of Bank Management (NIBM), Centre for Advanced Financial Research and Learning (CAFRAL), College of Agricultural Banking (CAB, Pune), Institute of Development Research and Training in

Banking Technology(IDRBT) and Indira Gandhi Institute of Development Research (IGIDR) in the banking space.

IIBF is a professional body of banks, financial institutions and their employees in India. With its membership of over 677 banks and financial institutions as institutional members and about 4,50,000 of their employees as individual members. Since inception, the Institute has educated numerous members and awarded several banking and finance qualifications, viz., JAIIB, CAIIB, Diploma and Certificates in about 20 specialized areas and helped them to sustain their professionalism through Continuing Professional Development programs.

NIBM, set up by the Reserve Bank of India, is a centre of advanced learning, research, education and training/skills development for Indian banks and financial institutions. NIBM's Post Graduate Programme in Banking and Finance (PGPBF) since 2003-04 is expected to create a new genre of management professionals to meet the emerging challenges in managing banks, financial institutions, NBFCs and Corporates. The Institute conducts a large number of educational and training programmes (about 150) each year. Apart from general management, programmes are conducted in all functional areas of bank management. It mainly caters to middle and senior level management related training and training on specialised areas.

The Centre for Advanced Financial Research and Learning (CAFRAL) was set up by Reserve Bank of India in the backdrop of India's evolving role in the global economy, in the financial services sector and its position in various international fora, to develop into a global hub for research and learning in banking and finance. It is engaged in conducting seminars, conferences and other learning programs for central banks, regulators, senior management in the financial sector, industry and government on matters related to banking and finance. CAFRAL undertakes research in areas of interest to the financial sector and aims to provide a platform for academics, researchers and practitioners to explore issues in banking and finance so as to develop relevant policy and strategies.

The College of Agricultural Banking (CAB) presently not only runs traditional programmes on agricultural and rural development and cooperative banking, training

of Trainers, SME and Agribusiness, etc., but also programmes on subjects of contemporary relevance such as ICT for Financial Inclusion, IT Security and Audit, IT Project Management, Management Development, Development Centre, State Finances and Human Development, Risk Management etc among others.

The Institute for Development & Research in Banking Technology [IDRBT] was established by the Reserve Bank of India in March 1996 as an Autonomous Centre for Development and Research in Banking Technology. The vision of the Institute for Development and Research in Banking Technology is to be the premier and preferred Research and Development Institution on Financial Sector Technology and its Management, working at the intersection of Banking and Technology for the Indian Banking and it has multi-dimensional activities focused on training and research.

Indira Gandhi Institute of Development Research (IGIDR) is an advanced research institute established and fully funded by the Reserve Bank of India for carrying out research on development issues from a multi-disciplinary point of view. Starting as a purely research institution, it rapidly developed into a full-fledged teaching cum research organization when it launched a Ph.D. program in the field of development studies in 1990. In 1995, the institute initiated the M. Phil programme. The M.Sc. programme commenced in 2003 to introduce students to the world of research at an earlier stage.

The Committee while recording the commendable role played by these institutions, provides following recommendations to further enhance the institutional framework for training in the evolving milieu.

(i) Clear focus areas of expertise to specialise in the evolving environment needs to be crystallised by such institutions. RBI may guide and help facilitate clear delineation of focus areas for such institutions to minimize duplication in roles.

(ii) Institutes like CAFRAL, NIBM, CAB, Pune, IGIDR, IIBF need to create Centres of Excellence in different areas of relevance to banks in accordance with their core competence so as to benefit the industry.

(iii) Enhanced scale of research activities by CAFRAL, IGIDR and NIBM

- (iv) Development of frameworks for best practices in different areas of banking can be explored by CAFRAL, NIBM and CAB, Pune in their areas of core competence***
- (v) Collaboration among other reputed institutions like Universities/academics for research and learning programmes need to be further enhanced***
- (vi) Providing right incentives to attract the bright talents as faculty for training and research institutions.***
- (vii) Exchange of personnel between the institutes and industry and academia need to be encouraged for sourcing talent on a global basis.***
- (viii) Initiatives for training the trainers for enhancing in-house training expertise in banks***
- (ix) Enhancing scale of consultancy engagements by bodies like NIBM and CAB, Pune to their constituents***
- (x) Enhancing new methodologies like e-learning, certification programmes can be incorporated as part of design of value added training/learning products.***
- (xi) The institutions need to be scaled up in terms of human resources and infrastructure to cater to enlarged demand in future in different specialised areas.***
- (xii) Establishment of a Case Clearing House at the Industry level may be considered. NIBM may host the case clearing house for the industry.***
- (xiii) Research may also be focussed on talent management like assessing effectiveness of various talent strategies, converting talent strategy to specific programs and processes that are effective and efficient, the linkage between the success of talent programs and processes and the achievement of business results/business strategy and organizational success.***
- (xiv) There is also need for more finishing schools for entry level employees and more training providers catering to different levels/scales of officials in different subject/competency areas for training purpose.***
- (xv) New training institutions catering to different categories of banks and NBFCs may also be considered.***

5.2.6 Centre of Excellence for Leadership Development for banking sector

Committee felt that key to elevate banking system development to higher orbit is by developing leaders for the banking sector. Current leadership training practices varies among the banks. The main connecting link is the management development programmes at reputed academic institutions for leaders and candidates identified as potential leaders. Given the key role of leadership in driving performance and standards in individual banking institutions, it was felt important that leadership development and training needs be accorded strategic focus.

Keeping in view the above, the Committee recommends the following:

(i) A centre of excellence for leadership development may be created either as an independent institute or under the aegis of CAFRAL.

(ii) The aforesaid CoE may serve as a knowledge repository for leadership development by conducting research on leadership evaluation and training, high performance leadership practices, undertaking surveys, organizing seminars and conferences and evolving related centres of excellence. The centre may also collaborate with existing networks in leadership development across industries and human resource management to address gaps in developing leadership and management practices.

5.2.7 Foster development of data and research on skills in banking sector

There is a need for development of scientific methodologies to assess skill-gaps and training needs. Appropriate interventions at the industry level are contingent upon availability of comprehensive data to facilitate assessment of current state of affairs, model future trends which in turn would enable relevant stakeholders to monitor and enhance capacity building interventions in building up skillsets and to address the demand-supply gap.

In this context, the Committee makes the following recommendations:

(i) Comprehensive information system needs to be created on demand and supply in banking sector in respect of various skillsets/competencies/job roles. The industry snapshot needs to be developed and regularly updated to assist stakeholders in planning for the future of their industry.

(ii) There is also a need for high level economic modelling of skills demand and supply as part of the scenario approach to future capacity development in the banking sector. The modelling needs to provide projections on supply and demand against each of the scenarios, including changes in the balance of skills and qualifications at industry level.

(iii) The aforesaid research output needs to inform training/curriculum improvements and other initiatives to address the imbalance in skillsets/competencies. It will help in assessing the degree to which the market or institutions can deal with issues of undersupply or oversupply of skillsets, and when and to what extent government should intervene.

(iv) There is also need to conduct periodic studies/benchmarking exercises on capacity building, productivity improvements based on study of cross jurisdiction practices, new innovations in terms of technologies and practices to make capacity building processes more efficient and effective.

(v) The research would also assist people in the industry to choose and develop their career paths through inputs like possible areas of development / expertise where people can grow and their future potential.

5.2.8 Monitoring framework for capacity development in banking sector

While the Committee had delineated various systemic measures for a robust and sustained push to capacity building, it was recognized that there was a need for a centralized agency to function as a monitoring authority to recommend, develop and design suitable interventions and to generate periodic reports in this regard. This would help the measures to be taken forward with a systematic project oriented mode.

The Committee accordingly recommends:

(i) Creation of an institutionalized monitoring framework for assessing through surveys and research, oversee the various developments in respect of various initiatives and develop indicators/metrics to assess progress in capacity building effort for the benefit of various stakeholders.

(ii) The initiatives in individual verticals of the financial sector as a whole could ultimately coalesce into an integrated strategy, monitoring and intervention at the FSDC level.

5.2.9 Creation of skills registry for the banking sector

Committee observed that a National Skills Registry (NSR) has been set-up and managed by NDML on behalf of NASSCOM, premier trade body and the chamber of commerce of the IT software and services industry in India. The Registry is a NASSCOM initiative to have a robust and credible information repository about all persons working in the industry. This develops trusted and permanent fact sheet of information about each professional along-with background check reports. This is a security best practice for the industry and assures identity security, industry acceptance to honest professionals. The system has also enhanced the image of Indian IT & ITeS / BPO industry as one that has raised the bars on security standards in pursuit of excellence and client satisfaction. Since the registry is positioned well to serve a process and interest that is common and applicable to all organized, security conscious businesses, the initiative could also be considered for banking and financial industry also.

National Institute of Securities Market (NISM), an institute established by SEBI develops certification programmes for various segments of financial markets. Employees of the financial market intermediaries and other persons can appear for these certification programmes and comply with market regulator's requirements / improve their knowledge of the market segment and applicable regulatory regime. NISM Skills Registry is an online database of all NISM Certified Candidates who have successfully passed and obtained NISM Certificates in various market

segments. The NISM Skills Registry consists of data pertaining to candidates of all NISM Certification Examinations and Continuing Professional Education (CPE) irrespective of the candidates' location, Test Centres, Test Administrator or CPE Provider. The data is primarily provided for verification purposes against the NISM Certificates issued by NISM either in physical form or in soft copy format. Verification can be performed based on Permanent Account Number (PAN) of candidates certified by NISM.

Keeping in view the improved skillset requirements and given the enhanced need for assurance for personnel working in the banking industry, the Committee recommends creation of skill registry for the banking industry.

5.2.10 Interventions at the primary/secondary and higher/tertiary education levels:

The Committee deliberated on the need for and methods of intervention at the primary/ secondary and tertiary education levels. Committee observed that studies by APWA [Human Capital and Productivity (2013)] has brought out that in the context of individuals, changes in wages appear to be the best indicator of the productivity effects of learning. The literature suggests that, on average, an additional year of learning increased an individual's wage by between 5 and 16 per cent. For firms, the studies reviewed generally indicated a positive correlation between learning and productivity. At the country level, the literature reviewed indicated a strong and significant association between learning and productivity in cross-country studies. The studies suggest that an increase in the average level of education by one year would, on average, resulted in a 3 to 15 per cent growth in GDP per capita in the long-run.

The challenge of capacity building will require fundamental education reform and initiatives across primary/secondary and higher education apart from other adjunct skill development initiatives.

In this connection, the following recommendations are given:

(i) Partnership of institutes in banking with educational institutions, both at under graduate and higher levels which potentially induce students to

consider taking up careers in banking/financial sector. A large part of student community is not adequately exposed to availability of rewarding career opportunities in banking sector. The institutes can assist through various modes like conducting sessions on career in banking, career guidance cells, facilitating training for students to take up various certification examinations/e-learning courses to enhance knowledge and sponsoring quiz program for students.

- (ii) Incorporating banking oriented subjects/courses and enhancing quality of courseware in secondary education/college education*
- (iii) Study visits to banks by students in schools/colleges to observe their basic functions and to develop interest in banking oriented careers.*
- (iv) Promote the incorporation of digital literacy into all undergraduate and graduate level courses.*
- (v) Using various ICT media like social media, mobile media to reach out to students on careers in banking.*
- (vi) Support more of work-integrated learning (WIL) that would feed banking ready professionals.*
- (vii) Integrate skill-based training as part of the graduation curriculum in the Indian higher education space.*
- (viii) Strengthening quality in the tertiary sector: There is a need for focussed Skill Development Initiatives based on the foundation of Competency Standards to increase the employability of the graduates and make them suitable for hiring by the industry. It is a well-accepted fact that the quality of skills imparted is highly inconsistent across the different institutions in the ecosystem of talent. The competency Standards needs to be utilised to serve as a base to develop the required training programmes to develop the skills of the students and make them job-ready.*
- (ix) The Competency Standards will need to be used to review and redesign the relevant curricula across universities and colleges. These standards need to be modified on a periodic basis to maintain relevance to the industry which in turn will trigger the process of updation of the education curricula.*
- (x) Using a banking competency-based framework, there is a need to determine areas of focus for skill development programs so that any*

incumbent or new entrant into the industry will have a clear understanding of how to equip themselves for various job roles.

(xi) Financial literacy to be initiated and expanded early in the cycle at school level itself

(xii) Use of flipped classroom model involving combination of face-to-face and online delivery enhancing learning, particularly at graduation/post-graduation level.

(xiii) The demand for flexibility and mobility in the future world of work will impact the way people manage their careers. Currently there is little research or data about career advice. There is an important role for industry in providing career development advice underpinned by up-to-date labour market information and a 'real life' perspective.

(xiv) Need for increase in Ph.D candidates to facilitate overall capacity building: It is a generally accepted fact that research has been crowded out by teaching and administrative activities in many public and private universities. Study by NASSCOM has indicated that there is insufficient PG and Ph D/M Phil talent pool. The industry is churning out a mere ~25,000 Ph Ds and ~500,000 PGs, which is a very miniscule number against the total enrolment in primary school level in the country. This also indicates that out of every 1000 candidates who enrol in Primary Education, only ~13 reach the PG stage and ~1 reaches Doctorate education.

To ensure increase in enrolment in doctoral and post-graduation courses, education policy level changes are required. This will ensure that the supply in these areas increases leading to increase in innovation and research facilities in India. Some of the steps that can be taken for capacity building in this context include setting up dedicated CoEs for research and innovation, providing competitive access to public research grants to the institutions, concerned institutes to focus on faculty and infrastructure development, create a conducive environment and provide incentives to attract and retain high quality faculty, opening more Government sponsored and private higher education institutions of high quality, enabling better access to research information and databases through supporting information services.

5.2.11 Improving academic-industry interface

The growth of the Indian economy and the banking sector requires high calibre human capital who can display higher level of knowledge, skillsets and leadership qualities. There is a need for enhanced academic-industry interface to enable generic academic courses to be supplemented or replaced by industry oriented programs that equip the students with the knowledge and skills to be able to make a mark early on the job, thereby reducing the gestation period between theory and industry practice. Thus, making education industry relevant and practical would help ensure a highly employable talent pool.

The interface between the industry and academic and training institutions was felt as an important need by the Committee for moulding the students in academic institutions to the requirement of banks.

The Committee accordingly recommends the following:

(i) Customized design of vocational courses to suit the industry with high level of onsite practical internship at banks. Extensive industry inputs in designing various levels of courses catered to either requirement of generalists or specialist positions

(ii) Exchange of students for summer internships in banks

(iii) Programmes either as part of regular course or separately to enhance the employability of students in banks like development of soft skills etc.

(iv) Onsite training/projects at banks need to be enhanced.

(v) Giving weightage to industry experience while recruiting faculty to encourage industry professionals to take up faculty positions and to encourage industry professionals to take up part-time faculty assignments

5.2.12 Public-private partnership

Both public and private participation should be encouraged to ensure that skill development happens at a fast rate. There is a need to foster public-private partnership to ensure the capacity building efforts are multi-dimensional, scalable

and sufficiently innovative to allow for new models and methodologies to facilitate effective capacity building. The real benefits of capacity building on a large scale could not be actualized unless public private partnership is developed.

The Committee noted that National Skill Development Corporation India (NSDC) is a public private partnership in India which aims to promote skill development by catalyzing creation of large, quality, for-profit vocational institutions. It provides funding to build scalable, for-profit vocational training initiatives. Its objective is to contribute significantly (about 30 per cent) to the overall target of skilling / upskilling 500 million people in India by 2022, mainly by fostering private sector initiatives in skill development programmes and providing funding. Its mission statements include upgrading skills to international standards through significant industry involvement and develop necessary frameworks for standards, curriculum and quality assurance, enhancing private sector initiatives for skill development through appropriate Public-Private Partnership (PPP) models, striving for significant operational and financial involvement from the private sector, focus on underprivileged sections of society and backward regions of the country thereby enabling a move out of poverty; similarly and focussing significantly on the unorganized or informal sector workforce.

NSDC is involved in setting up sector skill councils in various sectors to complement the existing vocational education system for the Industry Sector in meeting the entire value chain's requirements of appropriately trained manpower in quantity and quality across all levels on a sustained and evolving basis. The SSC proposes to complement the existing vocational education system and address the skill gaps through various activities like conducting research, improving the training delivery mechanism and building quality assurance by setting up a robust and stringent certification process. NASSCOM the premier Trade Body of IT-ITeS industry has launched a new initiative to scale quality capacity and increase the groundswell of talent for this industry by setting up IT-ITES Sector Skills Council NASSCOM (SSC NASSCOM) under the aegis of the National Skills Development Corporation (NSDC). SSC NASSCOM, an integral part of NASSCOM is recognised as the Skills Standards setting body under GOI. A BFSI Sectoral Skill Council(BFSI SSC) is also functioning catering to the BFSI sector.

(i) The Committee notes that for specific focus on banking sector, there is a need for strong involvement of concerned banking stakeholders as envisaged in the report in respect of various aspects of the capacity building ecosystem and driven by key entities like IBA and other learning/training institutes in banking sector with support of the regulator. BFSI SSC can collaborate with these institutes and carry out specific functions in accordance with its core competence.

(ii) While there is Gol co-funding support for skill development initiatives of NSDC and sectoral skill councils, an exclusive funding arrangement under the nomenclature of Financial Sector Development Fund with a large corpus can be considered by Government of India to support various capacity building/training initiatives in financial sector.

5.2.13 Building bigger bridges of capacity- exceeding the frontiers

The capacity building conundrum also seeks to educate the ultimate user of banking products and services-the customers themselves. An aware customer is half the battle won for regulated entities like banks and more specifically non-banking financial companies. Recent history in administration of NBFCs abounds with instances where an unaware or illiterate customer woke up to his travails only when “fly by night” operators siphoned off his money and leaving him in the lurch. The common question asked those days was why depositors did not approach RBI before depositing money in unscrupulous companies and knocked at RBI’s doors only when the companies absconded with the customer’s deposits. Awareness training is thus perceived to transcend the borders of regulated entities and reach right up to the door of the ultimate consumer or customer. There have been increased suggestions, rather demands, to use web portals, YouTube, social networking sites and various media of mass significance in driving home the training content. This would be equally successful in transmitting the awareness quotient.

Thus, as a measure of capacity building there is also a need to exceed the frontiers and deepen focus on creating awareness for the benefit of customer by an industry-wide initiative to supplement efforts of individual institutions.

5.2.14 Implementation of the Recommendations

The Committee has provided broad recommendations on various facets of capacity building not only from an individual institution's perspective but also from systemic perspective to support efficient, effective, sustainable model of capacity development in banking and non-banking financial sector of India.

The Committee provides following suggestions on implementation of the recommendations:

- (i) The sectoral capacity building in respect of financial sector needs to be primarily be supported and driven by individual regulators as part of their development role under an over-arching monitoring framework of FSDC.***
- (ii) The recommendations in the report can be grouped under short term and medium term for the purpose of implementation.***
- (iii) Based on recommendations, from a prudential perspective the regulator may provide detailed guidelines to banks/NBFCs relating to HR Management issues with a view to enhance capacity building and mitigate associated risks in such institutions. This may be carried out in the short term, within one year.***
- (iv) In many subject areas indicated in the report, eminent banking oriented institutions like IIBF already offer certification courses. Hence, existing certifications offered by IIBF, NIBM and well known professional bodies like ICAI, GARP, ISACA, etc could be recognised as eligible for offering the mandatory certification requirements for relevant subject areas in the interim. Thereafter, after development of competency standards and accreditation agency, the course contents could be fine-tuned by the aforesaid bodies if required along with possibility of more accredited training service providers in future.***
- (v) Individual training and learning institutions in the banking sector could further enhance their capabilities and services in line with the recommendations of the Committee over the medium term.***
- (vi) Other major recommendations in terms of development of competency standards, accreditation body, accreditation standards, academic***

industry interface, monitoring framework etc could be driven by the industry through IBA and key institutions like IIBF, CAFRAL and NIBM which can be implemented over the medium term.

- (vii) For enhancing private-public partnership, research on skill gaps in the industry and various long term systemic measures, the key industry stakeholders may collaborate with Government of India and NSDC.*

ANNEXURES

Annex - I

Study of training practices across banks - An analysis

A.1 Various recommendations that got crystallized owed significantly to certain studies undertaken by the Committee to understand the training practices in banks, which presented a plethora of information on various points. The following skill requirements were identified as part of an analysis as required by the Committee. An exhaustive analysis was undertaken by sending a 40-point agenda to banks to understand the skill planning, training requirements, age profiles and commensurate capacity building.

IDBI Bank Limited ,because of its special profile as a bank that evolved from a development financial institutions is referred to individually in several of the results detailed below, as such specific evolution has also impacted the training intervention in this bank in a unique way. While there is a significant number of foreign bank branches operating in India, considering the significance of operations and functions involved, only certain key banks were studied(such as HSBC,SCB and CITIBANK).

The result of such analysis is tabulated hereunder:-

TRAINING DEMOGRAPHY IN BANKS- AN ANALYSIS

SI	Questions	Responses Received		
		PSU Banks including IDBI Bank	Private Banks	Foreign Banks
1	Average age of employees	41.14 years (Range 35.00 to 45.41)	32.89 (Range 31.00 to 36.67)	33.97 (Range 31.60 to 35.30)
2	Average age of officer employees	41.62 years (Range 33.00 to 45.87)	32.83 (Range 29.00 to 38.40)	33.03 (Range 34.00 to 31.30)
3	Functional skill sets/ knowledge requirements for various cadres	The cadre-wise requirements highlighted are: For Sub-ordinate staff Ability to read and write in local language, willingness to act and common sense.	Banks have indicated functional requirements for various cadres depending upon the functions they are associated with viz.,	The requirements varied depending on the roles and functions which are briefly described below – Customer facing/ retail: MBAs with good

		<p>For Clerks Customer handling, basic accounting, computer knowledge and systems/procedure, courteous behavior, team player, understanding of local language</p> <p>For officers While some banks indicated requirements cadre-wise viz., junior, middle, senior and top; others categorized training requirements in terms of skill sets desired in generalist and specialist officer.</p> <p>Broadly, in addition to the skill sets desired in clerks, officers were expected to have updated information on accounting, control mechanisms, inter-persona relationsl, credit, marketing, managerial, negotiation, communication, conceptual, motivational, leadership and strategic planning skills. Willingness to work at odd hours, taking decisions, networking with people, attitude of continuous up-gradation of skill were additional requirements for officers.</p>	<p>retail branch banking, retail assets, wholesale banking, operations, credit and risk, IT, Finance, HR, Administration, etc. the various functional skills required in respect of the functions above were: understanding of bank products, regulatory and statutory provisions, operational process, bank's core values and principles of ethical conduct, customer relationship skills, etc.</p>	<p>communication skills, wealth management experience, mandatory certification to sell financial products (in specific cases), good sales acumen, market knowledge, corporate etiquettes etc.</p> <p>Back office/ operations Graduates/ MBAs/ CAs with good communication skills, basic computer knowledge with an eye for detail, complete understanding of banking and regulatory guidelines, etc.</p> <p>Global/ support functions like HR/ Compliance/ Audit/ Legal, etc. Professional qualifications with relevant prior experience in the respective domain Banks also indicated additional specifications as below:</p> <p>Middle Managers Line manager related capabilities like coaching, activity management, revenue management, handling critical customer issues, etc.</p> <p>Senior Leaders Behavioural role models with in-depth expertise in driving the right behaviour and technical competency.</p>
4	Non-functional skill sets	Banks have indicated areas such as, adaptability to computerized/ high pressure environment, readiness to	Banks have indicated skills sets such as personal effectiveness, supervisory/ managerial	The level of competency is dependent on the role and level in the bank and skill sets include ability to

		take up challenges and mobility to various locations.	skills, swiftness, commonsense, ability to grasp, behavioral skills, assertiveness, interpersonal skills, managing priorities, business writing skills, effective presentation skills, time management and negotiation skills, coaching & mentoring skills, sales effectiveness, customer centricity, sales management.	adapt in the changing environment, proficiency in computer skills, ability to perform under pressure, good communication skills, excellent written & oral communication, team player with a positive attitude. leadership standards, etc.
5	Changes observed in required skill sets in last 5 years	Transformation from DFI to bank and concomitant change in business model from wholesale to retail has been the major change requiring varying skill sets at IDBI. Increasing technicalities in banking operations, role of CBS, alternate channels of service delivery, increased customer awareness, need for continuous up-gradation of skills are other changes observed by banks.	Increased reliance on technology, greater emphasis on regulatory and statutory compliance, increased customer awareness and focus, increasing complexity in banking products, services, processes and its delivery, growing importance of risk management, expansion of banks into different geographies, changing regulations in banking are some of the changes observed by the banks necessitating changes in skill sets.	The banks have indicated following areas: Increased focus on agri-banking, risk and compliance, customer centric, a well rounded balance between technical competency, soft skills and leadership capabilities, knowledge of rules and regulations of the industry, etc.
6	Business and regulatory triggers that have led to changes in competency/skill set requirements	While some banks have highlighted shift in business model and thrust to retail segment and requirement of meeting priority sector targets as triggers, other banks have identified increased competition, Basel guidelines, tough NPA norms, customer compensation parameters, Basel regulation	Some of the business triggers identified by the banks are: Introduction of new products, e-commerce, alternate delivery channels, increased competition, increased rural push, financial inclusion. Certain banks have	The banks have indicated the following triggers: Risk management, stringent KYC and governance requirements, detail orientation, compliance, etc.

		implementation, and stricter adherence to KYC / AML guidelines as triggers. Increased competition and unethical canvassing for business by peers has also been highlighted as one of the changes by a bank.	indicated that the financial crisis of 2008 also forced them to review the sourcing model in retail banking. Some of the regulatory triggers highlighted by the banks are: Stricter adherence to KYC/ AML guidelines, changes in banking laws/ regulations, new bank licenses, risk management, Basel III guidelines, RBS.	
7	Skill sets required in next 5 years	While some banks believe that basic skill sets may not undergo change, certain others feel that a talent management strategy most appropriate to the retail banking segment would be required. One bank has highlighted efficiency, accuracy, swiftness in computerized environment, soft skills, analytical abilities, highly motivated self starters as skill sets which would be required going forward.	While some banks do not foresee any major shift in the skill sets requirement, other banks have indicated some additional skill sets which would be desirable in next 5 years. The skill sets indicated were: multidisciplinary expertise with deeper specialization at specialist positions, skills to handle digital banking, payments system, rural banking skills and financial inclusion, risk management skills, information system security skills, customer centric approach and relationship management skills.	The banks have indicated various skill sets as follows: Digital banking, priority sector lending, financial inclusion, adapting to changing environment, highly technology savvy, ability to reengineer processes, innovative mind set, financial crime control, relationship based selling, expertise in wealth advisory, sound lending knowledge, enhanced knowledge of local/ global regulatory requirements, etc.
8	Minimum academic and professional qualifications required	For IDBI the minimum qualification is graduation. For other banks it is minimum 10+2 or equivalent with 60% and graduation for officers. For specialist officers, educational requirement is as per the field of specialization.	For most of the banks minimum qualification is graduation. For specialist positions, post graduation in the relevant area is preferred. A bank has stated that it is currently running a pilot	The minimum academic qualification was graduation while for HSBC it was post graduation for most roles. Further, certain specialized posts require CA/ MBA/ LLB etc.

			where a few employees with XIIth pass qualification have been engaged in frontline sales roles.	depending on job requirements.
9	Methods of skill gap assessment/ competency mapping exercise and outcome	Banks have not reported any formal methods for skill gap assessment/ competency mapping. However, performance appraisal and periodic job rotations were being done assessing skill gaps and finding solutions.	While some banks have reported to be not undertaking such analysis, other banks have reported that core competencies are identified at the bank level. Based on the annual appraisals skill development areas/ skill gaps are identified and relevant training interventions are done. Keeping in view the career progression of the employee, the skill gaps are ascertained and trainings are provided so as to enable the employee handle responsibilities for the next level in the hierarchy.	<p>SCB SCB uses capability frameworks as part of hiring decisions, development conversations and learning needs identification. The Bank also uses behaviour maps (like Values behaviours), Bank's code of conduct, etc.</p> <p>HSBC Skill Gap Assessment is done by Country academy team by performing a "Learning Need Analysis" in discussion with the business heads and managers. Further, as a part of performance reviews, focus is placed on discussion and development of an 'Individual Development Plan' for each employee which aims to capture the skill gaps (both technical/functional and soft skills) at an Individual level. HSBC has a robust training framework termed as "HSBC Business School" which ensures suitable skills sets are imparted through appropriate learning solutions.</p> <p>Citibank An annual Training Needs Identification (TNI) exercise aimed at identifying Training Needs across the entire spectrum of employees at the bank is carried out. The outcome of the TNI</p>

				process is a list of training programs required for each employee segregated by functional, professional development & leadership development
10	Broad organisational structure	In case of IDBI, the CMD is assisted by two Dy. MD to whom EDs responsible for functional units report. For other banks, CMD is assisted by CGMs to whom GMs responsible for functional units used to report.	In case of most of the banks, Board of Directors is the apex body. MD & CEO is in turn, assisted by Heads of various functional units.	The Heads of various departments were reporting to the CEO. For SCB, the CEO was in turn reporting to Business Planning Manager.
11	Different levels/cadres/designation of employees	Normally there were 9-10 layers of hierarchy starting from the lowest rung in the officer cadre to the Chairman.	For Karnataka Bank, there were 9 layers from AM to MD. For other banks layers varied from 13 to 17.	For HSBC there were eight (Grade 0-7), for SCB there were nine (Band 1-9) and for Citibank there were ten grades (C16- C04) for officers.
12	Internal mechanism for identifying skill sets and qualifications, methodology followed	Based on the experience of executives heading the vertical and the standard norm in the industry. Annual performance appraisal, periodic job rotation is used to identify skill gaps in workforce.	Job roles, job descriptions, key requirement areas and requirements highlighted by business teams are used to identify skill sets for particular jobs/positions. ICICI Bank, for example, conducts an annual assessment of skill requirements and accordingly recalibrates the training design, content, curriculum and pedagogy.	The skill set requirements of a job are dependent on the scope of a role and are recorded in the job description (JD) for each job. Performance review, internal recruitment process, feedbacks received from stakeholders, help line manager & recruiters to identify gaps in the skill sets & requirements of the specific job.
13	Lateral recruitment, levels and positions/job profiles for which done	While some banks have not resorted to lateral recruitment, others have recruited in specialist cadres i.e., Law, IT, Security, Engineering, Official Language, etc., at Junior and Middle Management levels/	Banks are undertaking lateral recruitment primarily at junior and middle management levels, in case internal talent is not available. These recruitments are primarily for specialist positions like relationship	At HSBC bank, vacancies were opened for external hiring only where internal talent pool was not available and was for middle- senior level jobs. At SCB it was 50% and across all levels while at Citibank it was

			managers, supervisory roles, regional/ zonal managers, investment bank, treasury, risk management, etc.	75%.
14	Differentiate between “specialist” and “generalist” areas. Business functions/jobs which require “specialists”. Functional areas where “generalists” are deployed.	Banks differentiate between specialist and generalists. Business functions for specialists included areas such as IT, Legal, Security, Rajbhasha, Library, Engineering, Catering etc., Generalists were deployed in branches, administrative functions, finance, treasury, taxation, etc.	Banks are differentiating between specialists and generalists. Business functions for specialists included areas such as treasury, derivatives trading, IT, Forex, Risk Management, Service Deliver Groups, Product roles, etc., Generalists were deployed in branches, administrative functions, and as sales managers, branch managers, operations, etc.	Banks differentiated between specialists and generalists. Business functions for specialists included areas such as IT, Legal, Compliance, HR, Risk Management,, Marketing etc., Generalists were deployed in Relationship Managers, Sales, Operations, etc.
15	Methodology of selection and identification of personnel for deploying in specialist functions	Separate selection process is adopted for posting of officers in specialist functions. After posting, proper trainings are also imparted. Approach is to ensure that only qualified person with sufficient domain knowledge are selected.	Job specifications for specialist functions are identified by respective business heads. Shortlisted candidates fulfilling the necessary criteria are then interviewed, backgrounds are checked and references are verified before final selection. Some banks have mentioned that they also use personality profiling (psychometric profiling) tool, called Occupational Personality Questionnaire (designed by SHL, UK) to confirm the orientation of the candidates in addition to requisite knowledge and skills.	Candidates were selected through screening process and interviews. HSBC was also conducting online tests
16	Skill gaps	Some skill gaps are felt in the	While one bank had	No significant skill gaps

	<p>faced along with the functional areas where faced</p>	<p>area of forex, treasury, risk management due to large scale retirements. However, the gaps are temporary and insignificant.</p>	<p>indicated that skill gaps were negligible owing to effective and timely training interventions, some banks have indicated that skill gaps vary across various cadres of employees. Skill gaps for frontline staff include lack complete knowledge of products, processes and systems, at higher levels skill gaps are concentrated around motivational, leadership and team management skills. Some banks have indicated skill gaps at entry levels owing to constant churn of employees.</p>	<p>were faced by Citibank. At HSBC, the skill gaps were effectively addressed by HSBC Business School in system, risk, product/process, customer service, etc. While SCB had indicated digital banking, financial inclusion, priority sector, compliance awareness and application where there were skill gaps.</p>
17	<p>Any internally prescribed continuing professional education requirements for enhancing knowledge and skills or for career up-gradation</p>	<p>Written exams were conducted for promotions to higher levels. Separate weightage was also assigned for successful completion of JAIIB/ CAIIB exams. E-learning and various other certification programmes were also being encouraged by way of incentives and reimbursement of course fee for continuous professional development of the workforce.</p>	<p>While some banks have identified critical certifications/ courses/ exams to encourage learning and development, some banks are providing structured training programmes on regular intervals. One of the banks had also indicated that some exams such as JAIIB/ CAIIB, KYC/ AML certification from IIBF, certifications from NISM/ AMFI/ IRDA etc., were essential before absorbing employees in certain critical areas. A bank has mentioned that Banking Knowledge Test (BKT) is conducted for employees every year.</p>	<p>At one bank there were benchmarks of training completion. At other bank 5 days of training per individual were targeted which varied as per businesses and relationship professionals were required to be certified based on products and skills. At one other bank, 70-20-10 approach for learning was followed ie 70% on job, 20% from colleagues and 10% through formal methods. Further, there were induction trainings, specific learning roadmaps for different roles based on which employees were nominated for e-learnings/ classroom</p>

				sessions.
18	Challenges/constraints in identifying/recruiting personnel with suitable skill sets	Inability to offer differential pay or incentive to select personnel, not resorting to campus selection, selection from common pool of candidates clearing IBPS exam where tailor made bank specific requirements cannot be made are some of the constraints/ challenges indicated by the banks.	Availability of skilled talent for key business areas, attractiveness of banking sector as employer, talent retention particularly in view of increased rural push, scarcity of candidates with requisite skill sets for specialized positions are some of the challenges highlighted by the banks. Some banks have stated that they do not face any challenge.	In one bank there were no such major constraints. One bank had mentioned niche roles, business risk, compliance managers, financial crime and control while one other bank had mentioned good communication skills (phone banking), relevant work experience (selling MF/ insurance), decision management (SAS/ functional knowledge).
19	Underlying reasons for difficulty in identifying and retaining personnel with specialised skill sets	Marked differences in pay and perquisites by other banks, inability to provide place of postings, mandatory minimum service requirements for elevation of higher levels are some of the problems highlighted by banks in retaining personnel in banks.	Attracting the quality talent pool at appropriate compensation structure has been highlighted as one of the important reasons. Banks have also stated that specialist candidates are also sought by corporates as a result of which there is scarcity of qualified and employable candidates. One of the banks has also indicated that such difficulties have not been faced by the bank so long. Another bank has stated that poaching of employees by certain skillsets like wealth management, private banking, treasury etc. by MNC banks is a challenge.	The banks have sighted high marketability of such skills, shortage of specialists skills, identification of talent for newer spaces, immobility of individuals outside the country and compensation related exits as reasons.
20	Functional areas where bank finds it challenging in acquiring/developing	Risk management and Treasury are the areas where banks find it difficult to retain personnel. Moreover, high turnover is observed in areas	While one bank has not observed any such area, other banks have indicated areas such as Legal, IT, Technical, Risk	The banks have indicated risk, compliance, specialist product roles, junior sales roles, legal, market

	oping/retaining the personnel with required skill sets	like IT and Law.	Management, wealth advisory services, treasury, tax, business analytics, etc., where they are facing challenges.	audit, ERM, insurance, investments, foreign exchange, etc.
21	Whether training intervention vary with job profiles/ hierarchy of employees	Banks have indicated that areas like treasury, risk management require frequent training interventions. In one bank, gap between two training programmes of officers, clerks and sub-staff does not exceed 15 months, 12 months and 24 months respectively. One bank had indicated that employees at junior and middle management levels are given regular training at fixed schedules relevant to their job profiles whereas training frequencies for higher level employees at institutes of repute are generally not fixed and the bank endeavours to have a balanced approach.	Broadly, banks have indicated that training intervention is frequent in case of junior employees whereas at senior and higher positions, it is mostly need based.	Yes. One bank has indicated that some roles like group technology and operations have more e-learning and certifications while retail has more classroom trainings. Further, Managers and Senior leaders go through more leadership interventions, while employees in risk and corporate banking go through sharp and focused technical modules. One bank has indicated that certain learning critical areas like AML, risk were mandatory for all. One bank has mentioned that junior employees and frontline employees go through more frequent classroom sessions
22	How skill gaps are addressed	Periodic job rotations, refresher course, induction course, workshops and lateral recruitment at specialised positions are some of the ways in which banks are addressing these gaps.	Trainings both in-house and at external institutions, lateral recruitment, learning through e-portals are some of the methods adopted by banks for addressing skill gaps in the employees. ICICI Bank has set up functional academies which certify employees for taking up various roles. Skill through Drill, Service Assessor	Focused learning teams, combination of experience (special projects, job rotation, innovation opportunities international experience, etc.), exposure (coaching, performance feedback, cross business forums, etc.), and education (knowledge, skills and behavioral learning programs, external programs for advanced functional

			Program, Learning Matrix, Performance Support Tools (Business Companion), Game Based Learning, Simulation based learning, Legal Awareness Program are other interventions developed by ICICI Bank.	knowledge, etc.), etc. Gaps form the basis of training curriculum.
23	Any specific knowledge/skill set or certification requirements for front end staff	Though no formal requirement has been set by certain banks staff involved in areas like marketing, wealth management, insurance / MF selling are required to first undergo certification prescribed by institutions like SEBI/ IRDA/ AMFI/ NISM etc.	In some banks there was no formal certification requirement. However, employees were expected to have thorough understanding of bank's products, selling skills, customer acquisition, retention and satisfaction skills. For some roles, certifications from IRDA/ NISM/ AMFI were necessary and that was being ensured. In case of one bank, front end staffs were required to clear certifications which were issued by the bank after successful completion of training and subsequent exam.	Yes, but it varies as per business and role. Candidates identified come either with relevant prior experience or are put through the bank's internal training / on the job training program to equip them with the knowledge of product and services offered by the bank. Certifications are required where regulations demand a certification like AMFI/ IRDA.
24	Components of training/skill building plan	Banks are providing induction training immediately after recruitment for imparting basic work knowledge. Subsequently, role based trainings, workshops, specialised courses are undertaken either in-house or at external institutions. Moreover, banks also have e-learning portals for on desk knowledge updation of employees.	Banks are conducting training need identification and depending upon the type and duration of training interventions, resources are mobilized to actualize the plans under which training calendar is published, nominations are invited, programmes are administered and data is shared with the business units on a	Induction trainings, functional trainings, professional development, leadership, webinars, external accreditations, work based learning projects, etc.

			<p>regular basis.</p> <p>Banks are training new employees comprehensively to ensure job readiness, mid level and senior level employees are skilled up on operational excellence and business development skills and top performers are identified for grooming as leaders.</p>	
25	Training infrastructure available internally	Most of the banks have their apex training centres and regional training centres which conduct periodical trainings. One of the banks has also reported to be using apex training centre of SBI for training purposes.	<p>Most of the banks have apex training centres and regional training centres which conduct periodical trainings. Banks are imparting trainings through e-learning portals.</p> <p>ICICI Bank has mentioned that it has robust infrastructure – both physical and in the virtual environment to offer training to its employees. Apart from this, it has also created a large pool of around 1500 internal trainers, who deliver various functional programs.</p>	Full-fledged training set up, simulation centers, conference rooms, etc. with video conferencing facilities, projectors, computer systems, etc.
26	Name of external institutions leveraged by the bank for training/skill building. Details of functioning areas/aspects covered	Institutes such as CAB, NIBM, CAFRAL, FEDAI, IDRBT, CRISIL, CIBIL, FIMMDA, IIBM, Euromoney, Kellogs University, IICA, ASCI, NABARD, NI-MSME, IIMs are being used by banks.	Institutes such as CAB, NIBM, IDRBT, BIRD, IIMs, CRISIL, FEDAI, FIMMDA, IIBF, IISM, IBA, ICRA, WIPRO, CDSL, IIBF, CII, Global Gold Foundation Private Ltd, ILFS and ICAI are being used by the banks.	Computer Society of India – Mumbai Chapter, Bombay Stock Exchange, IIM – Ahmedabad, IIM – Bangalore, Dale Carnegie, Franklin Covey, ISB – Hyderabad, D & B India, Fourth Quadrant, Training incorporate, Pragati Software, INSEAD in Singapore, Oxford

				University, etc.
27	Current modes/scheme of recruitment at entry and higher levels	Entry level recruitments are being done through IBPS whereas in case of SBT, it is through SBI, CRPD. Higher level recruitments are on the basis of open advertisement by the bank followed by personal interaction with the candidates.	While one of the banks has reported to be using IBPS scores for recruitment, others have reported using various channels for recruitment viz., campus hiring, career sites, placement agencies, employee referrals, job ready schemes through training institutions.	Campus recruitment, employee referrals, consultants, social media (linked in), direct walk-in, job boards (naukri) etc.
28	Best practices adopted in the area of training. Operating mechanisms for improving effectiveness of training system	Some banks have constituted a Training Advisory Committee at apex level having advisers with research experience and retired executives with rich field and domain experience. Need based trainings, self nomination, some compulsory trainings, etc are being resorted to by the banks. Programmes are being devised in consultation with business verticals and some banks are conducting training need analysis on a yearly basis to ascertain the needs of business verticals.	Banks have reported to be using the following: Involvement of business units for identifying training needs, validating contents, identifying target audience for making the trainings relevant. Banks are also following hire, train and deploy model as also train and hire model depending upon the specific job requirements. Banks have also prescribed role specific certifications. Annual training plan. Post training evaluation. Leveraging the e-learning platforms.	Blended learning approach which combines various learning methodologies, role based curriculum, mandatory curriculum on compliance and risk, self directed trainings, virtual instructor led trainings, e-learning, increasing focus on alternate channels (like webinars, video conferencing, etc.), using feedback on each program to improve, etc.
29	Career progression plan/strategy for new recruits at entry level	Banks have a formal policy on career progression for new recruits at all levels viz., sub-staff, clerks and officers. Requirements such as minimum length of service in a particular cadre along with exams/ interviews are being adopted by banks for selection of personnel for promotions, career	Banks have reported to be using both performance and potential parameters for career progression of new recruits. Progression was based not only on tenure but also on performance ratings. ICICI Bank has stated that once an employee	Various training programmes for campus hires/ new recruits/ existing staff, publishing business specific career maps/paths to entire frontline, identification of good performers with high potential for branching out in relevant roles, etc.

		<p>progression.</p> <p>One bank which recruits executives on contract for 3 years offers an opportunity for extension of contract for another 3 years subject to satisfactory performance. These executives are also observed as Junior Officers provided they pass a selection process comprising of written test and interview.</p>	<p>reaches the middle management level, a leadership potential assessment process is conducted for identification of those employees who possess leadership potential. All such employees identified as having leadership potential are prioritized for job rotation and are systematically and methodically rotated.</p>	
30	<p>Minimum qualification/skill sets prescribed for external agencies/vendors towards various functions</p>	<p>None of the banks is engaging external agencies for sales or marketing.</p>	<p>Some banks have reported that they do not use any external agency/vendor, while others have specified graduation as the minimum qualification. One bank has also indicated that under graduates with relevant experience are also considered for such functions.</p>	<p>One bank was not engaging external agencies while the other two had indicated 10+2 and graduation/ post graduation respectively as minimum qualification.</p>
31	<p>Method of assessment of efficacy of training and skill building processes, improvements made on the basis of assessments</p>	<p>Through participants' rating and feedback banks assesses the effectiveness of programmes. Based on the assessment, necessary improvements are made in the content, conduct and infrastructure of the programmes.</p>	<p>Feedback, training assessments made by the participants are used to enhance effectiveness of programmes. One bank had reported to be using Kirkpatrick Model for learning evaluation.</p>	<p>Feedback from the participants, discussion with business stakeholders, observations and role plays to measure skill enhancement, pre and post program certification examinations, call quality scores, error reduction data, sales/ services metrics, etc.</p>
32	<p>Average per employee (officers) man hours spent in training during financial years 2012-13 and</p>	<p>Average per employee man hours reported during 2011-12 varied from 12.62 hours to 25.00 hours whereas during 2012-13 it varied from 13.85 hours to 34 hours.</p>	<p>Average per employee man hours reported during 2011-12 varied from 13.42 hours to 27.00 hours whereas during 2012-13 it varied from 15.74 hours to</p>	<p>Average per employee man hours reported during 2011-12 varied from 22.7 hours to 45.00 hours whereas during 2012-13 it varied from 20.1 hours to 36 hours.</p>

	2011-12		31.73 hours. ICICI Bank have reported 76.8 manhours during 2011-12 and 78.7 manhours during 2012-13.	
33	Average per employee man hours spent in training during financial years 2012-13 and 2011-12 in respect of (i) Executive cadre of officers(AGM and above) (ii) other than executive cadre of officers.	The average man hours for executives were at 21 hours and 22 hours respectively during 2011-12 and 2012-13. For non-executive cadres it was 31 hours and 41 hours respectively during 2011-12 and 2012-13.	The average man hours for executives varied from 17.66 hours to 11.23 hours in 2011-12. For 2012-13 it varied from 16.00 hours to 6.25 hours. For non-executive cadres it varied from 26.49 hours to 10.91 hours in 2011-12. In 2012-13, it varied from 32.94 hours to 11.33 hours. In ICICI Bank, it was 81 hours during 2011-12 and 80 hours during 2012-13 in respect of Other than executive cadre of officers.	The average man hours for executives varied from 10 hours to 24.00 hours respectively during 2011-12 and from 15.9 hours to 31.00 hours during 2012-13. For non-executive cadres it varied from 22.9 hours to 45.00 hours respectively during 2011-12 and from 20.2 hours to 53.00 hours during 2012-13.
34	How manpower planning/skill building plan dovetailed with the business strategy and plan	Manpower planning is done based on expected business growth and new branches being opened. Skill development is based on the basis of business the bank is in (viz., retail banking, trade finance, etc). one bank had reported using the services of NIBM for preparing a report on the manpower assessment of the bank.	Most of the banks are undertaking manpower planning based on business strategy and direction of the bank. Based on annual business plan, business targets and budgets, a tentative manpower requirement (both incremental and replacement) is also drawn. Annual plans are also prepared to estimate type of manpower required along with training interventions required to skill the employees.	Business strategy is the driving factor of manpower planning which in turn leads to formulation of skill building plans depending on the business.
35	Trend in training cost	From 2011-12 to 2012-13, in case of one bank, while	While training costs as a whole was observed to	From 2011-12 to 2012-13, in case of one bank,

	during past three years along with balance sheet growth and growth in manpower	business grew by approximately 115%, training costs increased by 132%. For another bank, while the business increased by 12%, training cost increased by 16% approximately. Training costs were otherwise generally on the rise in all banks..	be increasing in sync with the growth in business and manpower in all the banks, some disconnect was observed inasmuch as the proportionate increase in training cost in respect of one of the bank was much less than the growth seen in the business and manpower resources. In respect of one of the banks, it was also observed that notwithstanding a marginal increase in the business, training costs had relatively gone up substantially.	while business had declined marginally, training costs declined by 24% due to significant reduction in manpower (by over 1000 in 3 years). For another bank, while the business declined marginally, training cost increased by 43% approximately due to increase in manpower by 12%.
36	Views/suggestions for creation of institutional mechanism in banking/ financial sector for prescribing competency standards and for drawing up modalities of awarding certifications to fulfill minimum competency requirements	Banks have suggested that a broad framework of competency standards for various roles and responsibilities may be worked out by a specialised institution and necessary courses/ certifications may be undertaken by the institute.	Almost all the banks have suggested that an institutional mechanism for prescribing generic competency standards which would run certifications to fulfill those competency requirements need to be introduced.	A minimum standards approach (modular) was suggested based on the role/ business requirement and then empower banks to customise the same as per their requirements and should be available for self/ online learning and certifications issued annually. A ladder approach to certifications was suggested as that will help in creating a pipeline for various roles and possibly growth for individuals. Pre-employment tie-ups with educational institutions that can help equip on these competencies prior to selection/recruitment with financial organizations was also suggested.

				It was also mentioned that although, this was a useful suggestion and would help in standardizing the minimum competency standards across organizations, it would mean collating data across all banks/ financial services companies, role-wise and that could be a challenge.
37	Specific suggestions on the issue of capacity building in banking sector	While one bank has suggested establishment of training centres at the auspices of IBA, another bank has suggested establishment of an institute with pan India presence, supported by experts drawn primarily from among retired executives of banks. Another suggestion is deputation of employees amongst PSBs, as also private and foreign banks across various grades to expose the employees to varying working practices as also organisational culture.	<p>Banks have suggested creation of specialized courses and general banking courses at graduate and post graduate levels to start with. Subsequently, institutions like Banking University could be established to create a talent pool of skilled and certified bankers.</p> <p>The following suggestions have been made by Committee members from BOB and ICICI Bank:</p> <p>i) Vocational programs in banking to be offered, that not only provide conceptual knowledge but also skill building through sufficient practice on field/on-the-job training in customer service, Credit and selling skills.</p> <p>ii) Banking industry should come together to create a professional body which should focus on expanding the</p>	It was suggested the curriculum in universities/colleges should be revised to include specific knowledge/ skill building on the critical banking related functional/ technical competencies. Skill building courses in graduate and post graduate schools with introduction of relevant curriculum and on-the-job internships will develop appropriate skills and exposure to entry level banking roles. Industry outreach programs should be encouraged wherein existing practitioners are involved in curriculum design.

			<p>employable pool of talent and creating/nurturing education infrastructure (training of teachers, curriculum design, creating and providing learning content, creating a campus, etc). Such educational infrastructure (or academies) may be established in partnership with organisations such as NIIT, Manipal University and others, as banks like ICICI Bank, Bank of Baroda, Federal Bank, etc. have done.</p> <p>iii) Banks can look at setting up job-linked, skill-enhancing functional academies which will be run by line managers to provide the requisite skills and knowledge to existing employees and talent hired laterally in the organization. The design of courses offered by internal academies should be heavily loaded towards application orientation rather than power point based theoretical presentations. Learning in these academies should be based on a “skill through drill” model where 70% or more time is spent in practice sessions. Experience has shown that a regimented drill at an appointed hour</p>	
--	--	--	---	--

			<p>leads to better results when it comes to practice based sessions. This methodology can be used to multi-skill employees in various processes/domains and help in job rotation.</p> <p>iv) Banks will need to leverage technology as a force multiplier in augmenting its capability building infrastructure.</p> <p>v) Banks can introduce an annual assessment process to check basic operational knowledge of employees engaged in customer service and sales roles.</p> <p>vi) For senior level employees, banks can provide two kinds of programs:</p> <p>a. Program on policy formulation and strategy focused on resource allocation, capital management and enterprise risk management. War game exercises can be organised for the senior management</p> <p>b. Soft skills and perspective program.</p> <p>Institutes like CAFRAL should be nodal centres for such programs.</p>	
38	Training interventions in	Banks organise internal and external (both domestic and	Banks had reported that Board members per se	Foreign banks do not have Board in India

	vogue to update the Board members on various developments in banking	foreign) programmes for EDs and Nominee Directors of the banks. Specialised institutions such as CAFRAL, ADFIAP and ICAI are also used for training.	are individuals with expertise and rich experience. However, based on their need and availability, banks were deputing those executives for training at institutes such as RBSC, IDRBT, CAFRAL, IPE etc.	instead they have a Management Committee. One bank had indicated that Management Committee members were regularly briefed by compliance and legal teams on local developments via mails, briefing forums etc. Another bank has mentioned that the Bank's Leadership team attends various programs on Leadership like Impact through Leadership which is run in collaboration with INSEAD in Singapore and is designed to help Leaders network with stakeholders in banking and finance and understand changing trends and Senior Leaders attend a week long program in Oxford called Leading Across Boundaries where they are exposed to new trends and ideas in finance and Banking.
39	Whether bank has a career plan for employees at various levels? If yes, (a) Please enclose career progression plan, (b) Whether such plans encompass	Banks have a defined career progression plan encompassing all cadres of employees. The plan is based on the business and transaction linked manpower assessment broadly in line with GOI directives in this regard in terms of eligibility, selection procedure and evaluation process. Each bank had its own promotion policy.	Banks have a defined career progression plan encompassing all cadres of employees providing them with both horizontal and vertical growth prospects through job rotations, promotions, added responsibilities/accountabilities, etc. Each bank had its own promotion policy.	One bank had indicated that career paths consisting of defined levels of progression for a specific role type were in place at entry level and defined eligibility in terms of tenure, minimum performance ratings, assessment of values led behaviours and technical skills. Another bank had a well-established and rigorous

	<p>all cadres of employees ?</p> <p>(c) If such plans are in place only for certain section of employees (eg. Officers), please indicate accordingly</p>			<p>annual talent review process, which involved identification of key talent and critical roles and succession planning for these critical roles. Further, there were internal job postings platforms, frequent interaction forums, career moves through a structured process, etc.</p>
40	<p>Average level of attrition in different cadres/grades</p>	<p>The average level of attrition varies from 5% to 5.62%. While attrition at senior management level was negligible, it was highest at junior management level</p>	<p>The average attrition rate for junior employees varied from 28% to 4% among banks. The attrition rate among middle management level employees varied from 10% to 4% in banks. At senior management levels, while two banks reported average attrition of 8.2%, one bank had reported attrition of 1%. Other 2 banks negligible attrition at senior management levels.</p>	<p>The average level of attrition varies from 2% to 20% and the attrition was highest at junior management level.</p>

Annex - II

Indicative Qualifications relevant to specific areas in Banks

Building skills first starts with the appropriate intake of talent based on required qualifications. In Banks we essentially have two streams of candidates a) One in the General Stream b) Second in the specialized stream. The type of indicative desirable qualifications that will be ideally required for entering into a banking organization based on specialization and stream of education are indicated below:

SI No	Stream	Qualifications*
1	General (Clerks)	Arts/Science/Commerce graduates - Intake after training through an academy
2	General (Officers)	Arts/Science/Commerce Graduates and Professional Degree Holders – Law, MBA, BBA etc Trained intake through industry participation /finishing school
3	Specialist (Credit)	MBA Finance/Banking, MCOM, ICWA, MSC (Maths/statistics/economics), professional certification in risk management/financial analyst
4	Specialist (Risk)	MBA – Risk Management, MBA Finance, Post graduation Maths/Statistics or BE/Btech with professional certification in risk management
5	Specialist (Treasury/ Forex)	MBA Finance/Banking, Post graduates in science with specialised professional courses
6	Specialist (Technology)	BTech, MTech, MCA, BCA
7	Specialist (Legal, Secretarial, Finance)	LLB, LLM, CS, MCOM, BCOM , MBA(Finance)
8	Specialist (HR)	MBA- HR, MSW, Degree with PG Diploma holders in IR
9	Specialist (Relationship and Product development)	MBA – Marketing, Arts and Science Graduates
10	Specialist (Operations and Channels)	BTech, MTech, MCA, Graduates in Arts and Science Stream
11	Specialist (Compliance and recovery)	Law Graduates, Arts and Science Graduates

***Indicative in nature; Minimum one essential**

Annex - III

Training interventions across categories of employees

Sl. No.	Category of employee	Type of Training/Intervention/Qualification
1.	New Recruits	On the Job Training (OJT), Compulsory Certification, Mentorship, Job Rotation
2.	Officer (2-5 Years) Junior	-do-
3.	Officer (5-15 years) Middle	-do- Project assignments, 360 degree feedback, Shadowing under top leadership, Nomination to Leadership academy (Top 500 future leaders)
4.	Officer/Executive (Above 15 years) (Seniors)	-do- Leading Project teams for change management, Leadership Scoreboards, Shadowing under Chief Executive, special assignments
5.	Specialist Stream - Credit	Posting in Credit Hubs and other interventions; certification
6.	Specialists - Risk Management	Intake of Risk Management graduates/MBA Finance from specialized institutes OJT, Certifications in various streams of Risk Management, Leadership Development Programmes
7.	Specialists - Treasury/Fund Management/Forex	Intake of Trained graduates in Treasury Management through industry participation OJT, Certifications, Leadership Development Programmes
8.	Specialists - Technology Managers (IT Officers)	Intake of Trained technology graduates through industry participation OJT, Certifications, Leadership Development Programmes, projects
9.	Specialists – Legal/Vigilance/Compliance/Inspection and Audit/Recovery	Intake for Vigilance/Inspection and audit through Generalists cadre
10.	Specialists – Relationships/Client Management Specialists – Operations/Channel Management Specialists – Functional/Shared Services Specialists – Product Development	Intake of Trained functional graduates Posting in business verticals Certifications

Annex - IV

INDICATIVE KEY SKILL REQUIREMENT FOR VARIOUS FUNCTIONS AND LEVELS

Indicative key skill requirements in emerging milieu for various functions and levels are identified, details of which are provided below:

Credit

- a) Analytical and decision making skills for (i) industry analysis (ii) techno economic viability study of hi-tech, infrastructure and project loans (iii) study of financial parameters for debt restructuring and rehabilitation (iv) cost ; benefit analysis for loan compromise (v) risk analysis and pricing (vi) minimum price for sale of NPA to ARCs (vii) minimum reserve price for auction sale under SARFAESI Act (viii) portfolio of stressed advances for credit monitoring
- b) Negotiation skills to negotiate with (i) loan consortium members (ii) borrower in respect of high value advances (iii) borrower under OTS (iii) ARC (iv) lenders under CDR arrangement
- c) Skills for crisis management with very high level of NPAs: for (i) building a team for cash recovery on war footing (ii) monitoring top NPAs with better MIS and a team specially created for monitoring (iii) taking stern action against willful defaulters (iv) monitoring of court/ DRT/CDR cases (iv) selling hard core NPAs (v) creating awareness of high NPAs in the bank at all levels
- d) Skills for counselling and rapport building with members of loan consortium to carry out joint credit appraisal, inspection and documentation, consultants to carry out a techno-economic study ,advocates , government departments at the grass root level for loan, nodal officers in HO dealing with CDR,BIFR and DRT cases, Lokadalats and consortium of advances
- e) Effective implementation of recent RBI Guidelines on handling distressed assets.
- f) In the context of training relating to NPA management, it is necessary to strengthen expertise in areas like analysis of balance sheet, total leverages and group leverages, sources and structure of equity capital, complex project structure, credit monitoring etc.

Knowledge/ Skill Profiles in Credit Function

<i>SN</i>	<i>Place of Work</i>	<i>Type of Work</i>	<i>Product</i>	<i>Procedure</i>	<i>Delivery</i>	<i>Concept</i>	<i>Policy</i>
1	Frontline Loan Officer	Specific	Loan products of the bank	<ol style="list-style-type: none"> 1. Collection of loan documents 2. Site monitoring 	<ol style="list-style-type: none"> 1. Basic due diligence/ KYC 2. Service quality 	Customer financial transactions/ modus operandi	
2	Branch Manager/ Marketing Manager	General	Loan products for segments needs	<ol style="list-style-type: none"> 1. Lead generation and customer acquisition 2. Credit monitoring 	<ol style="list-style-type: none"> 1. Advanced due diligence 2. Customer satisfaction 	Customer business and credit needs & limits	List of prohibited & growth industries
3	Functional Manager (Retail/ Trade/ SME Credit/ Corp Credit)	Specific	<ol style="list-style-type: none"> 1. Analysing credit line utilization 2. Documentation needs for loan products 	<ol style="list-style-type: none"> 1. Industry analysis 2. Techno economic viability analysis 3. Assessment of financing needs and credit worthiness 	Efficiency /risk in loan process	Business operations structure of firms and corporates	
5	Specialist officers (Credit Risk etc)	Specific	Product and business line risk identification	<ol style="list-style-type: none"> 1. Application of internal rating models 2. Account /portfolio risk-return measurement 		<ol style="list-style-type: none"> 1. Industry/sector concentration risk analysis/ EWS 2. Capital calculation 3. Stress testing 	Credit Risk policy
6	Business Manager at ZO/RO level	General	<ol style="list-style-type: none"> 1. Credit product innovations 2. Govt schemes for 	<ol style="list-style-type: none"> 1. Business analysis & credit planning in 	<ol style="list-style-type: none"> 1. Coordination of credit process 2. Consortium lending 	<ol style="list-style-type: none"> 1. SME/ business relationship mgmt. and loan pricing 	

			channelizing lending	command area 2. Lead generation, analysis of customer data		2. SARFAESI Act & recovery strategies	
7	Business Manager at TMG level (Head Credit Verticals)	General	Tie ups for lending product business	1. Strategic planning / target setting of credit businesses 2. Implementing SARFAESI Act & recovery strategies 3. Sale/auction of NPAs	Credit business model/ control of lending process	1. Economic/ industry trend analysis 2. Corporate/ business relationship mgmt. and loan pricing	

Risk Management

In light of the emerging challenges under Basel II and Basel III and FSLRC recommendations, training in Risk Management needs to focus on some key areas. These are:

1. Regulators and Supervisors

- a. **Understanding Micro Prudential Regulation** - On the tools, models and concepts underlying risk management guidelines. Appreciating the economic capital approach, limit setting methods, need for capital planning and stress testing challenges.
- b. **Assessing the risk of Corporate and Bank Default** - Understanding the concepts and tools for bankruptcy prediction, models for early warning signals and bank solvency analysis. Integrating historical and futuristic scenarios for stress tests. Developing a variety of simple models to capture systemic risk, which focus on (1) tail losses and (2) concentration risk or correlation breakdown over time.
- c. **Assessing and Managing Liquidity Risk** – Estimating the impact of liquidity shocks on income and net worth of banks. Examining liquidity buffers and contingency funding plans (CFP) for different degrees of stress. Forecasting the quantum of temporary liquidity assistance for fulfilling Liquidity Coverage Ratio (LCR) requirements.

2. Banks

- a. **Top Management:** Collaborative programmes with globally reputed institutions like the Fed Reserve New York on **Emerging Challenges under the Advanced Approaches to Basel II and Basel III: Challenges and Imperatives**, for CMDs, EDs and GMs.
- b. **Individual Risk categories**
 - i. **Credit Risk**

A commercial bank's major business focus is originating and holding credit exposures (on balance sheet loans and advances and off balance sheet credit facilities). As a consequence, the bank's risk profile is primarily affected by the quality of its credit business and potential losses due to high credit risk can threaten the bank's solvency. Thus, training on credit risk has to be widespread across multiple bank functions.

Risk Managers and Risk Modellers

- Development of models (quantitative tools like rating models or credit scoring models) that enable default prediction for different categories of bank obligors (corporate, SME, retail, agriculture etc) and the continuous validation of such models using the bank's own historical data on default behavior.
- Identification of key financial, non-financial and transaction related indicators/ early warning signals of default which can be used by the credit officers for appropriate decision-making at the time of credit origination and subsequent monitoring of the credit facilities.
- Developing the quantitative tools for identification and measurement of concentrations in various credit portfolios and translating these into appropriate policies that will enable the bank to maintain a diversified credit business profile

- Understanding of the regulatory drivers and regulatory models of credit risk estimation which lead to computation of regulatory credit risk capital requirements.
- Understanding the data requirements for building internal and regulatory credit risk models
- Development of appropriate reporting formats for conveying the model outcomes to Regulators, Top Management and Business Heads in a non-technical manner in order to enable informed decision-making and strategies
- Creation of a risk based performance measure that can be used to make relative comparisons of business performance (across credit portfolios, across credit products, across branches, across credit customers etc)
- Various methods/models for assessing operational risk

Credit Officers/Credit Departments

- Imbibing a risk-culture where decision making is risk-based rather than target-volume based.
- Understanding of the bank's internal models for default prediction and how they can be used to filter credit proposals at the time of origination and subsequently for monitoring
- Appreciation of credit concentration build-up due to focused lending in certain sectors and industries and the implications of such concentrations under stressed market conditions
- Understanding the relevance of credit risk related data, which needs to be correctly and comprehensively provided by the credit officers on an on-going basis in order for precise estimation of regulatory and internal credit risk capital and also for model validation by the risk managers

Planning Officers/Planning Department

Understanding of the linkage between the bank's credit risk profile and capital requirements so that the same can be built into their capital planning exercise

- Understanding the constraints of regulatory capital, especially in the light of Basel III, so that they can raise the appropriate types of capital

ii. Market Risk and ALM

Sharp volatility in asset markets has led to large trading losses for many global banks. This has often been associated with tight liquidity conditions, in which banks find it extremely difficult and very costly to raise short-term funds. Their ability to meet the deposit and loan commitments is constrained by both asset market illiquidity and money market seizure. This means that concerns with Market Risk and ALM are interrelated. Training in these two areas should focus on awareness of such interdependence and its adverse impact on income and net worth of banks and financial institutions.

Risk Managers and Modellers (including ALCO)

- Identifying relevant risk drivers for assets and liabilities, e.g. key interest rates to which deposit and bond portfolios are exposed or major stock market indices which affect the bank's equity positions.
- Developing models to forecast the severity of future shocks to key risk drivers and estimating resultant losses on assets and liabilities.
- Ongoing model validation to remain in touch with latest market developments.
- Estimating the size of internal capital and liquidity buffers under normal and stress conditions.
- Understanding regulatory guidelines and assessing regulatory capital and liquidity requirements.
- Setting risk-based limits to protect the available stock of capital and liquidity.
- Analyzing the stability and concentration risks for key liability items like CASA and term deposits.
- Pricing loans and deposits in view of the liquidity mismatches and embedded interest rate risks – to reward stable sources of funds and discourage illiquid exposure.
- Monitoring the possibility of correlation breakdown, i.e. whether the chance of a joint collapse in funding and asset markets is increasing over time.
- Identifying triggers, or early warning signals, for execution of contingency funding plans (CFPs) well before a crisis.
- Reporting risk-related information, to different levels of hierarchy, in a timely, clear and precise manner.
- Measuring risk-adjusted performance, for key items of assets and liabilities.

Treasury Officials

- Selecting assets and liabilities from securities and money markets, keeping in view their risk profiles as well as potential returns.
- Appreciating models for volatility estimation, to highlight riskier assets and liabilities.
- Identifying liquid assets and stable sources of funds. Developing relationships with providers of stable funds.
- Monitoring the buildup of maturity, sectoral and counterparty concentration in assets and liabilities over time.

Area Group: Money, International Banking and Finance

Training is very required for capacity building and skill development for banks in the following areas of International Banking.

I. Macroeconomic Perspectives

II. Operational Skills development and knowledge of Regulatory Environment

(a) Trading/ dealing in Forex and Fixed Income markets

(b) Technical Analysis

(c) International Banking: Forex Business; Trade Finance;

(d) Forex Risk Management

I. Macro Perspectives

A good understanding of domestic and global macroeconomic and financial market environment is required for Treasury managers to develop their view on the monetary and financial policy responses, interest rate and exchange rate scenarios and forecasts. For instance, learning to monitor and interpret the global and domestic data releases on inflation, GDP growth, balance of payments, fiscal deficit, monetary policy, interest rates, exchange rate changes etc. is very important for treasury to develop perspectives for future and effective decision making. Similarly, global events like developments in Euro Area, problems of US economy, global scenario of trade and finance, monetary policy statements of Fed, ECB, Bank of England etc.. need to be analyzed to get a global perspective.

II. Operational Skills Development and Knowledge of Regulatory Environment

Training is required to develop and enhance operational skills in areas of forex and fixed Income market trading/dealing; Technical Analysis; International Banking, which includes trade financing, Forex Business and Forex risk Management.

- Money and G-sec market dealing in an integrated set up requires a thorough understanding of functioning of forex markets and fixed income markets, learning of practices such as market making, trending the quotes, trading based on analysis of Technical and fundamental factors etc. These operations require intense skill developments in forex, money and G-sec trading. Another important area is Technical Analysis, which involves forecasting the exchange rates based on studying the chart patterns relating to historical values of different currency pairs. The training programmes like forex dealing with bourse game; integrated treasury with simulated bourse; and Technical Analysis for Forex Dealers do concentrate on such skill developments for bankers.
- The second area of operational skills developments is International Banking, which includes foreign exchange business and trade financing with respect to International Transactions. Officers need to develop expertise to handle various forex transactions like Letter of credit (LC), export-import financing, Remittances; NRI Accounts; ECBs, trade credits, Foreign Investment etc. Payment settlement of international trade transactions involves a set of well-developed and internationally well accepted practices. There are several standardized practices/customs/rules prescribed by ICC (International chamber of Commerce) for dealing with LCs, collections, guarantees, reimbursements, credits, documents etc., which need to be understood to conduct forex business.

Besides, domestically important regulatory/ legal issues like FEMA and RBI guidelines relating to various current and capital account transactions; Foreign Trade Policy and procedures etc. are very important for any officer dealing with trade finance. Several training programmes in this direction of developing operational skills for trade finance business is essential.

- Besides, banks need to develop skills for Forex Risk management both for hedging its own forex exposures as well as for customers. Banks should need to design and offer a wide range of right hedging products, which includes currency forwards, futures, options and swaps for resident and non-resident customers for both current account and capital account transactions.

Treasury (Domestic)

1. Front Office

- i) Educate dealers about products in money and securities market.
- ii) Understanding of process of issue of securities in the primary market (i.e. auction system), and improve skill of dealers about submission of bids at most appropriate prices.
- iii) Understanding of regulatory framework including existing and proposed laws with respect to the public debt management, issue of non-government securities in the primary market etc.
- iv) Educate dealers on trading in financial instruments, undertaking of trading strategies, keeping in view changes in financial services acts and regulates framework.
- v) Educate dealers about derivative products from legal point of view and communicate the same to the customers.
- vi) While selling of derivative products how to protect interest of an organization against customer's complaints/legal action.

2. Back Office

Executives looking after back office must be trained in the following areas:

- i) valuation of securities/financial assets as per the regulator's guidelines and IFRS
- ii) accounting of transactions in money and securities markets keeping in view guidelines under IFRS
- iii) compliance with internal and regulator's norms with respect to submission of various reports, preparation of accounts and legal provisions so as to protect interest of organization, internal and recovery audit being a customer.
- iv) Protection of bank's interest with respect to collection of arrears of returns on investment.

3. Mid-Office

Executives in charge of mid-office needs to be trained in the following areas :

- i) Understanding of systematic risk and its impact on treasury operation in particular and on bank's business in general.
- ii) How to quantify and manage systematic risk along with other types of risk in the treasury operations.

Treasury

S N	Place of Work	Type of Work	Product	Procedure	Delivery	Concept	Policy
1	Dealer	Specific	Features and attributes of financial instruments	Trading in financial markets		Monitoring of financial markets & reporting	
2	Front-Office Manager	General		Analysis, pricing and execution of fund and debt mgmt. transactions	Relationship mgmt. with market intermediaries	Regulatory framework related to issue of securities	
3	Functional Manager (Mid Office)	Specific		<ol style="list-style-type: none"> Balance sheet analysis, modelling & ALM Market portfolio risk analysis and measurement 		<ol style="list-style-type: none"> Market risk scenario forecast Capital calculation Stress testing 	
4	Functional Manager (Back Office)	Specific		<ol style="list-style-type: none"> Valuation of financial assets Recording and accounting of transactions 	Proper documentation & filing	Internal/ External compliance requirements	
5	Business Manager at SMG level	General	Innovative funding/ hedging products	Macro-economic environment analysis, daily movement in financial markets		Transfer pricing for charging business lines	
6	Business Manager at TMG level (Head Treasury Verticals)	General		<ol style="list-style-type: none"> Managing CRR/ SLR obligations Fund planning, asset allocation, liquidity & capital management 	<ol style="list-style-type: none"> Implementing governance/ accountability framework Incentive and risk culture 	Global regulatory environment	Formulating policies/ procedures for treasury operations/ management

Rural Banking

- (a) Analytical and decision making skills for (i) innovations in localised product development (ii) Comprehensive risk analysis of the clients (iii) Livelihood enabled banking and financial products and services (iv) developing revenue oriented business models for financial inclusion (v) differentiated pricing for rural products.
- (b) Developing a specialized/separate business vertical for rural business in banks through recruitment of low cost local human resource.
- (c) Technology Driven Development: (i) Technical and Financial Literacy for viable rural banking (ii) Understanding the rural value chain which can be financed through banks. (iii) Managing ICT enabled banking and non-financial services through bank branches, BCs, Mobile banking outlets, etc.
- (d) Inter-institutional arrangements for financial inclusion and rural banking – involvement of NGOs, Panchayat, Village community organizations, governmental agencies and departments, etc.

Knowledge/Skill Profiles for Rural Banking

<i>S N</i>	<i>Place of Work</i>	<i>Type of Work</i>	<i>Product</i>	<i>Procedure</i>	<i>Delivery</i>	<i>Concept</i>	<i>Policy</i>
1	Agriculture Development Officers/ Rural Development Officers	Specific	Agri and related loan products of banks	<ol style="list-style-type: none"> 1. Collection of relevant loan documents 2. Techno economic viability analysis of agri projects 3. Credit appraisal and customer advisory 4. Site visit and account monitoring 	<ol style="list-style-type: none"> 1. Basic due diligence/ KYC 2. Service quality, timely delivery of credit 	<ol style="list-style-type: none"> 1. Customer financial transaction needs 2. Functioning of rural value chain and credit needs therein 3. Counselling for loan recovery 	Implementation of customer code
2	Branch Manager	General	<ol style="list-style-type: none"> 1. Identification of new livelihood linked product innovations for the rural/ agri customers 	<ol style="list-style-type: none"> 1. Branch service delivery provisioning 2. Profitable operations of rural branch 3. Viability of BC operations 	Fast turnaround for customer service satisfaction	<ol style="list-style-type: none"> 1. Customer credit and service needs, setting/ approving lending limits 2. Experiment with local FI initiatives 	
3	Business Manager at ZO/RO level	General	<ol style="list-style-type: none"> 1. Credit product innovations 2. Govt schemes for rural and agri lending 	<ol style="list-style-type: none"> 1. Credit planning & target setting for rural areas 2. Branch & technology planning for higher outreach 	Coordination of credit process for large agri/rural loans	<ol style="list-style-type: none"> 1. Local institutional relationship mgmt 2. Localized FI strategies 3. Recovery strategies for rural borrowers 	<ol style="list-style-type: none"> 1. Implementing Priority Sector Policy 2. Implementing Financial Inclusion Policy
4	Business Manager at TMG level (Head Priority/FI)	General	<ol style="list-style-type: none"> 1. Priority sector/ rural banking 	<ol style="list-style-type: none"> 4. Strategic planning/ target setting of rural/ agri/ 	Credit delivery model/ control of lending process	<ol style="list-style-type: none"> 1. Regulatory guidelines for priority sector credit 2. Institutional 	<ol style="list-style-type: none"> 1. Formulating Priority Sector Policy 2. Formulating

	Verticals)		business model innovations 2. Tie ups for lending product businesses	micro-finance business 5. Implementing recovery strategies for large agri borrowers 6. Sale/auction of NPAs		tie-up/relationship management for financial inclusion	Financial Inclusion Policy
--	------------	--	---	---	--	--	----------------------------

Marketing

1. Customer segmentation and need analysis
2. Product analysis and product development skills
3. Customer grievance and complaint analysis
4. Research and analysis of customer satisfaction surveys, customer feedback
5. Strategies for marketing and campaign management of banking and financial services including communication, advertising and publicity management
6. Coordination of regional, zonal and branch marketing functions
7. Customer acquisition and product sales in retail/ business/ corporate segments
8. Customer retention through relationship development strategies such as financial advisory

Marketing

SN	Place of Work	Type of Work	Product	Procedure	Delivery	Concept	Policy
1	Frontline Officer	General	Basic deposit/ loan/ other bank products	Product sales/ cross sales to customers	Customer need identification	Customer risk diagnosis/ KYC	
2	Branch Manager	General	Various deposit/ loan/ other bank products	Lead generation in & customer acquisition	Customer complaint and grievance settlement	Financial advisory	
3	Functional Manager First level. (Retail/ Trade/ SME Credit)	Specific	New product/ offerings design/ innovation for customer specific needs	1. Customer segmentation & need analysis 2. Customer satisfaction survey analysis		Customer profitability analysis	
5	Specialist officers (Marketing)	Specific	Design of promotion material/ marketing campaigns	Roll out planning/ budgeting of marketing campaigns			
6	Business Manager (at RO/CO/ZO)	General	Internal marketing of products	1. Tapping into new markets 2. Roll out of marketing campaigns	Sales training of field staff	Institutional sales	Implementing customer protection policy
7	Business Manager at TMG level (Head Credit Verticals)	General	Corporate tie-up for new products	Approval and performance analysis of marketing programs	Coordination of regional/zonal marketing		Formulating customer protection policy

Consumer Protection

FSLRC is of the view that the current body of financial laws does not have any substantive provision for consumer protection which, therefore, is one of the weakest links in the provisioning of financial services. There is need for both preventative as well as curative mechanisms to ensure consumer protection. While the former includes a unified consumer protection law addressing unfair terms of contract, misleading and deceptive conduct, right to receive support to enter into suitable contract, right to receive reasonable quality of service and right to data privacy.

Organizational role challenge	Skill/ capability implication	Training need
<p>How does a bank assess the financial service needs of the consumer?</p> <p>Is it enough to have such need assessment only for certain banking products? Or, is there a necessity to evaluate the consumer's total financial services needs to sell a banking product in optimal quantity?</p>	<p>Must have a balanced/ holistic consumer need assessment process</p>	<p>Analysis of customer data for assessing their financial service needs</p> <p>Behavioral and attitudinal changes towards greater customer centricity particularly at the frontline level</p>
<p>How does a bank create product structure to closely match the expressed and latent need of the consumer ?</p>	<p>Able to innovate/create products meeting needs of various segments of consumers</p>	<p>Analysis of structure of financial products and possibilities for creating product variants suited to consumer needs</p>
<p>How do the existing remuneration structures link employee performance in regard to right selling of a product?</p>	<p>Able to incentivize service providers to act in the best interest of the customer</p>	<p>Following industry standards for incentivizing selling practices</p> <p>Market communication for enabling consumer make informed choices</p>
<p>Are there common terminologies used for service quality in banking applied between banks?</p> <p>How do different customer segments differ in their need for quality levels?</p>	<p>Adopt more tangible definition of service quality in order to clearly measure, benchmark and communicate the same</p>	<p>Assessment of demand and supply of service quality for different customer segments and delivery channels</p> <p>Plan, organize and deliver service quality to customers</p>
<p>How robust are the bank's processes for redressing the complaints and grievances of the consumer?</p>	<p>Have evaluation process for assessing consumer grievance redressal mechanism</p>	<p>Evaluating customer satisfaction, and nature of complaints</p> <p>Processes for effective redressal of customer complaints</p>

International operations

- International operations are more complex than domestic operations. Businesses of international operations are different. Each territory has different business model. Products are different in different territories. Dealing with regulators is challenging in international operations. Different softwares are used in different territory.
- In global context, depreciation affects the global operations in pricing and capital demands etc.
- Required skills for officers for overseas branch posting:
 - Ability to take up multi-tasks
 - Good communication Skills
 - Preparedness to take up challenges
 - Ability to provide on the job training
- Communication skills are very important for foreign posting.
- Good monitoring in international operations is required.
- Training is required according to demand of territory for officers to be posted for international operations. These officers are changing continuously. On-line training could be developed. Training through video-conferencing could be given to officers posted in international jurisdictions.

Annex - V

CAPACITY BUILDING AND COMPETENCY STANDARDS -

Cross-country study

Singapore:

To raise the quality and professional capabilities of the financial sector workforce in Singapore, the Institute of Banking and Finance (IBF) launched the Financial Industry Competency Standards (FICS) in 2005 with the support of the Monetary Authority of Singapore (MAS), Singapore Workforce Development Agency (WDA) and financial industry players. FICS is an independent quality assurance mark to measure the competency of the financial sector workforce and provides a practice-oriented approach to talent. The FICS framework encompasses job segments across all sectors such as Compliance, Corporate Banking, Corporate Finance, Financial Markets, Fund Management, General Insurance, Life Insurance, Private Equity, Risk Management, Securities & Futures and Wealth Management. The aim of certification is to present an objective, critical assessment of the practitioner's knowledge, skills and abilities at the time of assessment. The certification levels better reflect the career progression and competency development pathways for a financial practitioner as he or she progresses in the financial industry. The certification would reflect competencies at the Foundation, Intermediate, Advanced and Expert levels for various subject areas.

IBF is the national accreditation and certification agency for financial industry competency under the Financial Industry Competency Standards (FICS) framework. The FICS framework also allows fresh graduates and new entrants with no prior experience in the financial sector to also be able to be certified under the FICS once they have undergone the FICS training and assessments.

The Financial Sector Development Fund (FSDF) has provided subsidies to support financial institutions in sending their staff for generic financial sector training programmes through the "Financial Training Scheme" (FTS). The FTS incentivises continual development of the financial sector workforce in niche and growing areas that may not necessarily lead towards certification under the FICS. Singapore has invested heavily in building up the competencies of its financial sector workforce, providing training grants across a broad range of programmes under the Financial Sector Development Fund (FSDF). The FSDF provides grant support for FICS training and assessment programmes under the FICS Training Scheme (FICS-TS) to enhance the skills and capabilities of Singapore's financial sector workforce through FICS accredited programmes.

Certification Requirements - Upon obtaining all the necessary requirements for a particular job role (i.e. successfully assessed on all relevant competency units), a practitioner, who also meets the required years of experience stated under the FICS standards, can apply to IBF for certification. The certification is awarded for a specific job family (or job function) for particular job roles.

A FICS Steering Committee comprises members representing various sub-sectors of the financial services industry. IBF plays the role as the Committee's executive arm to operationalize the implementation of FICS. Each member in the FICS Steering Committee chairs a Working Group in respect of the industry segment that he or she represents. There are also FICS Industry Workgroups which participate in developing the standards. It comprises members representing various sub-sectors of the financial services industry.

FICS Accreditation - The accreditation of providers is a process of external quality review to evaluate and recognise providers as having the competency to conduct a specific range of programmes aimed at training and assessing financial professionals for job role-specific competency certification under the FICS framework. Since the implementation of FICS, IBF has seen the build-up of a pool of FICS accredited training programmes, its focus has shifted to ensuring that the learning outcomes are met through the assessment and certification of individuals (i.e. across the entire job role) as the FICS certification is a recognised mark of professional achievement and IBF subsequently suspended the accreditation of new training providers.

Continuing certification requirements - The FICS certification status is maintained upon fulfilment of annual Continuing Certification Requirements (CCR). Maintenance of CCR can be done by attending relevant seminars or workshops or taking up other FICS programmes to further develop one's competencies for broader or more specialised job roles.

Financial Institutions can also submit group certification applications on behalf of their staff upon their completion of FICS-accredited assessment(s) and attainment of all the relevant Statements of Attainment (SOAs) for a job family/role (SOAs are valid for 5 years from the date of the assessment).

Recently, on June 10, 2104, IBF launched its new brand identity. As part of this strategic review, the Financial Industry Competency Standards (FICS) was renamed the IBF Standards to provide a seamless practice-oriented development roadmap for financial sector practitioners. Covering 13 industry segments spanning more than 50 specialisations, the IBF Standards was revised to offer a comprehensive suite of accredited training and assessment programmes to guide a financial sector practitioner from licensing examinations through to certification across 3-levels: IBF

Qualified (for new entrants); IBF Advanced (for senior practitioners and specialists); IBF Fellows (for industry veterans). An IBF-certified practitioner is one who epitomizes the values of professional excellence, integrity and a strong commitment to industry development.

Malaysia

To ensure that the Malaysian financial industry workforce is at par with their international counterparts while providing a more systematic and structured approach to support the development of capable knowledge workers in the industry, the Banking and Finance Industry Competency Framework was developed by Institut Bank-Bank Malaysia (IBBM). These competencies, which are benchmarked against international best practices, highlight the essential traits and skills that employees in the banking and finance industry would require. More importantly, the framework will assist training providers and financial institutions in developing training and assessment programmes and in managing staff development in a more effective manner. The Banking and Finance Industry Competency Framework was launched in November 2007.

The IBBM had developed the competency frameworks which were meant to serve three primary objectives: (i) To describe the skills, knowledge and to some degree the behaviours needed by practitioners in their line of work (ii) To establish the proficiency standards required by practitioners as they progress through their careers (iii) To Serve as the basis for the design and development of initiatives / training programmes / certification programmes (if necessary) that will improve the competencies of practitioners in a particular field in banks and to provide professionals in other fields within the banks with information on what it takes to become accomplished practitioners in a particular technical area. There were core competencies and a set of detailed technical competencies. Each technical competency framework is structured differently based on the sub-competencies evident within each technical area.

For banking institutions, the competency framework is expected as a source of reference and impetus in sharpening competencies of staff and enhancing organizational capabilities to meet future challenges. The framework could also provide a benchmark for performance measurement and recognition for skills improvement. The competency framework will provide the foundation to guide IBBM in designing and offering relevant management and technical programmes to meet the current and future needs of the banking industry. In addition, the framework would assist academic institutions in aligning their curriculum to meet the industry's needs and to ensure a steady supply of graduates in new growth areas. Competency standards set for certification programmes could also serve as a basis for evaluating

and accrediting training providers to ensure the provision of top quality training. For the banking workforce, the framework provides a platform for self-assessment to be aware of their competency gaps, and to engage in continuous learning so as to further their careers and keep in tandem with the new demands.

The competency frameworks are based on well known career progression frameworks that describes the four distinct career breakpoints typical within the banking profession – Level I (Learning), Level II (Contributing), Level III (Leading), Level IV(Shaping) and elaborated using anchors and proficiency descriptors that sets the expectations required for each career level. Competency guides based on above have been developed for various aspects like core competency, Risk Management, Sales, Treasury, Internal Audit, Compliance among others.

For the development of banking sector workforce, the International Centre for Leadership in Finance (ICLIF) was established to pave the way for the development of future leaders in the industry, while IBBM provides the avenue for competency building among the various levels of staff.

It is being funded by Staff Training Fund and managed by Institute of Bankers Malaysia (IBBM).To meet immediate demands for resources at the entry-level, the Financial Sector Talent Enrichment Programme (FSTEP) was developed in 2007 to equip fresh graduates with the essential technical knowledge and skills needed to assume professional roles in the financial services industry. FSTEP, an industry-led initiative is a 12-month programme which integrates classroom training and practical internships with financial institutions.

Financial Accreditation Agency - The establishment of the Finance Accreditation Agency (FAA) is part of the efforts to strengthen the financial system as it continues to evolve in a rapidly changing environment. The second objective was the desire to contribute towards raising standards on education and development in the area of financial services.

Nigeria

The Competency Framework for the Nigerian Banking Industry was issued on November 26, 2012 by the Central Bank of Nigeria(CBN). The timeline for full compliance with the framework was fixed as 24 months. The major objectives of the competency framework are to: (i) Define the minimum knowledge, skills and competencies needed for operators and regulators to perform optimally on their various jobs/tasks (ii) To standardise capacity and competency development with a view to nurturing and producing a knowledgeable, skilled and competent workforce for the Nigerian banking industry. (iii) To establish standard competency requirements for each job role to serve as a guide to Nigerian banks for their talent

recruitment and development programs (iv) To provide standards for training certification evaluation and accreditation to ensure the provision of quality training in the Nigeria banking industry (v) To ensure that practitioners continually update their knowledge and skills in line with the dictates of their assignments.

The framework classifies jobs in the banking industry into job families, roles and controlled functions. For each class of banking, there exists generic job families, which are occupational groups or clusters of closely related jobs that capture the essence of an underlying business function; while job roles capture the essence of what must be done and how it should be done to achieve the required level of performance. On the other hand, controlled functions are roles within a business that have a particular operational and/or regulatory significance. Controlled functions are further classified as significant influence functions (includes governing, regulatory and systems and control functions) and customer functions (retain advisory services, private banking advisers etc).

To ensure fit and proper persons man the different job roles and control functions within banking industry, all persons for the position of AGM and above as well as key positions that have significant impact on the resources and operations of a bank shall be approved for appointment in line with assessment criteria for Approved Persons Regime issued and revised from time to time by CBN. In furtherance of this objective, a central database for approved persons shall be created and maintained at the CBN. Code of practice for approved persons performing controlled function and significant influence functions were also prescribed.

Training and Certification - The framework seeks to ensure that persons engaged in the various job profiles have adequate skills and competencies to carry out the roles for which they have been certified. There is a requirement for structured generic and function or role specific training and certification process that provides a reliable assessment of an employee's competence. Training and certification will be provided by accredited local and overseas education and training service providers, who may administer online or classroom-based training. However, only accredited programmes will qualify for credit points under the framework. The minimum requirements for certification of each job role/control function were also indicated.

To attain and maintain competency in a particular job role, the individual responsible for a controlled function is expected to accumulate a minimum number of predetermined credit points, through attendance at and successful completion of accredited training programmes. The credit points shall be awarded by designated accreditation agencies taking various factors into account. To ensure objectivity and credibility in accumulating the required credit points, not more than 60% shall be obtainable through an institution's in-house training programmes. The number of relevant accredited training attended and credit points accumulated shall be one of

the assessment criteria in determining the suitability of approved persons for specific job roles/functions. Consequently, banks shall be required to populate the Approved Persons Databases with details of credit points earned by approved persons in their employment.

Accreditation of training service providers – The accreditation of a training service provider will be conducted by an industry-recognised accreditation agency. The agency will carry out extensive review and evaluation in order to ascertain if the provider has competence to conduct the training programmes envisaged under the framework. An accreditation agency shall not render any training service under the framework. The Chartered Institute of Bankers of Nigeria (CIBN) was designated as the accreditation agency under the framework. It is expected to provide inputs for the specification of minimum competencies for job roles, career paths, job descriptions and training curriculum. It will also issue ethical and professional guidance as well as monitor the conduct of members. It will also monitor the performance of the accredited training service providers. The accreditation agency will be responsible for registering/deregistering, accrediting, supervising/monitoring and evaluating training service providers in the industry.

The training service providers are entities accredited to provide training services. These include professional bodies, educational institutions and other entities that are expected to design appropriate curricula oriented to the talent and skills needs of the Nigerian banking industry.

The Centre for Financial Studies (CFS) was programmed to be a thought-led institution whose major aim is to expand the frontiers of knowledge through the generation and propagation of evidence-based research and ideas in the financial services industry, especially on emerging and contemporary issues. The CFS is designed to offer relevant research-based thought leadership for executives in leadership positions within the banking and finance industry, deepening and updating the knowledge, skills and competencies of practitioners in the financial services industry not only in Nigeria, but also in the entire African continent.

Ireland

The Minimum Competency Requirements were introduced on 1 January 2007 for financial services providers, with particular emphasis on areas dealing with consumers. The Requirements were introduced to ensure that consumers obtain a minimum acceptable level of competence from individuals acting for or on behalf of regulated firms in the provision of advice and associated activities in connection with retail financial products. The Requirements were issued pursuant to a range of applicable legal powers under various sectoral legislation. On 1 October 2010, Part 3 of the Central Bank Reform Act 2010 created for the first time in Irish law a

harmonised statutory system for the regulation by the Central Bank of persons performing controlled functions or pre-approval controlled functions in regulated financial service providers. Persons performing controlled functions, or proposed for the performance of pre-approval controlled functions, must have a level of fitness and probity appropriate to the exercise of the relevant function.

Minimum competency is one of the key concepts in assessing whether a person is fit to exercise a controlled function or a pre-approval controlled function in a regulated financial services provider. Part 1 of this Code, which is issued pursuant to Section 50 of the Central Bank Reform Act 2010, specifies certain minimum competency standards with which persons falling within the scope of this Code must comply when performing controlled functions or pre-approval controlled functions. Part 2 of this Code imposes certain obligations on regulated firms under certain specified legal powers in connection with the minimum competency standards. Part 3 of this Code sets out details on the recognition of qualifications for the purposes of the minimum competency standards.

Failure by a person to comply, or indicate an ability to comply, with the Standards where it is relevant to the exercise of a controlled function or a pre-approval controlled function, may: i) where the approval of the Central Bank is being sought to permit a person to perform a pre-approval controlled function, lead to approval being refused; ii) where a person is performing a controlled function, or stands approved to perform a pre-approval controlled function, lead to an investigation being conducted in relation to the fitness and probity of that person to perform the relevant function; iii) cause that person to be the subject of a prohibition notice under Section 43 of the Act.

A regulated firm shall not permit a person to perform a controlled function unless the regulated firm is satisfied on reasonable grounds that the person complies with the Standards and the person has agreed to abide by the Standards. If a regulated firm permits a person to perform a controlled function without being satisfied on reasonable grounds that the person complies with the Standards or if the person has not agreed to abide by the Standards, that regulated financial services provider and/or a person concerned in its management may be exposed to financial penalties and other sanctions under Part IIIC of the Central Bank Act 1942.

Continuing Professional Development(CPD) - a) A person who is subject to the Code and is the holder of a recognized qualification with a professional designation, the ongoing maintenance of which depends on the completion of CPD, is deemed to have complied with this section where he or she has successfully completed the CPD requirements of that recognized qualification. b) A person who is subject to this Code and is the holder of a recognized qualification, the ongoing maintenance of

which is not dependent on the completion of CPD, shall, with effect from 1 January 2012, complete 15 formal hours of CPD each calendar year.

Content of Register - A regulated firm must maintain a register of all accredited persons, acting as, for or on behalf of the regulated firm. Where a consumer seeks confirmation from a regulated firm that the person providing advice on or arranging or offering to arrange retail financial products or undertaking specified functions meets the Standards set out in Part 1 of this Code, the regulated firm must provide the consumer with a certificate on the firm's headed stationery in a specified format by the central bank. The certificate must be signed by the regulated firm. The regulated firm shall maintain a record of the certificates issued and carry out an annual review to ensure they are still accurate and up to date.

MINIMUM COMPETENCY – QUALIFICATIONS: A recognised qualification for a category of retail financial product must meet the relevant competencies for that category of retail financial product as specified in the guidelines of Central Bank of Ireland.

Indonesia

Work competence is recognized by a work competence certification test based on the Indonesian National Work Competence Standard (SKKNI). For banks, the banking profession certification is conducted by the Banking Profession Certification Agency (LSPP). The banker work competence certification is carried out and developed based on the banking profession competency standard in Indonesia that has been developed by the Indonesia Bankers Association. With the SKKNI, it is expected that the opportunity of Indonesian manpower to take steps to work either regionally or internationally will improve.

LSPP is the Institute for Professional Banking Certification, formed and supported by the Indonesian Banks Association. The various areas for which competency standards were developed included Internal Audit, Information technology, General Banking, Risk Management, Treasury dealer, Human resources, Funding and services, Legal and Compliance, Sales and Marketing, Wealth Management, Lending, Finance and accounting and operation. In the year 2005, Bank Indonesia made it compulsory for all bank managers, executives, and board members to go through a formal training and certification programme in risk management.

Hong Kong

Qualifications Framework (QF) - The Education Bureau (EDB) advanced the Qualifications Framework (QF) in 2004 which aims at providing an opportunity for

lifelong learning to the workforce in Hong Kong with the ultimate mission of cultivating a pool of high standard and competitive employees.

QF is about qualifications recognition in academic, vocational and continuing education. It adopts a seven-level cross-sectoral hierarchy to describe the qualifications requirement of different occupations. This particular structure can facilitate the articulation pathways among qualifications of different levels and in different industries. Therefore, it can provide multiple entries and multiple pathways for learners. Under the project of QF, a set of Specification of Competency Standards (SCS) will be developed for each of the selected industries. SCS comprises a set of core competencies which describe skills, knowledge and attributes that are required by the industry. SCS can be further customized to serve as an objective basis for education, training, qualification recognitions and human resources management etc. in individual organization.

The Banking ITAC - The EDB has assisted different industries to set up their Industry Training Advisory Committees (ITAC). ITAC plays the advisory role on manpower development through offering advice to the government and industries. In order to realize the above mission, ITAC is responsible to develop, maintain and update SCS and develop a mechanism on Recognition of Prior Learning. Banking industry has also set up its ITAC which consists of representatives from employers, employees and relevant professional bodies.

QF in the Banking Industry - Regarding the construction of QF for the banking industry, owing to the immense scale and the diverse nature of banking business, the Banking ITAC decided that the development of QF should be carried out in different phases. Moreover, as agreed by the Banking ITAC, the scope of banking industry can be further divided into five core business functional areas: Retail Banking, Corporate/Commercial Banking, Investment Banking, Private Banking and Asset Management, Treasury. As an initial step, the QF for the Retail Banking sector has been constructed. Retail banking is chosen as the pilot because it is the largest segment in the industry with the highest number of workers employed. As a result, it can be reasonably assumed that the future challenges and thrusts faced by the retail banking sector should be able to represent the industry-wide development to a substantial degree.

The priorities identified by Hong Kong Monetary Authority for 2014 were to continue to build capacity in the banking industry, more focused director development initiatives and to roll out enhanced competency framework for private wealth management practitioners.

Role of HKIB - As a major player in the banking industry devoted to the education and development of banking practitioners, HKIB is one of the representatives in

ITAC. HKIB was appointed by the EDB in 2007 as the Professional Writer of the Retail Banking SCS. The project was completed in 2010. In the same year, HKIB was appointed by the EDB to act as the Professional Writer for the Corporate/Commercial Banking SCS. The project is expected to be completed in 2012. By then, a set of SCS will be developed for Corporate Banking and Commercial Banking respectively. HKIB is honored to have the opportunity to participate in this important initiative which can contribute to the long-term development of the banking industry in Hong Kong.

SCS - Qualifications recognized under the Qualifications Framework (QF) are outcome-based and are not confined to academic attainment. In the case of the academic sector, the outcome standard of qualifications is mainly the knowledge and skills a person possesses. Generally, these standards are set by scholars. In the vocational sector, the outcome standards of qualifications are set by individual industries. To identify the specific outcome standards required for different levels of qualifications, these industries need to develop SCSs. The SCS for an industry mainly comprises the competency standards required at various levels. These competency standards represent the industry benchmarks for the skills, knowledge and attributes required to perform a job at a certain level. The competency standards will be grouped together to form a qualification at a particular level. The assessment guidelines for the outcome standards will also be stipulated in the SCS.

Application of SCSs - After the SCSs have been formulated, training providers will be able to design training programmes that would help learners achieve the specified competency standards. As the competency standards were developed by industry, the relevance of the training programmes to the requirements of the industry would be ensured. Upon completion of SCS-based programmes, trainees will possess skills that can be objectively measured. Such information may facilitate employers to identify suitable talents; thus reducing possible losses incurred by unfit appointments, as well as shortening the new recruits' adaptation period and minimizing related costs.

In the long run, SCSs will ensure effective deployment of training resources available, and all SCS-based qualifications will be widely recognized and supported by the industries. Qualifications Register (QR) is a centralized online database containing information on quality assured qualifications and their operators and assessment agencies for Recognition of Prior Learning. All qualifications listed on the QR are quality-assured and recognized under the Qualifications Framework. Under the Accreditation of Academic and Vocational Qualifications Ordinance, the Hong Kong Council for Accreditation of Academic and Vocational Qualifications is specified as the QR Authority. The Qualifications Register was launched in the year 2008.

The Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) have set up a taskforce to create an enhanced competency framework for private banking practitioners – to emphasize vocational training, practical application and ethics.

The HKMA and SFC, along with the support of the private banking industry and professional bodies, have set up a taskforce to work out an enhanced competency framework. Under the framework, private banking practitioners could take different examinations provided by industry and professional bodies like HKIB and the Hong Kong Securities Institute, and ultimately acquire a professional qualification. To ensure continuous development, practitioners would also take additional regular training. Under the same proposed new framework, the HKMA intends there to be more emphasis in future on practitioner competency, continuous professional training and adherence to a common set of professional ethical standards.

Under the guideline titled the "Supervisory Policy Manual CG-6: Competence and Ethical Behaviour" by HKMA, Authorized Institutions in Hong Kong should engage and deploy employees with adequate skills, knowledge, experience and judgment. Professional training is recognized as the essential component in AIs' mechanisms for enhancing employees' competency.

Europe

EBTN(European Banking Training Agency (EBTN) is an international not-for-profit association, registered and located in Brussels (Belgium). The association is governed by two bodies, the General Meeting of Members and the Board of Directors. The General Meeting is the supreme authority, it consists of all 26 Full Members and meets once a year. The Board defines the general policy and meets at least twice a year.

The vision of EBTN is to become the standard-setting body for the accreditation, certification and qualification of knowledge, skills and competences in the European financial services sector.

Europe has a BOLOGNA process for higher education. EBTN has developed qualification statements and what each level of qualification covers. It should however be added that most institutes which come under the EBTN umbrella have not yet developed qualification examinations for all the levels below.

EQF Level	Brief indicator of level of qualification ¹
1	Qualifications at level 1 recognise: <ol style="list-style-type: none"> i. <u>Basic general knowledge and skills</u> and the capacity to <u>undertake simple tasks under direct supervision in a structured environment</u>. ii. That the development of learning skills requires structured support. iii. That these qualifications are not occupation specific and are often sought by those with no qualification.
2	Qualifications at level 2 recognise: <ol style="list-style-type: none"> i. A limited range of knowledge, skills and wider competences those are mainly concrete and general in nature. Skills are applied under supervision in a controlled environment. ii. That the learners take limited responsibility for their own learning. iii. That some of these qualifications are occupation specific but most recognise a general preparation for work and study.
3	Qualifications at level 3 recognise <ol style="list-style-type: none"> i. Broad general knowledge and field-specific practical and basic theoretical knowledge and the capacity to carry out tasks under direction. ii. That learners take responsibility for their own learning and have limited experience of practice in a particular aspect of work or study
4	Qualifications at level 4 recognise <ol style="list-style-type: none"> i. Significant field-specific practical and theoretical knowledge and skills, capacity to apply specialist knowledge, skills and competences and to solve problems independently and supervise others. ii. That learners show self-direction in learning and have experience of practice in work or study in both common and exceptional situations
5	Qualifications at level 5 recognise <ol style="list-style-type: none"> i. Broad theoretical and practical knowledge, including knowledge relevant to a particular field of learning or occupation; capacity to apply knowledge and skill in developing strategic solutions to well defined abstract and concrete problems. ii. That learning skills provide a basis for autonomous learning and the qualifications draw on experience of operational interaction in work or study including management of people and projects.
6	Qualifications at level 6 recognise <ol style="list-style-type: none"> i. Detailed theoretical and practical knowledge, skill and competence associated with a field of learning or work, some of which is at the forefront of the field. ii. That these qualifications also recognise the application of knowledge

¹ Sourced and adapted from: European Banking & Financial Training Association. (EBTN) : European Qualification Framework

	<p>in devising and sustaining arguments, in solving problems and in making judgements that take into account social or ethical issues.</p> <p>iii. Those qualifications at this level include outcomes appropriate for a professional approach to operating in a complex environment.</p>
7	<p>Qualifications at level 7 recognise</p> <p>i. Self-directed, theoretical and practical learning, some of which is at the forefront of knowledge in a specialised field that provides a basis for originality in developing and/or applying ideas, often within a research context.</p> <p>ii. An ability to integrate knowledge and formulate judgements taking account of social and ethical issues and responsibilities and also reflect experience of managing change in a complex environment.</p>
8	<p>Qualifications at level 8 recognise</p> <p>i. Systematic mastery of a highly specialised field of knowledge and a capacity for critical analysis, evaluation and synthesis of new and complex ideas.</p> <p>ii. An ability to conceive, design, implement and adapt substantial research processes.</p> <p>iii. Leadership experience in the development of new and creative approaches that extend or redefine existing knowledge or professional practice.</p>

UK

The FCA Training and Competence sourcebook specifies the standards of training and competence that firms should reach. If the activity of an employee is among the activities listed in the list of specified qualification table the employee would require an appropriate qualification.

Retail Distribution review (RDR) - From 31 December 2012, all retail investment advisers are required to obtain a Level 4 qualification within 30 months of starting their role, even if they change firms within that period. It is the responsibility of firms to ensure that all of their approved persons are competent and maintain their competence. The employee would also need to be assessed as competent by the employer, maintain the competence through CPD, and meet required standards of behaviour to obtain an annual Statement of Professional Standing (SPS).

To ensure firms are well governed, FCA(Financial Conduct Authority) takes a close and critical look at candidates nominated to perform Significant Influence Functions (SIFs) in firms. The firms are expected to be able to demonstrate that they have a robust recruitment process in place and to also carry out the appropriate level of due diligence on all of its candidates. In line with the intrusive regulatory approach and

drive to ensure firms are well governed, FCA would interview candidates applying to perform certain SIF roles in particular fixed portfolio and solo-regulated firms.

Generally, for a newcomer qualification is required to be attained within 30 months of starting the regulated activity. If the employee does not complete the qualification within 30 months, he must stop carrying out the activity until he has passed.

Chartered Banker: Professional Standards Board (CB:PSB) - The CB:PSB is an initiative between eight leading UK banks and the Chartered Banker Institute. Its objective is to promote a culture of professionalism amongst individual bankers, by creating industry-wide professional standards. In July 2012 the Foundation Standard for Professional Bankers was launched which articulated the basic level of professional knowledge, skills, values, attitudes and behaviours appropriate for everyone working in the industry. The CB:PSB member banks have committed that all customer facing staff (approximately 200,000) will work to meet the Foundation Standard by the end of 2015. The CB:PSB plans to launch a Leadership Standard (for senior and experienced bankers) and, in the future, Intermediate Standards (for specialist roles).

In 2008, the Institute began work leading to the launch of the Chartered Banker Professional Standards Board (CB:PSB) in October 2011, drawing on the findings of the Future of Banking Commission and others. The CB:PSB is a voluntary initiative supported by nine leading banks in the UK and the Chartered Banker Institute.

The CB:PSB's overall aim is to promote a culture of professionalism amongst individual bankers, by developing and implementing industry-wide professional standards which enshrine the very best ethical, professional and behavioral qualities. The CB:PSB is supported by an independent Advisory Panel comprising representatives of retail, business and corporate customers.

In October 2011, the CB:PSB published the Chartered Banker Code of Professional Conduct [3] which sets out the ethical and professional attitudes and behaviours expected of bankers. Banks supporting the CB:PSB have agreed to subscribe to the Code and are in the process of implementing and embedding the Code's principles in their organizations. At the same time, the CB:PSB published the Framework for Professional Standards, setting out how professional standards for bankers would be developed and implemented for the first time in the UK. The Code will be supported by a series of professional standards, the first of which, the Foundation Standard for Professional Bankers, was published on 2 July 2012. The Foundation Standard sets out how individuals working in the banking industry can develop and demonstrate that they have the knowledge and skills to perform their role, that they take responsibility for acting ethically and professionally and that they build relationships, based on honesty, integrity, fairness and respect.

References

Working Paper Series: Capacity Building: DFID research strategy 2008-2013, DFID, R4D, April, 2008

Samuel Otoo, Natalia Agapitova and Joy Behrens - The Capacity Development Results Framework – World Bank (June, 2009)

HKMA Supervisory Policy Manual – Competency and Ethical Behaviour 2013

McKinsey – Reimagining Banking in India (2013)

FICCI and Ernst and Young report - Higher Education in India: Vision 2030 (2013)

Nigerian Central Bank – Competency Standards for Nigerian Banking Industry, November, 2012

Central Bank of Ireland – Minimum Competency Code (2011)

Website of Institute of Banking and Finance, Singapore - <http://www.ibf.org.sg/>

Peter Morgan – Concept of Capacity – European Center for Development Policy Management (August, 2006)

Gol, Report of the Financial Sector Legislative Reforms Commission, Vol I and Vol II (2013)

MoF, Gol, Handbook on adoption of governance enhancing and non-legislative elements of the draft Indian Financial Code – December, 2013

OECD – Challenge of Capacity Development – Working Towards Good Practice (2006)

BCG, FICCI, IBA – Indian Banking - From Five Star to Seven Star Productivity (2012)

NSDC- NASSCOM SSC - Analysis of Talent Supply and Demand in IT-ITeS industry (2014)

Regaining the Growth Momentum: Issues and Imperatives - Address by Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the Sixth Annual Banking Conference “Bank on it, 2013” organised by the Narsee Monjee Institute of Management Studies in Mumbai (Oct 5, 2013)

Gary Dessler, Biju Varkkey - Human Resources Management – Published by Dorling Kindersley(India) Pvt.Ltd (2011)

National Workforce Development Strategy – APWA (March, 2013)

NASSCOM – NSDC IT-BPM WORKFORCE

Perspectives on Banking in India - Speech by Shri Deepak Mohanty, Executive Director, Reserve Bank of India, delivered at the 5th Indian Chamber of Commerce (ICC) Banking Summit, at Kolkata(May 18, 2013)

Boudreau, J. W., & Ramstad, P. M. Beyond HR: The new science of human capital - Harvard Business School Press.(2007)

Senior Supervisors Group Report - Risk Management Lessons from the Global Banking Crisis(2008)

Cecille Zacarias and Sandra Togonon - Building Human Resources Capacity: Developing Competencies for Microfinance Institutions – Women’s World Banking – 2007