

**Present Scenario of Knowledge Management for Banks in India**

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**Abstract**

The importance of knowledge for achieving competitive success has been recognized since early 1990s, but it is only recently that formal system of managing the acquisitions and the use of knowledge has begun to emerge. Banking today is more competitive and technology driven where human capital can play pivotal role in determining the worth of the institution. The organization structure of the banks in India is gradually changing and keeping with the global trend most banks are focusing on the implementation of core banking solution where the branch's network should be downsized but the delivery system will be more dependent on technology. The rapid pace with which changes are taking place in the banking industry is phenomenal. In order to keep pace with the changes it is essential that the Human Resource Development in the bank should develop the Knowledge Management System (KMS) within the organization so that maximum benefit should accrue to the organization.

**Key words: IDBI, ICICI, HDFC, KMS, HRM, ERDS**

**Introduction**

In a service sector, especially in banking sector, the human assets play an important role in marketing their products via Customer Relation Management (CRM). The quality of the human assets has a direct bearing in this area. Formalization of experience and expertise that create new capabilities will improve human asset quality leading to better performance and innovation leading to enhancement of customer value. In this era of rapid change and uncertainty, banks in India need to create new concepts, ideas, and nurture and disseminate throughout the organization. Knowledge resides primarily in people and it is people who create, use and share their ideas to attain business results. The banks that prosper with knowledge management will be those that realize it is as much about managing people as information. They now require quality, value, service and innovation which will be the critical factors in future. In the search for new efficiencies, knowledge based activities of developing products and processes will be the primary internal function.

**Knowledge**

The term "knowledge" is one of the more confusing aspects as terms "information" and "data" are often used interchangeably with the term "knowledge". In fact they have different meanings.

**Data** are a set of discrete facts and words and carry no judgment or interpretation.

**Information** is data that is organized, patterned, grouped, and or categorized. Information changes the way a person perceives something by impacting judgment or behavior. In contrast to data, which generally resides in a fixed place called a database, information moves around organizations.

**Knowledge** is derived from information. It results from making comparisons, identifying consequences, and making connections. Some experts include wisdom and insight in their definitions of knowledge. Knowledge also includes judgment and "rules of thumb" developed over a period of time through trials and errors. The key link between knowledge and information is probably best expressed in the commonly accepted idea that knowledge in the business context is nothing but actionable information.

**Data = Unrecognized facts**

**Information=Data + Context**

**Knowledge = Information + Judgment**

Knowledge is the full utilization of information and data, coupled with the potential of people's skills, competencies, ideas, intuitions, commitments and motivations. It is focused innovation pooled expertise, special relationships and alliances. For knowledge to be of value it must be focused, current, tested and shared. It also tends to obscure the fact that while it can be extremely easy and quick to transfer information from one place to another, it is often very difficult and slow to transfer knowledge from person to person.

### **Knowledge Management**

There is no universal definition of Knowledge Management. There is no agreement as to what constitutes knowledge in the first place. For this reason, it is best to think of Knowledge Management in the broadest context.

Knowledge Management involves systematic approaches to find, understand, and use knowledge to achieve organizational objectives. It creates value by reducing the time and expenses of trial and error or the reinvention of the wheel because the shared knowledge is put to use and reused.

In other words, Knowledge Management is applying the collective knowledge and abilities of the entire work force to achieve specific organizational objectives. The focus of Knowledge Management is improving organizational capability. To succeed, a bank must create a new working environment where knowledge and experience can easily be shared.

Knowledge Management is an integrated approach to acquiring knowledge from a variety of sources like employees, the peers' expertise, databases, websites, research, etc. and cultivating that knowledge inside the organization and propagating it for business application. Knowledge Management is a set of processes, tools, structures and systems of an organization that aim to leverage collective capabilities of its people. The human capital has acquired vital importance for the success of any business enterprise in this knowledge era. Human capital is now being heavily depended and relied upon for giving that additional thrust needed for creating new vision, mission and direction to transform corporate goals into business realities. Effective knowledge management has the potential of creating distinctive competencies, unique market positioning and sustained growth.

The customer demands a knowledge worker who can provide cost-effective solutions efficiently.

Application of knowledge in the right way at the right time can lead to customer satisfaction and value addition. Present banking requires knowledge in several spheres. A bank employee is expected to be adept at various aspects of law, management, banking, technology, communications, corporate governance and credit appraisal and risk management. The challenge before the banks is how to develop and share the organizational knowledge on continuous basis for business development. Professional knowledge of the banks can be increased only by adopting effective Knowledge Management strategies.

### **Role and Importance of Knowledge**

#### **Management System in Banks**

In a service organization like banks the relevance of KMS is very important as the end products are to be delivered to the client in multiple bases. In a fast changing banking scenario the banks have felt the need to create a framework of KMS that will take care of the future requirement of expansion of business of the banks.

The rapid changes in the National and the International scenario have also brought a metamorphic change in the Indian Banking System. The Financial Sector Reforms undertaken in the country during the last over one decade have given immense operational flexibility and functional autonomy to the Banks, which has changed the very canvas of Banking. Whereas

Liberalization has opened the turf to new players, which has intensified competition in the Banking Industry, de-regulation has opened up new opportunities for Banks to diversify into Insurance, Depository Services, Securitization, Derivative trading, Gold and Investment Banking etc. De-regulation of Interest Rates on Deposits and Advances, lowering of Reserve requirements and freedom in the matter of deployment of Resources has enabled the Banks to shore up their top and bottom lines.

The introduction of the Asset Liability Management and Risk Management has made the Banks Risk conscious. Globalization and the advent of Information Technology and Communication Technology Revolution are rapidly changing the contours and curves of Indian Banking. Banks are turning out to be customer centric. The emphasis is now on Self Regulation and Control.

One change, which is clearly visible in Banking, is Competition, which- is getting intensified day by day with the entry of new generation Private Sector Banks and Foreign Banks with lean and nimble footed structures, better technology, market orientation and cost effective measures. Competition for business has increased immensely. De-regulation of Interest Rates has further intensified competition among Banks of the country. Financial Institutions like IDBI, ICICI and HDFC have entered the domain of Banking, leading to reduction in market share of Banks. The process of disintermediation has taken deep roots. Blue chip Companies have already started by-passing the Banks. They have reduced their dependence on Banks immensely. They are straight away raising funds through Capital Market Instruments, at cheaper rates, to meet their working capital requirements. This has led to substantial reduction in Corporate Banking Portfolio of Banks. Further the Banks are laying increasing thrust on Retail Banking in the last couple of years to build their Asset books. Relatively high growth of deposits, low credit off take, increasing dose of de-regulation and liberalization, growing disintermediation have substantially reduced the spreads/interest margins of various banks. With massive reduction in CRR and SLR the Banks have become flush with funds.

In the changing Banking Scenario, the core competencies of yesterday are becoming the core rigidities of today. To create an efficient Banking System, the transformation of Indian Banking System into a vibrant, efficient, stable, sound and globally competitive Banking System is a must. Financial Sector Reforms have created a market, which is inherently dynamic, turbulent and complex. To survive and grow in such a changing scenario, most of the Banks are restructuring or reorienting their structures, re-engineering their business and management processes, refining/adopting policies and practices that improve productivity and operational efficiency. They have also started incorporating knowledge and Information Technology in all their Products and Services and introduction of New Delivery Channels based on ever changing customer expectations/preferences and a host of other intangible and tangible factors. This is all the result of individual and collective knowledge of individuals employed by Banks for gaining competitive edge. Intense company in the knowledge economy is not for technology or capital, but for the people. Corporate battles will now be fought and won on the strengths of respective Superior Human Capitals. Organizations ability in the new economy lies not in its ability to source raw material, cheap capital or efficient workers, but in its ability to build, enhance share and leverage knowledge. Though knowledge has always been instrumental in increase in productivity since ages, yet it is only now that knowledge has assumed strategic importance and is all set to be practiced in a scientific manner. To cut costs and propel growth, Banks all over the world are endeavoring to embrace Knowledge Management to gain competitive edge.

### **Implementation of Knowledge Management**

#### **Solution in Indian Banks**

An effective Knowledge Management solution in banks could be accomplished only through a systematic approach to various aspects of KM. various aspects of Knowledge Management are as follows:

1. Knowledge Identification
2. Knowledge Generation
3. Knowledge Dissemination

4. Knowledge Retention
5. Knowledge Application

### **1. Knowledge Identification**

The first and foremost step in Knowledge Management is to identify the knowledge needs of the bank, keeping in view its business vision and strategies. Once the knowledge needs are identified, it is necessary also to identify the sources of knowledge either from within or from external sources. Every bank has talent people in many fields and it has to spot such skilled people. Now time has come to realize differential capabilities and competencies of the staff and to recognize the same for the survival of the organization.

Banks should undertake skill/knowledge mapping regularly in their organizations. In this knowledge era, skill mapping is very important to identify the talents and assess knowledge gap and accordingly plan for knowledge generation. But most of the banks do not have the required database of skill profile of their employees. In absence of the skill profile, the banks are unable to utilize the skilled people for the right job and to impart the required training to the needy employee. Skill mapping is to identify the talents, both proven and potential, through performance review of individual employees. Banks should develop a scientific mechanism to search these skilled staff and groom them as specialists for the special jobs. For effective Knowledge Management, the banks have to recognize the importance to the talents and ensure their proper utilization and reward them appropriately by suitably amending their existing HRM policies.

Apart from identifying the knowledge available within the organization in the form of both implicit and explicit, it would be necessary to identify the external source of knowledge, required by the organization for its immediate and future needs. Acquiring such external knowledge would mean induction of specialists by way of recruitments, training of the existing personnel through outside training institutions and availing of professional consultancy services.

### **2. Knowledge Generation**

New knowledge is created from the experiences, by experimenting new ideas, from the analysis of voluminous business data and from research. Today's knowledge worker would look for opportunities to use his personal knowledge in actual work situations and do his work rather differently and not strictly as per the set procedures. This, many a time, results in innovation either a cost effective process or even a new product.

**Information Technology** plays a vital role in converting the data into an explicit knowledge. Banks generate millions of data daily, but these data remain scattered and unutilized. The knowledge of banks, particularly Public Sector Banks (PSBs), about their customers is at present very weak. Banks should realize that knowledge about customers is money. Each communication/transaction with the customer generates a datum. Each datum has something to contribute for business development. Banks need to develop a mechanism and adopt the right technology to collect the scattered data from various fields and extract knowledge from these data, properly document them and utilize in day-to-day decision-making. Many banks have introduced information technology in massive scale, but they are unable to generate any knowledge due to lack of right technology.

Research is an important source of knowledge creation and dissemination. Considerable work of research on banking takes place in the developed economies. But in India, it is very limited. In Public Sector Banks, there are Economic Research Departments (ERDs), but they are engaged in collecting information on macroeconomic environment. Real research assumes specific significance particularly when our financial system is being globalized. For a systematic approach to knowledge generation, every bank should have research cells in every field of banking activities starting from customer preferences to product innovation to risk analysis. Banks should engage professionals and field personnel having necessary acumen and attitude in research activity.

**Human Resource Management (HRM)** is the most basic tool of Knowledge Management. Banks should conduct seminars, workshops and conferences for knowledge development on regular basis. Now knowledge can be generated from cross-fertilization of new ideas during brainstorming sessions. Banks should transform their training colleges/centers into the centers of

not only knowledge propagation but also knowledge generation. These training centers can document and experiment new ideas. People should be encouraged to innovate and experiment continuously. Knowledge should be properly cultivated. In an ever-changing environment knowledge becomes obsolete unless updated continuously.

### **3. Knowledge Dissemination**

After knowledge generation, knowledge sharing is very important for development of the organizational knowledge. The objective of knowledge dissemination is to empower the workforce with the required knowledge at the right time for taking the correct decisions. Generally, knowledge sharing becomes difficult as people do not share rather hoard their knowledge. There are some barriers namely geographical, cultural and technological in knowledge sharing. Banks in India should create an atmosphere in their organization where people will be recognized and rewarded for sharing of their knowledge. Suitable incentives may be provided to the employees for sharing of their knowledge. Even the HRM policy of the banks should include knowledge sharing as a component of performance appraisal.

Banks should organize seminars/meetings at regular intervals to share knowledge on particular issues. Even at the branch level periodical meetings with the staff members can help to a great extent for knowledge sharing. Knowledge dissemination in the bank, as a whole, can be more effective through proper technology support. As banks have computerized their many branches, they can easily use the internet/corporate network for knowledge sharing in order to overcome the geographical hurdles. With the availability of modern technology banks can create a central knowledge warehouse, which can document/record the innovative ideas and intelligent business information about the work process, new products, new markets, etc. shared by the employees and also provide the required knowledge sought by any employee. It should act as a knowledge exchange.

Through publication of valued house magazines knowledge can be disseminated. The magazines should cover more about the product, systems, procedures, technology, new changes in the banking industry, etc. The employees should be encouraged to publish their ideas, innovations, vision, etc. and they should be suitably rewarded.

### **4. Knowledge Retention**

In the era of globalization, most organizations are facing constant depletion of knowledge workers, as there are plenty of opportunities for them in the market. And there is no exception in the banking industry in India. So the banks should have a suitable retention policy to retain the knowledge workers. The existing personnel structure in Public Sector Banks, which gives preference to seniority over skill, is no the best environment for attracting, developing and retaining the skills in a competitive environment. Due to recent implementation of VRS in Public Sector Banks many experienced and skilled workers left the banks. The policy should be "the untalented to the talented stay". Further, the existing promotion policies in banks do not encourage the employees to acquire new knowledge. The promotional policies should be such as to motivate the employees to acquire new skills and knowledge for their career development and to provide the right man for the right job from within the organization. Banks should undertake at the earliest to reform their promotional and placement policies and hierarchical structure in order to have the right mix of people with regard to age, knowledge, experience and skill in all the levels.

### **5. Knowledge Application**

The main purpose of the knowledge management is application of knowledge for business development and value creation for stakeholders i.e. customers, shareholders and employees. Unless the acquired knowledge and skills are utilized at the field or job assignment, it becomes obsolete. In the present day situation, management's job is to allocate scarce intellectual resources to get best possible results. It is high time for the banks to post the right man at the right job at the right time. Banks should ensure that employees are placed in positions commensurate with their knowledge and experience. In the present environment, the interest of the banks as well as the employees demands that each employee should have broad-based knowledge in all aspects of the bank's business. Knowledge workers are not only to be utilized at the field levels, but also at the

corporate policy and planning levels. The quality of utilization of knowledge assets in a bank will decide the success and survival of the bank in today's competitive environment.

### **Conclusion**

Knowledge Management is altogether a new concept for Banks in India. It is bound to gain prominence with the passage of time. It is much less about technology than it is about changing the way, we work. It is not so much about hard work and software, as it is about the "wetware" the human resource. KM to be a fruitful exercise needs to be a perfect blend of technology, behavioral changes and personal trust. KM is more humanistic and organic as compared to various business strategy paradigms of the last few decades. KM is not a guarantee of success or survival, though it can certainly improve the odds. Without proper planning users may become information rich but knowledge poor. The importance of verbal communication in the creation and sharing of knowledge cannot be undermined in KM processes. This is equally important to the data or knowledge transfer metaphor. An organization should consider its past experiences, culture, individual beliefs and their emotional traits which include the mindset before introducing any KM solution.

Bhagavadgita makes us alert by saying "agnanascha, asradhadanasys, samsaythma vinasayathi" which means that ignorance of events and happenings, low attention to know new things and get clarified of all doubts shall lead to a downfall. Implementation of KM as a business imperative in the Indian banking industry needs no mention. For survival in the knowledge era the banks will require knowledge workers from branch level to board level. With increased globalization, technological changes, adoption of international standards, keen competition and in post VRS scenario, knowledge management in each bank assumes great significance.

Adoption of KM in the banks is to create a learning organization that will rise to the challenges of ever-changing business scenario, adopt best international practices and provide world-class services to its customers. Banks in India need to consider increasing the organizational knowledge very seriously because the way banking is being done is changing very fast and would continue to change in future too. If the Indian Banks have to move towards globalization and to compete with the global players, the only way to do so is to manage their knowledge assets effectively. It is time that banks should realize the importance of knowledge management and they should post a Chief Knowledge Officer to start with its implementation. Success of KM initiatives in the bank depends upon the organization culture and the mindset, commitment and vision of the top management.

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