

Post-Covid Transformation in Banking Environment: Emerging Needs for Training and Development Programs

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ABSTRACT

Indian Banking system needs a strategic change in its structural and operational practices to serve the post-COVID driven new-normal clients. Banking operations turned out to be more inclined to a digital transformation path through fintech partnerships and collaborations. As the bank transitions from crisis mode to a more stable but altered operating environment, it will require an efficient, vulnerable, and resilient system to serve its customers. The paper aims to address the issue of the need for strategic changes in the Indian banking sector and frame out the major perspectives in training and development programs for imbibing the changes. A strategic choice model for banking staff training and development programmes is presented here, with key programme areas highlighted. Aligned to the new approach to the structural, operational, and cultural changes in the banking business, it is imperative to develop and adapt training and development programs suitable for the specific functional environment for recovery, growth, and sustenance.

Keywords: Covid19 on Banking Business; Digital transformation in Banks; Strategic Training and Development Programs

INTRODUCTION

Amid the high volatility in the global financial market during the post COVID-19 pandemic regime, the Indian Banking sector has confronted unprecedented uncertainty and risk in its known capital market. Deloitte (2020) noted major changes in the Indian banking sector as a significant reduction in demand from Small and Medium Enterprises (SMEs) or corporates, structural shifts in customer behaviour, and transformation of employee roles and the overall operating model. The Indian banking sector is undergoing a paradigm shift in both its cultural and operational practices since the world has witnessed a metamorphosis in clients' behaviour. This is the time for Indian banks to redesign their operational and structural procedures—a new strategic frontier to face the new economic challenges.

Followed by the right strategic move compatible with the objectives of the post-pandemic stakeholders, it is imperative to prepare the employees for the successful implementation of the new rule. Only training and development programs can meet this gap in any organizations. Banks are no exception.

In this paper, we investigated the need for strategic changes in the Indian banking sector and frame out the major perspectives in staff training and development programs for imbibing the changes successfully. The paper will draw the attention of the researchers and bank authorities to get an insight into how to adapt and constitute employee training and development programs as a component of strategic tools for meeting the challenges that emerged during the post-covid period.

LITERATURE REVIEW

Bellens (2022) of Tapestry Networks observed that banks have responded to the pandemic and future implications are considered as – the emergence of new risks since digital transformation has accelerated coupled with persistent uncertainty that continues to challenge forecasting. It is time to re-evaluate the banking models and ratify their reputations.

Despite time-to-time RBI interventions, the whole Indian banking system has suffered from enormous

economic costs including liquidity issues during the Covid19 pandemic situation (Perwej, 2020). The banking sector has been facing a difficult task in understanding the new behaviour to meet the requirements of consumers with relevant products and services, and to adapt their business services to social changes related to the pandemic situation (Mathew & Sunil, 2022).

Hu, Jadoul and Reich (2021) observed in a McKinsey Report (Shaping and safeguarding the banking workforce after COVID-19 published in April 2020) that the pandemic situation shifted hierarchical structures to agile ones, in which individuals have autonomy, leaders delegate to empowered teams, and relationships are less formal and more flexible.

Carletti *et al.* (2020) argued that 'while banks may enjoy temporary regulatory and supervisory relief, digitalization will receive a large impetus, with new entrants challenging banks. However, 'medium-sized banks will suffer since they cannot manage the cost efficiencies and IT investment that are crucial in the new environment'. They advised the regulatory body (RBI in the case of India) to the assimilation of 'digital disruption by balancing facilitating competition and allowing the benefits of innovation with protecting financial stability.

Abramson *et al.* (2020) postulate that the banking system has undergone two major changes - the ways of working and the ways of engaging. They explain that banks are under revenue pressures which leads to unlocking new revenue streams and capitalizing on COVID-driven market and behaviour changes; cost pressures which impel to redesign processes and systems to leverage advanced technology for efficiency, and vulnerability resilience which insulate the business from future shocks and continue to serve customers in a safe, secure and optimal manner.

Kreger (2021), the founder and CEO of UXDA, noted that just being digitally developed is not enough to ensure the existence of any financial company. Extreme customer-centricity is becoming a must to adapt to the post-pandemic world.

A short review of the literature noted above entails that the post-covid banking system is in utter need to alter the traditional system of banking since fintech has occupied a pivotal role. Changed customers' behaviour in banking habits and borrowers' hesitancy to revive the due growth impels the banking sector to set for a new strategic outlook that will consider technological efficiency, process resiliency, and engagement culture.

DISCUSSION

Having noted the need for strategic changes in the banking system, we may ask a question - how to adopt the changes in the banking system? The simplest answer to the question is to get the employees equipped for the changes. Undoubtedly, training and development are the means of driving the changes. Let us iterate on how to develop the training and development programs in the banking system to make it more efficient, stable and resilient in a new-normal period.

Hu, Jadoul and Reich (2021) reported that banks have offered training on new skills that people can use in their current jobs (upskilling) or for new jobs (reskilling). Most of the banks' chief HR officers postulated upskilling and reskilling of bank employees as –

1. Upskill proactively based on strategy needs and industry trends
2. Use skill adjacencies for effective reskilling
3. Build a scalable learning infrastructure
4. Invest in a learning culture
5. Start with leadership and ensure sufficient talent developers

In connotation to the employee competency development as a component of strategic HRM, Kreger (2021) suggests that training and development programs for the banking staff should address the following issues:

1. Overcoming the experience gap
2. Enriching the customer experience in finance with an emotional connection
3. Empowering an experience-based inner culture
4. Establishing consistency through product ecosystem, and
5. Teaming up with Fintech and technology companies

In the context of the new strategic outlook for the banking structure and operations during the post covid period, we intend to develop a model addressing the issues of training and development programs for the bank employees. The model is depicted in Diagram 1. The model consists of four components, namely, Transformation in Post-Covid19 Banking Environment, Strategic Choice for Training and Development Programs, Key Program Areas and Evaluation and Control. Let us examine each component.

Transformation in Post-Covid19 Banking Environment: During the post-covid19 pandemic environment, most banks face challenges to their structure, operations and culture. Structural changes demand more agility in the hierarchy, flexibility in terms of formality and environmental responsiveness, and resilience to workload allocation and control over the technological infrastructure. The mode of

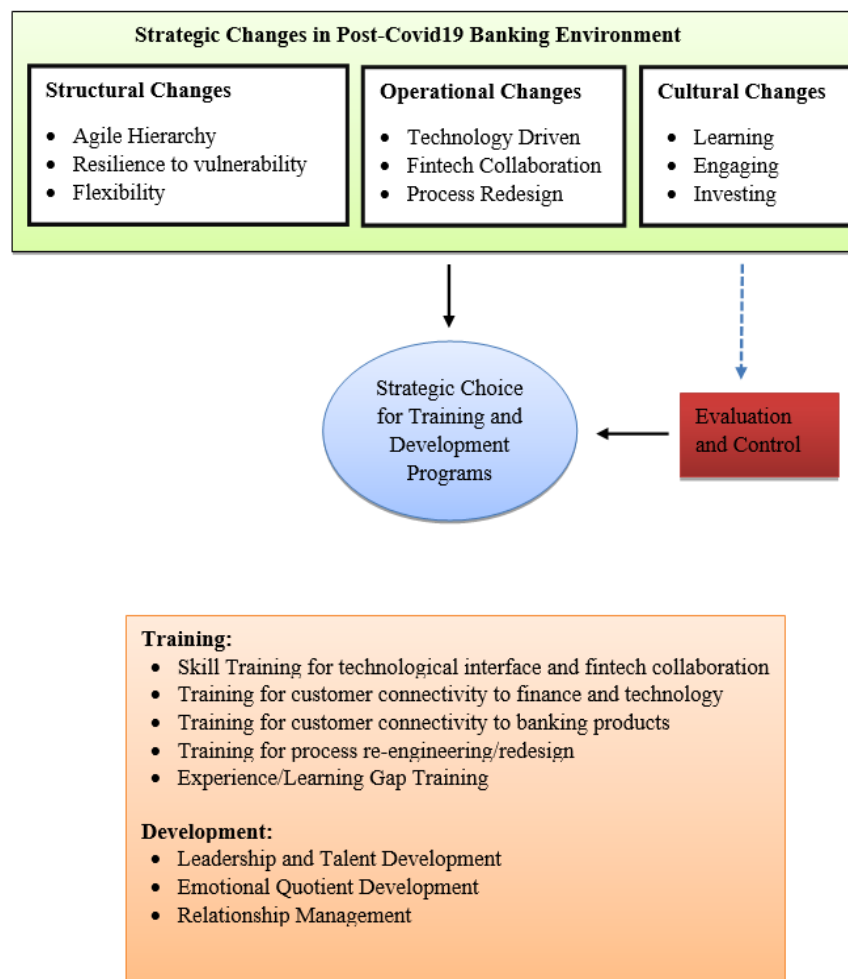


Figure 1: Training and Development Programs for Banking Staff

banking operations has taken a turn due to behavioural changes of the customers towards the financial market. Digital transformation across the industries during the Covid19 period forced the business organization to be equipped with digital infrastructure. Satya Nadella, the Microsoft CEO, said 'What we were going to think about during 2030 is probably going to be true in 2025'. Organizations come close to

digital collaborations to operate in the virtual environment. Since resourcing and locations of the traditional banking system are altered, the operational process is redesigned to make the system faster and more efficient.

The most significant impact of COVID19 is reflected in organizational culture. Employees learn from the crisis. Covid19 paves the opportunity to develop a learning environment. Employees who are trailing behind technological advancement propel to meet up the learning gap through self-managed or sponsored educational programs. On the other hand, due to the obliteration of physical distance, bank relationship personnel, clients and sales team are getting more engaged in than pre-pandemic situation. Employees enjoy flexibility in the work-life balance due to facilities like work from home, flexi-time, virtual conferences and meetings. Banks have realized that investment in cultural improvement enhances the rapid responsiveness of the workforce towards environmental changes. Investment in the cultural development of the organization in a fast-pacing business environment is an inevitable strategy.

Strategic choice of training and development programs: Having noted the changes in the functional environment, each bank requires to develop its own training and development programs critical to the environmental factors. For example, banks that are already exposed to digital technology in serving customers, need to train the employees on application skills, whether, banks are new to a digital platform, as is the case of most Indian PSU banks, can imbibe the training program concerning customer-connectivity to digital platform offered by the banks. It is the bank to decide which training and development program(s) to adapt to serve the customer and remain competitive.

Key program areas: Key areas on training and development programs supported by the literature are enlisted under this component. Banks can evaluate and prioritize the areas while considering their strategic choice needs.

Evaluation and control: Periodic assessment and relevant modification in the Strategic Choice for Training and Development Programs are necessary for the successful implementation of the programs undertaken.

The training and development programs for banking staff as a strategic choice for the post-covid new normal period indicates that it is important to design and act on employee development programs to recover financial loss and to maintain growth and stability. This is a tactical compulsion rather than a technical need.

CONCLUSION

Low profitability and revenue pressure including the increasing competition from shadow banks and new digital entrants appeared as major challenges for the banking sector across the world during the post-covid19 pandemic situation. The traditional banking model cannot resolve the issues since the customers' behaviour has undergone a significant change. Proper strategic intervention in the banking business, even in developing countries like India, is required to adopt an extreme customer-centricity approach. Aligned to the new approach in the structural and operational changes in the banking business, it is imperative to develop and adapt training and development programs for the banking staff as a choice for contextual needs. Key Program areas noted in the present paper will help the banking authority rethink and re-design the training and development programs for the employee competency development. Employees trained with fintech applications and new-age customer service can restore the banking system from the post-covid crisis in the financial market.

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