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बैंक क्वेस्ट

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Strategic HRM Initiatives for Banks



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MISSION

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

ध्येय

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

Printed by Mr. Biswa Ketan Das, **published by** Mr. Biswa Ketan Das on behalf of Indian Institute of Banking & Finance and **printed at** Onlooker Press 16, Sasoon Dock, Colaba, Mumbai-400 005 and **published from** Indian Institute of Banking & Finance, Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kirod Road, Kurla (W), Mumbai - 400 070. **Editor** Mr. Biswa Ketan Das.



Mr. Biswa Ketan Das
*Chief Executive
Officer,
IIBF, Mumbai*

Dear Readers,

We are glad to share with you that the Institute held its 98th Annual General Meeting (AGM) for FY-2024-25 on 18th September, 2025. Shri Challa Sreenivasulu Setty, Chairman, State Bank of India delivered the President's address entailing the significant developments about the Institute during the previous year. We are publishing it in this issue of Bank Quest in the best interest of our members.

Along the significant developments of the Institute, Mr. Setty also highlighted the key developments in the banking sector. Central Bank Digital Currency expanded to 17 banks and 60 lakh users by March 2025. On the technology front, emergence of Artificial Intelligence and growth of Unified Payments Interface (UPI) is changing the financial landscape.

In an ever-evolving and growth-oriented economy, the financial sector needs to keep pace with changing markets and their demands. For a service industry like banking, management of people is one of the key determinants of success. Expansion into new market or products require investment in capacity building. Efficient service delivery may not be possible without efficient, skilled and engaged workforce. The financial sector faces rapidly evolving challenges that require strong and people-focused leadership. A resilient and high-performing workforce is essential to achieving organizational goals. Leadership and management practices play a critical role in shaping these experiences. When used strategically, they provide actionable insights that can drive meaningful change, foster trust and guide sustainable and impactful reforms within the organization.

Human Resources plays a crucial role in building institutions that are capable, forward-looking, compliant and trustworthy.

Considering the continuous importance of human resource management in achieving goals in the banking sector, we are publishing this issue of Bank Quest on the theme, "Strategic HRM Initiatives for Banks".

Highlighting the importance of Human Resource Management in banking industry, the article on "बैंकों में मानव संसाधन प्रबंधन, सांगठनिक आत्मीयता एव भाषा" authored by Dr. Saket Kumar Sahay, Chief Manager (Rajbhasha), Punjab National Bank, signifies the relevance of Hindi language in strengthening the efforts of Human Resource Management. The author has highlighted that though customer service can increase the profitability of an organization, however, it can be achieved through an engaged and active workforce. Also, the author has talked about the importance of language in capacity building in banks. Recently, "Hindi Diwas" was celebrated across many institutions in India with great enthusiasm. I believe many readers will be able to relate and appreciate this article.

Employee engagement shows how committed and invested employees are in their work. An engaged employee contributes to organization's success. The next article titled “कर्मचारी सहभागिता: बैंकों के संदर्भ में संगठनात्मक सफलता के लिए रणनीतियाँ” is jointly written by Dr. Dinesh Kumar, Deputy General Manager (Strategic HR Management and HR Operations), Baroda Academy, Bank of Baroda, Mr. Subah Singh Yadav, Former Assistant General Manager and Learning Head, Baroda Academy, Bank of Baroda and Mr. Chirag Pandya, Senior Manager and Faculty, Baroda Academy, Bank of Baroda. Taking the reference from various theories, the author has cited the importance of employee engagement and provides the strategies for organizations to increase the engagement of employees.

The next article “Strategic Employee engagement in Indian Banks: A catalyst for Business Excellence” authored by Dr. Lakshmi Prasad Padhy, Former Deputy General Manager, Bank of Baroda, highlighted the challenges to Employee engagement in Indian Banks and also provided strategies to enhance well-being and psychological safety of employees, which can subsequently, improve organizational performance.

The Indian Banking industry had witnessed several experiments of creating differentiated banks. The article penned by Ms. Tista Tiwari, Manager, Reserve Bank of India and Dr. Pallavi Chavan, Director, Reserve Bank of India on “Evolution and Role of the Differentiated Banking Sector in India”, provides an indepth empirical assessment of the role of Differentiated banks. The paper looked into the role of differentiated banks in the Indian economy and it also gives a glimpse of cross country experience with such experiments.

The emergence of Artificial Intelligence has the potential to transform the face of financial sector. Utilizing the artificial intelligence, the financial sector can optimize and customize the products and services. The next article “Artificial Intelligence in Banking” authored by Dr. Saurabh Agarwal, Chief Manager and Faculty, Union Learning Academy, Union Bank of India, highlighted the benefits and challenges of Artificial Intelligence in the context of banking sector.

The Institute organises Micro Research Paper Competition every year for its Life Members who are presently working in banks and financial institutions. Through Micro Research papers, members present their original ideas, thoughts and best practices in areas of their interest. In this issue of Journal, we are also publishing the prize-winning papers under “Micro Research Paper, 2024-25”.

The I Prize under Micro Research Paper Competition, 2024-25 was awarded to Mr. Soham Ghosal, Senior Branch Manager, Punjab National Bank for his paper on “Unified Lending Interface - Transforming the Lending framework”.

This paper presents a study on the evolution of Unified Lending Interface and its expected impact on various sectors of the economy.

The II Prize under Micro Research Paper Competition, 2024-25 was awarded to Ms. Shruti Pawagi, Senior Manager, Indian Bank for her paper on “Unified Lending Interface - Transforming the Lending framework”. This paper looked into the convergence of Jan Dhan, Aadhar and Mobile, also known as the JAM trinity, which represents a significant advancement in India’s digital lending infrastructure.

The financial sector has undergone a profound transformation in the digital era, reshaping how individuals and businesses access and utilize financial services. With the rise in digital transactions, the customer protection from digital frauds has become an important concern. The III Prize under Micro Research Paper Competition, 2024-25 was awarded to Ms. Shalini Goswami, Customer Service Associate, Indian Bank for her paper on “Fortifying Digital Finance: A holistic and customer-centric approach to combating cyber frauds”.

This issue also features the Summary of Project report completed under the Advanced Management Programme for the year 2024-25. The report was presented by Mr. Baidya Nath Singh, Deputy General Manager, NABARD under the guidance of Mr. Tusharendra Barpanda, Zonal Head, Professional Development Centre, East Zone, Indian Institute of Banking & Finance, on the topic “Role of Regional Rural Banks in the Indian Financial System: A Contemporary Analysis”. The author concluded that RRBs have unequivocally succeeded in their primary mission of financial outreach. Despite their institutional strengths, RRBs facing challenges such as digital adoption and need to strengthen operational and procedural efficiencies.

This issue presents the exhaustive view of financial sector by covering Articles, Micro research papers and Summary of project report. Each piece invites us to think critically and motivates us to engage with the banking world around us.

We hope that readers will appreciate its depth and comprehensive coverage.

We also encourage the bankers and academicians to contribute the articles in Bank Quest.

We will be glad to receive suggestions and feedback for further improving the contents of our Journal, Bank Quest.

Biswa Ketan Das



**Shri Challa Sreenivasulu
Setty**

*President, IIBF and Chairman,
State Bank of India*

Dear Members,

It is my privilege to present the key highlights of the Institute's performance for the Financial Year 2024-25, as outlined in the accompanying Annual Report.

This communication begins with an overview of the Economic Outlook, followed by a Banking Sector Update and concludes with a review of the Institute's Performance.

Economic Outlook

The global economy continued to expand albeit at an uneven pace, against the backdrop of geopolitical tensions, geoeconomic fragmentation, elevated trade frictions and rising public debt. In this environment, India is once again poised to assume a leadership role in global growth. India's growth outlook for 2025 and 2026 continues to be among the strongest across major economies, despite a backdrop of uncertain tariffs and weaker prospects for several other large economies. Anchored by sound fundamentals and reinforced by strategic policy initiatives, India is well-positioned to navigate external challenges.

The Reserve Bank of India's latest Financial Stability Report (FSR), June 2025 highlights the financial system's resilience, supported by strong capital buffers, historically low Non-Performing Loans (NPLs) and healthy earnings for banks and Non-Banking Financial Companies (NBFCs). While domestic demand drives growth, areas of focus include rising household debt from consumption loans, potential stress in unsecured retail loans and managing global economic uncertainties. The report indicates a positive outlook for food inflation and a revised downward forecast for inflation in FY2025-26, contributing to a stable domestic environment for the Atmanirbhar Bharat initiative, which aims for national self-reliance through strengthening the economy, infrastructure, systems, demography and demand.

The domestic economy is expected to retain its status as the fastest growing major economy in 2025-26, supported by resilient private consumption, stronger balance sheets of banks and corporates, benign financial conditions and sustained public investment in infrastructure. The inflation outlook for 2025-26 is likely to improve, aided by easing supply chain pressures, moderation in global commodity prices and higher agricultural output on account of a potentially above-normal south-west monsoon.

Nevertheless, financial markets may continue to witness intermittent bouts

The address was delivered on the occasion of 98th Annual General Meeting (AGM), held on September 18, 2025.

of volatility in response to global financial turbulence and uncertainty surrounding trade policies. The external sector, particularly merchandise exports, may face headwinds from intensifying geopolitical risks, inward-looking trade measures and the possibility of tariff escalations among major economies.

Banking Update

During 2024-25, Reserve Bank of India issued a number of regulatory and supervisory guidelines aligned with international best practices to strengthen governance, risk management and operational resilience. These included guidelines on: (a) principles for managing model risk in credit; (b) eligibility norms for voluntary transition of Small Finance Banks (SFBs) to universal banks; (c) harmonisation of regulations applicable to Housing Finance Companies (HFCs) and Non-Banking Financial Companies (NBFCs); and (d) measures for strengthening operational risk management.

In view of the evolving growth-inflation dynamics, the Monetary Policy Committee (MPC) shifted its stance from “withdrawal of accommodation” to “neutral” in October 2024, providing the flexibility to respond to the progress of disinflation and growth. Subsequently, with macroeconomic conditions creating policy space, the MPC reduced the policy repo rate by 25 basis points to 6.25 per cent in February 2025, following an extended period of status quo since February 2023 at 6.50 per cent.

Domestic financial markets displayed resilience despite a volatile global backdrop. Yields on Government securities (G-secs) and corporate bonds declined, facilitating an increase in corporate bond issuances. Equity markets witnessed strong gains in the first half of the year, scaling new peaks, before moderating in the second half amid concerns regarding Gross Domestic Product (GDP) and corporate earnings growth, tariff-related uncertainties and Foreign Portfolio Investment (FPI) outflows. The transmission of monetary policy remained effective, as changes in the repo rate continued to reflect in banks’ lending and deposit rates. The share of external benchmark-linked loans in total floating rate loans increased further during the year, accompanied by a decline in Marginal Cost of funds-based Lending Rate (MCLR)-linked loans. Merchandise exports recorded a marginal growth of 0.1 per cent in 2024-25, compared with a contraction of 3.1 per cent in the previous year. Merchandise imports, however, rose by 6.2 per cent, reversing a contraction of 5.3 per cent a year earlier. Consequently, the merchandise trade deficit widened to US\$ 282.8 billion in 2024-25 from US\$ 241.1 billion in 2023-24. Notwithstanding this

widening, strong services exports and steady inward remittances contained the Current Account Deficit (CAD) at a sustainable level of 1.3 per cent of GDP during April–December 2024 (1.1 per cent a year ago).

Capital flows were marked by volatility. Net Foreign Direct Investment (FDI) inflows declined sharply to US\$ 0.4 billion in 2024-25 from US\$ 10.1 billion in the previous year, while net FPI inflows moderated to US\$ 1.7 billion (US\$ 41.6 billion in 2023-24). In the first half of the year, capital flows were sufficient to finance the CAD, resulting in an accretion of US\$ 23.8 billion to foreign exchange reserves (on a balance of payments basis). In contrast, the second half saw net FPI outflows of US\$ 18.5 billion between October 2024 and March 2025.

Scheduled Commercial Banks (SCBs) witnessed a marginal increase in the credit-to-deposit ratio during the year as credit growth outpaced deposit mobilisation. However, the gap between credit and deposit growth narrowed with banks raising term deposit rates to augment funding. Asset quality continued to improve, reflected in declines in gross Non-Performing Asset (NPA), net NPA and slippage ratios. Provision Coverage Ratio (PCR) remained strong and profitability indicators—Return on Assets (RoA) and Return on Equity (RoE)—were robust, although Net Interest Margin (NIM) registered some softening. Banks' capital and liquidity buffers remained well above regulatory requirements. Macro stress tests indicate that even under severe stress scenarios, the system-level capital adequacy of banks would remain comfortably above the minimum regulatory threshold.

The Central Bank Digital Currency (CBDC) initiative saw significant progress during 2024-25. The retail CBDC pilot (₹-R), which began in December 2022, was expanded to 17 banks and 60 lakh users by March 2025, with the addition of offline functionality and programmability features. Non-bank entities were also permitted to offer CBDC wallets to enhance adoption. The wholesale CBDC (₹-W) pilot was widened with the inclusion of four standalone primary dealers.

On the technology front, India advanced its strategy to develop a robust Artificial Intelligence (AI) ecosystem through initiatives such as the IndiaAI Mission and the establishment of Centres of Excellence (CoEs) in healthcare, agriculture and sustainable cities. Parallely, efforts to strengthen domestic semiconductor capabilities continued under the India Semiconductor Mission. The Reserve Bank of India also launched two major repositories—the FinTech Repository and the EmTech Repository—on May 28, 2024, to capture sector-wide information on technology adoption by FinTechs

and regulated entities, respectively. These initiatives, managed by the Reserve Bank Innovation Hub (RBIH), will serve as valuable resources for policymakers and industry stakeholders by providing sectoral-level data, trends and analytics.

Digital payments maintained strong momentum, growing by 34.8 per cent in volume and 17.9 per cent in value terms in 2024-25. The Unified Payments Interface (UPI) consolidated its global leadership, accounting for 48.5 per cent of worldwide real-time payment transactions by volume.

Performance of the Institute

Over the past few years, the Institute has undertaken a process of reinvention by integrating technology extensively into its training pedagogy and examination processes, in alignment with the digital transformation underway in the banking sector. Facilities such as AI-enabled remote proctoring of examinations and training through web-based platforms have become integral to the Institute's delivery framework.

In FY 2024-25, significant progress was made in customising and diversifying the Institute's academic and training offerings, in line with its Vision 2025. Major initiatives undertaken during the year are outlined below:

- The National Council for Vocational Education and Training (NCVET) recognised IIBF as a dual awarding and assessment body for BFSI skill development courses for a period of three years. In this regard, the Institute has developed a Fundamentals of Retail Banking course to be offered to college and university students as a credit course.
- Examinations for the flagship JAIIB and CAIIB courses were successfully conducted under revised syllabi and updated courseware. Additionally, "questions without options" were introduced in select CAIIB subjects.
- The syllabi for capacity building programmes in Treasury, Credit, Risk Management and Accounting & Auditing, as mandated by the Reserve Bank of India, were restructured to meet industry requirements and the courseware were updated to incorporate more practical scenario-based case studies.
- Diploma and Certificate courses are being rationalised, syllabi realigned and courseware updated in line with regulatory changes, with an emphasis on practical application of knowledge in banking scenarios.
- Customised certification programmes were developed and delivered for major public sector and private sector banks and NBFC, on key domain areas like Anti-Money Laundering - Know Your Customer (AML-KYC), Compliance, Business Ethics, Risk Management, Micro, Small and

Medium Enterprise (MSME) and Customer Service. These programmes were designed in consultation with institutions to address role-specific learning needs.

- Based on industry feedback, new certification programmes were launched in Customer Service, Operational Risk Management, IT Security and Retail Banking Operations.
- Recognising the growing demand for E-Learning, the Institute expanded its portfolio of self-paced online certification programmes, including courses on Project Finance, Digital Banking and Ethics in Banking. New E-Learning modules are also being developed on a wide range of topics based on feedback from member banks and financial institutions.
- With approval from the Ministry of Education, selected certifications such as Climate Risk & Sustainable Finance and Retail Banking were introduced on the Swayam Plus portal.
- In partnership with the International Finance Corporation (IFC), World Bank Group, the Institute launched a pioneering dual-level certification in Climate Risk & Sustainable Finance (Foundation and Advanced). The programme has witnessed increasing enrolments, including participation from international candidates.
- An Memorandum of Understanding (MoU) with IFC and the National Banking Institute (Nepal) led to the development of a Nepal-specific certification in Climate Risk & Sustainable Finance, scheduled for launch in FY 2025-26.
- In collaboration with United Nations Environment Programme Finance Initiative (UNEP FI), the Institute organised a series of workshops on Responsible Banking for professionals across different seniority levels, including Board members in the four major metros of the country.
- As mandated by the Reserve Bank of India, IIBF continues to be the sole certifying authority for Business Correspondents (BCs) and Debt Recovery Agents (DRAs). The revised BC certification courseware is offered in 11 languages, with 78,512 enrolments in FY 2024-25. Similarly, 1,23,224 candidates registered for DRA certification, also available in 11 languages.
- The Institute expanded its training footprint through customised and open training programmes, both in physical and online formats. In FY 2024-25, a total of 351 training programmes were conducted with 13,849 participants, covering a wide spectrum of banks including

foreign banks, co-operative banks and Regional Rural Banks (RRBs). Notable programmes included Leadership Development Programme in collaboration with XLRI, Jamshedpur and Advanced Programme on Strategic Management with Jamnalal Bajaj Institute of Management Studies (JBIMS), Mumbai. The Advanced Management Programme (AMP) also witnessed growing industry participation.

- Research continued to be a focus area, with the Institute funding Micro and Macro research projects for bankers. An MoU was signed with Indian Institute of Management (IIM) Mumbai to promote active research in the banking and finance domain.
- On the collaboration front, IIBF entered into an MoU with the Financial Planning Standards Board (FPSB), India, offering CAIIB-qualified candidates preferential benefits when pursuing the Certified Financial Planner (CFP) designation. Additionally, customised courseware in Risk Management and Retail Banking was developed for the National Banking Institute, Nepal.
- IIBF has entered into a strategic MoU with the National Forensic Sciences University (NFSU), an Institution of National Importance under the Ministry of Home Affairs, for jointly developing a certification in the domain of forensic accounting and fraud prevention.

The Institute successfully organised its flagship lectures during the year:

- The 14th R. K. Talwar Memorial Lecture was delivered physically by Shri Nagaraju M., Secretary, Department of Financial Services, Ministry of Finance, Government of India, on 27th February 2025 in physical mode.
- The 39th Sir Purshotamdas Thakurdas Memorial Lecture was held in November 2024 and delivered by Shri Rabi Narayan Mishra, Director, College of Supervisors, Reserve Bank of India.

As part of its Member Education Series, the Institute organised webinars and seminars on topical issues. Key sessions during FY 2024-25 included:

- A joint webinar with Financial Planning Standards Board (FPSB) India in July 2024 on “Understanding Certified Financial Planner (CFP) Certification for CAIIB Members,” highlighting opportunities and benefits of the CFP programme.
- A webinar on “Budget 2025: New Initiatives to Drive Growth,” conducted on 10th February 2025, featuring Dr. C. Veeramani, Director, Centre of Development Studies, Thiruvananthapuram, which attracted over 400 participants.

- A workshop in collaboration with IFC (World Bank Group) on 27th September 2024, covering the International Sustainability Standards Board-International Financial Reporting Standards (ISSB-IFRS) framework for climate-related disclosures in banking, which was attended by around 300 participants.

All these initiatives were well received and underscore the Institute's commitment to supporting the continuous learning and professional development needs of the banking and finance community.

Corporate Social Responsibilities

The Institute has taken voluntary Corporate Social Responsibility (CSR) Initiatives as a measure of good governance. The CSR Policy of the Institute intends to achieve the following objectives.

- Promotion of education including special education and employment enhancing vocational skills among different groups of society.
- Promoting equality among all the different sections of the society, including men, women, differently abled persons, economically and socially backward class of people in both urban and rural areas.

Protecting the Environment

The Institute pursues 'Green Initiative' of the Ministry of Corporate Affairs, Government of India by reducing use of paper and increasing the use of electronic mode in its activities. Besides ensuring that all the operations and exams are in the online mode, the Institute aims to completely eliminate the use of paper in the long run and to follow the policy of 'Go Green/conserves nature' in all its activities.

Looking Ahead

The Banking and Financial Services sector is undergoing a paradigm shift, especially in product design and service delivery, driven by evolving regulatory guidelines and changing customer expectations. The skillsets and knowledge base required of new-age bankers are also continuously evolving and the Institute has duly taken this into account in the design of its recent initiatives. The Institute is in the process of preparing its strategic Vision Document for its centenary year (2028 and beyond) to align its offerings with the changing BFSI ecosystem.

The Institute will continue to develop more specialised and customised training programmes, aligned with the need-based and role-based learning requirements of various Banks and Financial Institutions. Looking ahead,

the Institute also seeks to expand its footprint in financial education for college and university students in India, under the guidance of the NCVET, with the objective of enhancing employability and industry readiness among students. In addition, the Institute is committed to support the banking fraternity in the emerging and critical area of climate risk and sustainable finance, by promoting awareness and developing the necessary skillsets through its certification programmes.

The Institute will continue to prioritise the interests of its members and work towards further strengthening their skills and knowledge base at various levels of their career journey, making IIBF their preferred learning partner. I am confident that the Institute will sustain its strong performance in the coming financial year as well.



बैंकों में मानव संसाधन प्रबंधन, सांगठनिक आत्मीयता एवं भाषा

डॉ. साकेत कुमार सहाय*

पृष्ठभूमि

किसी भी अन्य संगठन की भांति बैंकिंग तंत्र की सफलता, क्षमता एवं मजबूती भी मानव संसाधन के प्रभावी उपयोग पर निर्भर करती है। मानव संसाधन के बेहतर समन्वय एवं उपयोग के द्वारा ही हम अपने लक्ष्यों की प्राप्ति कर सकते हैं। इसीलिए कहा भी जाता है कि संगठन के समस्त संसाधनों में मानव ही सबसे महत्वपूर्ण संसाधन है।

भारतीय बैंकिंग व्यवस्था देश के समावेशी विकास के प्रति समर्पित है। बैंकिंग व्यवहार का अर्थ केवल आर्थिक लेन-देन ही नहीं बल्कि व्यापकता में देश की सामाजिक, भाषायी और प्रशासनिक विविधताओं को भी समाहित करना है। बैंकिंग उद्योग आज केवल वित्तीय लेन-देन तक सीमित नहीं रह गया है। यह अब एक सेवा-आधारित, प्रतिस्पर्धी और तकनीकी रूप से उन्नत क्षेत्र बन चुका है, जहाँ ग्राहक की संतुष्टि और अनुभव सबसे महत्वपूर्ण बन चुके हैं। ऐसे परिदृश्य में बैंक की सफलता का आधार केवल पूंजी या तकनीक नहीं, बल्कि उसकी मानव पूंजी-अर्थात् कर्मचारी हैं। मानव संसाधन प्रबंधन (Human Resource Management) इसी आधार को मजबूत करने की प्रक्रिया है, जो न केवल कर्मचारियों की दक्षता को बढ़ाता है, बल्कि बैंकिंग व्यवसाय में स्थायी वृद्धि की नींव भी रखता है। इस स्थायी वृद्धि की नींव में प्रबंधन के साथ-साथ सांगठनिक आत्मीयता एवं भाषा की भी महत्वपूर्ण भूमिका है।

आज के डिजिटल युग में जहाँ बैंकिंग सेवाएँ मोबाइल और इंटरनेट तक सिमट गई हैं, वहीं ग्राहक की अपेक्षाएँ भी कहीं अधिक परिष्कृत हो गई हैं। ग्राहक अब न केवल सुरक्षित लेन-देन चाहता है, बल्कि वह त्वरित, सुलभ और व्यक्तिगत अनुभव भी चाहता है। इन अपेक्षाओं को समझना और उन्हें पूरा करना एक प्रशिक्षित, संवेदनशील और उत्तरदायी मानव संसाधन के बिना संभव नहीं।

एक प्रशिक्षित, संवेदनशील और उत्तरदायी मानव संसाधन के निर्माण एवं विकास में करोड़ों लोगों की अभिव्यक्ति की भाषा के रूप में हिंदी की भूमिका सिद्ध है। बैंकिंग जैसे जन-संपर्क वाले क्षेत्र में, हिंदी का प्रयोग केवल संवैधानिक दायित्व नहीं, बल्कि एक सामाजिक आवश्यकता भी है। आज भारत के सभी सार्वजनिक क्षेत्र के बैंक राजभाषा नीति के अंतर्गत हिंदी में लेन-देन, पत्राचार, रिपोर्टिंग तथा प्रशिक्षण जैसी कई गतिविधियाँ संचालित कर रहे हैं। ऐसे में बैंकों में मानव संसाधन प्रबंधन, सांगठनिक आत्मीयता एवं हिंदी के परस्पर जुड़ाव से बैंक अपने कर्मियों की क्षमताओं को उन्नत करने का कार्य आसानी से कर सकते हैं क्योंकि हिंदी एवं भारतीय भाषाएँ ही इतने बड़े देश में ग्राहकों के बीच बैंकिंग प्रक्रिया स्थानीय और अधिक ग्राह्य बनाती है।

मानव संसाधन प्रबंधन के अंतर्गत केवल नियुक्ति या वेतन प्रबंधन नहीं आता, बल्कि यह एक रणनीतिक प्रक्रिया है, जिसमें सही प्रतिभा की पहचान, उसका विकास, प्रेरणा और दीर्घकालिक जुड़ाव सुनिश्चित किया जाता है। जब एक कर्मचारी स्वयं को संगठन का भाग मानता है, उसकी भूमिका को समझता है और उसके पास अपने कौशल को निखारने के अवसर होते हैं, तब वही कर्मचारी ग्राहक को उत्कृष्ट सेवा देने में सक्षम होता है। यह सेवा ग्राहक की संतुष्टि में बदलती है, और वही संतुष्टि बैंक की छवि और व्यवसाय में वृद्धि का आधार बनती है।

बहुधा संगठन के भीतर यह प्रश्न उठता रहता है कि संस्था को प्रगति पथ पर गतिमान बनाने हेतु मानव संसाधन की क्षमताओं का बेहतर उपयोग कैसे किया जाए? क्योंकि कई संगठन पर्याप्त मानव संसाधन के बावजूद उस हद तक सफल नहीं होते हैं या उनके परिणाम संतोषजनक नहीं रहते। जबकि कई संगठन मानव संसाधन के बल पर ही प्रगति पथ पर अग्रसर होते हैं। तो इसका एकमात्र समाधान है - संगठन द्वारा मानव संसाधन का बेहतर

*मुख्य प्रबंधक (राजभाषा), पंजाब नेशनल बैंक।

प्रबंधन, प्रशिक्षण एवं सांगठनिक आत्मीयता का उपयोग और इन सभी में धन, प्रशिक्षण एवं सांगठनिक आत्मीयता में भाषा की महत्वपूर्ण भूमिका है।

कहा गया है कि किसी देश, समाज की भाषा ही उसकी आत्मा होती है। दरअसल भाषा मानव सभ्यता के विकास की आरंभिक कड़ी है। क्योंकि बिना भाव या संवाद के परिवार, समाज या संगठन की कल्पना करना ही बेमानी होगी। भाषा या बोली के माध्यम से ही भाव या विचार परिवार, समाज, संगठन या व्यक्ति के समक्ष प्रकट होते हैं और यही भाव या विचार मानव को संसाधन के रूप में भी प्रकट करते हैं। यही कारण है कि मानव सभ्यता के विकासक्रम के आरंभिक काल से ही भाषा की महत्वपूर्ण भूमिका है। आधुनिक भारत के संदर्भ में यह भाषा हिंदी एवं भारतीय भाषाएँ हैं। हिंदी ने हम सभी को आपस में जोड़ने में महत्वपूर्ण भूमिका निभाई है।

मानव संसाधन प्रबंधन, सांगठनिक आत्मीयता एवं भाषा

बैंकिंग व्यवसाय में नवाचार, डिजिटलीकरण और प्रतिस्पर्धा की चुनौती से निपटने के लिए एक लचीली, अनुकूलनशील और आगे सोच रखने वाली कार्यशक्ति की आवश्यकता होती है। मानव संसाधन विभाग का कार्य होता है ऐसे वातावरण का निर्माण करना जहाँ कर्मचारियों को नवीन विचारों को अपनाने, सीखते रहने और स्वयं में निवेश करने के लिए प्रेरित किया जाए। इसके साथ ही, एक सशक्त प्रदर्शन मूल्यांकन प्रणाली, पारदर्शिता और कर्मचारी कल्याण योजनाएँ, कर्मचारियों के मनोबल को बढ़ावा देती हैं, जो सीधे तौर पर उनकी उत्पादकता और बैंक के लक्ष्यों की पूर्ति से जुड़ी होती हैं।

इसके अतिरिक्त, बैंकिंग क्षेत्र में ग्राहक की विविधता-जैसे शहरी, ग्रामीण, युवा, वरिष्ठ नागरिक या डिजिटली सशक्त वर्ग-को समझने और उनकी विशिष्ट आवश्यकताओं को पूरा करने के लिए सांस्कृतिक संवेदनशीलता, भाषा का ज्ञान और व्यवहारिक कुशलता की आवश्यकता होती है। यह तभी संभव है जब मानव संसाधन प्रबंधन इन आयामों को अपने प्रशिक्षण और भर्ती नीति में प्राथमिकता दे। अतः इसलिए बैंक लगातार अपने कर्मचारियों को तकनीकी प्रशिक्षण, ग्राहक सेवा कौशल, व्यवहारिक समझ और नवाचार के प्रति सजग बनाए रखने हेतु समय-समय पर प्रशिक्षण प्रदान करते हैं।

आज के प्रतिस्पर्धी बाजार में, जहाँ एक ग्राहक के पास अनेक बैंकिंग विकल्प होते हैं, वहाँ ग्राहक अनुभव ही उस बैंक की अलग पहचान बनाता है और यह अनुभव उस समय बनता है जब एक उत्साही कर्मचारी पूरी तत्परता, समझदारी और संवेदनशीलता के साथ उसकी जरूरतों को समझते हुए सेवा प्रदान करता है। इसीलिए, बैंक के भीतर मानव संसाधनों का सशक्त प्रबंधन, केवल एक आंतरिक प्रक्रिया नहीं, बल्कि एक व्यावसायिक रणनीति है जो दीर्घकालिक विकास और प्रतिस्पर्धात्मक बढ़त का मार्ग प्रशस्त करती है।

परिवर्तन प्रकृति का नियम है। हर पल एक-सा नहीं रहता। अनुकूल परिस्थिति में सफलता हासिल करना किसी भी व्यक्ति या संगठन के लिए तो सहज होता है परंतु विपरीत परिस्थिति में यह बेहद कठिन होता है और यहीं पर मानव संसाधन प्रबंधन का महत्व बढ़ जाता है। मानव संसाधन प्रबंधन में सांगठनिक आत्मीयता की भूमिका बेहद महत्वपूर्ण है। आत्मीयता हमें स्वयं से प्रेम करने के साथ ही सर्व से प्रेम करने को भी प्रेरित करती है। यह आत्मीयता संगठन की प्रगति में सहायक होती है। इस आत्मीयता के प्रसार में परस्पर संवाद का महत्व बहुत अधिक है। इस परस्पर संवाद में देश भर में व्यापक संपर्क की भाषा हिंदी की भूमिका स्वतः स्थापित हो जाती है।

प्रत्येक व्यक्ति अपने जीवन में तीन प्रकार की इच्छा रखता है –प्रतिष्ठा, प्रगति एवं प्रशंसा। लालसा या इच्छा के ये स्तर ही उसकी मनोवैज्ञानिक-सामाजिक आवश्यकताओं की पूर्ति करते हैं। यह लालसा या इच्छा ही मनुष्य को बेहतर करने को प्रेरित करती है। प्रतिष्ठा, प्रगति एवं प्रशंसा को यदि किसी कर्मचारी के मामले में देखें तो इन तीनों की पाने की इच्छा व्यक्ति के साथ ही संगठन के लक्ष्यों की प्राप्ति में भी सहायक सिद्ध होती है और इन्हें प्रेरित करने में सांगठनिक आत्मीयता एवं भाषा का महत्वपूर्ण योगदान है क्योंकि प्रबंधन के लक्ष्य एवं उद्देश्य को समुचित प्रबंधन, आत्मीयता एवं बेहतर संवाद द्वारा ही प्राप्त किया जा सकता है।

सांगठनिक प्रबंधन, संवाद और भाषा की भूमिका

मानव संसाधन प्रबंधन, किसी भी संगठन की रीढ़ होता है। यह न केवल कर्मचारियों की नियुक्ति, प्रशिक्षण और पदोन्नति तक सीमित है, बल्कि कर्मचारियों के मनोबल, प्रेरणा, नेतृत्व विकास और कार्यस्थल की संस्कृति को भी प्रभावित करता है। बैंकिंग सेवाओं में मानव संसाधन विशेष रूप से महत्वपूर्ण हो जाता है

क्योंकि यहाँ काम करने वाला प्रत्येक कर्मचारी ग्राहक सेवा का प्रत्यक्ष प्रतिनिधि होता है। दूसरे शब्दों में कहें तो वह बैंक का ब्रांड एंबेसडर होता है। ऐसा माना जाता है कि निश्चित वेतन, पदोन्नति, अवकाश, भत्ते, रोजगार की गारंटी, कार्य के निर्धारित घंटे, अनुकूल स्थानांतरण एवं कर्मचारी के ज्ञान व कौशल में विकास हेतु समय-समय पर उचित प्रशिक्षण इत्यादि मानव संसाधन को सतत प्रेरित करने और उसके विकास के उपाय हैं। बावजूद इसके संगठनों में उक्त उपायों की समरूपता होते हुए भी कर्मचारियों की उपलब्धियाँ एक समान नहीं रहती। प्रायः संगठन में मानव संसाधन प्रबंधन में कमी, आपसी समन्वय या संवाद की कमी की चर्चा होती है।

बदलते दौर में प्रबंधन तंत्र को संगठन की प्रगति व समन्वित विकास हेतु मानव संसाधन की महती भूमिका को नए सिरे से समझने की जरूरत है। इसके लिए आवश्यक है मानव संसाधन यानि संगठन के प्रत्येक कर्मचारी के गुणों को तराशने की। गुणों को तराशने से अर्थ है - समुचित प्रशिक्षण एवं प्रोत्साहन हेतु सुविधाएँ मुहैया कराना। इसी संदर्भ में मानव संसाधन प्रबंधन में आपसी संवाद की उपयोगिता की चर्चा की जाती है। कोई भी संगठन परस्पर सार्थक संवाद के बल पर ही अपने कार्यबल को प्रगति पथ पर अग्रसर कर सकता है। ऐसे में सांगठनिक संवाद में भाषा की महत्वपूर्ण भूमिका से भला कौन इंकार कर सकता है। हालाँकि हाल के दशकों में औपचारिक बैठकों में वित्तीय क्षेत्र में हिंदी और भारतीय भाषाओं का प्रयोग बढ़ा है।

जब प्रशिक्षण स्थानीय या सरल भाषा में होता है, तो कर्मचारियों की समझ और सहभागिता अधिक गहन होती है। मानव संसाधन से जुड़ी तमाम प्लेटफॉर्म पर सहज हिंदी का विकल्प कर्मचारी अनुभव को बेहतर बना सकता है। परंतु इसी के साथ हमें तकनीकी शब्दावली की कठिनाई, उच्च स्तर पर अंग्रेज़ी भाषा के वर्चस्व, हिंदी अनुवाद की गुणवत्ता में असंगति तथा अनिवार्यता के बजाय औपचारिकता के रवैरे से ऊपर उठना होगा। इस हेतु यह जरूरी है कि समन्वयात्मक दृष्टिकोण अपनाए जाएं।

आज भी विकसित देशों के मानव संसाधन विकास प्रयोगों को भारतीय आयामों पर विचार किए बिना अपना लिया जाता है तथा प्रशिक्षण विदेशी भाषा में देने से उसका प्रयोजन भी उस हद तक सफल नहीं रहता। प्रशिक्षण में जनभाषा या राष्ट्रीय संपर्क की अग्रणी भाषा हिंदी को अपनाने से प्रशिक्षण की सार्थकता ज्यादा बेहतर तरीके से स्थापित होगी। देशी भाषा में प्रशिक्षण से समझने

में आसानी भी होती है। इसीलिए आज अधिकांश संस्थानों में संवाद की भाषा के रूप में हिंदी स्थापित हैं। यदि यह लिखित में भी हो जाए तो काफी हद तक पारदर्शिता स्थापित होगी। क्योंकि विदेशी भाषा के माध्यम से मौलिकता नहीं आ सकती।

सीख, आचरण में समुचित संवाद की महत्ता स्पष्ट है। समुचित संवाद से ही व्यक्तित्व एवं संस्कार का विकास होता है और इस संवाद में मातृभाषा की महत्ता जगजाहिर है। हमारे देश में हिंदी के लिए मातृभाषा, संपर्क भाषा, राष्ट्रभाषा, राजभाषा एवं विश्व भाषा जैसी मानक संकल्पनाएं विद्यमान हैं। हिंदी का प्रयोग भारतवासियों में लगाव, जुड़ाव सृजित करने में सहयोग करता।

यह ध्रुव सत्य है कि संगठन का प्रत्येक कर्मचारी उसका आईना है क्योंकि कर्मचारी के माध्यम से ही कोई बाह्य व्यक्ति संगठन से जुड़ता है। बाहरी व्यक्ति के लिए संगठन का कर्मचारी ही संगठन है। वह संगठन का प्रतिनिधि भी होता है। उदाहरण के लिए, यदि बैंकिंग कार्य में ग्राहक व कर्मचारी के आपसी व्यवहार में गर्मजोशी नहीं होगी, केवल व्यावहारिक शिष्टता होगी, तो सेवा का आदान-प्रदान तो होगा, परन्तु परस्पर आत्मीयता का विकास नहीं होगा। जो कि ग्राहक से बेहतर संबंधों के निर्माण के साथ ही बैंकिंग सेवाओं के प्रसार के लिए भी जरूरी है। बैंकिंग सेवाओं के बेहतर प्रसार के लिए बेहद जरूरी है कर्मचारी ग्राहक के समक्ष हिंदी एवं भारतीय भाषा में अपने उत्पाद प्रस्तुत करें जिसे वह बेहतर रूप में समझता हो।

हमारे देश में अधिकांश संगठनों ने प्रारंभ से ही इस दिशा में गलत प्रयास किए तथा उत्पाद या प्रॉडक्ट की जानकारी अंग्रेज़ी में ही प्रस्तुत किए गए। प्रचार में भले ही कुछ हद तक प्रयास किये गये। यह एक बहुत बड़ा कारण रहा उत्पाद एवं ग्राहक के बीच आत्मीयता नहीं बढ़ पाने का। ग्राहक प्रसार में हिंदी की भूमिका स्पष्ट व प्रमाणित है। कर्मचारियों के मामले में भी यहीं लागू होता है। ऐसे में आत्मीयता का महत्व संगठन की प्रगति में स्वतः बढ़ जाता है। क्योंकि आत्मीयता किसी भी सांगठनिक कार्य-व्यवहार का आत्म-तत्व है और यह कर्मचारियों के कार्य व्यवहार में तब आती है जब उसका मन-मस्तिष्क और हृदय संस्था से जुड़े हों। यह जुड़ाव ही संगठन की प्रगति में कर्मचारियों को तन-बल से जुड़ने में सहयोग करता है। कर्मचारी के व्यवहार में यदि आह्लाद (Delight) दिखेगा, तो ग्राहक भी आह्लादित महसूस करेगा।

संगठन में समुचित वातावरण उपलब्ध कराना प्रबंधन का कर्तव्य है। यदि कर्मचारी प्रफुल्लता से कार्य करें तो उत्पादकता अपने-आप बढ़ जाती है। यहाँ यह कहना श्रेयस्कर होगा कि वर्तमान युग में ग्राहक-आह्लाद (कस्टमर डिलाइट) के साथ कर्मचारी-आह्लाद (स्टाफ डिलाइट) का होना भी आवश्यक है। किसी भी संस्था में कर्मचारी-आह्लाद इस बात पर निर्भर करता है कि प्रबंधन-वर्ग उनकी सुख-सुविधाओं और भावनाओं के प्रति कितना संवेदनशील है और यहाँ पर मानव संसाधन प्रबंधन-तंत्र की भूमिका के साथ-साथ नीतियों के समुचित क्रियान्वयन एवं परस्पर संवाद में हिंदी की भूमिका स्थापित हो जाती है।

बहुत-सी जगहों पर हम देखते हैं कि कर्मचारी मशीन की भांति कार्य करते हैं। ऐसी जगहों पर वस्तुओं व सेवाओं का उत्पादन तो होता है, परंतु आत्मीयता नहीं होती। बैंकिंग सेवाओं के मामले में भी कर्मचारी एवं प्रबंधन के बीच आत्मीयता का होना आवश्यक है। वैसे भी आत्मीयता किसी भी व्यवहार/कार्य का आत्म-तत्त्व है। कर्मचारियों के बीच सांगठनिक आत्मीयता तभी स्थापित होगी जब मन-मस्तिष्क और हृदय संगठन से जुड़े होते हैं। जुड़ाव या आत्मीयता का सबसे बड़ा तत्व है प्रबंधन द्वारा लिखित, मौखिक में ऐसी भाषा का इस्तेमाल जिसे सभी समझ सके। ऐसे में बेहतर संवाद के लिए हिंदी जरूरी है। आज बड़े-बड़े संगठनों में अनौपचारिक संवाद की प्रमुख भाषा के रूप में हिंदी स्थापित हो रही है। पर अभी भी औपचारिक संवादों के लिए उसे मीलों दूरी तय करनी है।

खोजपूर्ण एवं नवोन्मेषी विचार

खोजपूर्ण एवं नवोन्मेषी विचार संगठन की प्रगति के लिए अत्यावश्यक है और यहाँ मानव संसाधन प्रबंधन की भूमिका बढ़ जाती है। अकबर के दरबार में नवरत्न थे और बीरबल को उसकी बुद्धिमता के कारण दरबार में विशेष सम्मान हासिल था। चाणक्य एक कुशाग्र प्रशासक थे एवं अपनी बुद्धि तथा चातुर्य के बल पर भारत में नंद वंश की सत्ता को उखाड़ कर मौर्य वंश की स्थापना में उन्होंने अहम् भूमिका अदा की। डॉ. ए.पी.जे. अब्दुल कलाम ने अपने विचारों से भारत को एक परमाणु-शक्ति सम्पन्न राष्ट्र बनाया और विश्व में भारत को गौरव दिलवाया। महान व्यक्तियों के उचित सम्मान एवं स्थान मिलने में उनके नेतृत्व एवं विचारों की बड़ी भूमिका रही। जिसके कारण वे अपने विचारों से राष्ट्र व समाज को नई दिशा दे सके। एक कहावत भी है कि 'संसार पर

राज, विचार करते हैं, राजा या संस्थाएँ नहीं'। यहाँ भी मातृभाषा की भूमिका उल्लेखनीय है।

डिजिटल क्रांति को बढ़ावा देने हेतु भी प्रबंधन वर्ग को अपने मानव संसाधन को हिंदी में प्रशिक्षित करना चाहिए तथा डिजिटल उत्पादों को हिंदी में प्रस्तुत करना चाहिए। अन्यथा डिजिटल क्रांति की सार्थकता देश की बड़ी आबादी के लिए शून्य ही रहेगी।

खोजपूर्ण और नवोन्मेषी विचार, संस्था के लिए अत्यंत मूल्यवान होते हैं लेकिन यह भी सच है कि किसी भी संस्था में ऐसे विचार रखने वाले कर्मचारियों की संख्या बहुत अधिक नहीं होती। यदि उनको व उनके कार्य को पहचान कर संस्था के विकास व हित में प्रयुक्त किया जाए तो निश्चित रूप से वे संस्था के लिए बहुत बड़ी धरोहर सिद्ध हो सकते हैं। परंतु यदि उनके नवोन्मेषी विचारों और असाधारण योगदान को, यथोचित सम्मान नहीं मिलता तो ऐसे बुद्धिजीवी और विचारवान कर्मचारियों का कुछ नया करने का उत्साह ठंडा पड़ने लगता है। प्रोत्साहन के अभाव में उनके अंदर की प्रतिभा धूमिल होने लगती है और संस्थान उनके लाभ से वंचित रह जाता है। ऐसे कर्मचारी संस्थान में एक प्रकार की छटपटाहट महसूस करने लगते हैं और बहुधा उचित अवसर मिलते ही वे संस्था को छोड़ भी जाते हैं। ऐसे मामलों में भी कर्मचारी अभिप्रेरणा, समुचित संवाद एवं संवाद के लिए उपर्युक्त भाषा की भूमिका का महत्व बढ़ जाती है।

आज के दौर में प्रत्येक संगठन मानव संसाधन को विकासशील बनाने हेतु पर्याप्त प्रयास कर रहा है। बदलते व्यावसायिक परिवेश में यथार्थ दृष्टिकोण तथा विभिन्न कार्यों को पूरा करने हेतु विभिन्न कौशलों को प्राप्त करने हेतु प्रशिक्षण भी दिया जा रहा है। साथ ही, कर्मचारियों को प्रेरित करने हेतु उन्हें पुरस्कार एवं प्रशंसा पत्र भी प्रदान किए जाते हैं। इन सभी के बावजूद यदि संगठन में संवाद की कमी महसूस की जा रही है तो इसका सबसे बड़ा कारण है संवाद एवं पत्राचार में अंग्रेजी का ज्यादा प्रयोग। तथ्य यह भी है कि कई बार संस्थान द्वारा जारी किए गए या मूल रूप से अनूदित पत्र भी कर्मचारियों को समझ नहीं आते।

प्रायः ऐसा देखा जाता है कि संगठन के कर्मचारियों के पास पर्याप्त तकनीकी ज्ञान, कौशल, अनुभव और कार्य करने की भी उत्कट इच्छा रहती है, फिर भी वे समुचित प्रोत्साहन के अभाव में संस्था की प्रगति में अपेक्षित योगदान नहीं कर पाते। प्रसिद्ध अमेरिकी मनोवैज्ञानिक, 'अब्राहम हरोल्ड मासलो' ने अपने

‘मानवीय जरूरतों के पदानुक्रम’ के सिद्धान्त में धारणा प्रतिपादित की, कि एक व्यक्ति के विकास के ‘पाँच आवश्यकताओं के स्तर’ होते हैं। ये स्तर हैं:

- जैविक और शारीरिक आवश्यकताओं की जरूरत
- सुरक्षा की जरूरत
- संबंधितता और प्रेम की जरूरत
- सम्मान की जरूरत और
- आत्म-वास्तविकता की जरूरत।

इस सिद्धान्त के अनुसार पहले स्तर की आवश्यकता की पूर्ति होने के बाद मानव क्रमागत रूप से दूसरे स्तर की ओर उन्मुख होता है। एक अन्य सकारात्मक दृष्टिकोण के अनुसार, कर्मचारी संस्था में अपना अधिकतम योगदान देना चाहते हैं लेकिन उनके प्रयासों में जो बाधा होती है वह है, कौशल और ज्ञान का अभाव, अपर्याप्त प्रशिक्षण और तंत्र और प्रक्रिया की विफलता। ऐसे में, प्रत्येक कर्मचारी को संगठन के प्रति निष्ठावान, समर्पित और अभिप्रेरित करने में संपर्क भाषा की भूमिका बढ़ जाती है। अगर सेवापरक इकाई के स्तर पर ही देखें तो ग्राहकों को प्रेरित करने में संवाद की बहुत बड़ी भूमिका है। कर्मचारियों या ग्राहकों को लिखे जाने वाले पत्रों को यदि हम हिंदी में लिखें तो उसका मनोवैज्ञानिक प्रभाव अधिक होगा। जो कि संस्थान की प्रगति हेतु बेहतर सिद्ध होगा। कुशल नेतृत्व द्वारा न केवल कर्मचारी का विकास होता है बल्कि वह नए कार्यों के प्रति प्रेरित होने का जोखिम भी उठाता है।

इस संबंध में महात्मा गांधी का उदाहरण भी दिया जा सकता है जिनके कुशल नेतृत्व से अधिक संख्या में लोग उनके साथ आजादी की लड़ाई में जुड़े और अपने प्राणों की आहुती देकर देश को आजादी दिलाई। आजादी की लड़ाई में परस्पर संवाद की बड़ी भूमिका रही। क्योंकि संवाद के माध्यम से ही लोग एक-दूसरे से जुड़े। आजादी की लड़ाई में संपर्क भाषा के रूप में हिंदी के इसी महत्व के कारण लोगों ने हिंदी का महत्व समझा। स्वयं राष्ट्रपिता महात्मा गाँधी ने भी उतर से दक्षिण तथा पूर्व से पश्चिम तक हिंदी के सहारे ही देश के लोगों के साथ संवाद कायम किया। उस समय के अधिकांश राजनेताओं ने हिंदी की भूमिका को समझा। जिसके बाद हिंदी देश की राष्ट्रभाषा के रूप में स्थापित हुई। इस उद्घरण द्वारा समझा जा सकता है कि नेतृत्वशीलता में हिंदी की कितनी महती भूमिका है।

सेवापरक इकाई के स्तर पर भी अगर देखें तो हमें कई बार ऐसे उदाहरण देखने में आते हैं जब एक कुशल प्रबंधक के नेतृत्व में कोई संगठन बहुत अच्छा कारोबार करती है। वहाँ के सभी कर्मचारी प्रसन्न दिखाई देते हैं, जबकि उस विशेष प्रबंधक के स्थानांतरण के बाद सभी के चेहरे पर मायूसी छा जाती है। तो इस प्रबंधक की सफलता के पीछे सबसे बड़ा पक्ष रहा होगा - उसकी परस्पर संवाद कला।

संगठन के विकास हेतु अन्य महत्वपूर्ण तत्व सौहार्दपूर्ण कार्य वातावरण, टीम भावना, समूह भावना इत्यादि में भी परस्पर संवाद एवं भाषा की बड़ी भूमिका है। जिस संगठन में निष्पक्षता और पारदर्शिता अधिक होगी, उस संगठन के प्रति कर्मचारियों का भी विश्वास बढ़ता है। संगठन की नीतियाँ यदि पूरी तरह से पारदर्शी होंगी, स्टाफ सदस्यों को आसानी से समझ आएगी तो वह ज्यादा बेहतर तरीके से कार्य निष्पादन करेगा। अगर संगठन द्वारा कर्मचारियों के बीच सकारात्मक दृष्टिकोण का विकास किया जाए तो इससे कर्मचारी गण अभिप्रेरित होते हैं। इसमें एक कुशल नेतृत्व महत्वपूर्ण भूमिका निभा सकता है। इन सभी में हिंदी की भूमिका जग-जाहिर है।

संक्षिप्ततः यह कहा जा सकता है कि मानव संसाधन प्रबंधन किसी भी संगठन के विकास के लिए अनिवार्य तत्व है और इसमें आत्मीयता एवं हिंदी की भूमिका अत्यंत महत्वपूर्ण है। संगठन की प्रगति में संवाद, प्रबंधन एवं आत्मीयता को इस प्रसंग से बेहतर समझा जा सकता है- तकनीक की दुनिया के महारथी, एपल के सह-संस्थापक स्टीव जॉब्स, जिन्होंने अल्पायु में ही दुनिया को अपने आई-प्रॉडक्ट का दिवाना बना दिया, का अपने साथी कर्मचारियों को प्रेरित करने का एक प्रसंग उल्लेखनीय है। स्टीव जॉब्स का जब महत्वाकांक्षी पहला ‘मैक कम्प्यूटर’ तैयार हो गया तो उन्होंने अपने सहयोगी जे. ईलियट से कहा कि ‘कलाकार अपनी कृति पर हस्ताक्षर करते हैं।’ और इस प्रोजेक्ट में शामिल सभी इंजीनियरों के कार्य को स्थायी पहचान देने के उद्देश्य से तय किया की उक्त ‘मैक कम्प्यूटर’ के केस के अंदरूनी हिस्से में इंजीनियरों की मूल टीम के सदस्यों के हस्ताक्षर उत्कीर्ण किये जाएंगे। तदनुसार 10 फरवरी, 1982 को सभी टीम के सदस्यों के हस्ताक्षर लिए गए। स्टीव ने भी अपने दुलार के नाम ‘वोझ’ से उस पर हस्ताक्षर किए। हालांकि मैक के खरीदार केस के अंदर इतने सूक्ष्म हस्ताक्षर कभी देखेंगे नहीं या हस्ताक्षर के बारे में कभी उन्हें पता भी नहीं चलेगा परंतु इस प्रोजेक्ट में शामिल इंजीनियरों

को पता है और वे इसे हमेशा याद रखेंगे और इसे याद कर गौरवान्वित महसूस करेंगे।

इसी प्रकार, हिंदी के प्रयोग से भी सांगठनिक प्रगति के साथ-साथ कर्मचारी आत्मीयता को बल मिलेगा जो कि संस्था की प्रगति में सहयोग का कारक बनेगा। हिंदी के समावेशी स्वरूप को देखते हुए यह जरूरी भी है कि इसे संगठन के प्रत्येक स्तर पर लागू किया जाए। मानव को संसाधन में बदलने की संकल्पना घर से ही साकार होना शुरू होती है। प्रायः यह देखा जाता है कि माता-पिता उनके बच्चों द्वारा हिंदी एवं मातृभाषा में लिखने और पढ़ने के दौरान की गई गलतियों की चर्चा बड़े गर्व से करते हैं कि उनके बच्चे हिंदी एवं मातृभाषा में उतने दक्ष नहीं हैं जितना कि अंग्रेजी में।

मानव संसाधन प्रबंधन और हिंदी, दोनों ही बैंकों की नींव को सशक्त बनाने वाले प्रमुख घटक हैं। जहाँ मानव संसाधन प्रबंधन कार्यकुशलता, दक्षता और संगठनात्मक संस्कृति को दिशा देता है, वहीं हिंदी संवेदनशीलता, समावेशन और ग्राह्य संप्रेषण का माध्यम बनती है। देशहित, समाजहित के साथ-साथ संगठन के प्रसार हेतु इस विषय पर बार-बार चर्चा जरूरी है। मानव संसाधन एवं सांगठनिक आत्मीयता के प्रसार में हिंदी के महत्व को देखते

हुए यह जरूरी है कि प्रबंधन वर्ग संगठन के विकास में मानव संसाधन एवं हिंदी के परस्पर संबंधों को समझे। अंततः यह कहा जा सकता है कि तकनीक और पूंजी बैंक को साधन दे सकते हैं, लेकिन बैंक को एक विश्वास का केंद्र बनाने वाला कारक है- मानव संसाधन और सांगठनिक आत्मीयता, जब इन संसाधनों का समुचित प्रबंधन सहज, कुशल एवं व्यवहारपरक भाषा में किया जाता है, तो वही बैंकिंग व्यवसाय में सतत वृद्धि, नवाचार और ग्राहक विश्वास का आधार बनते हैं। अंत में, भारतेंदु जी की प्रसिद्ध पंक्तियों के साथ -“निज भाषा उन्नति अहै, बिन निज भाषा ज्ञान के, मिटत न हिये के सूला।” समग्रतः बैंकिंग तंत्र को अधिक प्रभावी, संवेदनशील और समावेशी बनाने में मानव संसाधन प्रबंधन, सांगठनिक आत्मीयता और भाषा को मूल भाव के साथ अपनाने की जरूरत है जो ‘अंत्योदय’ की अवधारणा को वास्तविकता में परिणत करने में सहायक होंगे।

संदर्भ

विभिन्न दैनिक।

इंदिरा गांधी मुक्त विश्वविद्यालय की अध्ययन सामग्री।

भारतीय रिजर्व बैंक की वेबसाइट।



BANK QUEST THEMES

The themes for “Bank Quest” are identified as:

1. October - December, 2025: Emerging Technologies in Banking

Sub-themes: Applications of Generative Artificial Intelligence (AI), Ethical AI, Fraud Detection and Creating Early Warning Signals, Technologies for Project Appraisal and Credit Appraisal

2. January - March, 2026: New Avenues of Payments Systems

Sub-themes: UPI, ULI, CBDC- Challenges, Opportunities and Prospects, Cyber Security

3. April - June, 2026: Financial Inclusion – The Next Phase

कर्मचारी सहभागिता: बैंकों के संदर्भ में संगठनात्मक सफलता के लिए रणनीतियाँ

डॉ. दिनेश कुमार*

सुबह सिंह यादव**

चिराग पांडुया***

सारांश

संगठनात्मक सफलता की दिशा में मानव प्रबंधन विकास की नींव यदि बैंकों में 20वीं सदी के अंतिम दशकों में पड़ी, तो कर्मचारी सहभागिता की अवधारणाएं 21वीं सदी में संगठनात्मक सफलता की दिशा में एक महत्वपूर्ण निर्धारक के रूप में उभरी हैं। भारत में वैश्विक बाजार के विकास के साथ ही कार्यस्थल की गतिशीलता में बदलाव आया है और कार्य स्थल पर कार्यबल की विविधता बढ़ी है, ऐसे में बैंक एक प्रतिबद्ध, प्रेरित और भावनात्मक रूप से निवेशित कार्यबल के मूल्य को तेजी से पहचान रहे हैं। यून तो कर्मचारी सहभागिता की अवधारणा प्राइवेट कंपनियों खास तौर पर आईटी कंपनियों, में पिछले कई समय से प्रचलित है किन्तु बैंकों ने इसे पिछले कुछ दशकों से नीतिगत तौर पर स्वीकार करना प्रारम्भ किया है। यह लेख बैंकों में कर्मचारी सहभागिता की अवधारणा, उसके चालकों, सैद्धांतिक नींव, माप के तरीकों और बढ़ाने के लिए व्यावहारिक चुनौतियों एवं रणनीतियों की पड़ताल करता है। अकादमिक साहित्य, केस अध्ययनों और सार्वजनिक बैंकों में कर्मचारी सहभागिता के उदाहरणों के आधार पर, इस अध्ययन का उद्देश्य यह समझना है कि प्रदर्शन, नवाचार और कर्मचारी कल्याण को बढ़ाने के लिए कर्मचारी सहभागिता को सार्वजनिक बैंकों द्वारा किस तरह बढ़ावा दिया जा रहा है और किस तरह इसका लाभ उठाया जा सकता है।

प्रस्तावना

1991 में शुरू हुए आर्थिक सुधार के बाद उदारीकरण, निजीकरण एवं वैश्वीकरण के युग की शुरुआत हुई और निजी एवं विदेशी बैंकों के बाजार में प्रवेश के साथ ही प्रतिस्पर्धा तेजी से बढ़ी तथा साथ ही कार्यबल की संरचना तेजी से बदली है। वैश्वीकरण के

इस दौर में तेजी से हो रही तकनीकी प्रगति, प्रतिस्पर्धा, कर्मचारी की बदलती अपेक्षाओं ने बैंकों को मानव पूंजी में निवेश करके प्रतिस्पर्धात्मक लाभ बनाए रखने के लिए प्रेरित किया है। मानव प्रबंधन विकास ऐसा उपकरण है जिससे कर्मचारी अपने संस्थान और उसके लक्ष्यों के प्रति भावनात्मक प्रतिबद्धता और दृढ़ता महसूस करते हैं। टर्नओवर कम करने और नौकरी के प्रति संतुष्टि एवं उच्च प्रदर्शन हेतु कंपनियों द्वारा कर्मचारी सहभागिता की विभिन्न गतिविधियों को प्रयोग में लिया जा रहा है।

कर्मचारी सहभागिता मात्र नौकरी से संतुष्टि के बारे में नहीं है बल्कि इसमें कर्मचारियों का संस्था से गहरे स्तर का भावनात्मक जुड़ाव भी शामिल है, जिससे कर्मचारी अपने काम के प्रति जुनूनी हो और अपने कार्यस्थल से गहरा संबंध महसूस करें। किसी भी संस्था में तीन तरह के कर्मचारी होते हैं, सहभागी/संलग्न (engaged), असंलग्न (non-engaged) एवं विमुख (disengaged) कर्मचारी। सहभागी कर्मचारी वे होते हैं जिनमें उत्साह भरपूर होता है एवं संस्था के प्रति समर्पित होते हैं। ऐसे कर्मचारी अपनी संस्था की सफलता में सक्रिय रूप से योगदान करते हैं। असंबद्ध कर्मचारी वे होते हैं, जो शारीरिक रूप से तो संस्था में उपस्थित होते हैं लेकिन मानसिक रूप से अनुपस्थित होते हैं, ऐसे कर्मचारियों में मनोबल की कमी होती है और उत्पादकता में योगदान सामान्यतः कम ही होता है। विपरीत संबद्ध कर्मचारी वे होते हैं जो संस्था के हितों के विपरीत काम करते हैं। इनका दृष्टिकोण संस्था एवं प्रबंधन के प्रति ऋणात्मक होता है। ऐसे कर्मचारी संस्था को नीचा दिखाने का कोई भी प्रयास नहीं छोड़ते। 2023 में प्रकाशित गैलप के अध्ययन के अनुसार, विपरीत संबद्ध कर्मचारियों के कारण विश्व को करीब 8.8 ट्रिलियन डॉलर का नुकसान होता है जो कि वैश्विक सकल

* उप महाप्रबंधक (रणनीतिक मानव संसाधन प्रबंधन एवं मानव संसाधन परिचलान), बैंक ऑफ बड़ौदा।

** सेवानिवृत्त लर्निंग हेड एवं सहायक महाप्रबंधक, बड़ौदा अकादमी, बैंक ऑफ बड़ौदा।

***वरिष्ठ प्रबंधक एवं संकाय, बड़ौदा अकादमी, बैंक ऑफ बड़ौदा।

घरेलू उत्पाद का करीब 9% है। सहभागी, असंलग्न एवं विपरीत संबद्ध कर्मचारियों की तुलना हम नाव चलाने वाली उस टीम से कर सकते हैं जिसके चालक दल के कुछ सदस्य पूरी मेहनत से नाव की दिशा में चक्कू चलाते हैं तो कुछ चक्कू चलाने का प्रयास करते तो दिखते हैं किन्तु वे अपना पूरा बल नहीं लगाते हैं। इसके उलट विपरीत संबद्ध कर्मचारी चक्कू को उल्टी दिशा में चलाते हैं। यह लेख कर्मचारी जुड़ाव की बहुआयामी प्रकृति एवं इसका आधुनिक कार्यस्थल में उपयोगिता की जाँच करता है और विभिन्न संस्थागत प्रक्रियाओं में इसे बढ़ावा देने के लिए साक्ष्य-आधारित रणनीतियों, चुनौतियों एवं लाभों पर प्रकाश डालता है। इस लेख का उद्देश्य सैद्धांतिक अवधारणाओं को व्यावहारिक कार्यान्वयन से जोड़ना है, जो प्रबन्धकों, मानव संसाधन पेशेवरों और उच्च कार्यपालकों के लिए अंतर्दृष्टि प्रदान करता है।

कर्मचारी सहभागिता की सैद्धांतिक नींव

कर्मचारी सहभागिता प्रबंधन के कुछ सैद्धांतिक ढाँचों पर आधारित है, जिसमें से कुछ निम्न हैं:

हर्ज़बर्ग का दो-कारकों वाला सिद्धांत (Two-Factor Theory of Herzberg): हर्ज़बर्ग के अनुसार, कर्मचारियों का मनोबल दो मुख्य कारकों पर निर्भर करता है। पहला, स्वच्छता कारक जैसे कि वेतन, काम करने की स्थिति आदि, जो कि असंतोष की भावना को रोकते हैं किन्तु कार्य के लिए प्रेरित नहीं करते। दूसरा, प्रेरक कारक, जैसे कि पहचान, जिम्मेदारी, उपलब्धि आदि, जो कि कर्मचारियों की सहभागिता को बढ़ावा देते हैं। ऐसा कार्यस्थल जो दोनों को संतुलित करता है, एक संतुष्ट और प्रेरित कार्यबल बनाए रख सकता है।

आवश्यकताओं का पदानुक्रम वाला मास्लो का सिद्धान्त (Maslow's Theory of Hierarchy of Needs): मास्लो का सिद्धान्त बताता है कि व्यक्ति आवश्यकताओं के पदानुक्रम को पूरा करने के लिए प्रेरित होता है। जब निम्न स्तर की आवश्यकता जैसे कि रोटी, कपड़ा, मकान एवं सुरक्षा जैसी आवश्यकतायें पूरी हो जाती हैं तो व्यक्ति सामाजिक, सम्मान और आत्म-साक्षात्कार की आवश्यकताओं को पूरा करने का प्रयास करता है और ऐसे में संस्था से जुड़ाव बढ़ता है। कार्यस्थल में, इसका अर्थ उचित मुआवजा, नौकरी की सुरक्षा, टीमवर्क, पहचान और व्यक्तिगत विकास के अवसर हैं।

नौकरी की मांग-संसाधन मॉडल (Job Demands-Resources (JD-R) Model): JD-R मॉडल कार्यस्थल के पहलुओं को नौकरी की मांगों (कार्यभार, भावनात्मक दबाव) और नौकरी के संसाधनों (समर्थन, स्वायत्तता, प्रतिक्रिया) में वर्गीकृत करता है। उच्च सहभागिता तब प्राप्त होती है जब नौकरी के संसाधन नौकरी की मांगों के प्रभावों को कम करते हैं, जिससे कर्मचारी बिना हताशा (बर्नआउट) के प्रभावी ढंग से प्रदर्शन कर पाते हैं।

सामाजिक विनिमय का सिद्धांत (Social Exchange Theory): सामाजिक विनिमय का सिद्धांत समझाता है कि कर्मचारी का व्यवहार पारस्परिकता पर आधारित होता है। कर्मचारी जब यह महसूस करता है कि संस्था उसका सम्मान और समर्थन कर रही है, तो बदले में वह उत्साहपूर्वक बड़ी हुई सहभागिता और विवेकाधीन प्रयास के माध्यम से योगदान करता है।

कर्मचारी सहभागिता को प्रभावित करने वाले मनोवैज्ञानिक, भावनात्मक और संरचनात्मक कारकों को सामूहिक तौर पर उक्त सिद्धांतों द्वारा समझा जा सकता है और प्रभावी हस्तक्षेपों को डिजाइन किया जा सकता है।

कर्मचारी सहभागिता के आयाम और चालक

कर्मचारी सहभागिता में कई आयाम शामिल हैं:

संज्ञानात्मक सहभागिता (Cognitive Engagement): इसका अर्थ है, ध्यान से कार्य करने की क्षमता, एकाग्रता और कार्य में भागीदारी।

भावनात्मक सहभागिता (Emotional Engagement): भावनात्मक सहभागिता कर्मचारी में संस्था के प्रति गर्व, उत्साह और वफादारी की भावना पैदा करती है।

व्यवहारिक सहभागिता (Behavioral Engagement): व्यवहारिक सहभागिता कर्मचारी को नौकरी की औपचारिक आवश्यकताओं के परे जाकर काम करने की इच्छा पैदा करती है।

कर्मचारी सहभागिता के मुख्य चालक निम्न हैं:

नेतृत्व और प्रबंधन शैली: परिवर्तनकारी (ट्रांसफॉर्मेशनल) नेतृत्व शैली वाले लीडर कर्मचारियों को अधिक प्रेरित करते हैं और उन्हें समर्थ और सशक्त बनाते हैं, जिससे वे संस्था से अधिक जुड़े हुए महसूस करते हैं।

करियर के सुविकसित अवसर: जीवन में उतरोत्तर वृद्धि किसी भी व्यक्ति का सपना होता है। कर्मचारी भी अच्छे करियर का सपना देखते हैं ऐसे में कर्मचारी सहभागिता सीखने और विकास के रास्ते प्रदान करता है।

पहचान और पुरस्कार: अच्छे कार्य करने हेतु उचित कर्मचारी पहचान एवं समय पर दिये गये पुरस्कार कर्मचारियों का मनोबल बढ़ाते हैं एवं अच्छे कार्य के लिए प्रेरित करते हैं।

संगठनात्मक संस्कृति: विश्वास, समावेशिता और साझा उद्देश्य की संस्कृति कर्मचारियों को सक्रिय रूप से योगदान करने के लिए प्रेरित करती है।

कार्य-जीवन संतुलन: कर्मचारी सहभागिता लोगों को जीवन में लचीलापन लाने एवं मानसिक स्वास्थ्य को बनाये रखने में मदद करता है, जिससे संस्था के प्रति लगाव पैदा होता है।

संचार और भागीदारी: कर्मचारी सहभागिता के तरीके संस्था में पारदर्शिता एवं दो-तरफा संचार के माध्यम से विश्वास का वातावरण पैदा करते हैं एवं संगठनात्मक लक्ष्यों के स्वामित्व को बढ़ावा देते हैं।

स्वायत्तता और सशक्तिकरण: निर्णय लेने की स्वतंत्रता कर्मचारियों को और अधिक जिम्मेदार बनाती है और कर्मचारी परिणामों को अधिक जिम्मेदारी से सहन करते हैं एवं संस्था के प्रति निवेशित महसूस करते हैं।

इन आयामों और चालकों को समझने से बैंक समग्र तौर पर रणनीतियों को विकसित कर सकते हैं जिससे कर्मचारी सामूहिक तौर पर संस्था के प्रति और अधिक जुड़ सकते हैं।

कर्मचारी सहभागिता को मापना

कार्यबल की वर्तमान स्थिति को समझने और सुधार के क्षेत्रों की पहचान करने के लिए सहभागिता को मापना आवश्यक है। कई उपकरण और दृष्टिकोण आमतौर पर उपयोग किए जाते हैं, किन्तु कुछ प्रचलित उपकरण निम्न हैं:

- **गैलप Q12 सर्वेक्षण (Gallup Q12 Survey):** गैलप ने करीब एक लाख से अधिक टीमों के 3.3 मिलियन कर्मचारियों के सर्वे के आधार पर 12 प्रश्नों का एक सर्वेक्षण विकसित किया है जो सहभागिता के विभिन्न विषयों को कवर करता है, जैसे कि:

- उम्मीदों एवं अपेक्षाओं की स्पष्टता
- मान्यता और सराहना
- संसाधनों की उपलब्धता और पहचान
- कार्यस्थल में सामंजस्य का अनुभव
- कर्मचारियों को सर्वश्रेष्ठ बनने का अवसर
- व्यक्तिगत विकास के अवसर

उट्रेक्ट वर्क एंगेजमेंट स्केल (Utrecht Work Engagement Scale (UWES)): उट्रेक्ट वर्क एंगेजमेंट स्केल एक मनोमैट्रिक उपकरण है जिससे कार्य में सहभागिता को मापा जा सके। यह 9 प्रश्नों की एक श्रृंखला है जिसके माध्यम से सहभागिता के तीन आयामों - कर्मचारियों के जोश (ऊर्जा), समर्पण एवं प्रतिबद्धता और अवशोषण के स्तर को मापा जाता है जिससे संगठन की संरचना की उचितता के साथ उसे संबद्ध किया जा सके एवं परिणामों जैसे कि कर्मचारी प्रदर्शन एवं टर्नओवर की इच्छाओं पर भविष्यवाणी की जा सके।

कर्मचारी नेट प्रमोटर स्कोर (Employee Net Promoter Score (eNPS)): आपके कर्मचारी आपकी कंपनी को कार्य करने के लिए कितना अच्छा बताने की संभावना रखते हैं एवं कार्य स्थल को एक बेहतरीन जगह के रूप में अनुशंसा करते हैं, को नापने के लिए eNPS एक मैट्रिक है। यह कर्मचारियों की अपने संगठन को काम करने के लिए एक बेहतरीन जगह के रूप में अनुशंसा करने की संभावना का मूल्यांकन करता है। इसके माध्यम से 0 से 10 के पैमाने पर, कर्मचारियों से कंपनी के प्रति निष्ठा से संबन्धित प्रश्न पूछे जाते हैं जिससे कि कर्मचारियों की निष्ठा की वर्तमान स्थिति का अंदाजा लगाया जा सके।

फोकस समूह और निकास साक्षात्कार (Focus Groups and Exit Interviews): फोकस समूह एवं निकास साक्षात्कार मानव संसाधन और संगठनात्मक विकास का महत्वपूर्ण उपकरण है। इसमें फोकस समूह एक छोटा सा समूह है जिसमें 6-12 प्रतिभागी एक संचरित चर्चा करते हैं और अपने विचार, अनुभव और सुझाव साझा करते हैं एवं एक व्यक्ति सूत्रधार के रूप में चर्चा को संचालित करता है, इसका उद्देश्य निम्न है:

- कर्मचारियों की राय जानना
- कर्मचारी सहभागिता एवं संगठनात्मक संस्कृति का आकलन करना

- नीतियों और प्रक्रियाओं पर प्रतिक्रिया प्राप्त करना
- नई पहलों एवं बदलावों के प्रभाव को समझना

निकास साक्षात्कार एक प्रक्रिया है जिसमें कर्मचारी जब कंपनी को छोड़ता है तब मानव संसाधन प्रबंधक अंतिम कार्यदिवस के आसपास, उसका साक्षात्कार लेता है जिससे यह समझा जा सके कि:

- कर्मचारी ने कंपनी क्यों छोड़ी?
- संगठनात्मक कमजोरियाँ क्या है?
- कर्मचारी अनुभवों को कैसे बेहतर किया जा सकता है?
- भविष्य की भर्ती एवं प्रतिधारण रणनीतियों में कैसे सुधार किया जा सकता है?

कर्मचारी सहभागिता का प्रभाव

शोध दर्शाते हैं कि कर्मचारी जुड़ाव का संस्था के वित्तीय एवं गैर वित्तीय परिणामों पर दूरगामी प्रभाव पड़ता है, क्योंकि संलग्न कर्मचारी:

उच्च उत्पादकता प्रदर्शित करते हैं क्योंकि संलग्न कर्मचारी अधिक केंद्रित होते हैं तथा अपनी जिम्मेदारियों का स्वामित्व लेते हैं और लगातार उत्कृष्टता के लिए प्रयास करते हैं।

ग्राहक संतुष्टि में सुधार करते हैं क्योंकि संलग्न कार्यबल ग्राहकों को बेहतर सेवाएँ देता है जिससे न केवल ग्राहक संतुष्टि में सुधार आता है अपितु ग्राहक की वफादारी भी बढ़ती है।

कर्मचारियों की अनुपस्थिति एवं टर्नओवर कम होता है क्योंकि संलग्न कर्मचारी संस्था के प्रति वफादार होते हैं और संस्था के छोड़ने की संभावना कम होती है, जिससे भर्ती और प्रशिक्षण लागत भी कम होती है।

नवाचार और कर्मचारियों में आपसी सहयोग बढ़ता है क्योंकि कर्मचारी अपने को मूल्यवान और सुरक्षित महसूस करते हैं, तो खुले तौर पर विचारों को साझा करते हैं।

संगठनात्मक प्रतिष्ठा बढ़ाते हैं क्योंकि संलग्न कर्मचारी अपनी संस्था के अच्छे राजदूत होते हैं एवं संस्था के बारे में एक बेहतरीन जगह के रूप में अनुशंसा करते हैं एवं शीर्ष प्रतिभाओं को आकर्षित करते हैं।

कर्मचारी सहभागिता बढ़ाने की रणनीतियाँ

कर्मचारी सहभागिता को बढ़ावा देने के लिए बैंक विभिन्न रणनीतियों का उपयोग कर सकते हैं, जिसमें कुछ निम्न हैं:

नेतृत्व विकास: कर्मचारी सहभागिता की प्रक्रियाएं नेतृत्व प्रशिक्षण पर केन्द्रित होती हैं। नेतृत्व प्रशिक्षण में निवेश यह सुनिश्चित करता है कि प्रबंधकों के पास अपनी टीमों को प्रेरित करने के लिए भावनात्मक बुद्धिमत्ता, संचार कौशल और दृष्टिकोण विकसित हो।

कर्मचारी पहचान कार्यक्रम: कर्मचारी सहभागिता की प्रक्रियाएं जैसे कि माह का सर्वश्रेष्ठ कर्मचारी आदि, उपलब्धियों की औपचारिक पहचान, प्रशंसा की संस्कृति को सुदृढ़ करती हैं और निरंतर प्रयास को प्रेरित करती हैं।

करियर पथ और कौशल विकास: कर्मचारी सहभागिता की प्रक्रियाएं कर्मचारी को करियर और व्यावसायिक विकास का अवसर प्रदान करती हैं एवं उन्हें संस्था के विकास के साथ-साथ एक दीर्घकालिक भविष्य की संभावना पैदा करती हैं।

कार्यस्थल पर लचीलापन: कर्मचारियों को घर से कार्य करने की अनुमति (वर्क फ्रॉम होम), लचीले घंटे और व्यक्तिगत जीवन को संतुलित करने की अनुमति देना कर्मचारी सहभागिता को बढ़ाता है।

समावेशी विकास को बढ़ावा देना: आज के युग में संस्थाओं में कर्मचारियों में विविधता बढ़ी है। ऐसे में संस्थाओं ने विविधता और समावेशिता बढ़ाने के कार्यक्रमों को नीतिगत तौर पर अपनाया है जिससे सभी आवाजों को सुना जा सके। इस समावेशी विकास ने सहभागिता और सहयोग को बढ़ाया है।

कर्मचारी कल्याण पहलों का विकास: संस्थाओं द्वारा कर्मचारियों के लिए मानसिक और शारीरिक कल्याण कार्यक्रम उनके तनाव को कम करता है जिससे कर्मचारियों की अक्रियाशीलता कम हो और कर्मचारियों का समग्र कल्याण संभावित हो सके।

ऑक्टोपस (OCTAPACE) मूल्यों की संस्कृति: ऑक्टोपस एक ऐसा ढाँचा है जिसका उपयोग कई संगठन अपनी संगठनात्मक संस्कृति का मूल्यांकन और मौजूदा कार्य वातावरण को सुधारने एवं नेतृत्व विश्वास के निर्माण करने के लिए करते हैं। इसमें आठ मान शामिल हैं, जो कि निम्न हैं:

- **खुलापन (Openness):** यह कर्मचारियों को अपने विचार और भावनाओं को स्वतंत्र रूप से व्यक्त करने के लिए प्रेरित करता है एवं खुलेपन, नियमित अपडेट, पारदर्शिता और संचार के वातावरण को बढ़ावा देता है।
- **टकराव (Confrontation):** एक ऐसे वातावरण का निर्माण करना जहाँ मुद्दों का सीधा सामना किया जाता है और समस्याओं को टाला नहीं जाता है बल्कि उन्हें समय पर निपटाया जाता है।
- **विश्वास (Trust & trustworthiness):** संस्था के सभी सदस्य, खासतौर पर प्रबंधन एवं कर्मचारी एक दूसरे के इरादों और कार्यों में विश्वास करते हैं।
- **प्रामाणिकता (Authenticity):** प्रामाणिकता ऐसा मूल्य है जो कि इस बात पर जोर देता है कि जो दावा किया जाता है और जो वास्तविक व्यवहार है, उनके बीच में कोई अंतर नहीं हो।
- **सक्रियता (Pro-action):** इसका मतलब है पूर्व-योजना के माध्यम से समय से पहले पहल करना।
- **स्वायत्तता (Autonomy):** इसमें कर्मचारियों को स्वायत्त रूप से अपने कार्य करने की स्वतन्त्रता दी जाती है जिससे कर्मचारी संतुष्ट महसूस कर सकें।
- **सहयोग (Collaboration):** यह मूल्य कर्मचारियों सहकारी और सामूहिक कार्य को प्रोत्साहित करने के लिए प्रेरित करता है जिससे हर कोई सामूहिक लक्ष्य तक पहुँचने के लिए मिलकर कार्य करें।
- **प्रयोग (Experimentation):** यह मूल्य विचारों के लिए खुलापन, गणना करके जोखिम लेने और अभिनव कार्यों को करने के लिए प्रोत्साहित करता है।

इन रणनीतियों को लागू करके, संस्था एक ऐसा वातावरण बना सकती है जहाँ कर्मचारी सम्मानित महसूस करते हुए, अपना पूर्ण योगदान करने के लिए प्रेरित हो सकते हैं।

कर्मचारी सहभागिता की सफल प्रथायें: बैंको से संबद्ध केस अध्ययन

प्रतिस्पर्धा एवं विविधता के इस दौर में लगभग सभी बैंकों ने अपने बैंकों में कर्मचारी सहभागिता के विभिन्न प्रक्रियाओं को लागू किया है। कर्मचारी सहभागिता रणनीतियों के प्रभाव और कार्यान्वयन को दर्शाने के लिए, हम तीन बैंकों की केस स्टडी के माध्यम से समझ सकते हैं:

केस स्टडी-I: भारतीय स्टेट बैंक देश का सबसे बड़ा बैंक है जिसमें करीब 2.35 लाख कर्मचारी हैं और 50 करोड़ से अधिक ग्राहक जुड़े हैं। भारतीय स्टेट बैंक ने अपनी विरासत से जुड़ाव और गौरव की भावना को बढ़ाने के लिए नेक्स्ट लीप (Next LEAP) और सुपर एसबीआई: ग्रेट से ग्रेटर (SuPer SBI: Great to Greater) नाम से कर्मचारी सहभागिता की पहल की है जिसके मुख्य उद्देश्य निम्न हैं:

नेक्स्ट लीप: इस पहल का उद्देश्य कौशल की पर्याप्तता और जमीनी स्तर से फीडबैक प्राप्त करने हेतु शीर्ष प्रबंधन द्वारा कर्मचारियों से सीधे संवाद करना है।

सुपर एसबीआई: ग्रेट से ग्रेटर प्रशिक्षण कार्यक्रम के तहत आधुनिक कौशल और सकारात्मक दृष्टिकोण प्रदान कर गौरव की भावना को प्रेरित करने हेतु भारतीय स्टेट बैंक ने 1.75 लाख कर्मचारियों को विशेष तौर पर प्रशिक्षण करने का निर्णय लिया।

शिक्षण प्रशिक्षण प्रणाली (लर्निंग मैनेजमेंट सिस्टम): लर्निंग मैनेजमेंट सिस्टम का उद्देश्य व्यक्तिगत विकास योजनाओं में तालमेल हेतु सभी शिक्षण और विकास गतिविधियों के लिए केंद्रीकृत मंच प्रदान करना है।

डेटा-संचालित प्रदर्शन प्रणाली: इसका उद्देश्य निष्पक्ष और मानकीकृत मूल्यांकन के लिए डिजिटल टूल्स का प्रयोग करना है।

उत्तराधिकार योजना नीति: इस नीति का उद्देश्य है कि वरिष्ठ स्तर के लिए उत्तराधिकार योजना विकसित की जाए ताकि नेतृत्व की निरंतरता बनी रहे।

केस स्टडी-II: बैंक ऑफ बड़ौदा ने विजया बैंक एवं देना बैंक के विलय के साथ ही समावेशी विकास हेतु बैंक ने एकीकृत एच.आर. कार्यनीति के माध्यम से नवोन्मेषिता एवं कर्मचारी सहभागिता हेतु प्रोजेक्ट स्पर्श और प्रोजेक्ट स्पर्श प्लस नामक दो चरणों में केंद्रित एच.आर. ट्रांसफॉर्मेशन कार्यक्रम के तहत विभिन्न मानव संसाधन प्रक्रियाओं, सिस्टम एवं और संरचनाओं का पुनरीक्षण किया एवं वांछित व्यावसायिक परिणाम और अंतर-निर्भरता हेतु कई पहलों की, इनमें से कर्मचारी सहभागिता हेतु की गई प्रमुख पहलें इस प्रकार हैं:

कर्मचारी सहायता कार्यक्रम (ईएपी) (Employee Assistance Programme (EAP)): तनाव संबंधी विकारों की महत्ता को समझते हुए बैंक ने ईएपी कार्यक्रम शुरू किया। इसके तहत

कर्मचारी व्यक्तिगत या कार्यस्थल के मुद्दों से जुड़ी भावनात्मकता परेशानियों के विषय पर पेशेवरों से सलाह ले सकते हैं जिससे तनाव संबंधी विकार, जो कि स्वास्थ्य पर प्रभाव डालते हैं, कम हो सके। इस प्रकार, कर्मचारी सहायता कार्यक्रम कर्मचारियों की भावनात्मक हित, प्रसन्नता, उत्पादकता और उनके व्यक्तिगत और व्यावसायिक मामलों में जुड़ाव बनाए रखने में सहायक हो सके।

नए कर्मचारियों की संरचनात्मक ऑन-बोर्डिंग: नए कर्मचारियों की कार्यात्मक और सांस्कृतिक ऑन-बोर्डिंग सुनिश्चित करने हेतु संरचनात्मक कार्यक्रम तैयार किये जिससे वे एक सुखद ज्वाइनिंग अनुभव कर सकें एवं बैंक से जुड़ सकें।

मानव प्रबंधन स्वचालन (एच. आर. ओटोमेशन): एक बड़े व भौगोलिक रूप से विस्तारित कार्यबल तक पहुंचने हेतु बड़े पैमाने पर मानव संसाधन ओटोमेशन किया गया ताकि नियमित मानव संसाधन दावों एवं एचआर प्रोसेस जैसे कि स्थानांतरण एवं पदोन्नति, स्टाफ ऋण आदि जैसे कार्यों को केंद्रीकृत किया गया है, जिससे कर्मचारी जुड़ा हुआ महसूस कर सकें।

बड़ौदा अनुभूति कार्यक्रम के माध्यम से कर्मचारी जुड़ाव: सहभागिता के स्तर को सुदृढ़ करने के लिए कर्मचारी-एचआर कनेक्ट, केंद्रित कर्मचारी संचार हेतु विभिन्न पहलों को 'बड़ौदा अनुभूति' नामक एक केंद्रित कार्यक्रम के माध्यम से लागू किया गया। बड़ौदा अनुभूति के बैनर तले, निम्नलिखित पांच पहलें आरंभ की गई हैं:

- माह के कर्मचारी: जिसमें शाखा/कार्यालय के सर्वश्रेष्ठ कर्मचारी को माह के कर्मचारी से नवाजा जाता है।
- स्पॉट पहचान: वॉव मोमेंट (wow moment) जिसके अंतर्गत अच्छा कार्य करने हेतु कर्मचारी को तुरंत ही सम्मानित किया जाता है।
- शाखाओं/कार्यालयों में जीरो आवर (zero hours) जिसके तहत कर्मचारी चिट-चैट हेतु मिलते हैं एवं हंसी-मजाक करते हैं।
- अनिवार्य स्थानीय सामुदायिक सेवाएं: कर्मचारियों में समाज सेवा हेतु प्रेरित करने के लिए उन्हें सामुदायिक कार्य करने हेतु प्रेरित करते हैं।
- अनुभूति कार्यशालाओं का आयोजन करना।

- खेलकूद एवं सांस्कृतिक गतिविधियों को प्रोत्साहित करना: जिसके तहत कर्मचारी अंतर क्षेत्रीय एवं अंतर अंचल कार्यालय स्तर पर खेलें एवं सांस्कृतिक गतिविधियों का आयोजन किया जाता है।
- केंद्रित स्वास्थ्य अभियान के माध्यम से स्वास्थ्य एवं कल्याण को प्रोत्साहित करना आदि।
- बड़ौदा समाधान: कर्मचारियों की शिकायतों को पारदर्शिता, निष्पक्षता एवं समयबद्ध तरीके से निवारण के लिए ऑन लाइन प्लेटफॉर्म बड़ौदा समाधान तैयार किया। इस प्लेटफॉर्म पर प्राप्त शिकायतों को क्षेत्रीय स्तर पर गठित समिति द्वारा निवारण किया जाता है एवं कर्मचारी यदि दिये गए समाधान से संतुष्ट नहीं है तो वह क्रमशः अंचल स्तर एवं कॅंपोरेट स्तर पर अपील कर सकता है, जिसका निवारण संबंधित समितियों द्वारा किया जाता है। यह व्यवस्था कर्मचारियों में न केवल विश्वास कायम लाने में बल्कि व्यवस्था में अखंडता, विश्वास और पारदर्शिता को लाकर सहभागिता को बढ़ता है।
- एचआर हेल्पलाइन: कर्मचारियों के त्वरित समाधान/ उनके मुद्दों/प्रश्नों का जवाब देने की आवश्यकता को ध्यान में रखते हुए एक हेल्पलाइन की स्थापना की गई है, जहाँ स्पष्टीकरण/समाधान/किसी मामले में बैंक से संबंधित मुद्दों को शीघ्रतापूर्वक उठा सकते हैं और इस संबंध में बैंक के पक्ष से सभी कर्मचारियों को निरंतर अवगत कराया जाएगा।
- कर्मचारी जुड़ाव संबंधी सर्वेक्षण 'वॉयस ऑफ बड़ौदियन्स': बैंक ने अपने कर्मचारियों के सहभागिता एवं जुड़ाव के स्तर, विशेष रूप से उनकी धारणाओं, विश्वासों, विचारों आदि को समझने हेतु गैलप द्वारा वार्षिक सर्वेक्षण कराया है ताकि वह कमियों को दूर करने और कर्मचारियों की सहभागिता के स्तर को ज्यादा बेहतर बना सके।

केस स्टडी-III: पंजाब नेशनल बैंक ने ओरियंटल बैंक ऑफ कॉमर्स एवं यूनाइटेड बैंक ऑफ इंडिया के विलय के बाद कर्मचारी सहभागिता को संगठनात्मक प्राथमिकता के तौर पर कई रणनीतियां अपनाई हैं जिससे अपने कर्मचारियों के साथ एक गहरे स्तर पर

भावनात्मक जुड़ाव दृढ़ हो सके। प्रमुख कर्मचारी सहभागिता पहले निम्न हैं:

पीएनबी प्रेरणा: पीएनबी प्रेरणा कर्मचारियों के कल्याण, प्रेरणा और विकास पर केन्द्रित है जिसका उद्देश्य कर्मचारियों को सशक्त बनाना, उनकी आकांक्षाओं को समझना और उन्हें एक उद्देश्यपूर्ण कार्य संस्कृति से जोड़ना है जो कि कर्मचारी प्रथम (एम्प्लोयी फ़र्स्ट) के सिद्धान्त पर आधारित है। यह कार्यक्रम नेतृत्व विकास, प्रशिक्षण, संवाद और मान्यता को एकीकृत करता है।

मान्यता और पुरस्कार: पीएनबी उत्कर्ष के तहत हर क्षेत्रीय कार्यालय में उच्च प्रदर्शन करने वाले कर्मचारियों और शाखाओं को तिमाही का श्रेष्ठ निष्पादक कर्मचारी (Star Performers of the Quarter) और श्रेष्ठ शाखा पुरस्कार (Best Branch Awards) दिये जाते हैं ताकि कर्मचारियों में स्वाभाविक प्रतिस्पर्धा, गर्व और प्रेरणा उत्पन्न हो सके।

पीएनबी हेल्थ एवं वेलनेस प्रोग्राम: कोविड के दौरान पीएनबी ने टेली-काउन्सेलिंग, हेल्थ चेकअप, कर्मचारियों के लिए बीमा कवरेज, स्वास्थ्य वेबिनार जैसे कई कदम उठाए हैं। बैंक ने मानसिक स्वास्थ्य सप्ताह (mental health wellness) शुरू किया जिसका उद्देश्य मनोवैज्ञानिक मानसिक स्वास्थ्य पर बल देना है।

आंतरिक संवाद और नेतृत्व की पहुंच: पीएनबी कम्युनिक (PNB communique) एक मासिक न्यूज़ लेटर है जिसमें नेतृत्व द्वारा साझा की गई प्राथमिकताएं, कर्मचारियों की उपलब्धियां और प्रेरक कहानियाँ प्रकाशित की जाती हैं। इसके अलावा टॉप मैनेजमेंट द्वारा सोशल मीडिया और इंटरनेट के माध्यम से कर्मचारियों से सीधा संवाद बनाये रखा जाता है।

जनभागीदारी और सुझाव प्रणाली: सुझाव (Su-Jhav) प्रणाली के तहत कर्मचारी अपने नए विचार, सुझाव और शिकायतें साझा कर सकते हैं। संबंधित कर्मचारी जिनका सुझाव चयनित किया जाता है, उन्हें सम्मानित भी किया जाता है।

विविधता और समावेशन: पीएनबी ने LGBTQ+ जैसे संवेदनशील विषयों पर जागरूकता कार्यक्रम शुरू किया है। इसके अलावा महिला कर्मचारियों के लिए विशेष कार्यशालाएं, नेतृत्व कार्यक्रम और नेटवर्किंग प्लेटफ़ार्म्स आदि भी शुरू किए हैं।

उक्त केस उदाहरणात्मक यह दर्शाते हैं कि कर्मचारी सहभागिता पहले एक-आकार-फिट-सभी नहीं हैं, बल्कि इसे बैंक की अनूठी

संस्कृति, कार्यबल की जनसांख्यिकी एवं समय की मांग के अनुरूप बदलना होता है।

कर्मचारी सहभागिता बढ़ाने में चुनौतियां

कर्मचारी सहभागिता के लाभों के बावजूद, इन्हें लागू करते समय बैंक प्रबंधन को कई चुनौतियों का सामना करना पड़ता है, जैसे कि:

विविध कार्यबल की विविध आवश्यकताएं: कार्यबल की विविधताओं में तेज़ी से बदलाव आया है जिसकी वजह से एक-आकार-फिट-सभी की रणनीति काम नहीं करती। कार्यस्थल पर कार्य कर रही 3 से 4 पीढ़ियों (बेबी बूमर्स, जनरेशन एक्स, जनरेशन वाई एवं जनरेशन ज़ेड), अलग-अलग संस्कृतियों से आए कर्मचारी और व्यक्तित्वों की अलग-अलग अपेक्षाएँ और प्रेरणाएँ होती हैं।

परिवर्तन की थकान: प्रतिस्पर्धा के दबाव में बैंकों में हो रहे लगातार संस्थागत पुनर्गठन, डिजिटल परिवर्तन, बदलती रणनीतिक प्राथमिकताएँ कर्मचारियों को थका देती हैं एवं संशय की भावना को बढ़ावा देती हैं, जो कि सहभागिता को कम करती हैं।

खराब प्रबंधन: सहभागिता की रणनीतियां उच्च प्रबंधन द्वारा बनाई जाती हैं किन्तु उन्हें मध्य स्तर के प्रबंधकों द्वारा लागू किया जाता है। उनमें प्रशिक्षण एवं उत्साह की कमी के कारण कर्मचारी सहभागिता के उपकरणों को लागू करने में विसंगति पैदा हो जाती है एवं परिणाम प्रभावित होते हैं।

माप के उपकरणों की सीमाएँ: सहभागिता के स्तर को मापने के लिए सर्वेक्षण एवं प्रतिक्रियाओं का सहारा लिया जाता है किन्तु ये खराब डिज़ाइन एवं गलत व्याख्याओं के कारण कई बार सही तस्वीर पेश नहीं कर पाते हैं।

सुझावों के अनुसरण की कमी: प्रबंधन कर्मचारियों से कई बार सुझाव एवं प्रतिक्रिया तो मांगते हैं किन्तु उस पर कार्रवाई करने में विफल रहते हैं। ऐसी परिस्थिति में कर्मचारी संबद्ध होने के बजाय और अधिक असंबद्ध हो जाते हैं।

इन चुनौतियों का सामना करने के लिए प्रबंधन को निरंतर तौर पर अनुकूल दृष्टिकोण बनाये रखने की आवश्यकता है जिसमें सुनना, समझना, संवाद करना एवं और नेतृत्व क्षमता में विकास करना शामिल है।

कर्मचारी सहभागिता हेतु भविष्य के रुझान

जैसे-जैसे कार्यस्थल विकसित हो रहे हैं, कई रुझान कर्मचारी जुड़ाव के भविष्य को आकार दे सकते हैं, जैसे कि:

व्यक्तिगत जुड़ाव योजनायें: कृत्रिम बौद्धिकता एवं डेटा एनालिटिक्स के माध्यम से व्यक्तिगत प्राथमिकताओं और व्यवहार को ध्यान में रखते हुए व्यक्ति विशेष को प्रभावित करने वाले कर्मचारी सहभागिता की नीतियां एवं उपकरण बनाए जा सकते हैं।

अद्वितीय डिजिटल प्लेटफॉर्म की आवश्यकता: भविष्य में ऐसे डिजिटल प्लेटफॉर्म फॉर्म की आवश्यकता है जो कि कर्मचारी के जुड़ाव की आवश्यकताओं, प्रदर्शन प्रबंधन, प्रशिक्षण की जरूरतों और संचार एवं संवाद को सहज रूप में एक जगह एकीकृत कर सके।

निरंतर सुनने के उपकरण: वार्षिक सर्वेक्षणों की बजाय, बैंकों को वास्तविक समय पर प्रतिक्रियाओं को जानने हेतु पल्स सर्वेक्षण और भावनात्मक जोखिम विश्लेषण सर्वेक्षणों को अपनाने की आवश्यकता है।

मानसिक स्वास्थ्य: बढ़ती मनोवैज्ञानिक कल्याण की आवश्यकताओं के मद्देनजर बैंकों को माइंडफुलनेस कार्यक्रमों, परामर्श सेवाओं एवं लचीलापन के प्रशिक्षणों पर जोर देने की आवश्यकता है।

स्थिरता और उद्देश्य-संचालित कार्य: कर्मचारी, विशेष तौर पर मिलेनियल्स और जेन जेड, ऐसे कार्यक्रमों से जुड़ना पसंद कर रहे हैं जो कि पर्यावरणीय एवं सामाजिक स्थिरता, समानता और व्यक्तिगत मूल्यों से मेल खाते हों।

समावेशी नेतृत्व: भविष्य के लीडर्स से समावेशी विकास एवं सहानुभूतिपूर्ण वातावरण विकसित करने की उम्मीद की जा रही है, ऐसे में सहभागिता के नए उपकरणों की आवश्यकता पड़ेगी।

यदि उक्त रुझानों को ध्यान में रखा जायें तो बैंकों को और अधिक प्रतिस्पर्धी बनने और अपने कार्यबल की बढ़ती जरूरतों के प्रति उत्तरदायी बने रहने में मदद मिलेगी।

निष्कर्ष

कर्मचारी सहभागिता अब केवल परिधीय चिंता का विषय नहीं रहा है, अपितु प्रतिस्पर्धा के इस गतिशील व्यावसायिक युग में अच्छे परिणामों का लक्ष्य रखने वाले बैंकों के लिए एक रणनीतिक

अनिवार्यता है। इस गुणात्मक लेख द्वारा कर्मचारी सहभागिता को विकसित करने के लिए सैद्धांतिक आधार, प्रमुख चालक, माप उपकरण, प्रभाव और व्यावहारिक रणनीतियों को समझने का प्रयास किया गया है। तीन प्रमुख सार्वजनिक बैंकों के केस अध्ययनों ने दिखाया है कि प्रामाणिक और निरंतर सहभागिता के प्रयासों से उत्पादकता, नवाचार और कर्मचारी कल्याण के संदर्भ में पर्याप्त लाभ मिलता है।

कर्मचारी सहभागिता एक सतत यात्रा है जिसके लिए प्रबंधन की प्रतिबद्धता, नेतृत्व और अनुकूलन की आवश्यकता है। बैंकों द्वारा कर्मचारियों को केंद्र में रखकर सहभागिता की प्रथाओं को लगातार विकसित करके की आवश्यकता है जिससे कि एक लचीला, प्रेरित और उच्च-प्रदर्शन वाला कार्यबल बना रहे।

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STRATEGIC EMPLOYEE ENGAGEMENT IN INDIAN BANKS: A CATALYST FOR BUSINESS EXCELLENCE

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Abstract

The Indian banking sector is undergoing rapid transformation driven by digitization, evolving customer expectations, regulatory reforms and workforce aspirations. In this context, employee engagement has emerged as a critical factor influencing organizational performance and long-term sustainability. This study explores strategic employee engagement as a catalyst for business excellence in Indian banks, focusing on both Public Sector Banks (PSBs) and Private Sector Banks. The study traces the evolution of Human Resource (HR) practices, highlights theoretical foundations-including Kahn's Engagement Theory, the Job Demands-Resources (JD-R) Model and Social Exchange Theory and examines global and Indian literature to identify gaps and contextual insights. A comprehensive conceptual framework is developed to map the dimensions and key drivers of engagement-such as leadership, recognition, communication, learning, well-being and work culture-across the banking ecosystem. The study further establishes the linkage between strategic engagement and key business outcomes, including customer satisfaction, operational efficiency, profitability and organizational agility. Methods for measuring engagement, current challenges such as cultural inertia and unionism in Public Sector Banks (PSBs) and emerging trends such as AI-enabled engagement platforms and Environmental, Social

and Governance (ESG)-based employee value propositions are also examined. Finally, the study suggests policy recommendations, implications and future directions.

Keywords: *Employee engagement, Job satisfaction, Employee retention, Commitment, Business excellence, Rewards, Performance management, Work-life balance*

Introduction

Employee engagement is a key strategy to improve performance in service sectors like banking. In India, where banks face fast digital and structural changes, engaging employees is critical. Indian banking has shifted from traditional branch-based systems to digital and customer-centric models. The banks and fintechs are influencing customer expectations. Rise of digital banking have transformed banking operations. Rising competition, customer demands, regulatory initiatives and skill gaps make HR central to fostering innovation and enhancing performance. Earlier, HR in banks focused majorly on administrative tasks such as recruitment and payroll. Today, it functions strategically. Banks use tools like competency mapping, performance incentives, 360-degree feedback and leadership development. The focus is now on talent management, employee engagement and organizational culture. HR has evolved from transactional to transformational roles. In the current dynamic environment, banks

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need innovation and flexibility. Engaged employees are more productive, committed and aligned with organizational goals, going beyond standard service delivery to foster innovation. Engagement influences customer satisfaction, efficiency and profitability, making it a strategic requirement.

Banks are moving from control-based to trust-based employee management. Today's workforce is diverse, digital and purpose-driven. Flexible work arrangements, inclusion, continuous learning and well-being are key priorities. Digital change requires reskilling, conducted within an engaging environment. Employee engagement strongly impacts productivity, customer experience and profits. Motivated front-line staff play a crucial role in organizational success. There is a strong link between high engagement, customer loyalty and financial results. Therefore, employee engagement is vital for achieving business excellence.

Employee Engagement and its Evolution

Definition

The Reserve Bank of India (RBI), through its Report of the Committee on Capacity Building in Banks and Non-Banks (2014), emphasizes the need for continuous employee engagement. It recommends structured training, motivation and recognition systems to enhance employee effectiveness and align their efforts with institutional goals.

Deloitte's report on Global Human Capital Trends reports focus on creating the right conditions for employees to thrive, emphasizing that employee engagement involves a deep emotional connection to their work and the organization's mission, leading to passionate commitment, increased productivity and alignment with company goals. Rather than simply measuring output, the report has highlighted how an engaged workforce is one where individuals

feel a sense of purpose, well-being and belonging, driving them to contribute their best efforts and use discretionary effort to achieve collective success.

The essence of these definitions is that employee engagement is the emotional commitment and connection employees feel towards their organization and its goals. This commitment motivates them to go beyond their basic job duties, contributing actively and meaningfully to the organization's success.

Background and Evolution

Employee engagement has evolved over time with various definitions. Employees bring their physical, emotional and cognitive energies into their roles when fully engaged in their work (Kahn, 1990). It is defined as a positive and fulfilling work-related state characterized by high levels of energy, strong commitment and deep focus (Schaufeli, Salanova, González-Romá & Bakker, 2002). Gallup defines it as employees' involvement in, enthusiasm for and commitment to their work and workplace. Initially linked to job satisfaction and commitment, engagement now includes motivation, alignment and well-being, and has moved from an HR initiative to a strategic tool for productivity and innovation.

Theoretical Models

Some of the key models explaining employee engagement are as follows:

- **Kahn's Psychological Conditions Model (Kahn, 1990):** Engagement depends on meaningfulness, safety and availability. When employees find their work meaningful, feel safe and are emotionally present, they engage deeply.
- **Job Demands-Resources (JD-R) Model:** Engagement arises from balancing job demands (stress, workload) with job resources (support, autonomy), as resources boost motivation (Demerouti, Bakker, Nachreiner & Schaufeli, 2001).

- **Social Exchange Theory:** Engagement is a result of reciprocal fairness and support between the employer and the employee (Blau, 1964).

Global Perspectives

Gallup studies showed that highly engaged organizations outperform their peers by 21% in profitability. In the US and Europe, engagement focuses on purpose, leadership alignment, employee voice and continuous feedback. In the Asia-Pacific, cultural values like respect, loyalty and hierarchy shape engagement. Multinational banks blend global frameworks with local values to maintain performance across regions (Harter, Schmidt & Keyes, 2003).

Evolution of Engagement Strategies in Indian Banks

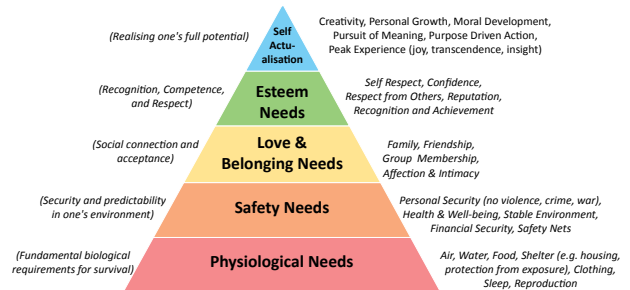
The evolution of engagement strategies in Indian banks reflects a shift from traditional transactional HR approaches to a more strategic focus on employee engagement. In the early 2000s, banks concentrated on training, internal communication and employee welfare to enhance satisfaction and loyalty. During the 2010s, they began adopting structured performance management systems, employee feedback surveys and leadership development programs. After 2015, the focus expanded to include employee experience platforms, digital learning tools, wellness initiatives and structured career growth opportunities. In recent years, the integration of people analytics, hybrid work models, diversity initiatives and personalized engagement strategies has become increasingly prominent. Additionally, the rise of fintech and customer-centric business models has compelled banks to position their employees as brand ambassadors and proactive agents of change.

Key Theoretical Models Used in Indian Banks

- **Maslow's Hierarchy of Needs:** This theory provides a useful framework for understanding employee engagement in banks, particularly

higher levels needs—belongingness, esteem and self-actualization. To fulfil these needs, banks increasingly adopt reward systems, collaborative work environments and continuous learning programs that promote a sense of purpose, recognition and personal growth (Nemati, 2013).

Figure 1: Maslow's Hierarchy of Needs



Source: Wikipedia.

- **Herzberg's Two-Factor Theory:** According to Herzberg's theory, employee engagement requires a balance between hygiene factors and motivators. Indian banks apply this by ensuring job security and adequate salary (hygiene factors), while simultaneously offering opportunities for achievement, recognition and career advancement (motivators) to retain and energize their workforce (Herzberg, Mausner, & Snyderman, 1959).
- **Kahn's Engagement Theory:** This theory emphasizes the importance of psychological conditions for engagement, particularly physiological, safety, meaningfulness and availability (Kahn, 1990). Banks support these conditions through inclusive leadership practices, mental health initiatives and efforts to create emotionally supportive, purposeful work environments.
- **Gallup Q12 Framework:** This framework includes twelve key indicators, such as role clarity, recognition for good work, opportunities

for development and having a best friend at work, which help HR teams track and improve engagement levels (Vale, 2011). Some Indian banks utilize the Gallup Q12 framework as a structured tool to measure and enhance employee engagement.

Figure 2: Q12 Framework by Gallup



Source: <https://pubs.sciepub.com>

Review of Literature

There is a relationship between employee engagement, organizational culture and overall performance. Employees who are engaged tend to experience higher job satisfaction, demonstrate stronger loyalty and are more likely to stay with the organization (Saxena & Srivastava, 2015). Work-life balance initiatives help create a positive and reciprocal relationship between employees and employers. This, in turn, contributes to better employee performance (Garg & Rani, 2014). Engagement is influenced by elements such as performance management, opportunities for career growth, recreational support and fair compensation. It is, therefore, important for employer to consider employee needs and workplace conditions when formulating engagement strategies (Mokaya & Kipyegon, 2014). Job satisfaction plays a mediating role between employee engagement and turnover intentions in the banking sector. This mediation strengthens employee retention outcomes

(Imam & Shafique, 2014). Individual characteristics have been found to influence both job engagement and organizational engagement. Social Exchange Theory (SET) is widely applied as a theoretical framework to explain the development of employee engagement (Andrew & Sofian, 2012). Flexible work arrangements have been found to improve employee engagement and support talent retention. Organizations are encouraged to create supportive and flexible work environments to achieve these outcomes (Richman, Civian, Shannon, Hill, & Brennan, 2008). A strong association has been identified between employee engagement, individual performance and overall business results. This highlights the strategic importance of fostering engagement in the workplace (Kular, Gatenby, Rees, Soane, & Truss, 2008). A study of Indian banks confirmed that employee engagement positively impacts job satisfaction and organizational commitment, especially within the private sector. This underscores the strategic importance of engagement (Rana, Pant & Chopra, 2019). Autonomy opportunities for growth and recognition were identified as key factors that significantly enhance engagement among employees in private banks. The study also provided comparative insights between the public and private banking sectors (Kumar & Swetha, 2011). Social connections and career stability are found to strengthen employee engagement through the concept of job embeddedness (Chaudhary & Rangnekar, 2018). A framework was proposed that connects employee engagement to the organizational environment, which is influenced by culture, human resource management and leadership (Kumar, 2019). In the Indian context, workplace spirituality is found to impact performance by enhancing employee engagement, motivation and commitment (Garg, 2017). Employee engagement is associated with effective communication and a strong organizational culture, providing valuable practical guidance for banks (Sarangi & Srivastava, 2012). High-performance work

systems that are aligned with employee engagement enhance organizational performance (Muduli, Verma, & Datta, 2016). Best practices in the banking sector that support the development of effective employee engagement strategies were identified and outlined (Sarangi, 2012). The key factors driving employee commitment were identified as rewards, leadership, job enrichment, autonomy, career advancement and job security (Barik & Kochar, 2017). Skill variety, social support, fairness, recognition and opportunities for learning were identified as important factors that significantly enhance employee engagement (Saks, 2019).

Research Objectives

- To examine the strategic role of employee engagement in enhancing business performance in Indian banks.
- To explore the key drivers and barriers of employee engagement in the Indian banking sector, focusing on digital tools, emotional well-being and top management practices.

Strategic Framework for Employee Engagement

Strategic Role of HR in Indian Banks

Human Resource Management (HRM) in Indian banks plays a crucial strategic role by aligning HR activities with the bank's long-term vision. For instance, if a bank aims to become digital-first, HR must recruit tech-skilled employees, build digital capabilities and foster an innovative culture. Clear communication of goals and employee roles increases engagement by connecting employees to the bank's mission. Talent management and succession planning are vital for leadership continuity. Banks need to proactively develop high-potential employees through mentoring, defined career paths and internal mobility. HR analytics enhances engagement by analyzing data such as satisfaction, turnover, absenteeism and training effectiveness. For example, high attrition

among young employees can be addressed through better onboarding. Some large banks use real-time dashboards to track engagement, transforming HR from a support function into a driver of excellence.

Dimensions of Employee Engagement in Indian Banks

Employee engagement is a multidimensional construct that encompasses three core dimensions- emotional, cognitive and behavioural engagement.

- **Emotional Engagement:** Emotional engagement refers to the extent to which employees experience a sense of pride, attachment and belonging to their organization. When emotionally engaged, employees are more likely to exhibit loyalty, passion and a strong personal identification with the bank's values and goals.
- **Cognitive Engagement:** Cognitive engagement involves the degree of mental focus and attention that employees apply to their work. It reflects how intellectually absorbed employees are in their roles, contributing to enhanced problem-solving, innovation and the consistent execution of complex tasks.
- **Behavioural Engagement:** Behavioural engagement captures the observable actions of employees who go beyond their formal job descriptions. This includes proactive behaviours, taking initiative and voluntarily contributing to the organization's success through discretionary effort and a commitment to excellence.

Banks can enhance the employee engagement through meaningful work, respectful leadership and career growth. Deeper layers include organizational commitment (loyalty during challenges) and psychological ownership (feeling responsible for the bank's success), which thrive in cultures with autonomy, trust and participation. Engaged employees also advocate for their bank and take

voluntary responsibilities, such as mentoring or making improvement suggestions. Recognition, open communication and inclusivity nurture such behaviours, benefiting the bank's reputation, retention and service quality.

Key Drivers of Engagement in Indian Banks

- **Leadership and Vision Clarity:** Clear direction from leaders aligns employees with the bank's mission. Regular town halls, newsletters and check-ins can help. Leadership training should focus on developing emotional intelligence and skills.
- **Work Environment and Culture:** Inclusive, respectful and psychologically safe workplaces foster engagement. Reducing hierarchies, encouraging teamwork, celebrating successes and supporting diversity are essential in Indian banks.
- **Role Clarity and Autonomy:** Employees perform better when roles are clear and they have autonomy. Stress from ambiguity can be reduced through defined job descriptions, performance goals and regular feedback.
- **Recognition and Rewards:** Timely and fair rewards boost morale. The structured recognition programs, such as monthly awards and peer appreciation can be adopted.
- **Learning and Development:** Ongoing training in digital, technical and leadership skills sustains engagement among employees. Personalized learning and coaching reflect the bank's investment in its employees.
- **Career Advancement Opportunities:** Transparent promotions and cross-functional roles can retain talent in an organisation.
- **Communication and Employee Voice:** Two-way communication builds trust. Encouraging

feedback through surveys and forums empowers employees. Leaders who act on feedback foster respect and transparency.

- **Work-Life Balance and Well-being:** Mental health support, flexible work arrangements and wellness programs, such as yoga can help in preventing burnout and support sustained engagement.

Figure 3: Key Drivers of Engagement in Indian Banks



Differentiated Strategies

To improve engagement, banks should modernize HR system, decentralize decision-making, empower middle managers, enhance recognition mechanisms and invest in leadership development. Engagement depends on a cultural transformation and well-defined career growth paths.

High work pressure can cause stress and burnout. To sustain engagement, they need tailored programs, coaching and mental health support. Their people-centric strategies can serve as a model for reform in banks.

Satisfaction also depends on leadership, autonomy and communication. Tailored strategies are needed to close these gaps, leveraging each sector's strengths. Regular surveys and benchmarking enable continuous improvement.

Employee Engagement Practices in Leading Indian Banks

Employee engagement is a strategic priority in major Indian banks. State Bank of India (SBI) fosters engagement through initiatives like Next LEAP and SuPer SBI, enhancing employee skills, pride and productivity. Continuous training, mentorship and empowerment drive professional growth and autonomy. The Nayi Disha program supports work-life balance, especially in branches. SBI promotes transparent communication through town halls and email channels. Recognition schemes uplift morale, while digital platforms reinforce ethical values. Employee satisfaction is assessed via regular engagement surveys. Flexible work policies, sabbaticals and paternity leave further improve employee well-being.

HDFC Bank engages employees through The HDFC Bank Way, based on integrity, innovation and collaboration. Programs like Nurture Care & Collaborate and Listening Organization encourage direct interaction with leadership. 'HDFC Bank CARES' supports physical and mental well-being. Cultural initiatives like Hunar and Josh Unlimited add vibrancy. Engagement is tracked through the VOICE survey and real-time Pulse feedback, with transparent sharing of results. Continuous feedback loops include focus groups and direct connects, promoting open communication.

ICICI Bank emphasizes leadership and digital readiness through initiatives like the Young Leaders Programme (YLP) and the Digital Academy. The Ignite series connects staff with experts in leadership and data science. Officer-Like Qualities (OLQ) are encouraged, while the Quick Response Team (QRT) assists in emergencies. Platforms like Coffee and Conversation and I-Engage build team bonding. Digital tools like Learning Matrix and Universe on the Move enhance learning and simplify HR tasks.

Union Bank of India implements Union Prerna to build a productive and inclusive workplace. Committees like Empower Her and Empower Him address gender-specific issues. Union Learning Academies build leadership and digital skills. Union SWAR provides wellness support and EKAM manages engagement, rewards and training. Milestone Awards honour long-serving staff, strengthening loyalty and morale.

Employee engagement in Indian banks differs significantly between PSBs and private banks. However, both sectors agree that engaged employees lead to better customer service and operational efficiency.

Impact of Strategic Engagement on Business Excellence

Strategic employee engagement is a crucial pillar supporting business excellence in Indian banks. It impacts every dimension of institutional performance—from operational productivity to innovation and brand equity. Banks that actively engage their employees tend to perform better, adapt faster and build stronger relationships with customers and communities.

- **Productivity and Service Delivery:** Engaged employees are more committed, focused and aligned with the bank's goals. This leads to higher levels of productivity and efficiency in daily operations. Turnaround times for handling customer queries, loan processing and internal

services are significantly reduced. Employees who feel valued tend to take ownership of their work, minimizing errors and enhancing compliance. Such a work environment encourages creativity and problem-solving, enabling staff to suggest and implement improvements. Ultimately, engagement helps banks streamline workflows, avoid bottlenecks and improve service quality - key drivers of operational excellence in a competitive industry.

- **Customer Experience and Brand Equity:** Employee engagement shapes the customer experience. Engaged employees interact with customers more empathetically, enthusiastically and consistently. These positive interactions build customer trust, loyalty and satisfaction. When customers have smooth and pleasant experiences, they are more likely to recommend the bank to others, strengthening the institution's brand equity. Furthermore, employees who are emotionally invested in their work are better at anticipating and meeting customer needs. The studies across Indian banks confirm that high engagement levels correlate strongly with better customer satisfaction indices and service ratings. This leads to greater customer retention and stronger market positioning.
- **Financial Performance and Profitability:** Strategic engagement contributes to financial stability and profitability of organisation by improving both revenue and cost dynamics. Engaged employees stay longer, reducing turnover-related costs such as recruitment, onboarding and training. With lower attrition, banks retain institutional knowledge and build stronger internal capabilities. Moreover, engaged employees are more proactive in identifying cross-selling and up-selling opportunities, improving wallet share per customer. Their enthusiasm

contributes to better team performance and sales outcomes. Banks with higher engagement can improve financial indicators, including Returns on Assets (ROA) and Return on Equity (ROE). Additionally, reduced error rates and better compliance protect the organisation against financial penalties, safeguarding long-term profitability.

- **Organisational Resilience and Agility:** In an environment marked by digital disruption, regulatory change and market volatility, resilience and agility are essential. Engaged employees are more adaptable and open to change. They are quicker to adopt new technologies, align with new policies and support transformation initiatives. This engagement was evident during the COVID-19 pandemic, when banks with strong internal cultures managed transitions to remote work and digital service delivery more effectively. A highly engaged workforce shows commitment even in crises, ensuring operational continuity and customer support.

Engagement also encourages inter-departmental collaboration and knowledge sharing, strengthening the bank's ability to respond to challenges and seize new opportunities.

- **Reduced Attrition and Absenteeism:** Strategic engagement efforts help lower both attrition and absenteeism. When employees feel valued and supported, they are more likely to stay, reducing the disruption and cost of frequent staff turnover. Initiatives like flexible work policies, wellness programs and fair reward systems address stress and burnout - common causes of absenteeism in the banking sector. An inclusive and empathetic workplace culture enhances job satisfaction and loyalty. Consistent attendance improves team coordination and service reliability, while experienced staff deliver better outcomes. The

overall outcome will be more stable, motivated and productive workforce.

- Fostered Innovation and Agility:** Engaged employees are more likely to think creatively and take initiative. They contribute valuable frontline insights that can improve products, customer experiences and internal systems. A culture that encourages innovation makes employees feel safe to experiment and share ideas without fear of failure. This is essential in today's banking sector, where rapid digital change demands agility. Strategic engagement breaks down silos and encourages collaboration across departments, fostering faster decision-making and innovation.

Figure 4: Impact of Strategic Engagement on Business Excellence



Agile and engaged teams are better equipped to handle shifting customer expectations, market dynamics and technological disruptions, providing banks with a sustainable competitive edge. The multifaceted impact of strategic employee engagement in Indian banks is clear. It enhances

productivity, improves customer experience, boosts financial performance, strengthens resilience, reduces attrition and fosters innovation. Banks that invest in sustained and meaningful engagement practices are more likely to achieve business excellence and maintain long-term competitiveness in an evolving financial landscape.

Measuring and Evaluating Engagement

Measuring employee engagement is essential for Indian banks to evaluate the success of their engagement strategies. It helps identify strengths and gaps, enabling focused actions that align engagement with business goals.

- Engagement Surveys and Indices:** Indian banks use standardized engagement surveys to assess employees' emotional, cognitive and behavioural connections with the organization. These surveys cover job satisfaction, communication, leadership, recognition and the work environment and are usually conducted annually or bi-annually to track trends. Banks also derive engagement indices - composite scores reflecting motivation and commitment. Some use the Gallup Q12 model or customize comparable frameworks. These surveys also provide employees with a voice, promoting openness and trust.
- Key Performance Indicators (KPIs):** KPIs are used for continuous engagement monitoring. Metrics include turnover rates, absenteeism, training participation and internal promotions. These metrics indicate the health of workplace culture and employee commitment. The Employee Net Promoter Score (eNPS) is a key KPI that shows how likely employees are to recommend their bank as a workplace. A high eNPS indicates strong engagement. Other indicators include productivity, error rates and

customer service feedback, offering real-time insights for improvement.

- **Linking Engagement with Business Outcomes:** Engagement metrics are often connected to business outcomes such as productivity, customer satisfaction and profitability. Engaged employees are more focused, innovative and willing to go the extra mile. Customer satisfaction improves when employees are engaged, as they deliver better service and build stronger relationships. Engagement also reduces turnover and absenteeism, cutting costs and boosting retention. It drives cross-selling and revenue growth, demonstrating a strong return on investment.
- **Balanced Scorecard and European Foundation for Quality Management (EFQM) Model:** Banks also use strategic frameworks like the Balanced Scorecard and EFQM Excellence Model. The Balanced Scorecard tracks engagement under the Learning & Growth perspective, highlighting its role in long-term success. The EFQM model focuses on leadership, people, strategy and results, embedding engagement in broader performance and culture goals.

Indian banks use surveys, KPIs and strategic models to measure engagement. These tools link engagement to business success and support continuous improvement for sustainable excellence.

Challenges and Barriers to Engagement

Employee engagement in Indian banks faces several barriers that limit its impact. The study of these challenges is essential for building a motivated and committed workforce.

- **Rigid hierarchies:** PSBs often follow rigid hierarchies and delayed decision-making. This reduces autonomy, innovation and open

communication - key factors for enhancing engagement. Employees feel undervalued which can lead to low motivation and poor performance compared to private banks.

- **Resistance to Change and Cultural Inertia:** Many organisations resist change. Employees, accustomed to traditional systems, not easily adapt new engagement tools and reforms. Cultural inertia blocks progress toward modern work cultures. Fear of job loss, unclear benefits and low trust in leadership make change harder. Transparent communication and employee involvement in reforms can reduce resistance.
- **Unionism:** Unions protect employee rights but can limit engagement efforts. They may block flexible work, performance-linked rewards or merit-based recognition. The emphasis on seniority can demotivate high performers. Moreover, frequent negotiations or industrial actions can disrupt the work environment, lowering morale. Open dialogue between unions and management is needed for balanced engagement strategies.
- **Inadequate Training for Mid-Level Managers:** Mid-level managers play a key role but often lack training in leadership, communication and conflict management. Poor manager-employee relations are a major reason for disengagement. Structured training programs can help build stronger teams and improve engagement.
- **Lack of Continuous Feedback Mechanisms:** Without regular feedback, employees feel uncertain and demotivated. Tools like pulse surveys and real-time recognition are underused. Frequent feedback improves trust, clarity and engagement.

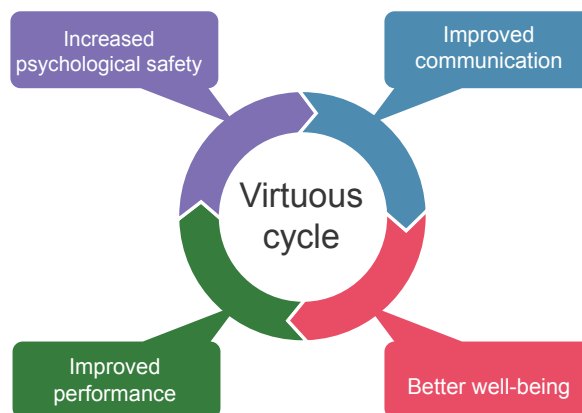
Overcoming these barriers through inclusive and strategic efforts is vital to unlock employee potential and driving business excellence.

Employee Engagement Strategies in Indian Banks

- Integrated Communication and Leadership Alignment:** Indian banks emphasize clear and transparent communication through town halls, newsletters and digital platforms. This aligns employees with the bank's mission and objectives. During organizational changes, such as mergers or digital transformations, communication builds trust. Leadership development programs train managers to lead with empathy, resolve conflicts and serve as role models. When leaders communicate consistently and lead by example, engagement and trust are strengthened.
- Recognition, Rewards and Performance Management:** Effective recognition systems - including monetary incentives, awards and public appreciation - boost morale and performance. Banks are moving from annual reviews to continuous performance management, using real-time feedback and linking performance to rewards. This approach ensures ongoing alignment with goals and maintains motivation.
- Learning, Career Growth and Succession Planning:** Banks invest in training, workshops, e-learning and certification programs to promote continuous learning. Structured career progression, transparent promotion policies and early identification of future leaders ensure talent retention and succession continuity. This strategy strengthens both intellectual engagement and long-term commitment.
- Well-being, Work-Life Balance and Psychological Safety:** Employee wellness is prioritized through flexible hours, remote work options, counselling, health insurance and resilience programs. Emotional and psychological engagement is enhanced by ensuring mental

health support and psychological safety, allowing employees to voice concerns without fear.

Figure 5: Virtuous cycle of Employee Well-being and Psychological Safety yielding Better Performance



Source: psychsafety.com/psychological-safety-and-wellbeing

- Technology-Enabled Engagement and Tailored Approaches:** Digital platforms like Human Resource Management System (HRMS), mobile apps and AI-based feedback tools support communication, learning and wellness participation. Gamification and real-time feedback increase involvement. Banks tailor strategies based on age, role and location— young staff value mobility and technology, while senior employees appreciate stability and recognition.
- Inclusive, Participative and Collaborative Culture:** Banks promote diversity, inclusion and team collaboration. Gender equity, support for differently-abled employees and employee resource groups enhance a sense of belonging. Team-building exercises and cross-functional projects strengthen cohesion and innovation. Employee voice is encouraged through surveys, forums and suggestion systems, boosting trust and ownership.

- **Corporate Social Responsibility (CSR), Purpose Alignment and Continuous Improvement:** Employee involvement in CSR and sustainability projects instils pride and purpose. Regular engagement surveys and analytics identify gaps and drive strategic refinement. Aligning personal values with organizational goals fosters loyalty and strengthens engagement.

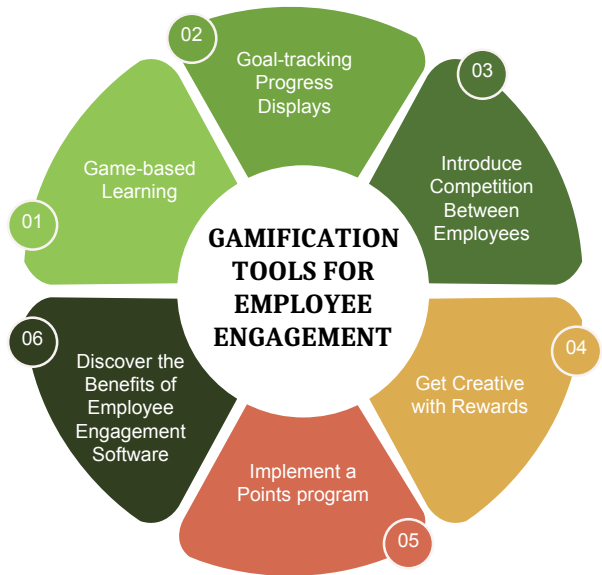
Future of Employee Engagement in Indian Banks

The future of employee engagement in Indian banks is being reshaped by digital innovation, evolving employee expectations and the need for agility. Banks are adopting advanced tools to enhance connections, personalize experiences and create a high-performance and inclusive culture.

- **AI-driven engagement analytics are transforming the way banks understand and respond to employee needs.** AI tools analyze surveys, feedback and performance data to identify satisfaction drivers, predict attrition and detect disengagement early. Sentiment analysis of emails and messages helps track morale across teams, enabling timely interventions. This data-driven approach helps HR design tailored and effective engagement strategies.
- **Gamification of engagement programs:** Gamification is a growing tool to increase employee motivation and involvement. It uses elements like points, badges and challenges in everyday tasks and training. Indian banks are applying gamified systems to promote learning, innovation and teamwork. Training becomes more engaging through badges and levels, encouraging quicker skill acquisition. Performance contests create healthy competition and team spirit. Gamification gives instant feedback and rewards, which especially appeal

to younger employees. When used effectively, it boosts motivation, recognition and alignment with goals.

Figure 6: An Example of Gamification Tools for Employee Engagement



Source: www.digital-adoption.com

- Personalized employee experience platforms are gaining importance. These digital platforms integrate onboarding, learning, wellness and internal communication. Employees receive content and support based on their roles, performance and preferences. For example, leadership courses for top performers or wellness tips for stressed employees. Personalization enhances relevance and care, as well as engagement and retention in hybrid work environments.
- ESG and purpose-driven engagement also play a vital role. Employees, especially younger ones, value purpose. Banks are embedding ESG initiatives such as green banking, financial literacy and volunteering into engagement

strategies. This strengthens pride, ownership and employer branding.

Together, AI, gamification, personalization and ESG alignment are building smarter and more meaningful engagement in Indian banks, preparing them for future excellence.

Policy Recommendations

Sustainable employee engagement in Indian banks, requires structural and cultural reforms. Four key policy areas that need urgent attention are:

- **HR Autonomy:** Banks should have greater autonomy in recruitment, performance management, incentives and talent movement. Decentralized HR systems allow decentralised decision-making, merit-based actions and innovation. Empowered HR units, under regulatory oversight, can boost morale and agility. Regulatory supervision will ensure fair practices.
- **Capacity Building and Skilling:** Continuous learning is essential. Training should focus on data analytics, cyber security, green banking and customer service. Fintech partnerships and dedicated funds are crucial. Reskilling enhances confidence and engagement.
- **Inclusive and Digital Engagement:** Engagement policies must cover women, rural staff and persons with disabilities. Digital tools such as e-learning platforms and chatbots should be accessible. Policies should also promote hybrid work, wellness and grievance redressal to create an inclusive culture.
- **Investment in Employee Experience Platforms:** Banks should upgrade to advanced platforms with real-time feedback, wellness initiatives and career development tools. Investment in these systems will improve retention, satisfaction and loyalty.

Future Directions and Policy Implications

Employee engagement should be integrated into India's financial policy to promote business excellence. The regulators must play a proactive role. Engagement metrics such as satisfaction, attrition and learning participation should be included in leadership KPIs. The annual, validated engagement surveys covering leadership, communication, development and work-life balance should be enforced.

Based on survey results, banks should implement time-bound action plans with the provision of regular assessment. Structured skilling and leadership development should be encouraged through tax incentives, mandatory Learning and Development (L&D) budgets and training aligned with digital banking, ESG and AI. Capacity-building disclosures should be treated as a compliance priority.

The regulators should also promote engagement best practices through benchmarking, awards and HR forums. Finally, engagement must be treated as a governance issue, with board-level reporting and establishing dedicated committees for human capital strategy.

Conclusion

Employee engagement is crucial for the sustainable growth and competitiveness of Indian banks amid rapid digital change, regulatory shifts and rising customer expectations. This study highlights the importance of a structured engagement strategy aligned with institutional goals and employee well-being. Engaged employees boost productivity, customer satisfaction and innovation while reducing risk. Banks that foster meaningful work, learning opportunities and transparent communication perform better. Engagement helps retain talent and drive financial inclusion. Engagement must shift from being seen as an HR task to a core business driver

that is essential for future-ready banking. Strategic leadership is essential to embed engagement into the bank's vision, with clear goals, continuous feedback and fair recognition. It must be treated as a long-term investment supported by cross-functional collaboration and measurable outcomes. As banks face digital disruption, ESG mandates and demographic shifts, engagement helps build agility and foster innovation. For India's \$5 trillion goal, people-centric and future-ready banking is vital, making employee engagement a national priority for policymakers, regulators, bank leaders and other stakeholders.

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EVOLUTION AND ROLE OF THE DIFFERENTIATED BANKING SECTOR IN INDIA

 Tista Tiwari*

 Dr. Pallavi Chavan**

Abstract

From the turn of the last century, differentiated banks have been a longstanding and persistent, even if not systemically important, part of the Indian banking system. These banks have been instrumental in financing rural credit needs, agriculture, particularly small farmers and small enterprises, although their growth has not been regionally balanced. The paper finds that the presence of differentiated banks augurs well for financial intermediation and inclusion. However, these banks are on a weaker footing than universal banks in terms of financial viability owing to the operating cost inefficiencies and weaker asset quality. Going forward, consolidation and harmonisation of regulatory framework needed to continue to make differentiated banks well-governed and financially sound, particularly given their deep and focused customer interface. Furthermore, the revival and expansion of these banks, particularly in regions where they have a weak presence, need to be supported in the interest of India's endeavour to financial inclusion.

Keywords: *Differentiated banks, universal banks, financial inclusion, financial viability, credit co-operatives.*

Introduction

Notwithstanding the worldwide innovations in decentralised finance, financial intermediaries,

particularly banks, continue to be the backbone of financial systems in most economies. Even in advanced economies, where market-based sources of financing predominate, bank-based financial intermediation remains relevant for supporting economic growth and inclusion of excluded sections. The bank-based view of financial system is premised on banks (a) enjoying economies of scale in information collection and processing; and (b) reducing information asymmetry and moral hazard embedded in financial relations, through effective monitoring and long-run relationships with their clientele (Boot and Thakore, 1997).

Universal banks are typically banks, which combine the two basic models of banking viz., commercial and investment banking. They offer a wide array of financial services, including lending, deposit-taking, underwriting, brokerage, trading and portfolio management. The experiments with universal banks have varied across countries depending on countries' economic history, banking structures and financial requirements.¹

Like universal banks, there have been varied experiments with differentiated banks – banks involved in financial intermediation focusing on either a sector/region or a specific banking activity (RBI, 2014). Yet, unlike universal banks, the references to differentiated banks are few and far between in the literature. They are also less studied than non-banks

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¹ For instance, Germany's post-war industrialisation greatly benefited from large universal banks, while the US for a major part of the 20th century separated commercial and investment banking through the Glass-Steagall Act of 1933 as a fallout of the Great Depression, until it was repealed in 1999.

or shadow banks. The limited interest in differentiated banks could be due to their niche areas of operation and low systemic importance. However, they play an undeniable role in financial intermediation and inclusion at the ground level. Even if not systemically important, their financial viability is critical given their customer interface.

India offers an interesting case of differentiated banks given (a) its history of co-operative banks since the early 20th century and (b) the subsequent, repeated experiments with newer differentiated banks. Notwithstanding the long history, the term “differentiated banks” has gained currency only in the 21st century (Gandhi, 2015). The paper traces the evolution of differentiated banks in India to answer the following research questions:

- What is the size and role of differentiated banks in banking systems globally and in India?
- How does the presence of differentiated banks in India bode for financial inclusion and viability of the Indian banking system?

The paper is divided into five sections. Section II discusses the evolution of differentiated banks globally. Section III provides an assessment of the Indian experiment. Section IV analyses how far the presence of these banks supports financial inclusion by and financial viability of the Indian banking system. Section V provides the concluding observations.

II. Differentiated Banks – Concept and a Review of Global Evolution

Concept

Based on their areas of operation, differentiated banks can be divided into two categories: (a) horizontally differentiated – these are full-service banks providing all three basic banking services of deposits, payments and credit but focusing on a specific region, size of borrowers or economic sector; and (b) vertically

differentiated - these are not full-service banks but specialise in some of the basic services, noted earlier (RBI, 2014). Differentiated banks can be constituted with a restricted mandate as per statute or licensing policy. They can also acquire a differentiated focus in a *de facto* manner even if they are not restricted from catering to other regions/sectors or banking activities by statute or licensing policy. They can assume different legal forms, such as joint stock companies or mutual-help co-operatives.

Although easy to conceptualise, the real-world identification of a bank as a differentiated bank can be difficult, as any banking institution that is not a universal bank may not necessarily be differentiated. Hence, we employ the following parameters to identify differentiated banks:

Banking institutions: Engaged in financial intermediation of deposits on the liabilities side into credit creation on the assets side and thereby, helping in maturity transformation. Hence, investment banks and development financial institutions that do not mobilise deposits/extend credit but rely on capital markets for raising/investing funds are not included in our definition.

Regulated banking institutions: Thus, semi-regulated or unregulated financial institutions, such as Microfinance Institutions (MFIs), non-Governmental or trust-based financial institutions are not included.

Niche regulated banking institutions: Niche nature of financial intermediation irrespective of (public/private) ownership and (joint stock/co-operative) legal form.

In the Indian context, the differentiated banking sector includes rural co-operative banks (State and district co-operative banks), Urban Co-operative Banks (UCBs), Regional Rural Banks (RRBs) and Small Finance Banks (SFBs) following the above-mentioned parameters.² All these are horizontally differentiated banks, which incidentally form the bulk

² Local Area Banks (LABs) are not assessed separately in the paper given their miniscule share in the differentiated banking sector, see III.1 for details.

of differentiated banking sector globally, as illustrated later.³ In comparison, the universal banks in India include public sector and private sector (domestic and foreign) banks given the single class of banking licence issued by the Reserve Bank of India (RBI) for all types of banking business to these banks.

Global Evolution

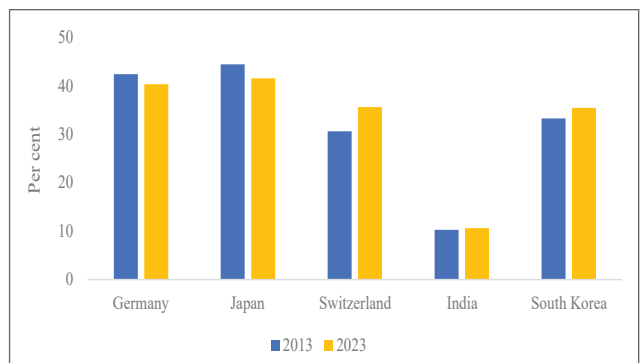
Globally, there have been several experiments with differentiated banks, as per our definition. Following are the major observations from a review of these experiments:

- **Prominent presence in developed economies:** While differentiated banks dot the banking systems in most economies, their presence is more prominent and longer in developed economies of Germany and Japan, where these banks have played an important role in post-war economic reconstruction (Figure 1).
- **A mix of co-operative and joint stock banks:** The differentiated banking sector in developed and developing economies is marked by a mix of co-operative and joint stock banks, with the former predating the latter. Co-operative banks originated in the 19th century Europe following the Industrial Revolution, later expanding to other continents.⁴

Although commercial banks, instituted as joint stock companies, existed even before co-operatives, they were not necessarily differentiated in nature. With capitalism and global trade, differentiated banks lending to specific sectors and regions have been on the rise.⁵

- **Predominance of public banks:** For addressing credit gaps in certain sectors/regions, the Governments in many countries have taken the lead in developing differentiated banks.⁶ Since 1980, there has been a growing trend towards privatisation of the banking sectors in many economies (Kikeri et al., 1992). However, barring sporadic experiments with privately-owned differentiated banks like Small Finance Banks (SFBs) in India, differentiated banks have been predominantly public.
- **Aimed at financial intermediation and inclusion:** These banks have been created primarily for serving the underserved regions/sectors.⁷ Alongside traditional differentiated banks, newer variants have emerged in the 21st century, leveraging on digitalisation.⁸ As these new-generation differentiated banks are in a nascent stage in many economies, their long-term sustainability is yet to be tested.

Figure 1: Share of Differentiated Banks in Total Banking Assets, Select Countries



Source: CEIC database.

Note: Data for Switzerland relate to 2022. For India, differentiated banks include small finance banks, regional rural banks, urban co-operative banks, rural co-operative banks (State and district co-operative banks). Payment Banks and Local Area Banks are excluded given their marginal share but included as part of total banking assets. See Appendix 1 for details on differentiated banks for other countries.

³The examples of vertically differentiated banks are few, such as the South Korean post office bank and payments banks in India, which engage only in deposits/payments. ⁴To illustrate, credit cooperatives were founded in Germany during 1850s which operated in rural areas (as Raiffeisen cooperatives) and urban areas (as Volksbanken) (Ayadi et al 2010). ⁵ For instance, Switzerland has seen the growth of regional and savings banks organised as joint-stock companies since the last century. ⁶ For instance, in Germany, the Landesbanken (first tier) and savings banks/Sparkassen (second tier) were developed as public banks (Brunner et al 2004). ⁷ For instance, German Sparkassen were established for providing tailored finance to low-income communities (Brunner et al 2004). Differentiated banks in France and Italy finance agriculture and local community development (Ayadi et al 2010). The US has geography and sector-specific differentiated banks. Community banks are banks with less than \$10 billion in assets, catering to local communities (FDIC 2020). ⁸ These include neobanks and challenger banks providing retail financial services through mobile and online platforms (Zachariadis and Ozcan 2017).

III. India's Experiment with Differentiated Banks – Features and Trends

III.1 Features

a. A long account

India's tryst with differentiated banks has been a long one, going back to credit co-operatives created in 1904 to empower the socio-economically marginalised sections. Although organised originally as societies, with the formation of a three-tier structure, co-operative banks became a part of the second and apex tiers of the co-operative system.

Since 1904, there has been a distinction between "rural" and "urban" co-operative societies.⁹ Over time, some of the urban societies have evolved into State or district co-operative banks, others have started functioning as Urban Co-operative Banks (UCBs).¹⁰ The major area of focus of State and district co-operative banks (rural co-operative banks) has been agriculture and rural enterprises, while UCBs have focused on small and medium enterprises and lower- and middle-income groups in urban and semi-urban areas.¹¹ It is the acquired regional and sectoral focus of rural and urban co-operative banks that has made them differentiated. Together, they accounted for two-thirds of India's differentiated banking sector in 2024 (Figure 2).

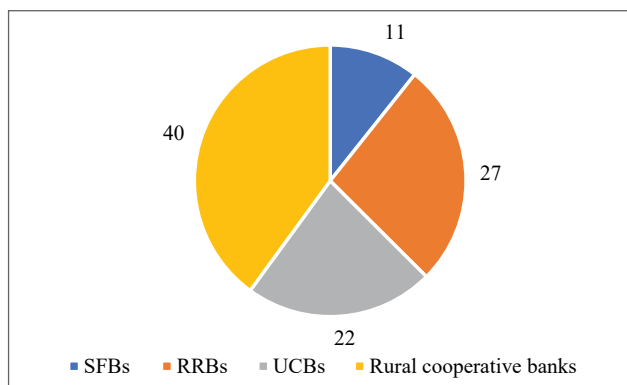
Regional Rural Banks (RRBs) were created in 1975 to support agricultural finance and rural development alongside co-operatives and commercial banks (following their nationalisation) (GoI, 1976). RRBs were differentiated as their area of operation was limited to rural areas and lent mainly to small farmers. Also, as they were constituted with capital support from respective State Governments, there has been a state-specific focus to their evolution and operations, as illustrated later.

Another addition to the differentiated banking sector was of Local Area Banks (LABs) in 1996 for decentralised banking development. Their operations were geographically restricted, targeting rural and semi-urban regions involving three contiguous districts. However, following the recommendations of RBI (2002), no new licenses have been issued to LABs in the subsequent period.¹²

More recently, there has been a renewed interest in differentiated banks with the creation of SFBs and payments banks. The former are horizontally differentiated and the latter vertically differentiated, as noted earlier. Both are guided by the mandate of serving rural and underserved areas (RBI, 2014). Unlike co-operatives, RRBs or LABs, the SFBs are not regionally restricted; their presence can be pan-India. However, they are guided by a size-based mandate, giving them a differentiated character.¹³

With digitalisation, Neobanks have made inroads into India but unlike other countries, they are not licensed as banks. They operate in partnership with regulated institutions, including banks (PWC, 2021).

Figure 2: India's Differentiated Banking Sector, 2024



Source: Statistical Tables Relating to Banks in India (STRBI); and Report on Trend and Progress of Banking in India (RTP). Note: LABs are excluded due to their miniscule size; they accounted for 0.05 per cent of the differentiated banking sector in 2024.

⁹The former catered to agriculturists and latter to artisans and persons of "limited means" (with four-fifth members as non-agriculturists). ¹⁰ For instance, the first urban society in Bombay started functioning as the apex provincial bank in 1924, which later became the Maharashtra State Co-operative Bank. ¹¹ State and district co-operative banks form a part of the short-term cooperative credit structure. There is also a long-term co-operative credit structure, including State and primary agricultural and rural development banks (SCARDBs and PCARDBs). However, these institutions are not registered as banks; see Appendix 2 for an illustration of the present-day co-operative system in India and its portion identified as differentiated banks. Also see https://rbi.org.in/Commonman/English/History/Scripts/Fun_urban.aspx ¹² See Sriram (2015) who noted that geographical restrictions and portfolio risk contributed to limited growth of LABs. Out of four functioning LABs established since 1996, Capital Local Area Bank converted to a small finance bank in 2016 and the licence of Subhadra Local Area Bank was cancelled in 2020. At present, there are two LABs based in Andhra Pradesh and Telangana. ¹³ At least 50 per cent of their loan portfolio should constitute of loans of up to ₹ 25 lakh.

b. A dominant presence of Government-owned or supported banks

Among differentiated banks, rural co-operative banks have been all through supported by State Governments and occasionally recapitalised by the Central Government. Every State has its own legislation for co-operatives, as cooperation is a State subject and most States follow a three-tiered structure of rural co-operatives, with primary co-operative societies being the major shareholders in district co-operative banks and the district banks being major shareholders in their respective State co-operative banks.¹⁴ Apart from its members, however, respective State Governments also contribute to the capital of both State and district co-operative banks. In 2006, the Central Government along with National Bank for Agriculture and Rural Development (NABARD) and respective State Governments initiated a package for rural co-operative banks towards reviving their health, thereby, reaffirming the Governmental stake in these banks (NABARD, 2007).¹⁵

The capital of RRBs is contributed by the Central Government (with a share of 50 per cent), State Government (15 per cent) and a sponsor commercial bank (35 per cent), lending them a public character. Furthermore, the repeated rounds of recapitalisation of RRBs since 2010 have underlined Government's support to these institutions.¹⁶ Together RRBs and rural co-operative banks made up 67 per cent of India's differentiated banking sector in 2024 (Figure 2).

c. Differentiated but increasingly harmonised regulations

In keeping with their specialised operations, the regulation and supervision for differentiated banks have been distinct. For instance, there are differences in either prudential regulations (including capital

adequacy and exposure norms) or developmental regulations (priority sector lending norms) or both these regulations for UCBs, RRBs and SFBs as compared to universal banks.

Over time, there has been an effort to harmonise various regulations of differentiated banks with universal banks to limit regulatory arbitrage and strengthen governance in differentiated banks (Appendix 3). Licensing guidelines have been issued for differentiated banks to shift from one form to another or to convert into universal banks; the possibility of such conversion also underlines a harmonised regulatory view.¹⁷ There is also an effort to bring rural and urban co-operative banks under RBI's regulatory purview through amendments in the Banking Regulation Act, 1949, RBI Act, 1934 and Deposit Insurance and Credit Guarantee Corporation Act, 1961.

d. Focus on financial inclusion and viability

While differentiated banks have been set up with the objective of financial inclusion, their financial viability too has garnered attention in recent decades.¹⁸ The viability of these banks has, in fact, been deemed necessary for their sustained contribution to financial inclusion (Gol, 2008).

To illustrate, priority sector lending target, which was 100 per cent for RRBs, was brought down allowing these banks to lend to other, possibly more profitable sectors. Furthermore, phased consolidation of RRBs has been undertaken for creating financially more viable entities.¹⁹ Capital adequacy, Income Recognition, Asset Classification and Provisioning (IRACP) and liquidity norms have been applied to RRBs and rural co-operative banks towards enhancing their viability (see Appendix 3). Interest rate controls have been liberalised for these banks for commercial pricing of their services.

¹⁴ In north-east and Kerala, there is two-tiered structure, wherein the State-level bank is supported by primary agricultural credit societies at the village level. ¹⁵ 25 States signed a tripartite agreement for this package following the recommendations of Gol (2004), popularly known as the Vaidyanathan Committee. ¹⁶ The first recapitalisation exercise of 1994-95 covered 187 RRBs. In 2011, based on recommendations of RBI (2010), the second round was initiated, when 40 out of 82 RRBs were recapitalised. Since 2021-22, the third round is underway to make RRBs technologically and financially viable. ¹⁷ To illustrate, UCBs with a minimum net worth of ₹ 500 million and CRAR of at least 9 per cent can apply for converting into SFBs; see https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11381&Mode=0#A_2. SFBs can convert into universal banks subject to fulfilment of certain regulatory requirements; see https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=3797. ¹⁸ See RBI (1991) which provided a roadmap for financial liberalisation in India and suggested measures for restoring the profitability and commercial viability of public sector (universal) banks and RRBs. ¹⁹ The first phase in 2005-06 was between RRBs with their sponsor banks. In the second phase in 2012, RRBs were consolidated across sponsor banks within a State. (Chaudhary and Kaur 2021). After the third phase of consolidation during 2019-21, their number has come down from 196 in 2005 to 43 in 2024. The Government has notified amalgamation of 26 RRBs on the principles of "One State-One RRB" as part of the fourth phase of consolidation; see [https://pib.gov.in/PressReleasePage.aspx?PRID=2120016#:-:text=Department%20of%20Financial%20Services%20\(DFS,phase%20of%20amalgamation%20of%20RRBs](https://pib.gov.in/PressReleasePage.aspx?PRID=2120016#:-:text=Department%20of%20Financial%20Services%20(DFS,phase%20of%20amalgamation%20of%20RRBs).

III.2 Trends

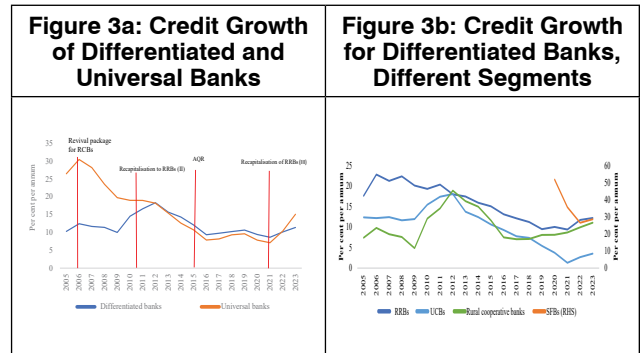
Credit Growth

There was a divergence in credit growth between differentiated and universal banks during a major part of the 2000s, with the former compensating and providing credit support when the growth of the latter was slackening. Since 2010, the growth trajectory for differentiated banks, however, has been largely in-sync with universal banks, although remaining marginally higher (Figure 3a).

The increased credit growth for differentiated banks in the 2000s was due to (a) a pick-up in the growth for rural co-operative banks following their revival package; (b) consistently high growth for RRBs exceeding 20 per cent per annum, coinciding with their recapitalisation (Figure 3b).

The credit growth for universal banks, however, after peaking by the mid-2000s, posted a steady deceleration. The economic slowdown, increased exposure to infrastructural loans and a prolonged period of regulatory forbearance after the global financial crisis added to the Non-Performing Assets (NPAs) of universal banks, leading to their credit slowdown (RBI, 2018). Their credit growth started to recover only after the Asset Quality Review (AQR) by the RBI in 2015 for a comprehensive recognition of NPAs.

Unlike universal banks, differentiated banks were not exposed to infrastructural loans; they were neither covered by regulatory forbearance nor the AQR. Moreover, by virtue of their differentiated character, their exposure was limited to specific sectors or regions. And yet, the trend of their credit growth since 2012 matched with that of universal banks, possibly due to economic slowdown and their own asset quality pressures (see Section III.3 for an illustration of asset quality of differentiated banks).



Source: Authors' calculations based on Basic Statistical Returns of Scheduled Commercial Banks in India (BSR) using STATA.

Note: Growth rates are three-year moving averages.

Differentiated banks include RRBs, SFBs, UCBs and rural co-operative banks (RCBs).

Regional Distribution

Unlike SFBs and UCBs, which can have a pan-India presence, RRBs and rural co-operative banks have a distinct State-level orientation, as noted earlier.²⁰ Following consolidation, in 2024, there were 43 RRBs in 26 States and three Union Territories (UTs) with some States/UTs having more than one RRB (RBI, 2024).²¹

The branch penetration (defined as population per branch) of RRBs has been generally higher in the southern, central and northern regions than the western, eastern and north-eastern regions (Appendix 4a). In comparison, rural co-operative banks have generally a higher branch penetration in the western and southern regions (Appendix 4b). As we move northwards, their penetration becomes weaker. It is the weakest in the eastern and north-eastern regions.

Thus, broadly speaking, RRBs and rural co-operative bank branches substitute each other with regions under-served by RRB branches are well-served by rural co-operative bank branches. However, there are a few exceptions: most parts of the southern region are well-served by both RRB and rural co-operative

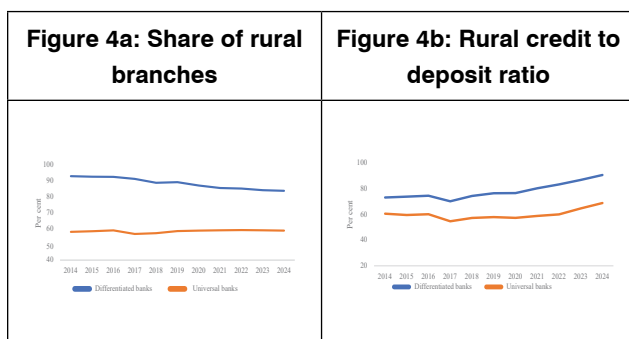
²⁰ UCBs include banks which are not just single-State (operating within a State) but also multi-State (operating across States).

²¹ These include Jammu and Kashmir, Rajasthan, Bihar, Odisha, West Bengal, Uttar Pradesh, Madhya Pradesh, Maharashtra, Gujarat, Andhra Pradesh, Karnataka and Telangana.

bank branches, while the eastern (particularly West Bengal and Jharkhand) and north-eastern regions are most under-served by the branches of both these banks.

Rural-urban Distribution

In keeping with their focus on rural areas, the share of rural branches has been higher for differentiated banks (Figure 4a). The rural credit to deposit ratio for these banks too has been consistently higher (Figure 4b).



Source: Authors' calculations based on Basic Statistical Return (BSR) using STATA.

Note: Differentiated banks include RRBs and SFBs, as branch-level data for all UCBs and rural co-operative banks are not available. Rural includes rural and semi-urban centres.

Sectoral and Size-wise Distribution

Differentiated banks have a greater presence of agriculture in their credit portfolios (Table 1). Even within agriculture, the share of small farmers, having typically small-sized credit needs, has been higher for these banks.²²

Not just for agriculture but even for other sectors, the average ticket size has been smaller for differentiated banks. This can be discerned from (a) greater presence of small borrowing accounts (accounts with a credit limit of up to Rs. 2 lakh in their credit portfolio; in 2024, such loans accounted for about 39 per cent, while loans of up to Rs. 25 lakh accounted for 87 per

cent of the total credit of differentiated banks (Figure 5); and (b) for industrial and services sectors, the average loan size for differentiated banks has been smaller; it ranged between 4 per cent and 6 per cent of the size for universal banks in 2024 (Table 2).

Table 1: Share of Agriculture/Small Farmers in Total Credit, Differentiated and Universal Banks

Sector	2014		2024	
	Differentiated Banks	Universal Banks	Differentiated Banks	Universal Banks
Agriculture	66.2	12.0	53.3	11.5
Direct agriculture	64.1	9.9	48.1	10.0
Small farmers	-	-	16.4	8.4

Source: Authors' calculations based on data from NABARD and RTP.

Note: Direct agricultural credit refers to credit given directly to farmers/producers in allied activities.

Table 2: Average Loan Size of Differentiated to Universal Banks, Major Sectors, in per cent

Sector	2014	2024
Agriculture	50.0	63.6
Industry	0.8	4.3
Services	2.0	5.8
All sectors	8.4	15.9

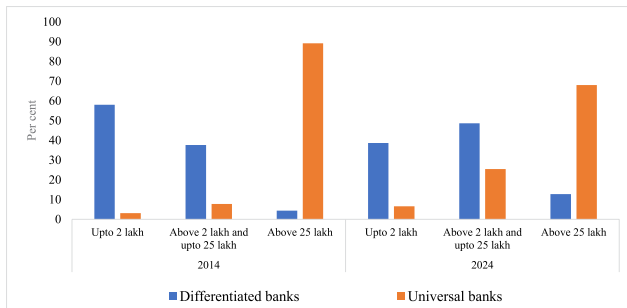
Source: Authors' calculations based on BSR

Note: Services include trade, transport, finance, professional and other services.

Differentiated banks include RRBs and SFBs, as sectoral data for all UCBs and rural co-operative banks are not available.

²² The role of differentiated banks, particularly RRBs, in providing credit to agricultural labourers, small and marginal farmers is well documented in the literature; see Yadav et al (2023).

Figure 5: Distribution by Credit Limit Size, Differentiated and Universal Banks



Source: Authors' calculations based on BSR.

Note: Differentiated banks include RRBs and SFBs, as credit limit data for all UCBs and rural co-operative banks are not available.

Asset Quality and Profitability

The asset quality of universal banks deteriorated significantly following the AQR. After peaking in 2018, however, their Gross Non-Performing Assets (GNPA) ratio has been on a mend. Differentiated banks, though not covered as part of AQR, have toed the trend of universal banks. Their GNPA ratio after peaking by the end of 2010s has been on a decline since. Importantly, this decline in the GNPA ratio can be seen across all types of differentiated banks (Figure 6b).

The poor asset quality affected the profitability of universal banks with their Return on Assets (RoA) turning negative towards the end of the last decade. However, thereafter, it has been on a rising trend (Figure 7a). In comparison, the RoA of differentiated banks was consistently better during the last decade, although on a declining trend. The losses reported by (scheduled) UCBs and RRBs pulled down the RoA of differentiated banks to a negative zone in 2020, but thereafter, it has recovered (Figure 7b). The RoA of SFBs has shown wide fluctuations given the nascent stage of these banks but has been higher than other differentiated banks and even universal banks.²³

²³ Most SFBs were earlier MFIs. Their conversion to SFBs was to benefit from an access to public deposits and consequently, a lower cost of funds. However, their cost of funds has continued to be high due to a lower percentage of Current And Savings Accounts (CASA) (Saraf and Chavan, 2021). Moreover, their return on funds has been higher due to a wider spread. The wide spreads keep their RoAs high.

Figure 6a: GNPA ratio of differentiated and universal banks

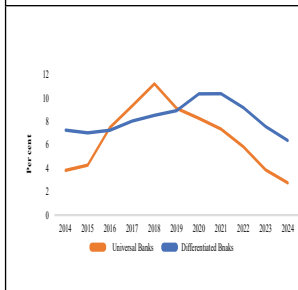
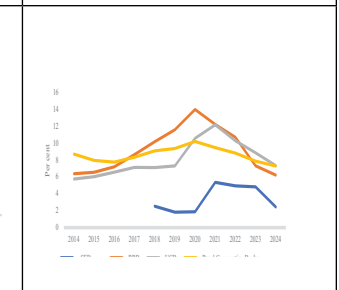


Figure 6b: GNPA ratio of differentiated banks, different bank types



Source: Authors' calculations based on BSR, RTP, Key Statistics and Financial Statements of RRBs.

Note: Differentiated banks include RRBs, SFBs, UCBs and rural co-operative banks.

Figure 7a: RoA of Differentiated and Universal Banks

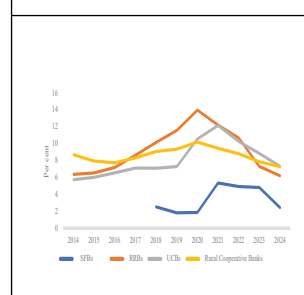
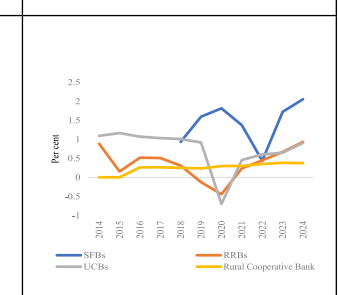


Figure 7b: RoA of Differentiated Banks, Different Bank Types



Source: Authors' calculations based on BSR, RTP, Key Statistics and Financial Statements of RRBs.

Note: Differentiated banks include RRBs, SFBs, UCBs and rural co-operative banks.

In sum, in keeping with their mandate, differentiated banks have been catering to various under-served segments, although their presence is not evenly spread across the country. They lend more to borrowers with smaller credit needs, making them an integral part of the process of financial inclusion. In terms of asset quality and profitability, differentiated banks have been on a weaker footing, but have shown an improvement in recent years.

IV. An Empirical assessment of the Role of Differentiated Banks

IV.1 Data and Methodology

The empirical analysis is based on data from multiple credible data sources, including the Statistical Tables Relating to Banks in India (STRBI), NABARD's Key Statistics and Financial Statements of RRBs and Basic Statistical Returns (BSR) of Scheduled Commercial Banks in India. The period for the empirical assessment is from 2011-12 to 2021-22 owing to the limited availability of bank-level data on RRBs. The data panel is unbalanced owing to the consolidation of public sector banks and RRBs and the introduction of SFBs during the assessment period.

To parse out the role played by differentiated banks, we deploy the time fixed effects model.²⁴

$$Y_{it} = \beta_0 + \beta_1 D + \beta_a X_{it}^a + \gamma_t + \varepsilon_{it} \text{ ----(1)}$$

Where, the dependent variable Y represents various indicators for financial intermediation/inclusion and viability of bank i in year t . X_{it}^a represents the vector of bank-specific and other macroeconomic variables. γ_t represents time fixed effects capturing time-varying bank-independent factors. ε_{it} is error term denoting unobserved changes in dependent variables not captured by the independent variables. D is the variable of interest taking value 1 for a differentiated bank and 0 otherwise.²⁵

We also interact D with the independent variables to gauge the distinctive effect of these variables on the dependent variable for a differentiated bank *vis-à-vis* a universal bank.²⁶ We use lagged values of independent variables for better interpretation of results, as bank-specific factors may affect financial intermediation or viability over time and not necessarily contemporaneously.²⁷

The selection of bank-specific independent variables, while broadly shaped by data availability, is made keeping in view the likely predictors of financial intermediation/inclusion and viability of banks (see descriptive statistics of all variables in Appendix 5).²⁸

IV.2 Results

Financial Intermediation/Inclusion

The presence of a differentiated bank in the banking system augurs well for financial intermediation, enhancing credit and deposit growth. After accounting for its earnings and profitability and capital and asset quality, the credit growth is about 9 per cent higher, while the deposit growth is about 22 per cent higher for a differentiated bank than a universal bank. (Column 1 and 2, Table 3).²⁹ As expected, better capital positions and asset quality can support higher credit and deposit growth.

If the GNPA ratio increases by 1 percentage point, the credit growth of differentiated banks falls by 0.91 percentage points more than a universal bank, indicating limited credit creating capacity of differentiated banks (Column 1: Specification 4, Table 3).

The presence of differentiated banks also supports banking penetration in rural areas. The share of rural branches is significantly higher for differentiated banks than universal banks during our study period, *ceteris paribus* (Column 3, Table 3).

Table 3: Financial Intermediation and Differentiated Banks

Independent Variable	Credit Growth	Deposit Growth	Share of Rural Branches
	(1)	(2)	(3)
D (Differential bank dummy)	8.619*** (2.543)	21.92*** (7.390)	51.17*** (2.785)
Log of assets	0.516	5.228**	2.543***

²⁴ We run the Hausman test to confirm the usage of the fixed effects model. ²⁵ As the coefficient of interest, β_1 drops out following the inclusion of bank fixed effects, we have accounted only for time fixed effects in our model. ²⁶ While assessing this interaction, we account for both time and bank fixed effect. ²⁷ However, we also run these specifications contemporaneously and observe that the signs and significance of the coefficients are largely unchanged. ²⁸ To address outliers, bank-specific variables were winsorised by 1 per cent at both ends. The correlation between all independent variables is low to moderate, minimising the possibility of multicollinearity in our specification. ²⁹ While we have time fixed effects to address time-varying factors, we also separately interact a dummy for differentiated banks with a time dummy demarcating the introduction of SFBs in 2017 to capture the effect of this introduction. However, the coefficient of the interactive dummy is not statistically significant, indicating limited effect of these banks, possibly given their nascent stage.

Independent Variable	Credit Growth	Deposit Growth	Share of Rural Branches
	(1)	(2)	(3)
<i>Earnings and profitability</i>	(0.690)	(2.016)	(0.617)
Income ratio	0.607 (0.875)	-1.855 (1.511)	-1.351** (0.590)
Cost of funds	-0.138 (1.312)	1.620 (2.695)	-0.864 (0.676)
Cost to income ratio	0.097 (0.136)	0.607 (0.491)	-0.089 (0.070)
Return on Asset (RoA)	0.513 (1.413)	1.235 (2.674)	-0.538 (0.866)
<i>Capital and asset quality</i>			
GNPA ratio	-0.468*** (0.131)	-0.637** (0.266)	0.494*** (0.113)
Capital to assets ratio	0.437*** (0.127)	1.798*** (0.496)	-0.217*** (0.077)
Constant	-4.857 (11.330)	-68.74** (30.730)	8.210 (9.747)
Time fixed effects	Yes	Yes	Yes
Observations	1102	1114	1101
R ²	0.113	0.176	0.811
GNPA ratio (Differentiated: Universal) (4)	-0.910*** (0.182)	-	-

Source: Authors' calculations based on STRBI, BSR and data on RRBs from NABARD.

Note: Robust clustered standard errors are in parentheses.

*** p<0.01, ** p<0.05, * p<0.1

All explanatory variables are taken with a one-year lag.

Differentiated banks include RRBs and SFBs owing to lack of bank-level data on UCBs and rural co-operative banks.

Financial Viability

While the presence of differentiated banks indisputably supports financial intermediation/inclusion, the results are not as straightforward for financial viability. On average, the RoA of a differentiated bank is about 0.2 per cent lower than a universal bank (Column 1, Table 4). In comparison, the Net Interest Margin (NIM), an alternative indicator of financial viability, is 0.8 per cent higher for a differentiated bank (Column 2, Table 4). Thus, while differentiated banks have better interest-earning capability, which possibly follows from greater financial intermediation, their operating cost inefficiencies affect the profit-making capability, rendering a lower RoA.³⁰ Furthermore, if the cost to income ratio increases by 1 percentage point, the ROA of differentiated banks decreases by 0.046 percentage points more than a universal bank, suggesting differentiated banks' profitability being more sensitive to their operating costs (Column 1: Specification 4, Table 4).

The profit-making capability can also be affected by a weaker asset quality of differentiated banks; their GNPA ratio is, in fact, 3.5 per cent higher, *ceteris paribus* (Column 3, Table 4).

Table 4: Financial Viability and Differentiated Banks

Independent variable	RoA	NIM	GNPA
	(1)	(2)	(3)
D (Differential bank dummy)	-0.202* (0.115)	0.768*** (0.187)	3.506** (1.350)
Log of assets	-0.021 (0.030)	0.107* (0.060)	0.781*** (0.297)
<i>Earnings and profitability</i>			
Income ratio	0.175*** (0.029)	0.334*** (0.103)	-0.300 (0.266)

³⁰ See NABARD (2022) for an illustration on the cost inefficiencies of RRBs.

³¹ From 2025-26 onwards, the overall PSL target has been revised to 60 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBE), whichever is higher.

Independent variable	RoA	NIM	GNPA
	(1)	(2)	(3)
Cost of funds	-0.282*** (0.040)	-0.266** (0.106)	0.061 (0.408)
Cost to income ratio	-0.024*** (0.004)	-0.001 (0.004)	0.178*** (0.031)
<i>Capital and asset quality</i>			
Capital to assets ratio	0.018*** (0.003)	0.047*** (0.006)	-0.076 (0.049)
Constant	1.147*** (0.370)	-0.482 (0.730)	-2.765 (3.762)
Time fixed effects	Yes	Yes	Yes
Observations	1038	1124	1125
R ²	0.311	0.446	0.150
Cost to income ratio (Differentiated: Universal) (4)	-0.046*** (0.005)	-	-

Source: Authors' calculations based on STRBI, BSR and data from NABARD.

Note: Robust clustered standard errors are in parentheses.

*** p<0.01, ** p<0.05, * p<0.1

All explanatory variables are taken with a one-year lag.

Differentiated banks includes RRBs and SFBs owing to lack of bank-level data on UCBs and rural co-operative banks.

V. Concluding Observations

Although India has experimented with various forms of differentiated banks since the beginning of the last century, the size of the differentiated banking sector has been relatively small in the global context, but stable over time. In 2024, it accounted for about 11 per cent of the total banking assets in India. The sector is marked by a mix of legal forms of banks (co-operatives and joint stock companies) but a predominance of banks either owned or supported by the Government. While these banks are guided

by a primary objective of financial intermediation/inclusion of the under-served regions/sectors, the issue of their viability has gained considerable traction in the period of financial liberalisation to make the process of inclusion, financially sustainable for them. Resultantly, changes have been brought about in the policy framework guiding these banks to enhance their profitability, commercial viability and making them better-governed institutions.

Given its focus on niche and under-served sectors, the differentiated banking sector is akin to the Indian non-banking financial sector. However, it is distinct from the non-banking financial sector, as it relies on deposits as a source of funds, while the non-banking financial companies rely on borrowings from universal banks.

Given their role in deposit mobilisation and credit creation, the presence of differentiated banks bodes well for financial intermediation/inclusion in India. However, despite a better interest-earning capability, the financial viability of these banks has been weaker, owing to their operating cost inefficiencies and weaker asset quality.

Going forward, the regulatory efforts for restoring financial health and ensuring better governance of differentiated banks need to continue. The harmonisation of their regulatory framework too will help in minimising the possibility of regulatory arbitrage. Notwithstanding harmonisation, preserving their identity as differentiated banks is critical given India's emphasis on universal financial inclusion. The process of consolidation cannot lose sight of the regional expansion of these banks, particularly where they currently have a weak presence. Furthermore, cost inefficiencies need to be reduced to enhance profitability for these banks. However, their profitability cannot be accentuated at the cost of affordable finance to their underserved clientele.

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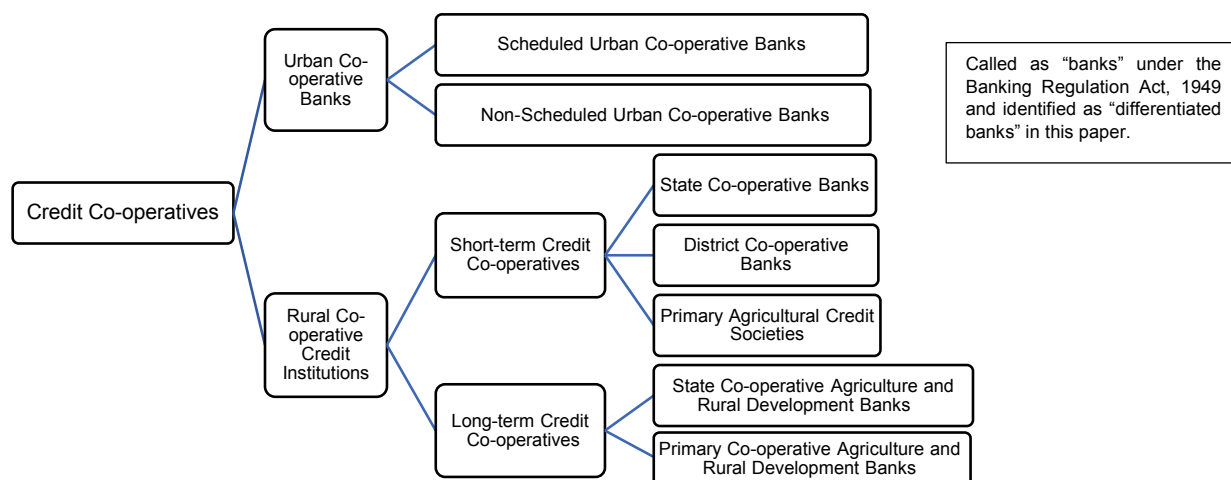
Appendix

Appendix 1: Entities under the Differentiated Banking Sector, Select Countries

Country	Entities	Focus areas
Germany	Sparkassen (Savings Banks) & Volksbanken and Raiffeisenbanken (Co-operative Banks)	Regional banking and community finance
Japan	Regional Banks and Shinkin Banks	Financing for local small and medium enterprises and regional economic development
Switzerland	Cantonal Banks and Regional and Savings Bank	Saving deposits and long-term mortgage lending
South Korea	Specialised Banks	Targeted financial support to various sectors

Source: Authors' compilation.

Appendix 2: Present-day Co-operative Structure in India



Appendix 3: Regulatory Framework for Differentiated and Universal Banks

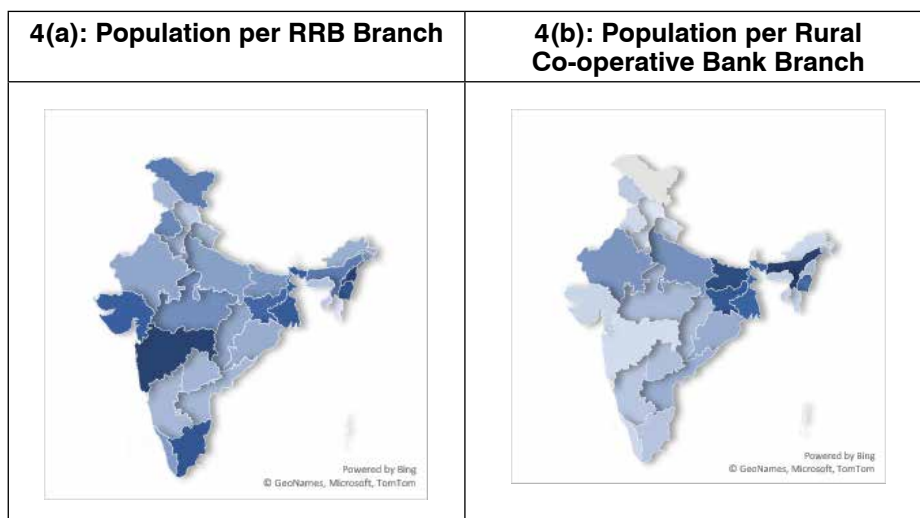
Feature	RRBs	SFBs	UCBs	Rural Co-operative Banks	Universal Banks
Primary area of operation and focus	Rural areas – Agriculture and rural enterprises	Rural and semi-urban areas – underserved population segments including unorganised sector.	Urban areas - Micro and small enterprises and housing and other personal loans	Rural areas – Agriculture and rural enterprises	Pan India presence providing comprehensive range of financial services
Governing statute	Regional Rural Banks Act, 1976	Banking Regulation Act, 1949	Banking Regulation Act, 1949 (as applicable to co-operative societies)	Respective State Co-operative Acts; Banking Regulation Act, 1949 (as applicable to co-operative societies)	Banking Regulation Act, 1949

Feature	RRBs	SFBs	UCBs	Rural Co-operative Banks	Universal Banks
Regulatory domain	Divided between RBI and NABARD RBI – Prudential regulations NABARD – Licensing, supervision, audit-related oversight, liquidation/ supersession of boards	Completely under RBI's domain	Largely under RBI's domain RBI – Licensing, prudential regulations and supervision, audit-related oversight, liquidation/ supersession of boards	Divided between RBI and NABARD RBI – Prudential regulations NABARD – Licensing, supervision, audit-related oversight, liquidation/ supersession of boards	Completely under RBI's domain
Capital adequacy	Applicable Basel I framework – 9 per cent Covering only credit risk and market risk open positions	Applicable Basel II framework Covering only credit risk	Applicable Basel I framework – 9 per cent for Tier 1 and 12 per cent for Tier 2 to 4 UCBs (having large deposit base) Covering credit and market risks	Applicable Basel I framework – 9 per cent Covering only credit risk	Applicable Under Basel III norms Covering credit risk, market risks and operational risks and also other risks under Pillar II
IRACP guidelines	Applicable as universal banks System-based classification of NPAs	Applicable as universal banks	Applicable as universal banks System-based NPA classification Lower standard assets provisioning for Tier 1 UCBs than other UCBs	Applicable as universal banks System-based classification of NPAs	Applicable System-based classification of NPAs
Prompt corrective action framework	Applicable Governed by NABARD	Applicable Governed by RBI	Applicable to all UCBs except Tier 1 Governed by RBI	Applicable Governed by NABARD	Applicable Governed by RBI
Exposure norms	Applicable Lower individual exposure limit than universal banks; comparable group exposure limit (as per cent of owned funds and not Tier 1 capital)	Applicable Lower individual exposure limit than universal banks; comparable group exposure limit (as per cent capital funds)	Applicable Lower individual exposure limit than universal banks; comparable group exposure limit	Applicable Lower individual exposure limit than universal banks; comparable group exposure limit (as per cent of owned funds and not Tier 1 capital)	Applicable as per cent of capital base - Tier 1 capital
Liquidity management	SLR applicable LCR, NSFR not applicable	SLR applicable Same as universal bank	SLR applicable LCR, NSFR not applicable	SLR applicable LCR, NSFR not applicable	SLR applicable LCR and NSFR applicabl

Feature	RRBs	SFBs	UCBs	Rural Co-operative Banks	Universal Banks
Audits – Guidelines and appointments	Guidelines by NABARD – Concurrent audit Internal inspection/audits External/statutory audits Appointment from a panel prepared by NABARD	Same as universal banks	Guidelines by RBI – Concurrent audit Risk-based internal audits for large-sized UCBs External/statutory audits Appointment with prior approval from RBI	Guidelines by NABARD – Concurrent audit Internal inspection/audits External/statutory audits Appointment from a panel prepared by NABARD	Guidelines by RBI – Concurrent audit Internal inspection/audits External/statutory audits Appointment with prior approval from RBI
PSL targets	75 per cent of Adjusted Net Bank Credit (ANBC) <i>Sub-targets:</i> Agriculture - 18 per cent Small and marginal farmers - 10 per cent Micro Enterprises - 7.5 per cent Weaker sections - 15 per cent	75 per cent of ANBC ³¹ <i>Sub-targets:</i> Agriculture – 18 per cent Small and marginal farmers - 10 per cent Micro Enterprises - 7.5 per cent Weaker sections - 12 per cent	60 per cent of ANBC <i>Sub-targets:</i> Micro enterprises - 7.5 per cent Weaker Sections - 12 per cent	Not applicable	40 per cent of ANBC <i>Sub-targets:</i> Agriculture - 18 per cent Small and marginal farmers – 10 per cent Micro enterprises - 7.5 per cent Weaker sections - 12 per cent

Source: Authors' compilation based on various circulars and RBI (2021).

Appendix 4: Regional Penetration of Differentiated Banks



Note: Darker colour = higher population per branch or weaker branch penetration.

Source: Authors' illustration based on BSR and RTP.

Appendix 5: Descriptive Statistics of Variables used for Empirical Exercise

Variable	Description of Variable	Unit	Mean	Standard Deviation
RoA	Net profits/average total assets	Per cent	0.3	1.4
NIM	Net interest income/ average total assets	Per cent	2.8	1.3
Deposit growth	Year-on-year growth rate of deposits	Per cent	22.3	65.3
Credit growth	Year-on-year growth rate of credit	Per cent	11.3	25.3
Assets	Total assets	Log	9.3	2.1
Income ratio	Total income/ total assets	Per cent	8.4	2.1
Cost of funds	Interest expended on deposits and borrowings/deposits and borrowings	Per cent	5.2	1.7
Cost to income ratio	Operating costs/total income	Per cent	30.7	17.2
Capital to asset ratio	Capital/total assets	Per cent	14.7	17.7
GNPA ratio	Gross non-performing assets/ total credit	Per cent	7.2	8.8
Share of rural branches	Rural branches/total branches	Per cent	34.9	30.7



ARTIFICIAL INTELLIGENCE IN BANKING

 Dr. Saurabh Agarwal*

Abstract

This article examined the transformative impact of Artificial Intelligence (AI) on the banking sector, exploring its benefits, associated challenges and future strategic implications in India. The study detailed how AI has profoundly enhanced banking operations, improved client relations and strengthened risk management. The adoption of AI technology has significantly improved productivity, customer service and fraud mitigation, establishing it as a strategic imperative for financial institutions. Key benefits identified included the deployment of customer-facing AI applications such as chatbots and virtual assistants for 24/7 support and personalized financial guidance. AI's crucial role in real-time fraud detection, automated back-office processes like credit checks and loan approvals and personalized financial planning was also discussed. Furthermore, the article highlighted AI's significant contribution to accessibility for differently abled individuals through voice-enabled banking and adaptive digital interfaces, exemplified by initiatives like UPI Bhashini.

Despite these advantages, the study addressed significant challenges, including data privacy concerns, the evolving regulatory landscape, cyber security vulnerabilities and ethical issues such as bias in algorithms and potential job displacement. It also noted AI's current limitations in forecasting "black swan" events, which are unpredictable occurrences.

The future strategy for AI in Indian banking emphasized leveraging Government initiatives like the IndiaAI Mission to enhance financial inclusion, strengthen risk management, optimize customer experience and integrate emerging technologies, all while balancing benefits with ethical principles and robust legal frameworks.

Artificial Intelligence in Banking

Artificial Intelligence (AI) has profoundly transformed the banking sector, enhancing operations, client relations and risk management. The adoption of AI technology has significantly improved productivity, customer service and fraud mitigation, establishing it as a strategic imperative for financial institutions. AI-driven decision-making and tailored financial services are now integral to banking operations.

Benefits of AI in Banking

AI applications in banking are driving efficiency, customer engagement and financial security.

- **Customer-Facing AI:** AI has reached a critical milestone with the introduction of customer-facing applications. Financial institutions are deploying AI chatbots and virtual assistants to enhance customer engagement and expedite service delivery. This provides personalized support and financial guidance through its mobile app, assisting clients with subscription management, spending habits, deposit/

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refund updates, account inquiries, transaction identification, money transfers and bill payments. It can also fosters personal relationships by sending birthday greetings.

- **Customer Service Enhancements:** AI-powered chatbots and virtual assistants are revolutionizing customer service by offering 24/7 support, quickly addressing routine inquiries like account balances and transaction histories. This frees human agents to focus on more complex issues, reduces wait times and improves the overall customer experience, leading to increased satisfaction and loyalty. AI systems also analyse consumer data to provide personalized recommendations and financial guidance, creating a more customized banking experience.
- **Fraud Detection and Risk Management:** AI plays a crucial role in fraud prevention. Banks utilize AI algorithms for real-time data evaluation to detect fraudulent activities, such as unusual spending patterns or rapid successive transactions from multiple locations. This leads to faster intervention and substantial cost savings by preventing fraudulent transactions. AI also enhances risk management by identifying potential threats early, enabling proactive measures to protect assets more effectively.
- **Automated Processes and Compliance:** AI streamlines back-office processes, including credit checks and loan approvals. AI algorithms rapidly assess creditworthiness and identify risks, resulting in more efficient loan procedures. Furthermore, AI assists in ensuring regulatory compliance, monitoring regulatory changes and automating reporting processes, thereby, reducing the workload for compliance staff.
- **Personalized Financial Planning:** AI algorithms can design customized investment portfolios

based on individual risk tolerances and financial goals. They offer dynamic financial planning services by adjusting suggestions based on market conditions. AI can also analyze market trends and investor sentiment, enabling banks and individuals to make informed portfolio decisions.

- **Accessibility:** The special requirements of clients with visual, auditory or motor impairments are directly met by AI-driven solutions, such as intelligent voice assistants for account management, AI-powered screen readers that decipher complicated financial data and adaptable digital interfaces. Differently abled people can now explore and interact with banking services more independently and effectively than ever before because to technological advancements that not only simplify everyday banking operations but also promote broader financial inclusion. Recently, many banks have introduced Talking Automated Teller Machines (ATMs) and banking apps working on voice-based commands. For example, “UPI Bhashini” is the combination of the Unified Payments Interface (UPI) with Bhashini, India’s AI-powered language translation platform. The National Payments Corporation of India (NPCI) and the Digital India Bhashini program (under Minister of Electronics & Information Technology) are leading this ground-breaking initiative, which aims to increase the accessibility and inclusivity of digital payments for a larger segment of the Indian population, especially those who might not be proficient in English or digital literacy. AI is facilitating banking for all.

Challenges and Risks of AI in Banking

Despite its benefits, integrating AI into banking presents significant challenges and concerns, including data privacy, regulatory compliance, cyber

security and ethical issues. Human integrity, empathy and judgment, particularly in behavioural aspects, cannot be replaced by technology.

- **Regulatory Considerations and Ethical Challenges:** The integration of AI has introduced regulatory and ethical complexities. Transparency in AI implementations is crucial for institutions to understand and govern their AI systems effectively. International frameworks, such as the European Union's AI Act, are emerging to promote responsible AI deployment. Most financial regulators, including those in India, have not enacted AI-specific legislation, believing existing frameworks like the Information Technology Act, 2000 and the Digital Personal Data Protection Act, 2023 are largely adequate. However, areas requiring enhanced regulatory scrutiny include governance structures, expertise and skills, model risk management, data governance, oversight of non-traditional financial players, regulation of innovative business models and accountability of third-party AI service providers.
- **Data Privacy Concerns:** A major challenge is data privacy. Financial institutions use customer-specific data to build AI models, which could lead to data leakage and unauthorized sharing. Strict data protection procedures and compliance with regulations are essential for handling sensitive information. Transparency in data practices is vital and customers should be aware of how their personal information is handled and retain control over it.
- **Regulatory Compliance:** The evolving legal landscape of AI makes regulatory compliance an ongoing challenge. Financial institutions must ensure AI decision-making algorithms adhere to legal requirements, particularly for credit judgments based on real facts rather than predictive propensities. Effective regulatory
- handling requires clear governance frameworks and risk guardrails for data privacy and intellectual property.
- **Cyber security Vulnerabilities:** Cyber security is another significant concern. As banks adopt AI, they become more susceptible to data breaches and cyber attacks. Robust security measures including encryption and privacy protocols, are crucial for protecting sensitive information and maintaining customer trust. Integrating security into systems from the outset can mitigate risks and ensure regulatory compliance.
- **Ethics and Bias Issues:** Ethical concerns of AI in banking present additional issues. AI algorithms can perpetuate biases, hindering diversity and inclusivity efforts in financial services. Bias in data models may lead to discriminatory actions, especially in loan and insurance evaluations. Financial institutions should implement continuous bias monitoring and correction systems, adopting a "human-in-the-loop" approach to ensure fair decision-making.
- **Job Displacement and Economic Inequality:** AI's impact on the job market is a growing ethical concern. Automating routine operations may result in job displacement, particularly for roles heavily reliant on manual processes. This development could exacerbate economic inequality, emphasizing the need for extensive retraining and reskilling initiatives for displaced workers.
- **Black Swan Occurrences:** An important obstacle facing AI in banking is its intrinsic inability to forecast unanticipated, uncommon or "black swan" occurrences, including a worldwide epidemic like COVID-19 or other abrupt market "spike events." Because AI models are mostly trained on historical data, they are adept at

seeing trends and making predictions based on previous events. But by their very nature, these models are unable to foresee unique events or previously unheard-of disturbances, which limits their predictive efficacy and accuracy in extremely volatile and unpredictable contexts. This draws attention to a crucial area where human discretion and flexible thinking are still essential.

Tools of Artificial Intelligence in Banking

Banks leverage machine learning models for various types of analytics:

- **Descriptive Analytics:** Focuses on understanding what has happened.
- **Predictive Analytics:** Focuses on forecasting what will happen.
- **Prescriptive Analytics:** Focuses on determining actions to achieve intended objectives.

Categories of Machine Learning

Machine learning encompasses diverse paradigms tailored for different problem types:

- **Supervised Learning:** Algorithms learn from labeled training data and human feedback to identify relationships between inputs and a known output. For example, predicting housing prices based on factors like time of year and interest rates.
- **Unsupervised Learning:** Algorithms explore input data without explicit output variables or prior labelling, identifying inherent patterns or structures, such as grouping customers based on demographic data.
- **Reinforcement Learning:** Algorithms learn to perform a task by maximizing rewards for their actions such as an AI optimizing trading decisions to increase investment portfolio returns.

Artificial Intelligence Use Cases in India

The banking sector globally leads in AI adoption, with India experiencing a significant surge in AI implementation. Existing and proposed AI applications include personalized customer engagement, intelligent automation in back-office operations, credit score development (using bank history or social media data) and fraud analytics to prevent fraud, money laundering, malpractice and predict risks. AI is also used in wealth management for robo-advisory, algorithmic trading and automated transactions (see table 1).

EASE 8, a key reform agenda for Public Sector Banks, strongly advocates for integrating advanced AI forms like Generative AI and Agentic AI for comprehensive transformation. Generative AI is recommended for enhancing customer and internal communications, enabling natural interactions via advanced chatbots and potentially for content creation like personalized marketing messages or simplified policy explanations. Agentic AI aims to automate complex, multi-step banking processes end-to-end, allowing AI systems to proactively manage workflows, make autonomous decisions and initiate actions to fulfill customer needs or ensure compliance. This enhances operational efficiency, reduces manual intervention and facilitates sophisticated, data-driven decision-making across various banking functions.

Notable examples of Artificial Intelligence-empowered applications across different banks include State Bank of India's SIA, Bank of Baroda's 'bob World' App and Chatbot, Canara Bank's 'Canara Saathi,' Union Bank of India's 'Uni-Bot,' HDFC Bank Ltd.'s EVA, ICICI Bank Ltd.'s 'iPal,' Axis Bank Ltd.'s 'Axis AHA!,' Kotak Mahindra Bank Ltd.'s 'Keya,' Federal Bank Ltd.'s 'Feddy,' etc.

Table 1: AI Use Case and Purpose in Banking

Sr. No.	Artificial Intelligence Use Cases	Purpose
1.	Customer Service and Engagement (Chatbots, Virtual Assistants, Personalized Experience)	To provide 24/7 instant support, handle queries, offer personalized product recommendations and deliver a seamless digital banking experience.
2.	Fraud Detection and Prevention/Cyber security	To perform real-time transaction monitoring, detect suspicious patterns, identify anomalies, prevent fraudulent activities (e.g. identity theft, credit card fraud, payment fraud) and enhance cyber security. Includes Anti-Money Laundering (AML) and Sanctions screening, Behavioural biometrics and Cyber threat intelligence.
3.	Credit Assessment and Digital Lending	To enhance credit risk assessment accuracy, analyze various data points (including alternative data for new-to-credit customers), streamline loan application processing and enable quicker, automated approvals and disbursements for retail, MSME, micro-loans and digital products.
4.	Operational Efficiency and Automation (RPA, Intelligent Automation, IDP)	To automate repetitive back-office operations, reduce manual errors, improve processing times for tasks like data entry, reconciliations, report generation, loan processing, trade finance and to Intelligently Process Documents (IDP).
5.	Risk Management (Beyond Credit) and Compliance	To strengthen broader risk management frameworks (operational, market risk), analyze enterprise-wide risk data, run stress tests, ensure compliance (e.g. AML/KYC) and predict market movements.
6.	Personalized Offers and Financial Advice	To analyze customer spending patterns and behavior, anticipate financial needs, predict churn and proactively offer personalized product recommendations (investments, loans, credit cards) and automated financial advice.
7.	Digital Transformation and Digital Banking Platform Enhancement	To automate processes, enhance digital channels for improved customer service, better user experience and overall modernization of services.
8.	Customer Grievance Redressal and Feedback Analysis	To analyze customer feedback and grievances, identify common issues, sentiments and areas for improvement, helping the bank to proactively address customer pain points.
9.	AI-Driven Content Strategy/Generative AI	To utilize Generative AI tools (e.g. Canva, Grok, Suno etc.) for innovative marketing, visuals, video and music creation, extending AI beyond traditional operations.

Sr. No.	Artificial Intelligence Use Cases	Purpose
10.	Open Banking and API Integration	To enhance API-driven platforms, enabling seamless integration with fintech partners and personalized customer experiences.
11.	Branch Optimization	To optimize branch operations, staff deployment and customer flow based on AI-driven analytics.
12.	Field Operations Optimization	To optimize routes and schedules for field agents involved in loan collections or customer outreach, improving efficiency in extensive networks.
13.	Data Analytics for Performance and Growth	To monitor loan portfolio performance, identify potential risks, understand customer needs and refine product offerings for growth.
14.	Algorithmic Trading and Portfolio Management	To execute trades based on real-time market conditions, news analysis and predictive models and to identify profitable investment opportunities and optimize portfolio allocation.
15.	Sustainability	To find, standardise and authenticate Environmental, Social and Governance (ESG) information and go beyond simple compliance to promote real sustainable operations and to improve banks' capacity to monitor supply chain sustainability, evaluate climate risks and create cutting-edge green financial products through advanced analytics and machine learning.

Future Strategy for AI

- Building on the Indian Government's "AI for All" vision and the ambitious IndiaAI Mission, banks may proactively integrate AI into their future strategies to enhance efficiency, security and customer-centricity, particularly for financial inclusion. The key action points for banks include:
- Leveraging AI for Enhanced Accessibility and Financial Inclusion: Deploy multilingual AI-powered conversational agents and voice assistants to bridge service access gaps for rural citizens, provide personalized financial planning insights to diverse customer segments in regional Indian languages and overcome linguistic barriers through advanced language translation for broader dissemination of financial knowledge.
- Strengthening Risk Management and Operational Efficiency with AI: Utilize Named Entity Recognition (NER) for Indian languages to improve credit appraisals and regional catchment area planning by extracting critical information from varied text sources. Implement AI to streamline KYC processes by leveraging the Central KYC Registry (CKYCR), eliminating redundant submissions and bolstering internal controls to combat digital fraud.
- Optimizing Customer Experience and Ethical Practices through AI: Employ AI for intelligent

classification and routing of customer complaints based on subject, urgency or complexity, ensuring effective and suitable processing. Utilize advanced data analysis to identify systemic operational weaknesses and specific training needs for process reform. Furthermore, embed AI in sales and recovery procedures to prioritize consumer interests, addressing mis-selling and aggressive recovery practices.

- **Developing Personalized Services and Predictive Analytics:** Focus on deploying AI to offer increasingly personalized banking services and leverage advanced predictive analytics for proactive customer engagement and tailored financial solutions.
- **Integrating with Emerging Technologies and Upholding Ethical AI:** Explore the integration of AI with blockchain technology for enhanced security and transparency. Crucially, balance AI's benefits with strong ethical principles and robust legal frameworks, prioritizing customer trust and financial stability in alignment with national AI strategies like India's IndiaAI Mission and AIKosh.

Summary and Conclusion

AI technologies now enable data-driven decision-making and tailored financial services, impacting areas such as chatbots and virtual assistants-exemplified by Bank of America's Erica for personalized support and financial guidance-alongside robust fraud detection, enhanced risk management and streamlined back-office operations like credit checks and loan approvals. Furthermore, AI facilitates personalized financial planning by designing customized investment portfolios and ensures regulatory compliance. Initiatives like EASE 8 in Indian Public Sector Banks are advocating for advanced AI forms such as Generative AI and Agentic AI to boost efficiency and support complex, autonomous decision-making. The widespread adoption is evident in various Indian banks leveraging AI-powered applications for customer engagement, digital lending and operational efficiency, collectively enhancing client experience and financial security. The ongoing evolution and strategic integration of AI promise to further reshape the future of banking, driving continued innovation and efficiency across the industry.



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UNIFIED LENDING INTERFACE - TRANSFORMING THE LENDING FRAMEWORK

 Soham Ghosal*

Introduction

The financial landscape in India is undergoing a transformative evolution, largely driven by digital innovations that are reshaping traditional lending processes. In recent years, the Unified Lending Interface (ULI) has emerged as a pivotal solution, revolutionizing how lending frameworks operate under the auspices of the Reserve Bank of India (RBI). This new digital approach is not just a technological upgrade; it is a comprehensive shift towards a more integrated, accessible and efficient financial ecosystem.

India's journey from a predominantly cash-based economy to a digitally empowered financial nation has been remarkable. With an ever-growing need for efficient and transparent lending practices, the Unified Lending Interface has become a critical tool in bridging the gap between traditional banking systems and modern financial technology. The initiative, driven by the RBI, is designed to offer seamless integration across multiple lending platforms, thereby, enhancing credit accessibility, reducing turnaround time and improving overall customer experience.

This article delves deep into the intricacies of the Unified Lending Interface, discussing its origins, key features, challenges and the transformative impact it holds for the Indian banking sector. By exploring the historical evolution of lending in India, we set the stage for understanding the revolutionary nature of this interface. We then examine the core principles that underpin the interface, its innovative features

and the myriad benefits it offers to both banks and borrowers.

Throughout this article, we emphasize the importance of digital lending, financial technology and online lending as key drivers behind the current transformation. With the integration of advanced data analytics and cyber security measures, the Unified Lending Interface not only boosts efficiency but also instils trust in a system that is rapidly evolving. The optimistic tone throughout our discussion is reflection of the tremendous potential that lies ahead for India's financial ecosystem.

The Evolution of Lending in India

India's lending landscape has witnessed profound changes over the decades, transitioning from age-old manual processes to sophisticated digital systems that now define the modern banking experience. This evolution is marked by significant milestones that reflect the country's progress in embracing technology and innovation in finance.

Historically, lending in India was characterized by traditional brick-and-mortar banking practices where loan processing was time-consuming, heavily reliant on paperwork and accessible only to a limited segment of the population. The cumbersome manual processes often led to delays, inefficiencies and a lack of transparency. In such a scenario, many potential borrowers were either excluded or discouraged from accessing credit due to the complexity and prolonged nature of loan approvals.

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The advent of digital technology ushered in a new era for the banking sector. With the introduction of online banking and mobile financial services, banks started to digitize their operations, making processes more streamlined and customer-centric. This digital transition was further accelerated by the widespread adoption of smartphones and increased internet penetration across India. These factors collectively paved the way for innovative financial products and services that catered to a broader audience, ensuring that even remote and underserved regions could access credit.

One of the pivotal moments in this evolution was the RBI's push towards a more integrated and digitalized banking framework. Recognizing the need to modernize the lending process, the RBI introduced a series of reforms aimed at promoting transparency, efficiency and financial inclusion. These reforms not only enhanced operational efficiency within banks but also encouraged the adoption of new technologies that could simplify the lending process for both banks and borrowers.

As banks began to leverage digital platforms, the concept of a unified interface for lending emerged as a natural progression. The Unified Lending Interface represents a culmination of years of innovation and regulatory support, bringing together disparate lending processes into a single and cohesive framework. This transformation is indicative of the broader trend in global banking where digital solutions are increasingly being employed to overcome traditional challenges such as manual data entry errors, slow processing time and limited reach.

Furthermore, the evolution of lending in India is intrinsically linked to the broader goals of financial inclusion and economic empowerment. With millions of individuals previously marginalized by traditional banking practices now being brought into the digital fold, the shift to a unified digital framework has significant socio-economic implications. It facilitates

easier access to credit for small businesses, entrepreneurs and individuals who might otherwise be overlooked by conventional lending mechanisms.

Today, as digital lending continues to gain momentum, the integration of innovative technologies such as artificial intelligence, machine learning and advanced data analytics has further refined the process. These technologies enable banks to assess creditworthiness more accurately, manage risks effectively and offer personalized lending solutions. As a result, the customer experience has improved dramatically, with faster approvals and more tailored financial products.

Moreover, the Unified Lending Interface is not just a technological innovation; it represents a paradigm shift in the way financial transactions are managed and regulated. The RBI's role in driving this change has been pivotal, as it ensures that the transition to a digital framework is both secure and compliant with regulatory standards. This seamless integration of technology with regulatory oversight ensures that while innovation is encouraged, the stability and integrity of the financial system are never compromised.

In summary, the evolution of lending in India from traditional practices to a digitalized and unified framework highlights the remarkable strides the country has made in embracing modern technology. The Unified Lending Interface stands as a testament to this progress, embodying the transformative power of digital lending and setting the stage for a future where financial inclusion and innovation go hand in hand. As we continue to witness these changes, it is clear that the future of lending in India is bright, with technology paving the way for more efficient, accessible and transparent financial services.

Understanding the Unified Lending Interface

The Unified Lending Interface is more than just a technological tool - it is a strategic framework that leverages cutting-edge digital solutions to overhaul

traditional lending practices. By integrating disparate systems and processes into one cohesive network, this interface ensures that all stakeholders operate on a unified platform. This not only minimizes the scope for errors and delays but also enhances transparency across the lending ecosystem.

Core Principles and Key Drivers

Several core principles underpin the Unified Lending Interface. Firstly, interoperability is at the forefront—ensuring that various banking systems, irrespective of their legacy infrastructures, can communicate seamlessly. This is achieved through standardized protocols and data formats that facilitate real-time information exchange. Secondly, the interface emphasizes automation and digitization, significantly reducing manual interventions and expediting the lending process.

The key drivers behind this revolutionary interface include:

Digital Transformation: The growing need for digital solutions in the financial sector has paved the way for technologies that streamline lending.

Regulatory Compliance: With the RBI actively promoting digital integration, the interface is built to comply with stringent regulatory standards while enabling rapid innovation.

Enhanced Customer Experience: By reducing processing time and improving transparency, the interface ensures that customers benefit from quicker loan approvals and personalized financial products.

Data-Driven Decision Making: Advanced analytics integrated into the interface allow banks to evaluate credit risk more accurately, leading to more informed lending decisions.

Security and Trust: Incorporating robust cyber security measures ensures that sensitive financial data is protected, thereby, building trust among all participants.

Benefits to Banks and Borrowers

For banks, the Unified Lending Interface offers a range of benefits. It simplifies the loan processing workflow, reduces operational costs and minimizes risks associated with manual data handling. The interface also provides a unified view of customer credit profiles, enabling banks to offer more customized lending solutions. For borrowers, the advantages are equally compelling. The streamlined process results in faster loan approvals, greater transparency regarding interest rates and repayment terms and an overall improved borrowing experience.

Enhancing Digital Lending and Financial Inclusion

Incorporating this unified framework is a major step toward promoting digital lending and financial inclusion in India. With technology playing a crucial role in bridging the gap between urban and rural financial services, the interface ensures that even traditionally underserved regions can benefit from efficient and secure access to credit. It supports the RBI's broader vision of creating a more inclusive financial ecosystem, where every individual has the opportunity to access quality financial services.

Future-Proofing the Lending Framework

The Unified Lending Interface is designed with scalability in mind. As the digital economy expands and customer expectations evolve, the system can be easily upgraded with new features and capabilities. This future-proofing ensures that the lending framework remains relevant and resilient in the face of technological advancements and changing market dynamics.

In conclusion, the Unified Lending Interface embodies a visionary approach to digital lending. By integrating modern technology with regulatory mandates, it sets a new benchmark for efficiency, transparency and customer-centricity in the financial sector. As we move forward, this interface will continue to play a pivotal role in transforming India's lending framework,

paving the way for a future where digital innovation and financial inclusion are inextricably linked.

ULI application in Kisan Credit Card

ULI as applied in Kisan Credit Card (KCC) will help to reduce the Turnaround Time (TAT) but there are various complications behind the entire process.

Two things need to be verified at the time of giving KCC. One is the cultivation right and the other is the ownership right. With ULI, the land ownership can be verified if the system can be integrated with the Land Revenue Department data of the respective state on a real time basis and with the land registrar office database. This process of integration is also very difficult as there are different Land laws in different states and it keeps on changing from time to time. Therefore, this integration can be a major challenge in terms of authentically delivering credit with ULI to the KCC borrowers.

Also, it must be noted here that the land registration and land mutation is two different processes and is done by two different entities. If ULI has to work, it must be integrated with the Land Registration department and Land Mutation department of the State Governments. Only then the ownership of the land can be ascertained correctly and frauds can be prevented in ULI.

The cultivation right or so to say the cultivation purpose needs to be verified as scale of finance is different for different crops across different districts of the respective states which is defined by the State Government agriculture department from time to time. Therefore, proper integration of data for the purpose of accessing the credit limit in KCC is very important and is also quite cumbersome process for the sheer diversity of cropping pattern and scale of finance across India.

For example: Mr. X approached a branch office through ULI for KCC and in the state land record system in the name of Mr. X there is 1 acre of land. According to the present logic of ULI, Mr. X is eligible for a loan amount

of INR YYY according to the cropping pattern chosen. But the day before Mr. X approached the bank he has sold his land to Mr. Z and has registered the sale deed and now Mr. Z is in possession of the land. According to the present system, till the time Mr. Z approaches the land revenue department for Mutation in the state land record the ownership of the land will be shown in the name of Mr. X, though, in reality, Mr. X is not the owner as he has already sold the land. This will lead to the problem of impersonation and wrong financing.

Again, the cost of cultivation of different crop is different and based on the scale of finance. Presently, ULI has no system to validate the crops grown in that particular area. If Mr. X wants a loan and let us assume the land is in low lying area where only paddy cultivation happens and accordingly, he should have opted for a loan amount for paddy cultivation, but instead he opted for sugarcane which has a higher scale of finance and he will get more money. This will lead to overfinancing and misuse of funds (which is public money). Similarly, if we do generic standardized financing models then there is a chance of under financing and failure of the project and the same will lead to Non-Performing Asset (NPA) and non-recovery of the funds disbursed.

The reality check

Punjab National Bank, the largest Nationalised Bank of India, has already started the process of digital KCC, however, on ground, the experience is too complicated as the field officers has to verify the land and cropping pattern and the scale of finance. This indeed leads to more time consumption and complexity in credit delivery process with low customer satisfaction, especially in the rural areas.

To address these challenges, it is imperative to develop a robust framework that ensures seamless integration and real-time data sharing between the Land Revenue Department, the Land Registration office and the Land Mutation department across different states. This would involve standardizing land records and laws to some extent, which could be a

daunting task given the diversity in legislation and administrative processes. Additionally, leveraging advanced technologies such as blockchain could offer a more secure and transparent way to manage and update land records, thereby, reducing instances of fraud and impersonation.

Furthermore, enhancing the ULI system to include a comprehensive database of cropping patterns and corresponding scale of finance for different regions can mitigate the risks of overfinancing and misuse of funds. This can be achieved by collaborating with agricultural departments to regularly update and verify the data. Implementing geo-tagging and remote sensing technologies can also provide real-time information about the crops being cultivated on a particular piece of land, ensuring that loans are granted based on accurate and current information.

Ultimately, while the adoption of ULI in KCC holds great potential to streamline the credit delivery process and reduce TAT, it requires a concerted effort from multiple stakeholders, including Government agencies, financial institutions and technology providers. By addressing the existing complexities and implementing robust data integration and verification mechanisms, the full benefits of ULI can be realized, leading to more efficient and transparent credit delivery to farmers.

ULI in KCC for Animal Husbandry

ULI application can be implemented in KCC for animal husbandry like dairy, poultry and fishery. Certain set of challenges exist for each one. Let us discuss something on dairy unit. Again the same set of question arises as about the scale of finance, cost of rearing a Holstein cow in India is very much different than rearing a Red Sindhi cow. Now, in the absence of a proper cattle census and ear tagging facilities, it is extremely difficult to standardize and determine the finance requirement there is a chance of overfinancing or underfinancing. Both will be detrimental. Again, the cost of cattle feed is also different in different parts of the country. Localised data needs to be captured

in the system to standardize the ULI model. Still the question will remain how to certify the existence of the primary security that is the cattle that was purchased out of the bank funds or the existence of the cattle for having the working capital. Here, the use of Artificial Intelligence (AI) and image processing can be implemented.

In the realm of poultry farming, the challenges are no less significant. The costs associated with rearing different breeds of chickens, for instance, vary widely. Broiler chickens, which are raised primarily for meat production, have different feed requirements and growth rates compared to layer chickens, which are raised for egg production. Without accurate data on the type and number of poultry being reared, there is a risk of financial misallocation that could adversely affect farm operations.

Geo-tagging and remote sensing technologies could facilitate real-time monitoring of poultry farms, ensuring that the financial support provided aligns with the actual needs and conditions of the farm. Moreover, integrating AI-driven analytics can help predict and manage potential risks, such as disease outbreaks, which can have a profound impact on both the farm's productivity and the repayment capacity.

In the fishery sector, the situation is similarly complex. The financial requirements for inland aquaculture differ significantly from those for coastal or marine aquaculture. Factors such as water quality, feed type and species of fish need to be considered to accurately determine the scale of finance. Remote sensing and Internet of Things (IoT) devices can provide critical data on water parameters and fish health, ensuring that the loans disbursed are based on real-time and precise information.

Overall, while the adoption of ULI for KCC in animal husbandry presents numerous opportunities to enhance the efficiency and transparency of credit delivery, it necessitates a comprehensive approach that incorporates advanced technologies and localized data. By doing so, banks can better serve

the diverse needs of farmers across various sectors, ultimately contributing to the sustainable growth and development of the agricultural industry.

ULI application in Micro, Small and Medium Enterprise (MSME) loan

The ULI application in the MSME sector is particularly promising, especially for industries where Goods and Service Tax (GST) filing is mandatory. This requirement ensures that accurate financial records are maintained, facilitating precise calculation of working capital requirements. As a result, financial institutions can disburse funds in a timely and efficient manner, reducing the turnaround time and enhancing the overall credit delivery process.

By integrating UDYAM registration, GST data, current account statements from different banks and Income Tax Return (ITR) with balance sheets within the ULI system, banks can gain a comprehensive and accurate view of an MSME's financial health and credit worthiness. This holistic integration allows for a more precise evaluation of loan applications, minimizing the risk of overfinancing or underfinancing. Additionally, it provides a transparent mechanism to track fund utilization, ensuring that loans are used for their intended purposes and contributing to the sustainable growth of the MSME sector.

Furthermore, the implementation of ULI in MSME loans can be complemented by advanced technologies such as AI and machine learning. These technologies can analyze historical data and predict future financial needs, enabling banks to offer tailored financial products that meet the specific requirements of different MSMEs. This personalized approach not only improves customer satisfaction but also enhances the overall efficiency of the credit delivery system.

The adoption of ULI in the MSME sector holds significant potential to revolutionize the way credit

is delivered to small and medium enterprises. By ensuring accurate calculation of working capital requirements and timely disbursement of funds, ULI can support the growth and development of MSMEs, ultimately contributing to broader economic prosperity.

Major Challenges for the ULI in MSME

One major challenge in evaluating newly opened MSME units is the lack of substantial data to analyze their financial health. These enterprises often lack a financial history, making it difficult to assess their creditworthiness and predict future financial performance. This issue is particularly pronounced in semi-urban and rural areas, where micro units typically do not maintain proper GST filings and have minimal banking transactions.

To cater to this relatively unorganized sector, banks could adopt alternative evaluation methods. For instance, leveraging non-traditional data sources such as utility payments, mobile money transactions and local business reputation can provide insights into the financial behavior and credibility of these units. Additionally, community-based assessments and peer reviews could serve as supplementary tools to gauge the viability of these enterprises.

Furthermore, microfinance institutions and local cooperatives, with their deep-rooted presence in rural areas, can play a pivotal role in bridging the gap. They can provide valuable localized data and insights, helping to establish a more comprehensive understanding of the micro units' operational dynamics.

By adopting a multifaceted approach that combines traditional financial metrics with innovative data sources and community insights, banks can better evaluate and support newly established MSME units. This approach not only enhances credit delivery but also fosters the sustainable growth of the MSME sector in semi-urban and rural areas.

ULI application in Housing loan

The segment of housing loans is also very challenging. While the ULI system can assess the financial viability of the borrower, the requirements for housing loans are not standardized. Factors such as the architectural plan, approval from local Government bodies, verification of land ownership, the stage of building completion and the cost of building materials, which varies from place to place, create significant challenges in analyzing financial requirements and legal authenticity.

These diverse variables necessitate a comprehensive and flexible approach. For instance, accurate assessment of the borrower's financial health through ULI can be complemented with on-site inspections and verification by local authorities to ensure compliance with approved plans and land ownership. Additionally, leveraging local market data can help in estimating the cost of building materials accurately, thus, providing a more realistic financial assessment.

To address these challenges, banks may adopt a combination of digital tools and traditional methods. Advanced technologies such as AI and machine learning can be used to analyze patterns and predict potential issues based on historical data, while experienced personnel can conduct thorough inspections and verifications. Moreover, collaborating with local authorities and industry experts can ensure adherence to local regulations and standards, thus, mitigating legal risks.

Ultimately, by integrating ULI with a multifaceted and localized approach, banks can better navigate the complexities of housing loans, ensuring a more accurate and efficient credit evaluation process. This not only facilitates the provision of necessary funds for housing projects but also contributes to the sustainable development of the housing sector.

Banks often tie up with builders and give project approvals for building of flats. Under such cases, ULI can be very beneficial, as the only requirement here

is to assess the financial health and repaying capacity of the borrower.

The real challenge of ULI in home loan

One of the key player in the ULI ecosystem is the Account aggregators. Now the major problem is banks have to share the financial data with these account aggregators but it has been observed that many banks, mostly the private sector players, are not sharing the data. The reason might be because if they start sharing the full financial data with the Account aggregators and ULI becomes fully operational, there will be extreme amount of competitive disadvantage for them. This is because if the services are standardised then all rational borrowers will move towards that one bank which charges the least interest rate and other service charges.

To overcome this competitive hurdle, regulators may need to implement policies that encourage data sharing among all financial institutions uniformly. This could be facilitated through incentives for compliance or penalties for non-compliance, ensuring a level playing field. Additionally, fostering a transparent and cooperative environment can gradually shift the focus from competition to collaboration, ultimately benefiting the customers.

Furthermore, educating borrowers about the advantages of the ULI system and its role in streamlining the loan process can create a more informed customer base that values sustainable borrowing practices. This could lead to a more balanced market where decisions are based on service quality as well as cost-effectiveness.

In conclusion, the integration of ULI into the housing loan sector, backed by comprehensive policies and collaborative efforts, has the potential to revolutionize the lending landscape. By addressing the challenges of data sharing and leveraging both advanced technologies and traditional methods, banks can

enhance the accuracy and efficiency of their credit evaluations, fostering sustainable growth in the housing sector.

ULI in Car loan

ULI in car loan segment can be extremely effective as the car prices are generally standardized across India and the registration process is also very stringent and data is easily accessible from the VAHAN portal. However, the main challenge here is the sharing of data with the account integrators on a real-time basis by the banks.

In this segment also, it has been observed that the financial data of the customers are not readily accessible from mostly private banks through account aggregators.

To ensure the effectiveness of ULI in the car loan sector, regulators and policymakers need to establish stringent guidelines for real-time data sharing. This could involve the development of a centralized data repository where banks and financial institutions are mandated to upload customer financial information promptly. Such a repository would not only streamline the loan approval process but also minimize the risk of fraudulent activities by providing a comprehensive financial profile of the borrower.

Moreover, innovation in digital platforms can play a crucial role in enhancing the accessibility and efficiency of ULI. For example, integrating AI and machine learning algorithms can help in analysing vast amount of financial data quickly, providing insights into the creditworthiness of borrowers. This, in turn, can lead to more accurate interest rate assessments and personalized loan offerings, thereby, improving customer satisfaction.

ULI in e-Mudra

ULI in e-Mudra loans is very effective as the ticket size is small and the credit becomes readily accessible to

the vulnerable sections of society. Financial education regarding prompt repayment must be imparted at the time of credit delivery and the use of AI can be very beneficial in translating the loan terms and conditions into local regional languages. Borrowers can be incentivized for prompt repayment, which may include lower interest rates on future loans or other financial benefits.

Furthermore, the implementation of ULI in e-Mudra loans can significantly enhance financial inclusion by providing quick and easy access to credit for small entrepreneurs and marginalized communities. The integration of digital platforms and mobile technology can streamline the application and approval process, making it more user-friendly. Additionally, regular monitoring and support can help borrowers manage their repayments effectively, reducing the risk of defaults and fostering a culture of financial discipline.

ULI in Pension loan and Personal loan

This is one area where ULI can be very effective as pension loan and personal loan to salaried individuals is pretty much standardised process. However, personal loan to non-salaried individual can be tricky. For example : A delivery partner started accepting UPI payments for Cash on delivery orders in his personal account in Chennai and the bank issued personal loan to him calculating the credits in the account, which eventually turned into NPA. Such kind of miscalculation can be avoided in ULI, AI and Machine learning models by making them more robust.

Use of ULI in Self Help Group (SHG) loans to women borrower

ULI can be widely used in financing SHG under National Rural Livelihoods Mission (NRLM) and National Urban Livelihoods Mission (NULM) schemes. Mostly, upto 6 lakhs the loaning is rule based and each SHG is primarily constituted of 10 women and capturing the data of the 10 individual women in the

group and extracting credit information from different credit bureaus becomes a long and tedious process for the bankers and this can lead to compliance issues. With the use of automation in ULI the entire process can be well coordinated and executed very efficiently with the least time consumed. The disbursement of the loans will be very efficient as well. Since the disbursement of the loan happens in stages, utilisation of ULI can be very useful in every stage to avoid multiple financing (As many times, it has been observed that once after availing the first dose from a particular bank then members of the SHG often forms different group and again avail loan from other banks or financial institutions).

Impact on the Indian Banking Sector and RBI Policies

The RBI has consistently emphasized the importance of digitization in banking. With the Unified Lending Interface, banks are better equipped to align with these goals by adopting a system that automates and streamlines lending processes. This alignment ensures that banks can maintain high levels of operational efficiency while adhering to stringent regulatory standards. The interface supports the RBI's mandate for transparency, accountability and risk management, making it a cornerstone of the nation's digital transformation agenda.

Strengthening Regulatory Oversight

A critical advantage of the Unified Lending Interface is its capacity to enhance regulatory oversight. By centralizing and digitizing all lending transactions, the RBI can monitor loan processes in real time, ensuring that every step complies with established norms. Automated compliance checks and detailed audit trails significantly reduce the potential for fraudulent activities and operational discrepancies. This heightened level of oversight instills greater confidence in the system and reinforces the stability of India's financial sector.

Boosting Operational efficiency and Reducing costs

Traditional lending systems often involve manual processes that are both time-consuming and prone to error. The digital transformation brought by the Unified Lending Interface eliminates these inefficiencies, resulting in faster loan approvals and lower operational costs. For banks, this means that resources can be reallocated towards enhancing customer service and exploring new financial products. In turn, this operational efficiency contributes to a more robust and competitive banking environment, driving economic growth.

Enhancing Credit accessibility and Financial Inclusion

By streamlining lending operations, the interface plays a pivotal role in enhancing credit accessibility. The improved efficiency not only speeds up the loan approval process but also ensures that a larger segment of the population can access credit. This is especially important in rural and semi-urban areas where traditional banking services have been limited. The increased accessibility of credit promotes financial inclusion—a key objective of RBI policies—and supports broader socio-economic development initiatives.

Promoting Innovation within the Banking sector

The Unified Lending Interface encourages banks to adopt innovative technologies that drive efficiency and improve customer satisfaction. The integration of advanced data analytics, artificial intelligence and automated risk assessment tools fosters a culture of continuous innovation. Banks that leverage these technologies are better positioned to respond to changing market demands and regulatory requirements. This dynamic environment not only benefits the institutions themselves but also enhances the overall quality and accessibility of financial services in India.

Collaborative ecosystem between Regulators and Banks

The success of the Unified Lending Interface is also attributable to the collaborative efforts between the RBI and various banking institutions. This synergy ensures that technological advancements are implemented in a manner that complies with regulatory standards while addressing the evolving needs of the market. Regular consultations and feedback loops between banks and regulators have been instrumental in refining the interface and ensuring its successful adoption across the sector.

Challenges in Implementing the Unified Lending Interface

Despite its various advantages, the implementation of the Unified Lending Interface is not without challenges. As banks and regulatory bodies work together to integrate this cutting-edge system, several obstacles must be navigated to ensure a smooth and effective transition.

Technical Hurdles and Legacy Systems

One of the primary challenges is the integration of the interface with existing legacy systems. Many banks still rely on older and siloed technologies that are not easily compatible with modern digital platforms. Upgrading these systems can be both time-consuming and expensive. The process requires careful planning, significant investment and the development of customized solutions to bridge the gap between old and new technologies.

Regulatory and Compliance Issues

While the interface is designed to meet RBI standards, aligning it with constantly evolving regulatory requirements can be complex. Banks must ensure that every update or modification to the system remains compliant with new policies and guidelines. This often involves extensive testing, documentation and coordination with regulatory authorities to ensure that all changes are properly vetted and approved.

Change management and Workforce adaptation

Introducing a unified digital platform requires significant changes in organizational culture and operational processes. Bank employees, accustomed to traditional methods, may face a steep learning curve as they adapt to new technologies and workflows. Effective change management strategies, including comprehensive training programs and continuous support, are essential to ensure that the workforce can transition smoothly to the new system.

Cyber security concerns and Data Privacy

In a digital environment, cyber security is of paramount importance. The Unified Lending Interface, while highly efficient, also becomes a prime target for cyber threats. Banks must invest in robust cyber security measures to protect sensitive customer data and financial information. Ensuring data privacy and implementing advanced encryption protocols are critical components in building a secure digital lending framework.

Interoperability and Standardization

Achieving true interoperability between different banking systems requires adherence to standardized protocols and data formats. Disparities in system architecture and data management practices across various banks can hinder the seamless integration of the interface. Collaborative efforts are needed to establish common standards that facilitate smooth data exchange and operational compatibility.

Financial and Operational costs

The transition to a unified digital interface involves significant financial outlays. From upgrading legacy systems to implementing new cyber security measures, the initial investment can be substantial. Moreover, the ongoing operational costs associated with maintaining and updating the system must be factored into the overall financial strategy of banks.

Balancing these costs with anticipated benefits is a critical challenge that requires careful planning and resource allocation.

Mitigating Implementation Risks

To overcome these challenges, banks and regulators are adopting several strategies. Pilot projects and phased rollouts allow for controlled implementation, helping to identify and address issues early on. Additionally, the establishment of dedicated task forces and cross-functional teams ensures that all aspects of the transition—from technical integration to employee training—are managed effectively.

Collaborative Solutions and Industry Best Practices

A collaborative approach is a key to overcome the challenges associated with implementing the Unified Lending Interface. Sharing best practices among banks, engaging with technology partners and maintaining an open dialogue with regulatory bodies can help mitigate risks. Continuous feedback and iterative improvements further refine the system, ensuring that it remains robust and responsive to both market demands and regulatory changes.

Embracing Emerging Technologies

The integration of advanced technologies such as artificial intelligence, blockchain and machine learning is at the heart of future innovations. These technologies not only enhance the accuracy of credit risk assessments but also streamline the overall lending process. For instance, AI-powered algorithms can analyze vast amount of customer data in real time, enabling banks to offer more personalized loan products and faster approvals. Similarly, blockchain technology holds the promise of securing transactions through decentralized ledgers, reducing fraud and ensuring data integrity.

Strategic Initiatives for Digital Transformation

Banks are increasingly investing in strategic initiatives that promote digital transformation. These initiatives include:

Research and Development Investments: Allocating resources for research and development to explore new digital solutions.

Partnerships with FinTech Firms: Collaborating with technology startups to integrate innovative solutions that enhance lending efficiency.

Pilot Programs: Implementing pilot projects to test and refine new features before full-scale deployment.

Customer-Centric Innovations: Focusing on solutions that enhance the overall customer experience, from application to disbursement.

Fostering a Culture of Continuous Innovation

For sustained success, banks must cultivate a culture of continuous innovation. This involves:

Encouraging Experimentation: Allowing employees to experiment with new ideas and technologies without the fear of failure.

Regular Training programs: Equipping employees with the latest knowledge and skills required to navigate digital platforms.

Feedback-Driven Improvements: Implementing systems that gather feedback from all stakeholders and using these insights to drive iterative improvements.

Collaborative ecosystem and Industry partnerships

The future of ULIs hinges on collaboration. By forming strategic alliances with FinTech innovators, technology vendors and regulatory bodies, banks can create a robust ecosystem that supports the seamless integration of cutting-edge solutions. These partnerships enable the sharing of best practices, foster industry-wide standards and ensure that innovations are aligned with both customer expectations and regulatory mandates.



UNIFIED LENDING INTERFACE - TRANSFORMING THE LENDING FRAMEWORK

 Shruti Pawagi*

Introduction

The Indian financial sector has experienced significant changes in recent years, radically transformed by burgeoning digital innovations, reengineering banking, payments and fostering unprecedented financial inclusivity. One of the most impactful breakthroughs is the introduction of the Unified Lending Interface (ULI), which is set to revolutionize the country's lending ecosystem. ULI acts as a digital channel connecting borrowers with lenders, facilitating more efficient, secure and faster lending system. By streamlining financial processes, ULI plays a crucial role in pushing forward financial inclusion, ensuring wider access to credit across urban, rural and metro areas. This paper probes into the definition, key principles, technological foundation, data sources, synopsis of process, advantages, challenges and potential implications of ULI in India's lending ecosystem.

Background of Lending in India

India has historically relied on a combination of public sector banks, private sector banks and microfinance institutions to meet its lending needs. While these institutions have catered to a significant portion of the population, millions remain excluded from the formal credit system due to barriers such as lack of financial literacy, complex documentation, slow processing time and inadequate credit history. Additionally, the absence of digital infrastructure in rural areas has further restricted access to financial

services. Despite progress in digital integration and FinTech advancements, tackling the crucial challenge of credit availability continues to be essential for India's goal of becoming a USD 5 trillion economy by 2025. For instance, of the 63 million Micro, Small and Medium Enterprises (MSMEs) in India, only 14-16% are able to obtain credit resulting in a huge financing shortfall. Similarly, agricultural borrowers, particularly farmers, face similar challenges. ULI aims to bridge these gaps by digitizing the entire lending process, thereby, enabling even underserved populations to access formal financial services. Over the last ten years, India's financial service sector has experienced a digital revolution, driven by the expansion of Digital Public Infrastructure (DPI) and greater digital uptake particularly during the COVID-19 crisis. This adoption of DPI has improved transparency and productivity across industries with ULI acting as a imperative element for efficient credit distribution.

Understanding the ULI: A Digital Revolution in India's Credit ecosystem

The Unified Lending Interface (ULI) is a transformative digital platform designed to simplify and optimize the lending process in India. It functions as a backend system that facilitates seamless credit disbursement and improves credit assessment, ultimately driving deeper credit penetration for deprived sectors. Through the use of open Application Programming Interface (APIs) and real-time data exchanges, ULI enables borrowers to access loans from a variety of lenders with ease. The platform standardizes key

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lending processes, such as loan origination, credit scoring, approval and disbursement, thus, reducing the dependency on traditional intermediaries and enhancing accessibility for marginalized communities.

India's rapid digitalization has paved the way for innovative infrastructure, particularly within the financial ecosystem. However, despite the availability of diverse financial and non-financial data from Government bodies, banks, fintechs, credit information companies and digital identity authorities, this data often remains fragmented and siloed. As a result, lenders face the challenge of connecting individually with multiple data sources, which is both cumbersome and costly. To tackle these issues and facilitate more effective credit distribution, the ULI was introduced by the Reserve Bank of India at the RBI@90 Global Conference on August 26, 2024, in Bengaluru. The trial version of ULI, originally referred to as the Public Tech Platform for Frictionless Credit (PTPFC), was rolled out in August 2023. Since its inception, ULI has facilitated the disbursement of Rs. 38,000 crore across 7.5 lakh loans. By connecting lenders with various data sources through a single interface, ULI is set to revolutionize credit delivery. During the speech, Shri Shaktikanta Das, Governor, Reserve Bank of India highlighted the "JAM-UPI-ULI" trinity as a cornerstone of India's evolving digital infrastructure. Together, these initiatives are transforming key areas of India's financial sector:

JAM: Jan Dhan (bank accounts), Aadhaar (identity) and Mobile (access to services) have been instrumental in delivering Government subsidies and ensuring access to banking services for millions of Indians.

UPI: The Unified Payments Interface has driven digital transactions, revolutionizing the financial transaction ecosystem.

ULI: The Unified Lending Interface is expected to disrupt the lending industry by providing easier and

more affordable access to credit for individuals and small businesses.

ULI is created by Reserve Bank Innovation Hub (RBIH), in conjunction with the Reserve Bank of India. The platform enables straightforward access to verified data from various sources through standardized APIs, which lenders can effortlessly link to use a plug-and-play model. This method streamlines the credit evaluation process, permitting lenders to tap into a vast pool of data without the intricacy of separate integrations with each data source.

By integrating various data sources, ULI has the potential to democratize access to credit for traditionally marginalized sectors like agriculture and MSMEs. The platform enables the identification and provision of credit by unlocking financial, non-financial and alternative data, such as digitized state land records, milk pouring data from cooperatives, satellite information and property search services. Through a single interface, lenders can easily tap into these data sources, minimizing the time and efforts needed to evaluate creditworthiness.

In particular, the plug-and-play model could benefit small borrowers who may lack knowledge of conventional documentation. By incorporating non-traditional data sources, these borrowers can access credit through alternative channels, thereby, boosting financial inclusion. The platform also seeks to simplify the lending process for banks and Non-Banking Financial Companies (NBFCs), making it more convenient for them to access and leverage essential data.

ULI has its origins in a 2022 pilot initiative that digitized Kisan Credit Card (KCC) loans of under INR 1.6 lakh, which yielded positive results, including the door-to-door disbursement of loans without requiring paperwork. This success led to the creation of the Public Tech Platform for Frictionless Credit (PTPFC), which later matured into ULI. The pilot involved several

major banks and played a crucial role in shaping the platform's design and broadening its applications.

Key principles of the ULI

The Unified Lending Interface is based on key principles which make it efficient, secure and inclusive:

Standardisation of Protocols: It ensures consistency across all stakeholders, simplifying data formats and processes.

API integration (Plug-and-Play): It facilitates easy integration with multiple data sources, enabling seamless interactions for lenders and borrowers.

Digitisation of Non-Digitised System: It transforms offline systems into digital formats, expanding access to credit, especially for sectors like agriculture and MSMEs.

Security: It protects sensitive data through strong encryption and privacy safeguards, ensuring safe transactions. UPI secure APIs with practices like DevSecOps and secure API gateways for testing, development and integration. It builds policies to protect sensitive data, ensuring trust throughout the ULI lifecycle.

Scalability: It supports growth by handling increasing data and transactions.

Open for All: It provides equal access to all stakeholders, promoting financial inclusion for borrowers and lenders across sectors.

Comprehensive Data Access: It provides lenders with access to a wide array of data, including land records, satellite imagery and financial insights, enabling a more holistic view of a borrower's profile.

Support for First-Time Borrowers: It is especially beneficial for first-time borrowers who may not have a traditional credit history and experience, offering them an opportunity to access credit based on alternative data sources.

Streamlined Credit Assessment: It allows lenders to quickly and efficiently assess an applicant's creditworthiness significantly reducing the time and complexity involved in the loan approval process.

Data Governance: It implements data management practices to track data lineage and sources. ULI sets guidelines for reusing data, ensuring authenticity and minimizing misuse and develops a robust framework to manage customer consent and data acquisition from multiple sources.

These features make ULI a powerful and inclusive platform for simplifying and expanding credit access.

Technological Foundation of ULI

ULI's infrastructure is based on leading edge technologies, including Application Programming Interfaces and blockchain. APIs enable lenders to integrate their systems with ULI, providing a seamless experience for both lenders and borrowers. Blockchain ensures secure and transparent transactions, preventing fraud and reducing the risk of disputes. ULI also integrates with Aadhaar for identity verification and UPI for payment processing, ensuring that the system is both efficient and secure.

ULI functions as a centralized data interchange system where borrowers can authorize the sharing of various types of information with lenders, including Aadhaar, State Government land records, Permanent Account Number (PAN) and tax documents, educational qualifications, financial data obtained through account aggregators and medical/insurance history.

- **Hosting and Ownership:** ULI is currently owned and hosted by RBIH and will transition to a separate entity for more focused and efficient management in the future.
- **Business Continuity and Disaster Recovery:** A robust Business Continuity Plan (BCP) and Disaster Recovery (DR) strategy ensures

24/7 platform availability with minimal service interruptions, supporting uninterrupted real-time transactions for lenders.

- **Open Architecture and APIs:** The ULI platform will feature standardized open APIs, enabling seamless integration with financial and non-financial stakeholders and reducing complexity in credit processing.
- **Data Integration and Management:** The platform will consolidate data from sources such as State Government records, Unique Identification Authority of India (UIDAI), Ministry of Finance etc., ensuring adherence to data protection regulations such as Digital Personal Data Protection (DPDP) Act, 2023.
- **Compatibility with Other Digital Public Infrastructures (DPIs):** Integration with DPIs such as Account Aggregators (AAs), Open Credit Enablement Network (OCEN) and Open Network for Digital Commerce (ONDC) will offer lenders a thorough data set, simplifying credit access and enhancing decision-making.
- **Future User Interface and Experience:** Future platform enhancements will include intuitive web portals and mobile apps, simplifying loan initiation, tracking and repayment for both borrowers and lenders.

Data Sources incorporated into ULI

- **Land Record Systems:** Integrates digital land registries from State Governments to facilitate secured lending.
- **GSTN Data:** Retrieves Goods and Services Tax (GST) documents and associated information to evaluate business income and financial viability.
- **Milk Pouring Insights:** Provides income flow and milk flow data from State Dairy Co-operatives, assisting rural and agricultural financing.

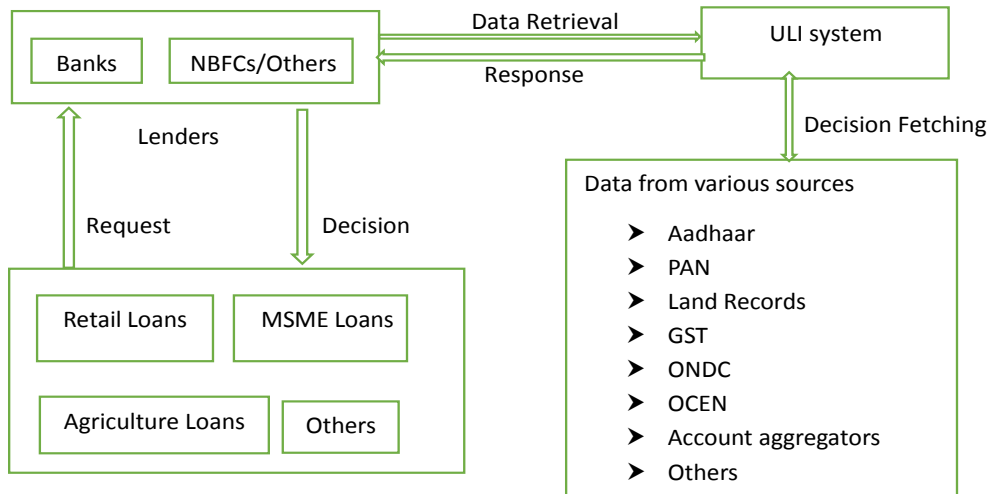
- **Satellite Data:** Utilizes satellite imagery and analysis to evaluate land use, agricultural conditions and property worth.
- **Authentication and Verification:** Supports Aadhaar e-KYC, PAN verification, bank account validation and e-stamping for secure and efficient borrower authentication.
- **Transliteration:** Provides automated translation of documents into various languages, ensuring accessibility for a wide range of borrowers.
- **Account Aggregators:** Consolidates financial data from customers' accounts, improving credit evaluation.
- **Digilocker:** Offers secure access to authenticated customer documents, streamlining the verification process.
- **House/Property Search Data:** Gathers property data and insights from real estate and legal entities to support housing loan process.
- **CGTMSE:** Facilitates access to Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), fostering MSME lending.

These integrated data sources enable ULI to enhance the credit evaluation procedure, ensuring a more inclusive, precise and efficient lending ecosystem.

Synopsis of the ULI Process

ULI streamlines the loan application process by enabling borrowers to apply for loans through a digital platform. Their creditworthiness is assessed in real-time using data from various sources, such as bank accounts, payment histories and social profiles. Once authorized, loans are transferred directly to the borrower's bank account or digital wallet, ensuring swift access to funds. Repayments are effortlessly handled through UPI, enabling borrowers to settle their loans in manageable Equated Monthly Installments (EMIs) making the entire process smooth and efficient.

Figure 1: Process Flow of ULI



Stakeholders in ULI System

ULI ecosystem involves multiple stakeholders playing a critical role in ensuring seamless access to loans for borrowers, especially those who face challenges due to lack of formal documentation or collateral. Here is an improved and clearer description of the ecosystem and its ongoing development:

Borrowers: The primary loan recipients in the ULI ecosystem include retail and micro borrowers, MSMEs, farmers and other underserved groups who face challenges in accessing loans due to complex documentation and lack of collateral.

Lenders: Entities providing loans to borrowers include:

- Banks
- NBFCs
- FinTechs

These lenders are integrated into the ULI platform, offering a diverse array of loan products and services to meet the needs of borrowers.

Data Custodians: These entities provide essential data for lending decisions including:

- Registrar of Companies
- Goods and Service Tax (GST)
- Registrar of Land Records
- Unique Identification Authority of India (UIDAI)
- DigiLocker
- Account Aggregators
- These regulated sources enable lenders to access critical data, ensuring more efficient and informed loan decisions.

Regulatory Authorities: Regulatory authorities including RBI watch over the operation of the ULI platform. Furthermore, regulator-supported entities like RBIH manage the platform’s functions and ensure adherence to regulatory guidelines.

Current Status (As of October 2024)

The ULI platform is currently in its pilot phase, experiencing significant uptake from both banking and non-banking entities who are offering lending services to various borrowers. The key developments include:

- 27 lenders (comprising both banks and non-banks) are participating in the pilot, catering to 12 distinct loan types such as Dairy loans, MSME

loans, Personal loans, Housing loans and Kisan Credit Card loans.

- 54 APIs have already been developed, enabling smooth integration of lending services and facilitating easy access to relevant borrower data.
- 5 Account Aggregators (AAs) have been onboarded onto the platform, enhancing the ability of lenders to access critical financial data needed for informed lending decisions.

Advantages offered by ULI

ULI is transforming India's financial ecosystem by simplifying, streamlining and democratizing access to credit, creating a more efficient and inclusive lending framework.

Standardization and Interoperability

- *Unified Platform:* ULI provides a unified interface that connects various lending entities, ensuring seamless integration between banks, NBFCs, fintech firms and other financial institutions.
- *Seamless Integration:* The platform allows for seamless integration with existing digital infrastructure such as Aadhaar, UPI and credit bureaus, enabling faster and more efficient loan processing.

Enhanced Credit Access

- *Wider Reach:* By digitizing lending, ULI increases credit access for credit deprived populations, especially in rural and semi-urban areas. Borrowers can secure loans with minimal documentation, such as dairy farmers having their eligibility assessed using milk cooperative cash flow data and land ownership records.
- *Customized Products:* Lenders can offer tailored financial products based on the borrower's profile, credit history and financial behaviour, promoting inclusivity and financial empowerment.

Simplified Loan Processing

- *Digital Onboarding:* ULI enables digital onboarding of borrowers, reducing the need for physical documentation and visit to financial institutions.
- *Automated Decision-Making:* The use of AI and machine learning in ULI facilitates automated credit scoring, risk assessment and loan approval processes, leading to quicker decision-making and disbursement.

Transparent and Secure Transactions

- *Data Security and Privacy:* ULI incorporates robust data protection measures, ensuring secure transactions and safeguarding sensitive financial information.
- *Transparency:* The platform provides borrowers with clear visibility into the terms, conditions and status of their loans, fostering trust and accountability.

Cost Efficiency and Scalability

- *Reduced Operational Costs:* By automating many aspects of the lending process, ULI reduces operational costs for banks/NBFCs, enabling them to offer competitive interest rates and better terms to borrowers.
- *Scalability:* The scalable nature of ULI allows it to handle a large volume of transactions and users making it suitable for both small and large financial institutions.

Integration with Government Schemes

- *Policy Support:* ULI supports Government initiatives like Pradhan Mantri Mudra Yojana, Prime Minister's Employment Generation Programme, Pradhan Mantri Awas Yojana and Start-up India enabling streamlined credit access for general public, small businesses and entrepreneurs.

- *Direct Benefit Transfer (DBT):* ULI can be integrated with DBT schemes to provide instant loans to beneficiaries, enhancing the effectiveness of Government welfare programs.

Fostering Innovation and Competition

- *Open Ecosystem:* ULI promotes an inclusive ecosystem where traditional lenders and fintech startups can partner, driving the creation of innovative financial solutions.
- *Competitive Market:* By lowering entry barriers for new players, ULI promotes competition, driving efficiency and improving the quality of lending services.

Real-Time Monitoring and Analytics

- *Data Analytics:* ULI leverages real-time data analytics to monitor lending trends, borrower behaviour and market dynamics, enabling informed decision-making for both lenders and policymakers.
- *Regulatory Oversight:* Regulators can use ULI to monitor compliance, detect fraud and ensure financial stability in the lending market.

Benefits of ULI for stakeholders

The benefits of ULI are far-reaching. For lenders, it enhances operational efficiency and allows them to serve a broader customer base. Borrowers benefit from quicker access to credit with minimal documentation and lower interest rates. Fintech companies can innovate and provide new lending products, while regulators gain access to valuable data that can help shape policy decisions.

Case Studies

(I) Lending Through Fintech Platforms and Banks

Overview: The ULI framework has enabled fintech platforms and traditional banks to offer instant loans to borrowers with minimal paperwork enhancing financial inclusion.

Implementation Process:

- *Loan Application:* Borrowers can apply for loans directly through the fintech platforms.
- *Credit Assessment:* ULI uses real-time data from digital transactions and Aadhaar records to generate an instant credit score.
- *Loan Disbursal:* Once approved, the loan is disbursed to the borrower's account or digital wallet via UPI.
- *Repayment:* Loan repayments are automated through UPI for convenience.

Outcome:

- Over 1,50,000 loans disbursed in the first year, mostly to customers without prior formal banking relationships.
- ULI's integration enabled quick disbursals, benefiting low-income and rural users, thus, promoting financial inclusion.

Conclusion: ULI has transformed lending, enabling fintechs and banks to offer fast and accessible loans especially in underserved areas, contributing to greater financial inclusion across India.

(II) Agricultural Loans

In January 2024, around INR 20 trillion was disbursed by banks in agricultural loans, driven by Government initiatives that promoted institutional lending and schemes like interest subvention for crop loans up to INR 3 lakh. This led to a significant increase in agricultural credit since the year 2021. However, challenges persist, including regional imbalances in credit distribution, lack of formal documentation and land record issues, particularly for small and marginal farmers. Initiatives like the Kisan Credit Card (KCC) were introduced initially to ensure farmers receive timely and adequate credit. Despite these efforts, fragmented data continues to cause delays in loan

processing, hindering banks' ability to validate and assess farmers' creditworthiness.

Case Scenario: ABC Bank and Mr. J. S. 's KCC Application

ABC bank, an agriculture focussed financial institution, aims to issue a KCC to Mr. J. S., a farmer from Punjab. The annual income of Mr. J. S. is INR 4 lakh and he needs INR 1.5 lakh due to unseasonal rains affecting his harvest. Mr. J. S. does not own the land he cultivates, which complicates the documentation and approval process. ABC bank requires the following documents for loan processing:

- Identity Proof: Aadhaar card, Voter ID, PAN etc.
- Address Proof: Aadhaar card, Driving License (DL) etc.
- Proof of Landholding: Certified by local authorities.
- Crop pattern and land details: To assess the farming scale.
- Security Documents: For loans above Rs. 1.60 lakhs
- Other Documentation: As required by bank.

With the ULI platform, ABC bank can directly access most of these documents, with Mr. J. S. consent:

- **KYC/Identity Verification**

Aadhaar: UIDAI for identity validation.

Regional Transport Office (RTO): For driving license details.

Election Commission: For voter registry information.

- **Farming-related Data**

Landholdings: Access to verified data.

Crop Patterns: Information on crops and land details.

Satellite Data: For land use and crop condition verification.

- **Data Custodians**

Aadhaar Vault: For identity verification.

Election Commission: For voter ID.

Ministry of Statistics: For rural demographic data.

Union Ministry of Agriculture: For agricultural records.

National Remote Sensing Centre (NRSC) of Indian Space Research Organisation (ISRO): For satellite data verification.

Potential Impact: By leveraging ULI, ABC bank can efficiently validate Mr. J. S. identity, farming details and financial history. This reduces manual errors, speeds up the loan process and ensures a seamless loan approval enabling Mr. J. S. to receive the necessary support for his agricultural needs.

(III) MSME Loans

MSME loans are rapidly growing with NBFCs seeing 3 times increase in FY 2022-23, outpacing banks. However, MSMEs still face significant challenges in accessing credit, mainly due to lack of sufficient documentation, leading to higher interest rates and delayed approvals.

ULI addresses this by allowing MSME borrowers to apply for loans from various banks/NBFCs through a single platform, offering extensive information on loan products and enabling swifter and transparent credit system.

Case Scenario: XYZ Finance Ltd. and M/s P Agencies' Loan application

XYZ Finance Ltd., a prominent NBFC in India, has introduced a new credit product for MSMEs based on GST returns. M/s P agencies, a small business, applies for a loan of INR 25 lakhs. Without ULI, the process would require numerous documents, including:

- **Identity Proof:** PAN card, Aadhaar card, passport, voter ID etc.
- **Residence Proof:** Utility bill, ration card, Aadhaar card or driving license.
- **Business Proof:** GST Certificate, Udyam Registration Certificate, Trade license, lease agreement or utility bill.
- **Income Proof:** Income tax returns, profit and loss statement, balance sheet, bank statements, GST return.
- **Business Registration:** Partnership deed, Udyam registration, Memorandum of Understanding (MoU), Articles of Association (AoA) or licenses.

Currently, XYZ Finance Ltd. has only received the application, Income Tax Returns (ITRs) and GST registration certificate with other documents pending.

ULI simplifies this by directly fetching the required documents from data custodians upon M/s P agencies' consent:

- **Know Your Customer (KYC)/Identity Verification**
UIDAI: For Aadhaar-based identity verification.
Income Tax Site: For PAN validation.
- **Business Data**
Income Tax Records: To verify financial standing, verification of ITRs.
GST Returns: To validate tax filings.
- **Additional Documentation**
ULI fetches data from relevant sources like CIBIL, CRIF etc to assess creditworthiness and cross-check existing loans with other lenders.

Potential Data Custodians

National Informatics Centre (NIC): For Government databases.

Aadhaar Vault: For identity data.

GST Site: For verification of GST returns.

Impact: ULI enables XYZ Finance Ltd. to quickly access verified, up-to-date documents, reducing manual effort and speeding up loan approval. The platform ensures error-free documentation and provides a holistic view of M/s P agencies' credit profile, improving efficiency and accelerating loan disbursal.

(IV) Home Loans and ULI's Impact

Home loan approvals generally take 2 weeks due to lengthy documentation and verification procedures. DH Finance Ltd., a prominent housing finance company in India, aims to simplify this process through ULI, minimizing the burdensome paperwork and accelerating the approval timeline.

Documents Required for Home Loan:

- Identity and Residence (KYC): Aadhaar, PAN/ Form 60, Passport, Driver's License, Voter ID.
- Income Verification: Salary slips, Bank statements, ITR.
- Property Documentation: Allotment letter, Agreement to sale, Title deeds, No encumbrance certificate, Approved plans, Property Valuation Certificate.
- Additional Documents: Bank statements for loan repayments, Contribution proof.

Impact of ULI: With ULI, all required documents can be seamlessly retrieved from authenticated data custodians once the customer provides consent.

- KYC/Identity: Aadhaar, PAN, Driver's License for identity confirmation.
- Income Verification: Income Tax Returns for financial credibility.
- Property Verification: Allotment letter, title deeds and land records for ownership validation.

Data Custodians

- Aadhaar Vault
- RTO (for driver's license)
- Mahabhumi (for land records)
- Department of Registration and Stamps

Conclusion: By leveraging ULI, DH Finance Ltd. can rapidly access validated documents, accelerating the loan approval process. This results in quicker decisions, reduced documentation hassles and improved customer satisfaction.

Impact of ULI on Financial Inclusion

One of the most transformative aspects of ULI is its ability to drive financial inclusion. By digitizing the lending process, ULI opens up access to credit for millions of previously underserved individuals, particularly in rural areas. The platform's low barriers to entry, real-time processing and minimal paperwork make it easier for people to engage with the formal financial system. This not only empowers individuals but also propels India closer to achieving universal financial inclusion, ensuring that more people have the opportunity to access essential financial services.

The Role of FinTechs in ULI ecosystem

FinTech companies are poised to gain significantly from ULI, as it provides them access to a wide range of lenders through a single platform. This enables FinTechs to gather deeper, more comprehensive customer insights, facilitating more personalized and efficient lending solutions. The collaboration between traditional banks and FinTechs, driven by ULI, is set to revolutionize the lending landscape, fostering innovation, improving customer experience and expanding access to credit.

Regulatory Oversight and Framework

RBI plays a central role in supervising and regulating ULI operations ensuring that financial institutions

adhere to essential standards on credit evaluation, transparency and consumer protection. Furthermore, ULI's integration with Aadhaar facilitates secure and compliant identity verification in accordance with India's privacy regulations. While these safeguards enhance the platform's credibility, challenges persist in maintaining uniform compliance among all participants. Continuous monitoring and oversight are vital to mitigate potential risks and uphold the system's integrity and trust.

Challenges and Roadblocks in ULI Implementation

The rollout of ULI encounters various obstacles including technological challenges like limited internet connectivity in rural regions, digital literacy gaps and concerns over data security. Additionally, traditional financial institutions have been hesitant to fully adopt digital lending models, often preferring their legacy system over newer platforms. Despite broad support for ULI, there are ongoing criticisms, particularly around data privacy concerns and the lack of awareness among rural communities. To ensure that ULI remains inclusive and advantageous for all, ongoing collaboration and commitment from both public and private sectors are crucial.

Comparisons with Other Global Lending Platforms

When compared to global lending systems, ULI stands out due to its deep integration with India's unique digital infrastructure. For example, the inclusion of Aadhaar for secure identity verification and UPI for seamless payments sets ULI apart from other systems. In contrast, China's Peer-to-Peer (P2P) lending platforms focus on high-volume consumer loans, but often face regulatory challenges and a lack of transparency. Similarly, the US online lending ecosystem is driven by private lenders and often relies on credit scores which can exclude underserved populations. In Brazil and Mexico, few online lending platforms, while offering digital lending solutions, face

challenges with trust and data security. ULI's focus on financial inclusion through Government-backed infrastructure like Aadhaar and UPI provides a more secure and accessible framework, particularly for rural and underserved populations. This integrated approach positions ULI as a unique model in the global lending landscape prioritizing both financial inclusion and data security.

ULI and the Future of Lending in India

ULI has the potential to transform India's lending landscape. With advancements in Artificial Intelligence (AI) and machine learning, credit decisions will become more accurate and deeper integration with India's digital infrastructure will streamline services. The Reserve Bank of India plans to expand ULI's scope to include Kisan Credit Cards, housing loans and micro-business loans, enhancing its capabilities and simplifying credit access for diverse borrower profiles.

The key developments include:

- **Credit Assessment Algorithms:** ULI will enable lenders to adopt alternative credit assessment tools, scorecards and algorithms, which will be continually updated to incorporate new data sources for improved risk assessment.
- **Comprehensive Lending Marketplace:** ULI has the potential to transform into an all-encompassing platform, allowing retail customers to explore diverse lenders and loan offerings. It could also offer customized access channels, particularly for regional rural banks and co-operative banks that have limited digital infrastructure.
- **Modular Access Expansion:** ULI can expand its use cases to cover various lending sectors beyond MSMEs and agriculture making it more adaptable to diverse borrower needs.

- **Co-lending Opportunities:** ULI could facilitate co-lending arrangements enabling better understanding of creditworthiness, especially for collateral-backed loans using tokenized assets.

A full-fledged website and microsite will soon launch providing more insights and access for participants and new use cases. Financial institutions can onboard via RBIH simplifying the process.

Policy Recommendations for Strengthening ULI

To fully realize the potential of ULI, policymakers must focus on several key areas:

- **Enhancing Digital Infrastructure:** Improving internet access, particularly in rural and semi-urban regions, to ensure that every segment of society can fully engage with and benefit from ULI. This encompasses upgrading mobile networks, expanding rural broadband and launching digital literacy initiatives.
- **Robust Data Protection Laws:** Establishing and enforcing comprehensive data privacy and security regulations to safeguard user information. The implementation of strict data governance frameworks and regular audits will ensure the platform maintains user trust.
- **Accessibility for Rural Populations:** Focussing on initiatives that make ULI accessible to underserved populations, particularly in rural and remote areas. This can include partnerships with local financial institutions, mobile-based interfaces and outreach programs that educate people on ULI's benefits.
- **Financial Education Campaigns:** Launching targeted financial literacy programs that educate potential borrowers about ULI's benefits, the digital lending process and responsible borrowing practices. Ensuring that users understand the system is crucial for widespread adoption.
- **Partnerships with FinTech Startups:** Encouraging collaboration between traditional

financial institutions and innovative FinTech startups to enhance credit assessment algorithms, streamline loan offerings and improved customer experience. This will help in fostering an inclusive digital lending ecosystem.

- **Standardization of Data Formats and APIs:** Promoting the adoption of standardized data formats and APIs for seamless integration between ULI and various data sources, improving interoperability across the platform. This will enhance the platform's scalability and efficiency.
- **Incentives for Lender Adoption:** Providing incentives for both traditional and non-traditional financial institutions to integrate with ULI. This could include financial incentives, regulatory easing or access to Government-backed credit schemes.
- **Strengthening Fraud Prevention Mechanisms:** Developing and implementing robust fraud detection and prevention systems, including identity verification and transaction monitoring tools to protect borrowers and lenders from fraudulent activities.
- **Expansion of Credit Products:** Continuously expanding the range of credit products offered through ULI covering diverse sectors such as education, healthcare and micro-loans for underserved communities. This will help cater to the varied financial needs of the population.
- **Regulatory Harmonization:** This includes aligning ULI's framework with existing financial

regulations, ensuring consistency with RBI guidelines and other regulatory bodies. This will streamline operations and promote compliance across the board.

By focusing on these policy recommendations, India can unlock the full potential of ULI, driving financial inclusion, enhancing credit access and ensuring the platform's success in the long-term.

Conclusion


In conclusion, the Unified Lending Interface (ULI) marks a transformative shift in India's financial ecosystem, paving the way for enhanced financial inclusion, operational efficiency and transparency. By harnessing cutting-edge technology, ULI has the capacity to revolutionize the access and distribution of credit, especially for underserved populations. Looking forward, the ongoing advancement of ULI, coupled with a robust regulatory framework, will catalyse further innovation, unlocking new avenues for millions. It is evident that ULI plays a crucial role in reshaping the future of lending system in India and its successful deployment will be instrumental in realizing the country's full financial inclusion potential.

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FORTIFYING DIGITAL FINANCE: A HOLISTIC AND CUSTOMER-CENTRIC APPROACH TO COMBATING CYBER FRAUDS

 Shalini Goswami*

Abstract

In an era where digital transactions define the financial landscape, the rise of digital frauds has emerged as a pressing concern. As cybercriminals exploit technological advancements to deceive individuals and institutions, the need for robust customer grievance redressal mechanisms has never been more crucial. Digital fraud not only causes financial losses but also erodes trust in digital banking systems, creating long-term repercussions for consumers and financial institutions alike.

This research paper cum essay delves into the various forms of digital fraud, assessing their impact on stakeholders while analyzing existing redressal frameworks. By examining theoretical models, real-world case studies and regulatory interventions, the study presents a comprehensive exploration of fraud resolution strategies. Additionally, it highlights areas where existing mechanisms can be enhanced to ensure a more resilient and customer-centric approach to fraud mitigation.

Introduction

Digital fraud encompasses a wide range of deceptive activities exploiting digital platforms to manipulate financial transactions. These fraudulent activities impact individuals, businesses and financial institutions globally. To counteract these threats, regulatory authorities and banks have implemented grievance redressal mechanisms that aim to provide swift and effective resolutions.

The digital age has revolutionized the way financial transactions are conducted, offering speed, efficiency and accessibility. However, with great convenience comes significant risk. The proliferation of digital payments and online banking has given rise to sophisticated cyber threats, making digital fraud one of the most pressing challenges in the financial sector today. Cybercriminals continuously evolve their tactics, exploiting loopholes in security systems and deceiving unsuspecting users. From phishing scams and identity theft to ransomware attacks and fraudulent transactions, digital frauds manifest in multiple forms, jeopardizing financial security on a global scale.

The economic and psychological ramifications of such fraudulent activities are profound. Victims not only suffer from financial losses but also endure distress, a breach of privacy and a decline in trust towards digital platforms. For financial institutions, these frauds result in reputational damage, regulatory penalties and the continuous challenge of fortifying cyber security measures. To mitigate these threats, Governments and banking institutions have established robust grievance redressal mechanisms aimed at addressing customer complaints efficiently. Yet, despite these efforts, the road to justice is often marred by bureaucratic hurdles, delayed responses and a lack of awareness among victims.

This research paper cum essay provides an in-depth analysis of digital fraud, categorizing its different

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forms, assessing its impact and evaluating the efficiency of existing redressal mechanisms. It delves into real-life case studies, regulatory frameworks and emerging technologies designed to combat fraud, while also proposing strategic recommendations to enhance customer protection. In an era where digital transactions have become indispensable, the need for proactive, adaptive and customer-centric grievance resolution systems has never been more critical.

"The best way to predict the future is to create it." - Peter Drucker.

This quote underscores the importance of foresight and preparedness in the realm of cyber security, advocating for continuous innovation in fraud prevention and resolution mechanisms.

Understanding Digital Frauds

Definition of Digital Fraud

Digital fraud refers to deceptive practices carried out using electronic means to manipulate or access financial resources unlawfully. The fraudsters employ sophisticated techniques such as phishing, vishing, malware attacks and data breaches to exploit vulnerabilities in the financial ecosystem.

Key Definitions from various Organizations

Reserve Bank of India (RBI)

Digital fraud encompasses all types of fraudulent activities conducted via electronic payment systems, including online banking, mobile wallets and card transactions, leading to financial losses for customers and institutions.

Interpol (International Criminal Police Organization)

Digital fraud refers to any act committed to gain an illegal advantage using digital tools, networks or services, often exploiting loopholes in cyber security and financial systems.

Association of Certified Fraud Examiners (ACFE)

Digital fraud is the intentional use of deception via digital means to secure unlawful gains, typically by misrepresenting identity, forging digital documents or exploiting cyber security vulnerabilities.

Oxford Dictionary of Finance and Banking

A form of financial crime where individuals or entities use electronic means, including hacking, phishing, and fraudulent online transactions, to defraud victims of money, services or personal data.

Indian Cyber Crime Coordination Centre (I4C)

Digital fraud is a broad category of cyber crime where technology is misused to manipulate financial transactions, often involving identity theft, fraudulent communication and unauthorized digital access.

Thus, we can explain it like digital fraud refers to any deceptive or criminal act conducted using digital platforms, networks or electronic devices to manipulate, steal or exploit financial resources and sensitive data. These frauds often involve unauthorized access, identity manipulation or technological exploitation to deceive individuals, businesses or financial institutions.

Types of Digital Frauds

- *Phishing and Vishing:* Fraudsters impersonate legitimate institutions to obtain sensitive information.
- *Identity Theft:* Unauthorized access to personal credentials leading to financial fraud.
- *SIM Swap Fraud:* Criminals duplicate SIM cards to intercept One Time Passwords (OTPs) and authenticate fraudulent transactions.
- *E-Wallet Frauds:* Unauthorized transactions via digital wallets exploiting security loopholes.
- *Ransomware Attacks:* Cyber criminals encrypt financial data and demand ransom for decryption.

- *Man-in-the-Middle Attacks:* Interception of communication to manipulate transactions.
- *Card Skimming:* Fraudulent cloning of debit/credit cards through compromised Automated Teller Machine (ATMs) and Point-of-Sale (POS) terminals.

The Impact of Digital Frauds on Customers

- *Financial Loss:* Digital fraud often results in direct monetary loss, where customers find their accounts debited without authorization. Recovering lost funds can be time-consuming and in some cases, impossible.
- *Emotional Distress:* Victims of digital fraud experience significant emotional turmoil, including stress, anxiety and a sense of vulnerability. This can negatively impact their confidence in digital financial systems.
- *Trust Deficit in Digital Banking:* A history of fraud can cause customers to lose trust in digital banking, leading them to avoid online transactions, which in turn, affects the growth of digital finance.

The Impact of Digital Frauds on Financial Institutions

- *Reputational Damage:* Frequent fraud incidents tarnish a financial institution's credibility, making customers wary of its services and leading to potential customer attrition.
- *Regulatory Fines and Compliance Costs:* Financial institutions failing to implement robust fraud prevention mechanisms may face regulatory penalties, increasing operational costs.
- *Increased Cyber security Investment:* To combat evolving cyber threats, banks and financial institutions must continuously invest in cutting-edge cyber security infrastructure, incurring substantial costs.

"Fraud and falsehood only dread examination. Truth invites it." – Thomas Paine, underscoring the need for transparency.

Mechanisms for Customer Grievance Redressal

Banking Ombudsman Scheme (BOS) by RBI

The Banking Ombudsman is an RBI-appointed authority handling customer grievances related to banking services, including digital fraud.

- *Eligibility:* Customers dissatisfied with bank responses can approach the Ombudsman.
- *Procedure:* Complaint filing, examination, mediation and final decision.

Integrated Ombudsman Scheme, 2021

The RBI consolidated various ombudsman schemes under one umbrella to simplify grievance redressal in digital transactions.

Consumer Protection (E-Commerce) Rules, 2020

These rules provide additional protection for consumers against online fraud, ensuring accountability of digital service providers.

Digital Banking and Cyber Security Initiatives

Two-Factor Authentication (2FA): Enhances security for online transactions.

Real-Time Fraud Detection Systems: AI-based monitoring tools for suspicious transactions.

Customer Awareness Campaigns: Educating users about phishing, vishing and safe banking practices.

Challenges in Customer Grievance Redressal

- **Delayed Redressal Process:** One of the most significant challenges in grievance redressal is the prolonged turnaround time. Due to bureaucratic processes, a lack of streamlined procedures and high complaint volumes, customers often experience delays in resolving their fraud-related

grievances. This delay can exacerbate financial losses and emotional distress, making timely intervention crucial.

- **Limited Awareness among Customers:** Many customers are unaware of their rights, about the grievance redressal mechanisms available and the proper steps to take in case of digital fraud. Fraudsters exploit this gap in knowledge, leading to an increase in successful scams. Awareness campaigns and user education programs remain essential to bridge this gap and empower customers to act promptly when faced with fraud.
 - **Jurisdictional Complexities:** Digital fraud often transcends national borders, making enforcement and resolution more complicated. Cases involving international entities or cross-border financial transactions face legal and regulatory hurdles, as different countries have varied laws and enforcement capabilities. The lack of a global framework for addressing cross-border digital fraud further complicates resolution efforts.
 - **Evolving Fraud Techniques:** Cyber criminals continuously adapt their tactics to bypass existing security measures. As financial institutions implement stricter authentication protocols, fraudsters develop sophisticated methods like AI-driven phishing, deepfake identity fraud and social engineering attacks. The constantly changing nature of fraud necessitates continuous updates to grievance redressal mechanisms and cyber security policies.
 - **Limited Efficiency of Existing Mechanisms:** While regulatory bodies such as the Banking Ombudsman and the Integrated Ombudsman Scheme provide structured grievance redressal frameworks, their effectiveness is often hindered by procedural inefficiencies. Some cases remain unresolved due to a lack of coordination between
- banks, law enforcement agencies and regulatory authorities. Additionally, customers may face challenges in navigating complex documentation requirements, which further delays justice.
- **Insufficient Use of Technology in Complaint Resolution:** While financial institutions leverage Artificial Intelligence (AI) and machine learning for fraud detection, their integration into customer grievance redressal remains limited. Automated dispute resolution systems and AI-driven case prioritization could enhance efficiency and reduce delays. However, most current systems still rely heavily on manual processes, slowing down resolution timelines.
 - **Lack of Customer Support Accessibility:** Many customers struggle to access efficient support due to long wait times on helplines, unresponsive customer service teams or inadequate digital complaint portals. In cases of urgent fraud, delayed responses from banks and authorities can lead to irreversible financial losses. Improving the accessibility and responsiveness of grievance redressal channels is crucial for customer protection.
 - **Lack of Accountability among Financial Institutions:** Some banks and digital financial platforms fail to take adequate responsibility for fraudulent transactions, often shifting the blame to the customers for negligence. This lack of accountability discourages victims from pursuing complaints and highlights the need for stricter enforcement of consumer protection laws.
 - **Language and Digital Literacy Barriers:** In a diverse country like India, digital grievance redressal platforms often lack regional language support, making it difficult for non-English-speaking customers to report fraud effectively. Additionally, individuals with limited digital literacy may struggle to navigate online

complaint portals, leading to underreporting of fraud incidents.

- **Cyber crime Investigation Bottlenecks:** Law enforcement agencies dealing with cyber crime often face challenges such as limited technical expertise, inadequate resources and jurisdictional restrictions. The slow pace of cyber crime investigations further complicates the redressal process, leaving victims without timely justice.

Recommendations

AI-Driven Fraud Detection: Leveraging artificial intelligence and machine learning models for real-time fraud detection can significantly reduce fraudulent transactions. AI-driven systems can analyze transaction patterns, detect anomalies and flag suspicious activities before financial damage occurs. Additionally, predictive analytics can help institutions identify potential fraud risks and take proactive measures to mitigate them.

Stronger Legal Frameworks and Stricter Penalties: Strengthening cyber crime laws and imposing stringent penalties on digital fraudsters can serve as a strong deterrent. Governments should ensure that cyber criminals face severe consequences, including extended prison sentences and heavy fines. Additionally, financial institutions must be held accountable for any negligence in implementing adequate security measures and ensuring customer protection.

Customer Compensation Mechanism: A faster and more transparent refund process should be established to compensate fraud victims promptly. Regulatory bodies like the Reserve Bank of India (RBI) should mandate pre-defined timelines for financial institutions to investigate and refund unauthorized transactions. Simplifying the claim process, reducing documentation requirements and setting up dedicated customer support teams for fraud-related grievances can further enhance this mechanism.

Cross-Border Collaboration and International Cyber security alliances : Digital fraud often involves cross-border transactions, making enforcement and resolution challenging. Strengthening international cooperation through agreements between financial regulators, cyber security agencies and law enforcement bodies can enhance fraud investigation capabilities. Countries should develop unified frameworks for information sharing, legal proceedings and the repatriation of fraudulently acquired funds.

Enhanced Regulatory Surveillance and Periodic Audits: Financial institutions should be subject to regular audits and compliance checks to ensure adherence to cyber security protocols and fraud mitigation guidelines. Regulatory bodies like the RBI and Financial Intelligence Units (FIUs) should enforce strict compliance with anti-fraud policies, imposing penalties on banks that fail to protect customers from digital fraud. Additionally, institutions should be required to publish periodic fraud prevention reports to maintain transparency.

Widespread Customer Awareness and Digital Literacy Programs: Educating customers about online fraud risks through awareness campaigns, financial literacy programs and interactive workshops can significantly reduce the likelihood of falling victim to scams. Banks should implement mandatory fraud prevention training for new customers and send periodic alerts regarding emerging fraud techniques. Government agencies and non-profit organizations should collaborate to improve digital literacy, especially in rural areas where cyber fraud awareness is limited.

Multi-Layered Security Measures and Biometric Authentication: Strengthening security infrastructure by integrating biometric authentication (fingerprint, retina scan, facial recognition) can enhance fraud prevention. Implementing multi-layered security protocols, including behavioral analysis and device

recognition, can provide an additional safeguard against unauthorized access. The use of tokenization and blockchain-based security models should also be explored for improved transaction safety.

Strengthening Banking Ombudsman and Consumer Protection Laws: The Banking Ombudsman Scheme should be enhanced to provide a faster and more efficient grievance redressal mechanism. Dedicated cyber-ombudsman units should be established to specifically handle digital fraud-related complaints. Further, consumer protection laws should be revised to include clearer liability provisions, ensuring that financial institutions take responsibility for customer security lapses.

24/7 Dedicated Cyber crime Helplines and Emergency Response Teams: Establishing round-the-clock cyber crime helplines with dedicated fraud response teams can provide immediate assistance to fraud victims. A centralized platform where customers can report fraud in real time can help in freezing fraudulent transactions before funds are transferred beyond recovery. Financial institutions should also introduce an auto-block feature for suspicious transactions, giving customers the option to approve or reject high-risk payments instantly.

Ethical Hacking and Regular Security Testing: Banks and fintech companies should actively engage ethical hackers to conduct periodic penetration testing and vulnerability assessments. By identifying security loopholes before fraudsters exploit them, institutions can significantly enhance their digital security framework. Encouraging a bug bounty program, where cyber security professionals are rewarded for reporting vulnerabilities, can also help institutions stay ahead of cyber criminals.

Conclusion

Digital fraud remains a persistent and evolving threat in the modern financial landscape. Despite significant

advancements in cyber security and regulatory frameworks, fraudsters continuously adapt their techniques, making customer protection a moving target. The key to effectively mitigating digital fraud lies in a multi-faceted approach - combining robust regulatory policies, advanced technological solutions, financial literacy and international cooperation.

Financial institutions must take proactive measures by strengthening their fraud detection capabilities through AI-driven surveillance, blockchain security and biometric authentication. The role of financial regulators, such as the Reserve Bank of India (RBI) and global cyber security agencies, is crucial in enforcing strict compliance measures to ensure that banks and digital platforms maintain high-security standards. Additionally, enhancing fraud response teams, imposing stricter penalties on cyber criminals and implementing real-time transaction monitoring can significantly reduce fraudulent activities.

Customers, on their part, must remain vigilant and proactive in safeguarding their personal and financial information. Regularly updating passwords, enabling Two-Factor Authentication (2FA), and being cautious of phishing scams are essential practices that can mitigate fraud risks. Financial literacy campaigns should be intensified to educate users on recognizing and responding to digital fraud threats, particularly in rural and semi-urban areas where awareness remains relatively low.

The fight against digital fraud is not a solitary endeavor but a collective responsibility. Government agencies, financial institutions, cyber security experts and consumers must collaborate to build a more secure digital financial ecosystem. Strengthening international alliances and establishing global cyber security frameworks will further enhance fraud prevention measures and streamline the resolution of cross-border digital crimes.

The future of digital transactions depends on

continuous advancements in fraud prevention strategies. By reinforcing grievance redressal mechanisms, integrating cutting-edge technology and promoting cyber security awareness, we can move toward a more secure, resilient and fraud-free digital financial world.

“Security is not a product, but a process.” - Bruce Schneier, emphasizing the need for continuous vigilance in fraud prevention.

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Summary of Advanced Management Programme (AMP) Project Report

**“Role of Regional Rural Banks in the Indian Financial System:
A Contemporary Analysis”**

Year: 2024-25

**AMP Project completed by: Mr. Baidya Nath Singh,
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**Guided by: Mr. Tusharendra Barpanda, Zonal Head, Professional Development
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Established as specialized financial intermediaries, Regional Rural Banks (RRBs) have been integral to India's strategy for fostering financial inclusion and equitable rural development for nearly five decades. This study undertakes a critical evaluation of the contemporary role and operational efficacy of RRBs within the Indian financial system. It seeks to analyze their contribution to rural credit dissemination, mobilization of savings and the facilitation of sustainable economic growth in hinterlands. Utilizing a mixed-method approach, the study synthesizes quantitative analysis of secondary financial data from regulatory bodies with qualitative insights derived from primary surveys of RRB stakeholders. The study confirms the pivotal role of RRBs in extending financial services to small and marginal farmers, agricultural labourers and rural artisans, thereby, acting as crucial conduits for Government development schemes and empowering Self-Help Groups (SHGs).

However, the analysis also illuminates significant operational and strategic challenges confronting these institutions. These include persistent issues with asset quality in specific sectors, sub-optimal adoption of digital banking technologies by their target clientele and demonstrable gaps in financial literacy and credit counselling outreach. Despite these impediments, the financial performance of the RRBs has exhibited a robust positive trajectory in recent years, marked by record profitability, improved asset quality and an enhanced credit-deposit ratio. A key finding revealed a potential concentration risk in the loan portfolios of several RRBs heavily

skewed towards SHG financing. The study concludes with a set of strategic recommendations aimed at policymakers and RRB management, focusing on enhancing digital penetration, streamlining service delivery, diversifying credit portfolios and reinforcing their foundational role as catalysts for a financially empowered and resilient rural India.

Introduction

The architectural design of India's financial system has historically grappled with the challenge of a persistent urban-rural dichotomy. Despite significant strides in banking sector development post-independence, a vast swathe of the nation's rural populace remained systematically excluded from the formal financial ecosystem. This exclusion was not merely a matter of geographical distance but a complex socio-economic barrier that stifled rural potential, perpetuated cycles of debt and widened economic disparities. In response to this structural lacuna, the Government of India, acting on the seminal recommendations of the Narasimham Working Group, conceptualized a new class of financial institution - the Regional Rural Bank.

The first five RRBs were established on October 2, 1975, under the legislative framework of the RRB Act, 1976. The core philosophy underpinning their creation was to forge a synergistic hybrid institution that married the local familiarity and grassroots connect of co-operative banks with the professional management and financial robustness of commercial banks. Their mandate was explicit: to serve as dedicated vehicles for delivering credit and other banking services to the most marginalized segments of rural society - small

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and marginal farmers, agricultural labourers and rural entrepreneurs.

Over the ensuing decades, RRBs have evolved into an indispensable component of the rural credit delivery mechanism. Their journey, however, has been characterized by both commendable successes and formidable challenges. They have been instrumental in mobilizing rural savings, extending credit for productive purposes and acting as the primary interface for the Government's Direct Benefit Transfer (DBT) schemes. Concurrently, they have contended with issues of financial viability, operational inefficiencies, mounting Non-Performing Assets (NPAs) and the imperative of technological adaptation in an increasingly digitized world. As India navigates a dynamic economic landscape shaped by digital transformation and a renewed policy focus on inclusive growth, a comprehensive reassessment of the role, relevance and strategic direction of RRBs is both timely and imperative. This study aims to provide such an in-depth, evidence-based analysis of their contemporary position within the Indian financial system.

Objectives of the Study

The overarching objective of this study was to conduct a holistic evaluation of the role and impact of Regional Rural Banks (RRBs) in the promotion of financial inclusion, the facilitation of rural credit accessibility and the stimulation of sustainable economic development within the broader framework of the Indian financial system. This primary goal anchors the study in a critical assessment of the effectiveness, evolution and systemic integration of RRBs.

To achieve this comprehensive aim, the study pursued a set of specific and delineated objectives:

- To trace the historical evolution and examine the foundational policy rationale behind the establishment of RRBs in India.
- To evaluate the operational and financial performance of the RRB sector, with a particular focus on the last two decades, analyzing key performance indicators such as capital adequacy, asset quality, profitability and productivity.

- To critically assess the specific role of RRBs in promoting financial inclusion and deepening rural credit delivery, including their participation in Government-sponsored schemes.
- To identify and analyze the primary challenges and operational constraints - including technological, human resource and regulatory impediments - faced by RRBs in the effective fulfilment of their mandate.
- To conduct a detailed analysis of the business portfolio of RRBs, examining its composition both segment-wise and product-wise, with a focused investigation into the Self-Help Group (SHG) loan portfolio and its implications.
- To analyse the role played by RRBs in the market for Priority Sector Lending Certificates (PSLCs) as a mechanism for revenue generation and risk management.
- To formulate a set of strategic and data-driven recommendations for policymakers, regulatory bodies and the management of RRBs to strengthen their institutional capacity and enhance their efficacy as agents of inclusive rural finance.

Research Methodology

To ensure a rigorous and multifaceted investigation into the complex role of RRBs, the study employed a mixed-method research methodology. This approach facilitates the triangulation of findings by integrating quantitative financial analysis with qualitative stakeholder perceptions, thereby, providing a more nuanced and holistic understanding of the subject.

The quantitative component involved an extensive analysis of secondary data. The main sources for this data were the official annual publications of the National Bank for Agriculture and Rural Development (NABARD), including "Key Statistics of RRBs," published annual reports of concerned RRBs and various reports from the Reserve Bank of India (RBI), such as the "Report on Trend and Progress of Banking in India." This longitudinal data, spanning over a decade, was utilized to analyze trends in the financial performance, asset quality, credit deployment and productivity of the RRB sector as a whole.

The qualitative component was designed to capture the experiential dimensions of RRB operations and was based on the collection of primary data. A structured survey questionnaire was administered to a stratified sample of RRB customers across different regions to gauge their awareness of services, satisfaction levels, digital banking adoption and perceptions of service quality. The sample included farmers, small business owners and members of Self-Help Groups to ensure a diverse representation of the RRB clientele. In addition, semi-structured interviews were conducted with Branch Managers and Senior Officials from RRBs to gather insights into operational challenges, strategic priorities and institutional perspectives.

The data analysis was conducted in two phases. Quantitative data were analyzed using descriptive statistics to identify trends and patterns in key financial indicators. The primary survey data were analyzed using simple percentage analysis and graphical representations to interpret customer feedback. Qualitative data from interviews were subjected to thematic analysis to identify recurring themes and critical insights. The synthesis of these two analytical streams forms the foundation of the findings and recommendations presented in the study.

The Institutional Profile of RRBs

Regional Rural Banks (RRBs) represent a unique tier in India's banking structure, conceived specifically to address the credit gaps in rural areas. Their institutional framework is defined by a tripartite ownership model where the equity is held by the Central Government (50%), the concerned State Government (15%) and a Sponsor Bank (35%), which is normally a Public Sector Bank. This structure is designed to leverage the broad policy direction of the Central Government, the localized developmental priorities of the State and the banking expertise of the sponsor institution.

The genesis of RRBs in 1975 was a direct policy response to the realization that neither commercial banks, with their urban orientation, nor co-operative banks, with their managerial and financial weaknesses, were adequately equipped to meet the credit demands of the rural poor. The primary objectives enshrined in the RRB Act, 1976, were two-

fold: first, to provide credit and other banking facilities, especially to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs; and second, to mobilize rural savings and channel them into productive activities within their area of operation.

Over the years, the RRB landscape has undergone significant structural transformation. Recognizing the challenges of operational fragmentation and financial non-viability that plagued the initial large number of standalone RRBs (196 at their peak), the Government of India initiated a phased process of amalgamation in 2005. This consolidation, based on the principle of "One state, One sponsor bank" (with some exceptions), aimed to create larger and more robust RRBs with enhanced scale, improved operational efficiency and stronger financial footing. This has resulted in the number of RRBs being rationalized to 43 as of March 2023.

NABARD functions as the apex supervisory authority for RRBs, providing them with policy guidance, inspection oversight and crucial refinancing support to augment their resource base for lending. This comprehensive regulatory and ownership framework positions RRBs as critical instruments of public policy, tasked with the dual mandate of pursuing commercial viability while simultaneously fulfilling their social objective of inclusive rural development.

Financial Performance of Regional Rural Banks

A granular analysis of the financial statements of RRBs reveals a sector that has navigated significant challenges to emerge with enhanced financial strength and operational resilience in recent years. The consolidated financial position as of 31st March, 2023 underscores this positive trajectory.

- **Balance Sheet Growth:** The consolidated balance sheet of the 43 RRBs expanded by 9.4% during FY 2022-23, reaching an aggregate size of ₹7.71 lakh crore. This growth was propelled by healthy expansion on both the liabilities and assets side.
- **Owned Funds:** The owned funds of RRBs, comprising share capital and reserves, grew by a robust 16.5% to ₹57,356 crore, bolstered by

capital infusion from stakeholders and internal accruals from profits.

- **Deposits:** Deposits remain the primary source of funds, constituting 78.9% of total resources. Aggregate deposits grew by 8.2% to reach ₹6.08 lakh crore. A significant strength of the RRB deposit portfolio is its high share of low-cost Current Account and Savings Account (CASA) deposits, which stood at 54.5%. This is higher than the CASA ratios of Public Sector Banks (42.1%) and Private Sector Banks (45.0%), providing RRBs with a stable and low-cost source of funding. While RRBs account for only 3.2% of the total deposits of all Scheduled Commercial Banks (SCBs), they service a disproportionately high 13.7% of the total deposit accounts, attesting to their deep penetration among small savers.
- **Borrowings:** Borrowings grew by 14.7% to ₹84,712 crore, with RRBs increasingly diversifying their funding sources beyond NABARD and Sponsor Banks to include institutions like Micro Units Development & Refinance Agency Ltd. (MUDRA).
- **Investments:** The investment portfolio grew by 6.0% to ₹3.13 lakh crore. The majority of these investments were held in Statutory Liquidity Ratio (SLR) securities (67.0%) and term deposits with other banks (29.6%).
- **Loans and Advances:** The gross loan portfolio registered a strong growth of 13.2%, reaching ₹4.11 lakh crore. This credit expansion was primarily directed towards the Priority Sector, which constituted 88.3% of the total advances. Within this, the agriculture sector was the largest recipient, accounting for 68.6% of the total loan book, reaffirming the RRBs' commitment to their core mandate.
- **PSLC Transactions:** RRBs have adeptly utilized the Priority Sector Lending Certificates (PSLCs) market to monetize their surplus in priority sector lending. In FY 2022-23, the total volume of PSLCs traded by RRBs increased by 27.9% and their share in the overall PSLC market rose to an impressive 41.7%, yielding a net income of ₹2,741 crore.
- **Ground Level Credit (GLC) flow:** RRBs disbursed ₹2.42 lakh crore towards agriculture in FY 2022-23, an 18.7% increase over the previous year. Their share in the total agricultural GLC stood at 11.2%.
- **Agricultural Credit achievement:** Against a target of ₹2.20 lakh crore for agricultural credit in FY 2022-23, RRBs achieved a disbursement of ₹2.42 lakh crore, representing an achievement rate of 110%.
- **Profitability:** The profitability of the RRB sector has witnessed a remarkable turnaround. After incurring losses in FY 2018-19 and FY 2019-20 (primarily due to the provisioning for pension liabilities), the sector has been consistently profitable. In FY 2022-23, RRBs posted their highest-ever consolidated net profit of ₹4,974 crore, a year-on-year growth of 54.5%. A total of 37 out of 43 RRBs were profitable during the year.
- **Asset Quality:** There has been a significant improvement in the asset quality of RRBs. The consolidated Gross Non-Performing Assets (GNPA) ratio declined from 9.1% in March 2022 to 7.3% in March 2023, its lowest level in seven years. The Net NPA (NNPA) ratio also improved substantially, falling from 4.7% to 3.2% over the same period. The Provision Coverage Ratio (PCR) strengthened from 52.0% to 59.2%.
- **Productivity:** Both per-branch and per-employee productivity metrics have shown consistent improvement. Business per branch increased to ₹46.3 crore, while business per employee rose to ₹11.1 crore as of March 2023.
- **Credit-Deposit (CD) Ratio:** Reflecting a more efficient deployment of resources, the consolidated CD ratio improved to 67.5% as of March 2023, the highest level recorded in over 15 years.
- **Performance in Government Schemes:** RRBs continue to play a pivotal role in the implementation of the Government's flagship financial inclusion schemes. Their share in the cumulative enrolments under schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY) and Atal Pension Yojana (APY) stood at 18.8%, a

figure that far surpasses their ~3% share in the total business of the banking system.

- **SHG Financing:** RRBs have played a significant role in the SHG-Bank Linkage Programme pioneered by NABARD. As on 31 March, 2023, 40.48 lakh SHGs were savings linked with RRBs having total savings of ₹18,203 crore as compared to 35.83 lakh SHGs with total savings of ₹13,791 crore as on 31 March, 2022, maintaining agency-wise share of 30% in total SHGs savings linked to banks. Further, 15.70 lakh SHGs were credit linked during 2022-23 as compared to 11.05 lakh SHGs during 2021-22 by RRBs with an agency-wise share of 37%. The NPA as percentage to loans to SHGs for RRBs stood at 2.48% as on 31 March, 2023 as compared to 3.14% and 3.99% as on 31 March, 2022 and 31 March, 2021, respectively.

Data Analysis and Interpretation

The primary data collected through surveys with rural customers provides crucial context to the financial data, revealing the on-the-ground realities of the RRB-customer interface.

The analysis indicates a high level of institutional awareness, with 90% of respondents (40% fully aware, 50% partially aware) cognizant of the existence and services of RRBs. This suggests that RRBs have successfully established a strong physical and mental presence in their operational areas. However, the utilization of their services is heavily skewed towards traditional products. While savings accounts are used by a majority (60%), more complex products like agricultural loans (30%) and insurance (10%) are significantly underutilized. This points to a potential gap in product awareness, accessibility or suitability for the target clientele.

Customer satisfaction, a key metric of service quality, was found to be largely moderate (70%). While this indicates that RRBs are meeting basic banking needs, the low percentage of “highly satisfied” customers (20%) suggests a deficit in delivering an exceptional customer experience. Key areas for improvement likely lie in service efficiency, transparency and responsiveness.

A critical finding emerges in the domain of digital banking. A significant 50% of respondents are only partially aware of digital channels and 20% are completely unaware. This knowledge gap translates into low adoption, with cash remaining the dominant transaction mode for 40% of users. The combined usage of mobile and internet banking stands at only 30%, highlighting persistent barriers related to digital literacy, handset availability, internet connectivity and perceived security risks.

The timeliness of credit delivery remains a significant operational challenge. A majority of loan-availing respondents (50%) reported experiencing delays in disbursement, with a further 10% stating their loan was not disbursed at all. Such delays can have severe adverse consequences for rural borrowers, particularly in agriculture, where credit needs are time-sensitive. This points to inefficiencies in loan appraisal, documentation and sanctioning processes that require urgent attention.

In contrast, the human element of service delivery emerged as a distinct strength. A substantial 50% of customers reported that the behaviour of branch staff was “highly influential” in their decision to continue their banking relationship. This underscores the importance of courteous, empathetic and supportive staff in building trust and loyalty in rural communities. However, the study also revealed a concerning lack of engagement with crucial value-added services. An alarming 70% of respondents had never attended a financial literacy program and half were unaware of any available credit counselling services. This represents a significant missed opportunity for RRBs to empower their customers with financial knowledge and advisory support.

Major Findings of the Study

The synthesis of quantitative financial analysis and qualitative stakeholder feedback yields several major findings that encapsulate the current state of RRBs in India.

First, RRBs have unequivocally succeeded in their primary mission of financial outreach. Their high share of deposit accounts relative to their balance sheet size, their dominant role in implementing

Government financial inclusion schemes and their deep penetration in rural areas confirm their status as vital institutions for last-mile delivery of banking services and products.

Second, the financial health of the RRB sector has demonstrably improved. The turnaround in profitability, consistent reduction in NPAs and strengthening of the CD ratio point to enhanced operational efficiency and better risk management practices, likely driven by the benefits of amalgamation and focused supervisory oversight by NABARD.

Third, despite their institutional strengths, RRBs face a significant challenge in transitioning their customer base to digital platforms. The low adoption of digital banking represents a critical bottleneck that not only limits operational efficiency but also risks leaving rural customers behind in an increasingly digital financial ecosystem.

Fourth, service delivery, particularly in the domain of credit, is hampered by procedural inefficiencies. The prevalence of delays in loan disbursement is a major pain point for customers and undermines the core objective of providing timely credit.

Fifth, the study identifies a potential concentration risk in the loan portfolios of certain RRBs. RRBs concentration in SHGs financing ranges from 1.59% to 59.07% of total loans and advances. Five RRBs viz: Uttar Banga Kshetriya Gramin Bank (46.21%), Pashchim Banga Gramin Bank (48.28%), Bangia Gramin Bank (59.07%) (All three RRBs in West Bengal), Jharkhand Rajya Gramin Bank (26.74%) and Odisha Gramya Bank (32.95%) have SHG loan outstanding more than 25% of their total loans and advances. While the asset quality of the SHG portfolio is currently excellent (NPA of 2.48%), this over-reliance on one sector creates a vulnerability to any systemic shocks that may affect the microfinance environment, necessitating a strategic push towards portfolio diversification.

Given that a significant portion of the total loans and advances for several Regional Rural Banks (RRBs) is concentrated in Self-Help Group (SHG) financing, a notable concentration risk emerges. This heavy concentration exposes these RRBs to

potential adverse impacts stemming from changes in Government policies related to SHGs, fluctuations in the repayment capacity of SHG members due to economic downturns or social issues and systemic risks affecting the microfinance ecosystem in these regions.

Sixth, there is a profound gap in the provision of financial literacy and advisory services. The low participation in and awareness of these programs indicate that RRBs are not fully leveraging their position to build the financial capabilities of their customers, which is a critical component of sustainable financial inclusion.

Recommendations

To address the identified challenges and build on their inherent strengths, the following strategic recommendations are proposed for RRBs, their sponsor banks and regulatory and supervisory authorities:

Spearhead a Hyper-Localized Digital Literacy

Mission: Instead of generic awareness campaigns, RRBs should design and implement hands-on, hyper-localized digital literacy modules in local dialects. These should be conducted in collaboration with village panchayats and SHGs. Introducing “digital tutors” at branches to provide assisted onboarding and transaction support can help overcome initial inertia and build user confidence.

Re-engineer Credit Delivery Processes: To tackle delays in loan disbursement, RRBs must urgently re-engineer their credit processes. This should involve simplifying application forms, adopting digital land record verification wherever available and implementing a robust and transparent loan application tracking system. Setting and monitoring strict Turnaround Times (TATs) for different loan products should be a key performance metric.

Mitigate Concentration Risk through Strategic Portfolio Diversification: RRBs with high exposure to SHG financing must adopt a formal board-approved policy for mitigating concentration risk. This policy should establish internal prudential limits on sectoral exposure. To operationalize this, RRBs must focus on strategic diversification by:

- **Developing Customized Products:** Create tailored credit products for non-SHG segments such as Joint Liability Groups (JLGs) of tenant farmers, rural artisans and individual financing for agri-allied activities (e.g. dairy, poultry, fisheries).
- **Promoting “SHG Graduation”:** Establish a clear pathway for mature and successful SHG members to “graduate” to individual micro-enterprise loans under schemes like MUDRA. This transition helps build individual credit histories and creates a new more diversified asset class.
- **Building Staff Capacity:** Invest in training and capacity building for branch-level staff to equip them with the necessary skills for appraising a wider range of credit proposals, including those from Micro, Small and Medium Enterprises (MSMEs) and rural retail sectors, which require different assessment methodologies than group-based lending.
- **Forging Strategic Partnerships:** Collaborate with local entities like Krishi Vigyan Kendras (KVKs), MSME Development Institutes and Farmer Producer Organizations (FPOs) to generate a quality pipeline of lending opportunities in diverse rural economic activities.

Institutionalize Financial Literacy and Credit Counselling: Financial literacy cannot be an ancillary activity; it must be institutionalized. RRBs should be mandated to conduct a minimum number of financial education camps per branch per quarter. Furthermore, credit counselling services should be proactively offered and publicized, especially to first-time borrowers and those showing early signs of repayment stress.

Invest in Human Capital and Customer Service Excellence: Recognizing that the human interface is a key differentiator, RRBs should invest continuously in training their staff not only in banking operations but also in customer relationship management, communication and digital banking tools. A

performance management system that gives significant weightage to customer satisfaction metrics can further enhance service quality.

Conclusion

In conclusion, Regional Rural Banks remain fundamentally crucial to the architecture of India’s rural financial system. They have successfully carved a niche as trusted, accessible and community-centric institutions that serve as the primary banking touchpoint for millions of rural households. The findings of the study affirm their significant contributions to financial inclusion, credit delivery to priority sectors and the effective implementation of Government welfare schemes. The recent improvements in their financial performance underscore a growing institutional resilience and operational maturity.

However, the journey ahead requires a strategic pivot. The challenges of inadequate digital adoption, persistent inefficiencies in credit delivery and a significant deficit in financial advisory services are not trivial; they represent critical barriers to unlock the full potential of these institutions. The identified concentration risk in the loan portfolios of some RRBs also calls for prudent strategic realignment.

The future effectiveness of RRBs will be contingent on their ability to navigate a dual transformation: an internal transformation focused on enhancing operational efficiency, technological integration and human capital development; and an external transformation focused on empowering their customers to participate fully in a modern, digital economy. By embracing the recommendations outlined—from spearheading digital literacy and re-engineering credit processes to diversifying portfolios and institutionalizing financial education—RRBs can evolve from being mere credit purveyors to becoming comprehensive financial wellness partners for rural India. Their continued evolution is not just an institutional goal but a national imperative for building a truly inclusive, resilient and empowered rural economy.



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