

Seminar on HR Challenges in Rural Banking – 10 December 2010 – Proceedings

A seminar on HR Challenges in Rural Banking was organized at Banker Institute of Rural Development, BIRD, Lucknow on 10th December 2010 at its Conference Hall. The programme was attended by Bankers, Faculty of Training Establishments of Govt. / Banks / NGOs (A list of participants is enclosed in Annexure I)

While welcoming the delegates Shri R. K. Das, Joint Director, BIRD indicated that the human resources in any organisation are the most important capital and are the differentiating factor between successful and not so good organization. Banks being the service institutions, human resources only decide the competitive advantage a bank enjoys and more so in case of rural banks where the customer relations is more important determinant of brand value than the processes followed. Further the business primarily relates to banking with the poor, in a special environment which require very different skill sets. Accordingly the entire gamut of issues under HR function has to be viewed in that perspective. The seminar will draw attention to these specific issues through various papers and delegates need draw upon these experiences to design a response to these.

The seminar was inaugurated by Shri R. Amalorpavanathan, Principal and Chief General Manager, National Bank Staff College (NBSC), Lucknow. The key note address focused on a set of Fundamental and Frontier issues in the financial sector and the related challenges in the field of HR management.

The financial sector being an intermediary, providing products which serve as the building blocks for the economy, has to follow the real

sector but the features of the rural financial institutions are not designed to meet the peculiar requirements of the rural sector. There is a wide gap between what 'banks are supposed to do' under the present requirements and 'the nature of services required in rural areas', i.e., the organisation design, the starting point of all HR issues, has to be purpose oriented. The businesses that the rural bank needs to do would require a human resource complement having very different skill set which has a bearing on the recruitment process and also the capacity development process.

The rural banking institutions have had very little independence. This totally curtailed independent thinking and innovation. The attempts to allow independence in the recent past are not being reinforced by handholding support. This has basically led to a huge challenge in the form of improperly developed human resource complement vis a vis the expectations from them.

The regulatory position treats all the areas / markets and all institutions on a single platform. The entire system has been designed to safeguard the interest of the depositors, however in the context of the scenario obtaining while undertaking business with the poor / rural areas, we need to think of a regime that safeguards the interest of all the stakeholders of the rural banks as the rural clients are prone to exploitation more as borrowers.

The recruitment process, i.e., the nature of people required, their skills, attitude, etc. has to be in conformity with the business vision of the institution. Further, in the concept of recent times the recruitment also needs to factor the future scenarios and so the term of employment has to differ for different requirements.

The frontier issues touched upon by the Chief Guest related to the fact that there is no fit between the requirements of functioning in the rural areas and the HR policy. In most cases there is no weightage for rural background or knowledge. The capacity building initiatives have been very far and few and the higher tier institutions have curbed the independence of the lower tiers which have made the human resource not being able to think and innovate. This is specifically observed in respect of introduction of the new and different products as suited to the requirements of the rural areas. Then there is an issue of empowerment of the people by delegation, which has neither happened within an organization nor across organisations / tiers. The lack of trust is a direct fall out of the almost non existent policy and strategy for capacity building and grooming up. Further, the rural financial institutions have a very weak governance system which has led to almost no personnel regulation, a prime cause for deterioration of the working atmosphere of these institutions.

The inaugural session was followed by technical sessions wherein papers were presented on the seminar theme and the details are as under :

A) Paper on HR Challenges in Rural Banking by Vivek K Sinha, FM, BIRD

The paper identified 7 Emerging Challenges in Rural Banking in the Next Decade which is going to have a profound effect on their functioning and hence the HR scenario. These relate to change in demographic profiles in rural India, the preponderance of non institutional sources of credit which will require efforts for financial inclusion. The business will further transform due to commercialisation of indian agriculture and focus on SME financing. The squeeze on margins will make banks lean more and more towards technology

which will redefine banking paradigm. In essence the rural banking will have to meet the requirements of financial services for the rich households in the form of wealth management services and also the affordable low cost banking for the largest chunk of people who are not so rich.

However, it was indicated that the present position of human resource management scenario is extremely alarming with a mass of demotivated least interested employee (LIE). In the recruitment front, with increasing complexity in the banking system, the competencies required for effective performance have undergone a transformation leading to a mismatch between skill sets required and what was available leading to underperformance and loss of interest. Further, recruitment process in banks is skewed in favour of the urban english speaking middle class who lacked a rural orientation. These officers who are posted in rural areas prefer to reside in nearby urban centres and commute long distances which results in a decline in productivity. The urban background also prevents the staff from empathizing with the problems of rural clientele.

The HRM challenges identified for the rural banks by the paper were talent acquisition, as the right acquisition strategy is the first step in HRM and rural banks must induct manpower at a steady rate to support growth and make up for the rapidly retiring manpower, talent management as the evolving business context will require them to increasingly match aptitude with placement of staff, performance evaluation systems need to have link with promotions, postings or incentives. The organizations need to understand and appreciate that the three most important factors motivate an employee to join and work for an organisation are 1) Empowerment 2) Vision of the Organisation (“want to work for a purpose and not a person”) and 3)

continual learning and development opportunities. An important strategy to develop talent is to make employee's role more enriching and challenging. The capacity building efforts need to focus on learning new practices and client requirements and the rural banks should focus on banking with poor and also customer relationship management along with sales and marketing. A major role devolves on the Board of Directors of the banks as the entire issue of governance and policy formulation remains their responsibility.

The paper concluded that the rural banking service sector is facing challenging times. Forward-looking rural financial institutions need to recognize that a different set of competencies, smarter deployment of talent and the realignment of compensation and benefit structure could be critical to their ability to adapt to the fundamentally different competitive and regulatory environment that is emerging. In such tough market conditions, successful banks will look at how to attract and nurture people with the mindset and ideas to develop lasting relationships. A particular challenge will be how to reward people when compensation policies are getting tighter. It will be imperative, therefore to establish sound underlying principles for remuneration while taking into account evolving strategies of the new organization. Ultimately, the commitment and behavior of the people in the organization will be critical in building the trust of consumers and markets.

B) Paper on H.R. Challenges in Rural Banking – Perspective of a Public Sector Bank by Ms Aparna Dwivedi, Chief Manager, SBI, LHO, Lucknow. The paper indicated that the major challenge before public sector banks was to reform Human Resource policy with the objective of maintaining high level of motivation amongst employee as quality work force is the pre-requisite for a bank to be a globally competitive bank. It indicated that though the policy environment resulted in

opening of rural areas there were problems on the delivery front due to many HR issues like Staff Shortage in rural areas, Lack of Motivation, Risk of frauds and Problem of NPAs. The policy interventions to overcome these difficulties related to devising a clear cut HR policy related to transfer and posting and linking the same to the promotion system, i.e., a compulsory stint of rural branch for being considered for promotion to a specific level in the hierarchy, use technology to deliver services and reduce drudgery of staff, recruiting exclusive staff for rural businesses. The most notable intervention to work on the issue of low motivation was to roll out a chain of massive transformation and motivational programmes like Parivartan , Citizen SBI -1 , Citizen SBI - 2 and Citizen --3 resulting in enhanced levels of motivation and resultant increased business levels in all the areas and particularly the rural ones. In order to earn the trust of the rural clientele the bank is using biometric instruments to undertake banking activities for the rural folks so that they are sure that no fraud can be committed on them, the capacities are being enhanced both for the staff and also the people for setting up and financing of livelihood activities. The reach is being further consolidated through use of banking correspondents.

C) The paper on HR Challenges in a Regional Rural Bank by Shri Prashant Kumar, Chairman, Purvanchal Gramin Bank, Gorakhpur.

The paper indicated that the RRBs have gone through a checkered history in respect of the HR issues. Presently it is suffering from the issue of staff shortage due to non recruitment for a long time, slow adoption of technological instruments, requirement of business and branch expansion. The biggest challenge in the present time is that though the recruitment process has been initiated, it is difficult to find people conversant with rural areas. The business development and the empathy with rural India, so important for a rural banker, is getting hampered due to the issue of staff commuting to rural work places

from nearby towns. The huge gap in the attitude and aptitude and also the introduction of technology require a focused intervention in the field of capacity building on a massive and regular basis.

It was again indicated by the delegates that recruitment should keep in mind the future of banking business and the requirements of people or else we will be struck with the people with capability mismatch. He also reiterated that the rural structure has undergone a change and so also the aspirations and the need of the rural clientele which will also require building capacities of the staff in understanding and financing them. The single most important factor identified by the paper in developing trust and commitment of the staff was to be transparent and communicate all the decisions and steps taken as an organization. The issues flagged for further deliberation and policy interventions were corporate governance issue relating to Chairman of RRB being on Deputation. Secondly, the empowerment of the members of Board of Directors, which is an issue of the HR policy / capacity building policy of the nominating agency itself.

D) The paper by Shri P. C. Sahoo, Project Director, Rural Development Consortium indicated that

- The banks will have to take initiatives on HRD and Technology fronts. They have to recognize the reality of competition and evolve as Customer Centric and Market driven organisations.
- The banks will have to seriously secure the emerging business opportunities in the hitherto neglected sectors, redraw strategy planning and prepare the human resources to respond efficiently, innovatively, empathetically and profitably to the vast need of the excluded population.
- Human resources of the bank branches should be oriented to understand the working of SHGs which can act as very potential intermediaries at grass root level.

- The banking personnel need to learn business strategies from the corporate those are targeting the rural areas in particular and the low income segment of the population.

It is time that bank should understand that invest in human resources is a profitable proposition and that with the world's most extensive banking structure, we have the perfect spring board for creating an inclusive competitive and vibrant financial system that can offer high quality client responsive products and services to all sector of the society on a commercial basis.

E) Paper on HR Issues in Short Term Cooperative Banking Structure by Sri A.K Padhi, FM, BIRD.

It was indicated that HR Management situation in these banks is as under:

- Personnel policy governed by state specific/ bank specific service regulations
- Staff strength determined by respective Board with prior approval of RCS
- Staff not clearly grouped under officer, assistant, sub staff categories
- Direct recruitment up to entry level in officers cadre
- CEO promoted from ranks/ on deputation from government
- No relationship between business volume and staff strength
- One third of total staff and 53% of officers to retire in next 5 to 10 years
- Wide variation in staff categorization across states.

In the backdrop of the above mentioned scenario he detailed the steps being initiated / contemplated to adopt the recommendations of Mitra Committee which are

- SCBs and branches to be categorised into 4 categories on the basis of business
- DCCBs and branches to be categorised into 4 categories on the basis of retail deposits + advances
- Staffing pattern to depend on category of bank/ branch
- HO to have six departments in SCBs and 'A' category DCCBs
- Three categories- officers, clerical staff and support staff
- CEO to be appointed by Board as per fit and proper criteria
- BC/BF to be engaged for non core activities
- Staff cost to be within 30-40% of NII+ other net income

Direct Recruitment will be possible at various levels, including middle management which will allow lateral entry of experienced and professional people. The capacity building intervention is being standardized through the services of C-PEC, like accreditation of CTIs, certification of trainers and personnel of cooperatives and standardisation of training modules.

The apprehensions of the representatives of cooperative banks was allayed and it was reiterated the reforms process initiated by the GOI has to be taken to its logical end.

F) The paper on HR issues in Long Term Cooperative Structure was presented by Anil Kumar Pandey, Asst. Gen. Manager / Faculty, JLTC / U.P. Sahakari Gram Viksas Bank Ltd. It was indicated that weakness in ARDBs is on account of Structural inflexibility, Over dependence for resources, Poor loan repayment, Lack of diversity of business/business planning and development, Lack of professional management and HR policies, Systems and procedures and Restrictive coop. law and negative govt. attitude. To mitigate the same the HR policy is required to have the following contours:

- Capable of attracting good staff with appropriate incentive packages
- Suitable recruitment strategy for acquiring such personnel who can identify themselves with the processes of transformation of rural economy and have knowledge related to rural psychology and norms,
- Sound placement policies giving rural orientation
- Developing reward and punishment system consistent with performance,
- Performance linkages of creative involvement with rural development rather than mere traditional banking in rural areas and
- Developing appropriate system for better communication and prompt grievance resolution of rural employees and customers alike
- Bestow top priority on imparting training to its managerial staff and down the line periodically on the basis of felt needs

While summing up Shri R. K. Das, joint Director, BIRD indicated that different banks work with different clients and its human resource complement has to be in tune with the business models being followed for the revenue flow. The environment is changing very fast and there should be management policy intervention to manage change and employee expectations through transparent communication. The future will require more of soft skills in respect of marketing and networking.

The seminar ended with a vote of thanks by Shri Monomoy Mukherjee, FM, BIRD