

VALUE TESTING TOOL FRAMEWORK FOR BANKING STAFF SELECTION

***Ms. Shuvalaxmi Sahoo**

****Prof. (Dr.) Sharmila Subramanian**

ABSTRACT

A bank is referred to as a financial institution that is licensed to receive deposits and make loans. Banking system is not only based on the monetary value, but also it is based on the faith of the individual. In the recent scenario if we will see there are various frauds and cases in the banking sector. This paper suggests adopting value testing tool in banking selection process. The value testing tool framework is an innovative idea for making the banking sector hiring robust and value driven.

The current hiring system measures the knowledge and skills of individuals. However, the process does not include personal values like integrity, honesty, loyalty, commitment, and the like. This we find is necessary in the world of banking more so because the banking frauds are on an increasing (RBI Financial Stability Report June 2018 and June 2019).

The framework sets up tools to test the values of banking aspirants as well as the bankers.

Key words: Banking fraud, Banking selection, value test,

Introduction:

Banks in India:

The banking system in India consists of 20 public sector banks, 22 private sector banks, 44 foreign banks, 56 regional rural banks, 1,542 urban cooperative banks and 94,384 rural

***Ms. Shuvalaxmi Sahoo**, A student of ASTHA School of Management, Bhubaneswar, Email: shuvalaxmisahoo4885@gmail.com

****Prof. (Dr.) Sharmila Subramanian**, Principal, ASTHA School of Management, Bhubaneswar, Email : principal@asthaeducation.in

cooperative banks, in addition to cooperative credit institutions. As on March 31, 2019, the total number of ATMs in India increased to 2, 21,703 and is further expected to increase to 407,000 by 2021.

The Reserve Bank of India (RBI) is the apex monetary Institution which controls Indian Rupee, monetary policy and banking system in India. The central Bank was first established in the year 1935 under the Reserve Bank of India Act, 1934. After India's independence, the RBI was nationalised on 1 January 1949. In the year 1974, RBI became the member of Asian Clearing Union, an institution established by United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). RBI plays a vital role in the developmental strategy of the Government as it regulates the monetary policy of the country.

The banking selection process for PO includes basically

1. Written test
2. Group exercise
3. Interview

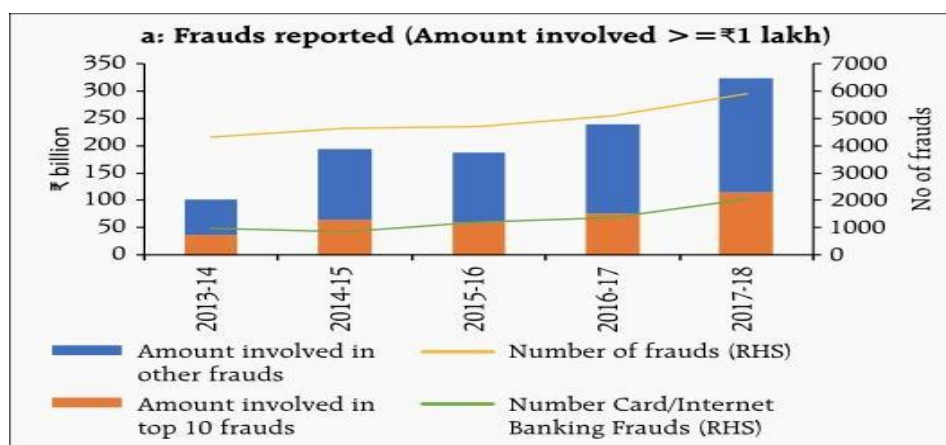
1. **Written test:** The written test is held on two ways one is prelim and another is main. The prelim is the online test and the subjects includes like (English language, quantitative aptitude, reasoning ability). And the main is the subjective based test and the questions based on reasoning and computer aptitude, data analysis and interpretation, English, general economy/ banking awareness, letter and essay writing.
2. **Group exercise:** SBI do the group exercise in selection process of PO. And the topics are basically on the current affairs and related to Indian economy. There is no such topic related to persons core values is discussed.
3. **Interview:** In the interview the most frequently asked questions are like;

- General questions
- Experience related questions
- Industry related questions
- Working related questions
- HR questions

The interview panel is mainly of 4 to 5 persons and all are the retired managers.

Gap in banking selection process:

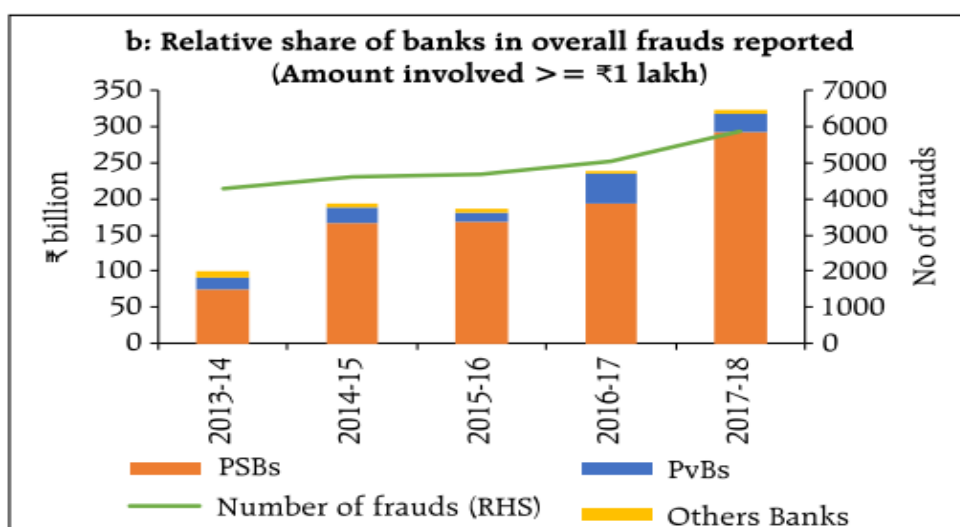
Statistical data regarding bank scam published by **RBI Financial Stability Report on June 2018**.



(Source: RBI)

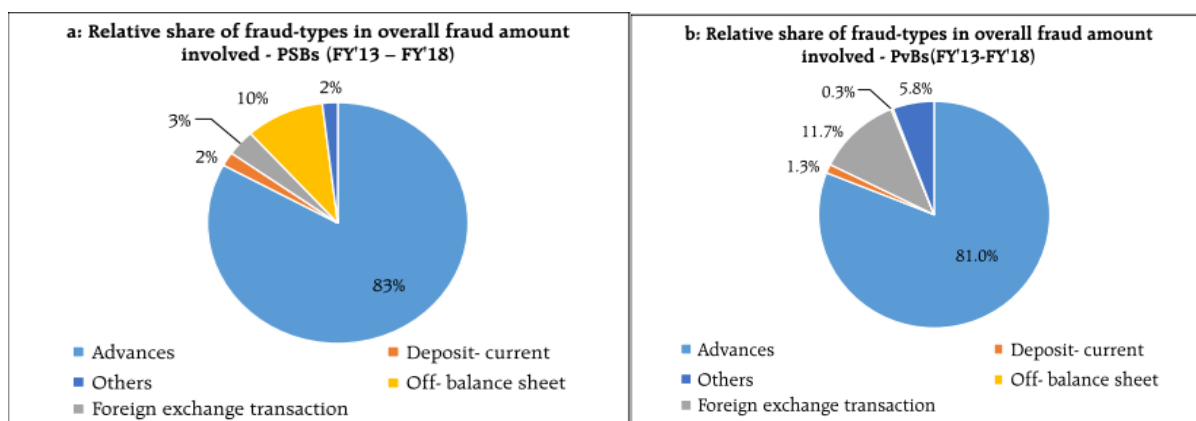
“In recent years, frauds reported (for amount $\geq$ ₹1 lakh) in the Indian banking sector show an increasing trend both in terms of number and quantum”.

“A sharper rate of growth observed in total number of frauds in 2017-18, which is driven by a significant jump in card/internet banking related frauds”.



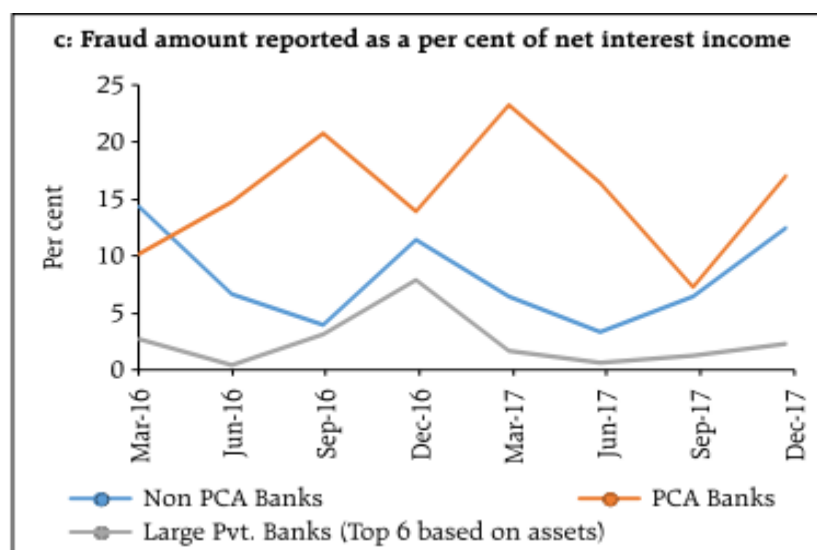
(Source: RBI)

“In terms of the relative share of frauds, PSBs have a disproportionate share (>85 per cent) significantly exceeding their relative business share (credit and deposit ≈ 65 -75 per cent)”.

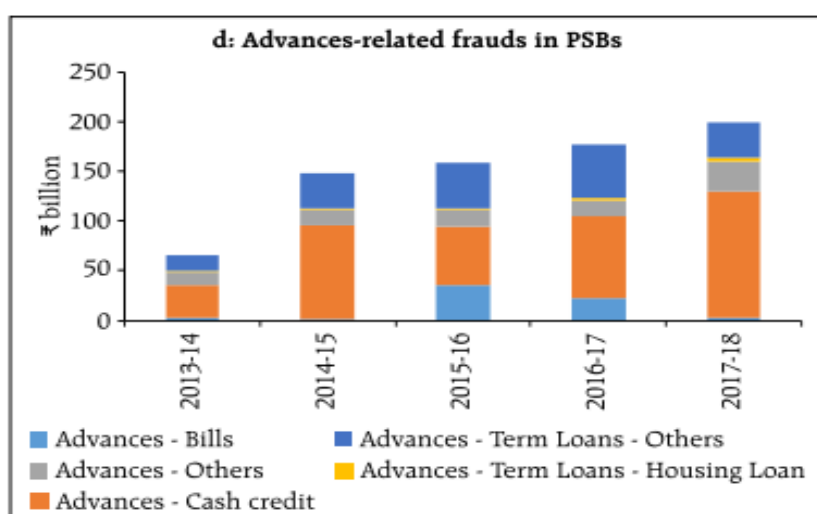


(Source: RBI)

“The composition of fraud amount reported is largely dominated by frauds in loans and advances both in PSBs and PvBs”.



“Although the relative potency of frauds relative to income is sharply different between the two categories of banks, fraud amount reported in PCAPSBs is well in excess of their relative share in credit. It could be that somewhat lax internal controls in these bank cohorts have magnified their stressed asset positions relative to non-PCA PSBs”.



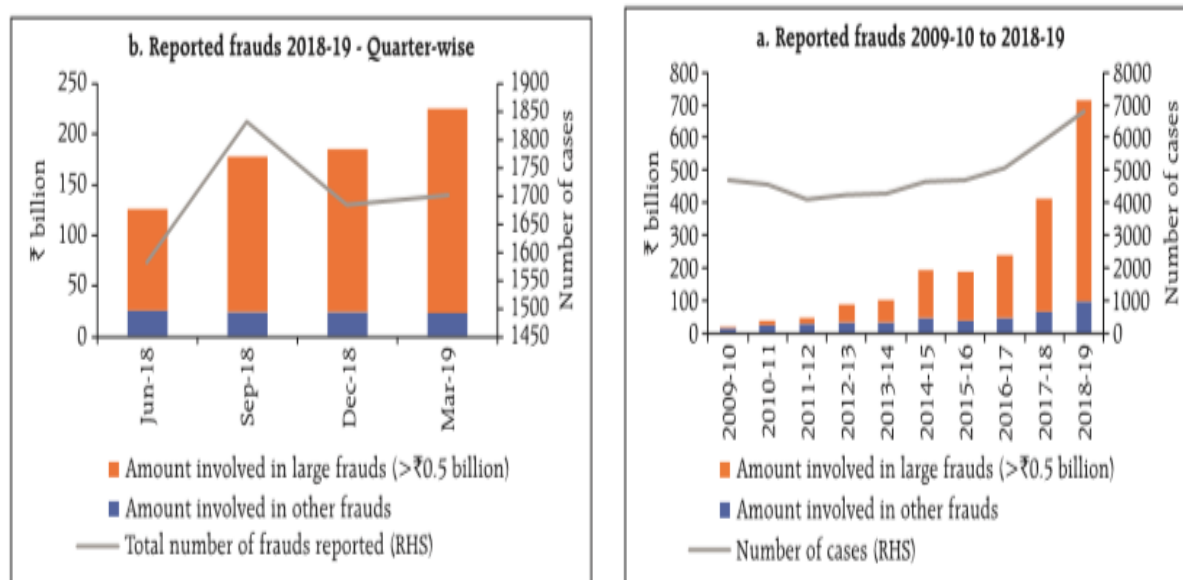
(Source: RBI)

“The dominance of loans, particularly working capital loans in PSB frauds points to co-ordination issues in implementing the ‘three lines of defense architecture’. Structurally, the operational risk oversight frameworks of PSBs and PvBs are not different.

Statistical data regarding bank scam published by RBI Financial Stability Report on June 2019

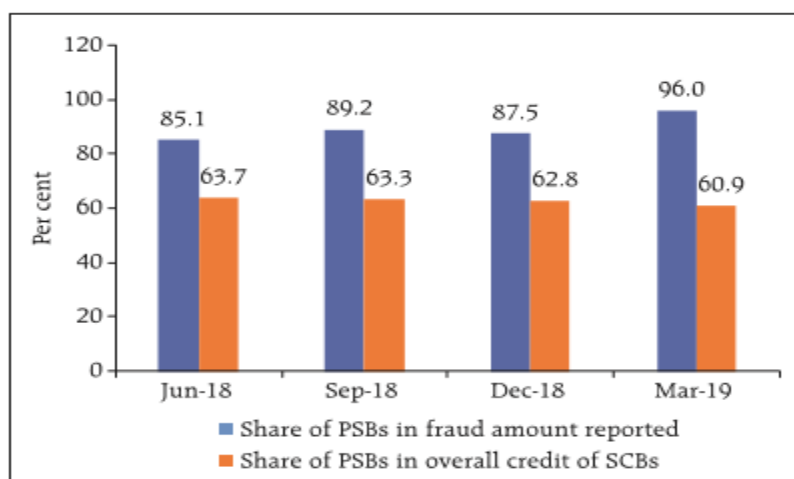
“A brief analysis of frauds with amounts involving ‘Rupees 0.1 million and above’ reported during the last 10 years is presented in below.”

Frauds reported in the banking sector (amount involved $\geq$ Rs. 0.1 million)



(Source: RBI)

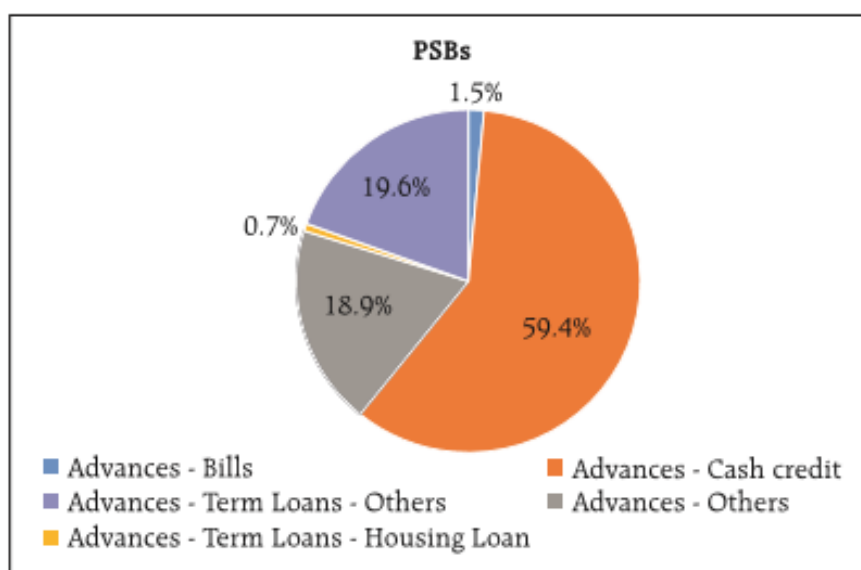
Relative share of PSBs in overall fraud amounts reported



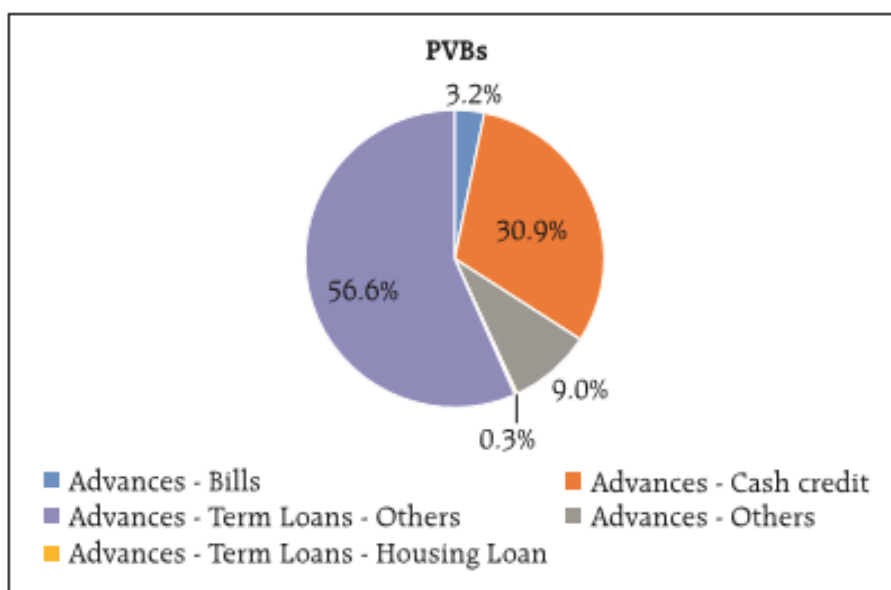
(Source: RBI)

“With regard to frauds reported, the relative share of PSBs in the overall fraud amount reported in 2018-19 was in excess of their relative share in the credit.”

Advance related frauds reported in 2018-19



(Source: RBI)



(Source: RBI)

“Similar to earlier trends, loans and advances related frauds continued to be dominant, in aggregate constituting 90 per cent of all frauds reported in 2018-19 by value. In the advance related fraud category, cash credit / working capital loans related frauds dominated in PSBs whereas retail term loans (non-housing) were a major contributor to advance related frauds in PVBs.”

After analysing the Financial Stability Report of RBI for the year 2018 & 19, we have seen that the fraud picture of banking industry was on a growing trend in both the years. Crores of money lost in those frauds is due to insider’s involvement in these frauds and scams. Some of them have also been punished with imprisonment for their misdeeds.

Comparison between financial stability report 2018 & 2019

	FSR 2018	FSR 2019
No. Of frauds	6000	7000
Fraud Amount	300 billion	600 billion

After comparing the Financial Stability Report of 2018 and 2019, we have found that no. of fraud are more in the year 2019 than of 2018. And the amount involved in those fraud became double (600 billion) in the year 2019 that of year 2018 (300 billion).

Implication:

- In banking sector more number of frauds has been taken place in advances segments.
- More number of employees is involved in the frauds which are going on in the banking sector.
- If we see the scenario there is a gap between the numbers of frauds occurred and the number of frauds reported.
- The number of fraud reported is on a growing trend.
- The amount of fraud has been increasing and it's become double in a year.

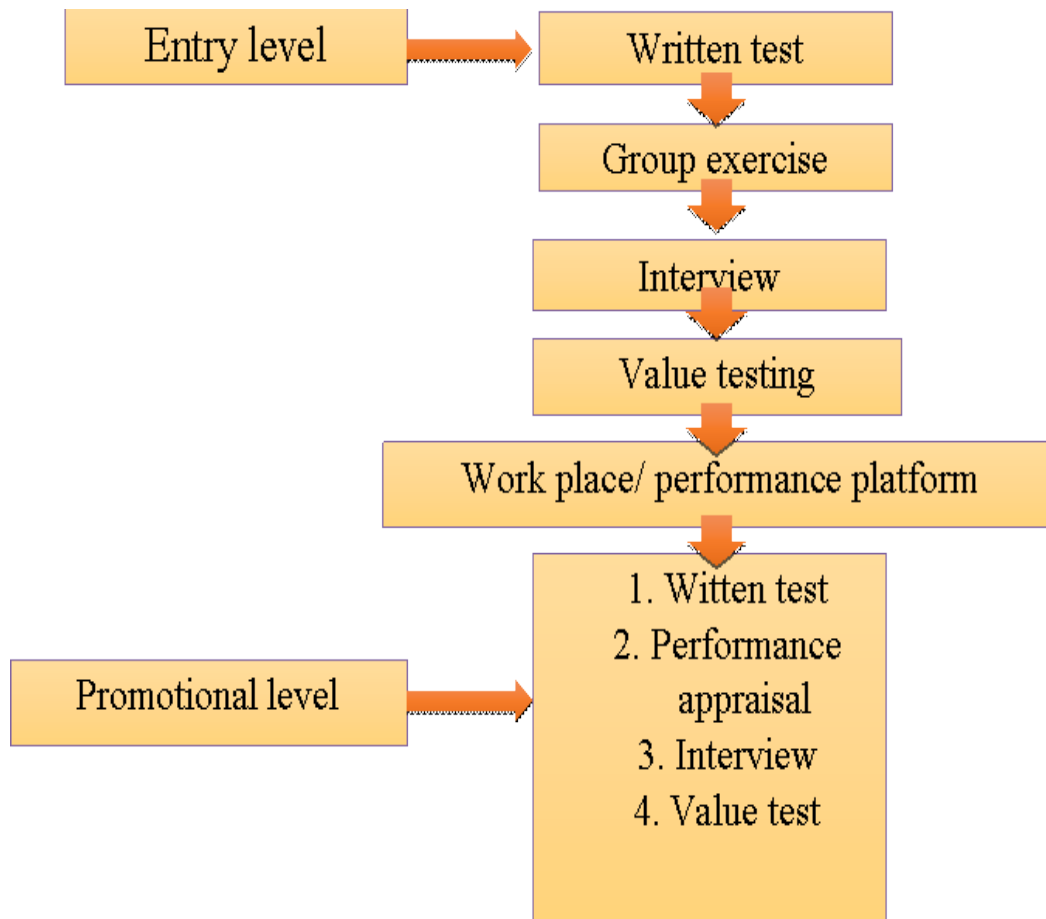
It is therefore, derived that there is a gap between the qualities required to be a banker vis-à-vis the qualities currently possessed by the banker.

Qualities required:

- Integrity
- Commitment
- Honesty
- Trust
- Loyalty

But these qualities are not tested during the selection process. Although, there has been an attempt by IBPS to include psychometric tests in selection recently, but its result is yet to be realized. Moreover there is not much information whether these tests are targeting values or managerial abilities.

Therefore, the following conceptual framework is proposed for inclusion in banking selection process.



Value Testing Tool Framework:

Sample Questionnaire model for testing integrity& Honesty:

1. Do you think that you are too honest to take something that is not yours?
2. How much do you dislike doing what someone tells you to do?
3. Do you think it is stealing to take small items home from work?
4. Do you believe that taking paper or pens without permission from place where you work is stealing?

5. Do you believe most employers take advantages of the people who work for them?
6. True or False: I like to take chances.
7. On average, how often during the week do you go to parties?
8. True or False: I am usually confident about myself.
9. How often do you make your bed (every day, never, etc.)?

Sample questionnaire for testing commitment:

10. What aspects of the job role do you think you will like? And which will you dislike?
11. If we offer you the job, how long do you think you'll stay here?
12. Why do you think this job would be different than your current job?
13. What did you like about your last job?
14. What do you know about our company?

Sample questionnaire model for testing loyalty:

15. How do you find working for your current employer?
16. Would you consider doing the same role for a direct competitor?
17. Do you prefer working individually or as a part of a team?
18. Tell me about some of the problems you have had in your past roles? How have you dealt with them?
19. What does your current company do?
20. How will your current employer react if you leave?
21. Who are your referees?
22. Are you 100% looking to move right now?

Sample questionnaire for testing trust:

23. A customer gives you a blank cheque for investment in an insurance policy. Would you consult him before putting the correct amount?

24. You have to promote a loan product for the bank. You need to achieve your target. Would you disclose all necessary vital information with the customer?
25. Was there any situation where you admitted your mistake for a financial error you made?
26. Do people see you as an individual worth trusting? If so why?
27. Have you experienced any kind of loss you faced being honest towards the situation?
28. Tell me about the time when you spoke out within a situation that was unfavourable to you in your professional scenario? But you chose to be honest.
29. Do you see people disappointed for being self-obsessed with monetary benefit?
30. Have you ever misused your client for your own interest?
31. Are you a secretive type of person?
32. Would you inform the authority if you are overpaid on your pay cheque?

Advantages of value testing tool:

By adopting the value testing tool the selection authority will get advantages like:

- The selection of banking aspirant will not only be based on their knowledge and skill but also based on their personality and attitude.
- Right candidate will be selected for the right position.
- Dishonest and unethical person will be figured out.
- Trustworthiness of an individual can be tested through the psychometric test.

Disadvantages of value testing tool:

- The selection process becomes more stringent and lengthy. And it requires more time.
- Experts are required for the selection process.
- Less number of banking aspirants may get selected for the job.

Conclusion:

Bank is not just a physical entity licensed to receive deposits and make advances; it is an embodiment of trust and faith of millions of people. The employees in banks, therefore, need to possess (not just exhibit) the qualities of a custodian, a guardian and a protector. The loss incurred by banks is the loss of the public who have entrusted the responsibility of safeguarding their hard-earned money. Thus, it is imperative for the banking system to adopt an employee selection process that tests the qualities of the job incumbent. Some of the banks (under IBPS) have initiated psychometric testing to judge individual personality. Further step to test the value system of the individual will be a welcome development.

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