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# **TRAINING OF QUALIFIED EXPERTS FOR BANKS**

Anatoliy Yepifanov

## **Abstract**

Competitiveness and effectiveness of banks' activity under current conditions for the most part are determined by level of development of Human Resource Management Systems. It requires carrying out of personnel audit and monitoring which enables to determine the priorities and coordinate the use of some human resources management techniques. Qualified specialists are determinative factor that provides effective activities of particular financial-credit institutions as well as banking system as a whole. Therefore the object of the investigation is to consider the training and retraining of the experts for domestic banking system, to analyze the international experience in personnel policies of banks.

**Key words:** training, retraining, Human Resource Management System, educational programs.

## **Introduction**

The level of development of country's banking system mainly determines the rate of market economy formation. Taking the current state of banking system development into account it is necessary to focus on forming of qualified human resources. Dynamic changes in banking sector require the high level of training of appropriate experts.

During the process of market economy formation personnel policies also undergo transformations. Personnel development is the principal, and most commonly, determinant factor of guarantee of successful activity of individual financial and credit organizations as well as banking system as a whole. Not only administration but also employees in banks provide effective conduct of business and form status and image of banks while interacting with bank clients.

Competitiveness and effectiveness of banks' activity under current conditions for the most part are determined by level of development of Human Resource Management Systems. It requires carrying out of personnel audit and monitoring which enables to determine the priorities and coordinate the use of some human resources management techniques. High technologies help employees in professional development; enrich their activity and enhance the job satisfaction. With regard to this, process of HR management must be improved.

Human Resource Management System must have methodological base of staffing of banking operations as an integral part of banking management [10, 18].

**The object of the paper** is to consider the training and retraining of the experts for domestic banking system, to analyze the international experience in personnel policies of banks.

## **Base material**

In the course of the reforms in our country distributive system became market one. Financial and banking sector was among the first to acquire the features of market and currently it meets critical requirements. However, there exist obstacles that do not enable, to the full extent, to harmonize civilized process of formation of banking in Ukraine.

The current stage of banking sector development is characterized by the intensive buildup of functions inherent in banks with advanced market economy. New functions and trends lead to changes in structure, and need specialists which are able to provide the achieving new targets facing banking system at each stage of its development.

Prior to considering the system of training of experts for domestic banking system we should like to concentrate on personnel policies in banking sector abroad, in particular in USA, Japan, Germany, France and Italy.

Financial and credit system in USA is comparably young. The main features of US banking management are as follows:

- ◆ the training of bank employees is conducted according to different programs which sometimes leads to some discrepancies in practical activities of banks;
- ◆ the increased attention of HR departments to the testing. This not always represents objective characteristics of candidates wishing to obtain a vacant post;
- ◆ top management of banks are selected from other financial and credit structures;
- ◆ increased employee turnover (20-25% per annum);
- ◆ poor attention to the skill improvement of bank employees, lack of specialized training programs;
- ◆ contractual system;
- ◆ the system of social privileges which is adequate, according to cost, to 60-65% of annual income of bank clerks.

Japanese approach allows to select bank employees and manage them more effective than it occurs in European and US banks. Hence, working efficiency in US banks managing by Japanese is 30-40% higher than in banks where the Americans are managers.

Let's specify the most important characteristics of banking management in Japan:

- ◆ availability of management expert in staff;
- ◆ selection of prospective employees on the first courses of specialized educational institutions. The candidates for work in banks listen to additional lectures conducted by experts which are representatives of top management of banks. The most perspective students are allowed for either extra-budgetary resource for full or part payment for training or enhanced grants. These funds may be registered as long-term loans or may be repayable irrevocably during some years of work;
- ◆ the parents who work in banks and wish, according to family tradition, to train their children for banking are given loans and work places in the future;
- ◆ system of so-called "life-long recruitment" which is used by banks assures constant wage increase and receiving various social privileges subject to employment years;
- ◆ skill improvement of personnel in the specialized educational centers for a certain period of time outside the workplace is practiced;
- ◆ system of moral incentives for employees is widely practiced, also rank system of job promotion is used;
- ◆ methods of employees' self-esteem parallel to estimation by management are utilized;
- ◆ horizontal mobility of employees is permanently employed which facilitates to learning allied trade;
- ◆ seminars and conferences for banks managers are regularly held;
- ◆ availability of experts who manage and train the beginners during some years.

Most of financial and credit institutions in Germany are formed on the basis of similar principles. Bank mergers in GDR and Federal Republic of Germany at the late 80's and early 90's of the past century are of some interest.

The main characteristics of reconstruction taken place may be formulated as follows:

- ◆ the greatest attention is paid to retraining of experts of departments of personnel development according to special programs; traineeship at the largest banks abroad is organized;
- ◆ regular retraining of personnel of different ranks and training on job family are held; availability of highly skilled supervisors patronizing the beginners;

- ◆ job descriptions with balanced rights and liabilities are designed;
- ◆ various approaches to labor remuneration depending on skill level, experience, possession of new methods of work, possession of foreign languages are used.

In banks of France personnel training faces exclusive standards associated with severe competition. The main features are as follows:

- ◆ increased personnel training costs (two times higher than in USA);
- ◆ coordinating role of Central Bank of France, i.e. formulation of methodologies of financial and credit system and HR management;
- ◆ using the competitive basis under substitution of different positions;
- ◆ close interaction of job promotion and retraining and increase in the level of knowledge;
- ◆ training of all bank employees according to the “Psychology of communication” program;
- ◆ high authority of managers and women-experts (till 20%);
- ◆ permanent personnel informing about bank activity during some periods, about vacancies open and main elements of personnel policies.

Besides, in France there exists Center of training and retraining for bank clerks. The students of this center study according to the three main programs:

- ◆ “CAP” and “BP” categories – training for persons with high education;
- ◆ “ITB” category – training for bank clerks outside the workplace.

In banks of Italy, particularly in the northern part of the country, US methods of HR management are widely used. In southern sectors with Italian specification managerial process is characterized by some uncertainty. In Italy there seems to be Soviet system of HR selection and mobility on the basis of subjective factors: family and friendly relations, etc. There are no stimuli promoting skill improvement. Administrative system of management is of great priority rather than socio-economic methods [2].

Skill improvement and retraining are the integral parts of HR management. The majority of bankers arrive at a reasonable opinion that permanent investments in personnel skill improvement are very important with respect to both short-term and long-term results. Taking the aforementioned into consideration retraining must include not only the deepening of professional knowledge of bank employees in the specific areas but also the widening their horizon. Only in so doing we can train beginners to be executives and further – managers. Western businessmen contend that entrepreneur must learn all the time while working. Financial and credit institutions are not the exception: the bank service area continuously evolves; organizational structures change according to market conditions; banks invest funds in different industries; new technologies are implemented, etc. These create prerequisites to constant personnel skill improvement. In western countries skill improvement costs amount 7% to 12% of personnel wage. Large system banks as usual organize skill improvement either independently or attract teachers and experts from outside. Smaller banks employ the services of centralized courses of skill improvement. Improvement in employees’ qualifications is very prestigious in western banks and it has a direct bearing on business career. After having finished the training courses employees will receive promotion or an increase in wages [22, 23].

As for Ukraine, there are some main segments of educational market in banking area:

- ◆ traditional high education (economic higher educational institutions, faculties of training of economists, supervisors and lawyers of banking profile in non-economic institutions);
- ◆ the second higher education for employees who have not banking education;
- ◆ professional improvement of employees with special education and work experience [13].

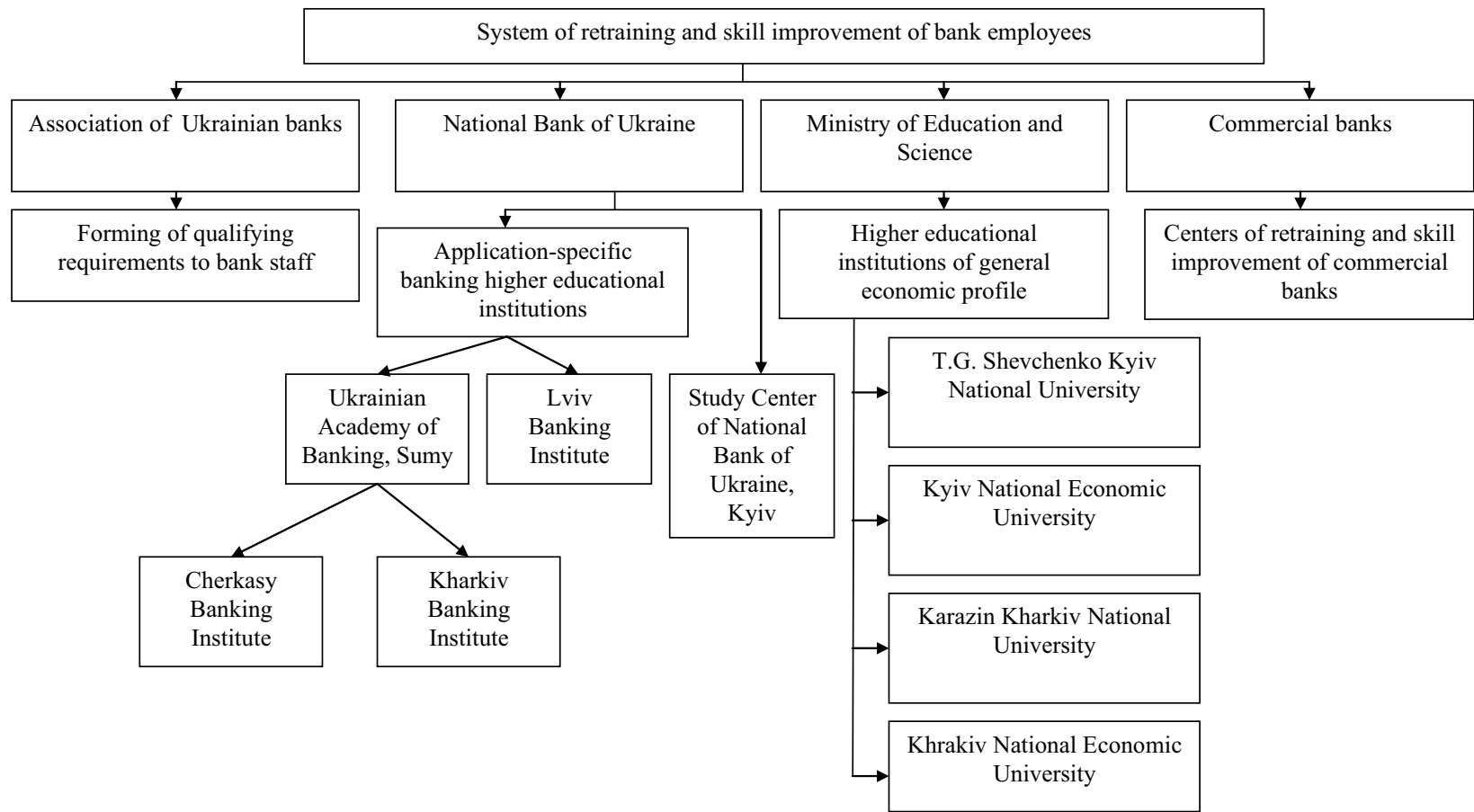


Fig. 1. Structural pattern of retraining and improvement in bank employees' qualifications in Ukraine

Hence, in Ukraine educational market has been modeled and the main features of postgraduate market have been formed (Figure 1). Higher educational institutions propose paid services; new educational centers appear. The country has to greatly improve the requirements to educational market in order to provide further development of financial and credit sector under conditions of increased rivalry. Because just in this sector rivalry needs the set up for production and distribution of educational services on high educational level, aligning of management, implementing innovative mechanisms, forming all necessary elements of infrastructure of educational market in financial-banking sector.

Despite the diversity of national postgraduate education programs, special attention must be given to three main models of its organization: English, continental and US (Table 1).

Table 1

Organization of postgraduate education market in financial-banking sector

Criterion	English	Continental	US	Combined
The nature of educational value chain	Decentralized	Centralized		
The role of state (non-state) bodies	Association of banks, bankers, insurers, public accountants, specialized departments and institutes	Main nationwide center of education in the specific area authorized by government and professional associations of banks	Independent institutions which are in operation along with nationwide educational centers and qualification-professional standards	National centers and institutions controlled by them; independent public and private structures
Controlling agencies' functions	Forming of qualification- professional standards for professional area as well as for educational area. Organization of nationwide examination system	Direct dependency on relevant national association of: banks, insurers, auditors		National associations form demands to relevant specialties and educational areas
Role of government	The government doesn't participate in functioning of postgraduate system	Active role of government		Role of government is not sufficient
The character of competing educational structures	Small, specialize in relevant branches	Specialize in relevant branches		
Countries with relevant system	UK, Ireland, South African Republic	France, Germany, Italy, Belgium, Luxembourg	USA, Canada	Ukraine, Russia, countries of CIS

In Ukraine financial-banking educational market of mixed type has been formed: there exist national centre and institutions controlled by it, as well as quantity of independent private structures. They are licensed, certificated and accredited by government. Association of Ukrainian banks doesn't have its own educational centre or institute like in countries with continental model of educational market. However, the activity of the Association is of great importance as it forms requirements for professionals as well as for educational representatives [9].

The concept of model may be referred to relevant educational institution. At the present day there are different organizational legal forms: government institutions, independent inter-bank and bank educational centers, subsidiary enterprises or internal divisions, educational centers of

associations, subsidiary enterprises of foreign institutions. While following general trend each of these forms has its own peculiarities of strategy, management and price policy.

In the context of current policies and conditions the capabilities of extensive development and increase in performance of financial sector of economics are practically exhausted. Increasing competition needs novel, scientifically grounded approaches to formation of educational market. Nowadays, a good deal of banks is at different stages of reorganization and restructuring which is accompanied by significant staff reduction and reprofiling of personnel. At the same time development continues; new regions, technologies, products and services, strategies are utilized. The intensive work on strategy identification and implementation has been started; control for strategic plans performance, analysis of all activity parameters, timely adoption of adjustment policies are implemented.

Formation of new type of bank, creation of integral banking system consisting of banking institutions with small loans, credit cooperation, unions, loan offices, investment banks, banks of reconstruction and development, mortgage banks, branching network of regional banks, demand the development of bank infrastructure, i.e. informational, methodological, scientific, functional, regulatory assistance, staffing support, combination of market and state adjustment of bank operations by means of economic methods. The situation on macro- and micro-level, analysis of factors that determine educational requirements, scope, structure, timing cycle and nature of demand for education – on market level, firm and division levels as well as on employee level – disclose the perspective on requirement for education, programs, target preparation of specialists of specific categories.

During personnel work and training the estimation of concrete position, degree of employee's training is held according to some parameters which are as follows:

- ◆ theory with the classification by subject fields;
- ◆ practical skills with the classification by functional features: technical, managerial, communicational;
- ◆ style of behavior [5].

Scientific approach to the postgraduate concept based on professional principles:

- ◆ orientation to achievement of specific practical results by customers through personnel training and retraining;
- ◆ preliminary analysis of customer needs;
- ◆ training integration in the system of bank management as element of general management, management tool for structures, divisions, informational systems, technologies, risks, finances, HR, projects, clients;
- ◆ scientific programs development on the basis of modeling their results according to goals designated;
- ◆ continuous monitoring of all components of quality of training; estimation of efficiency of educational programs, completeness and logic of the course, methodological skills of the teacher, accordance of lecturer' preparation level with the targets and qualification level of the audience, contents and level of preparation of scientific methodological materials, effectiveness of computerization of education, level of managerial and engineering conditions [13].

The specific services structure on the postgraduate market is based on unity of conceptual principles (Table 2).

Table 2

## Principles of formation of educational structure on the postgraduate market in banking area

Issue-related approach	Propositions regarding programs on relevant subject for all specialties
Official approach	Program for executive staff, managing staff and specialists which is in accordance with the position in banking structure, job specifications and employment duties.
Functional approach	Courses on specific aspects of bank operations: strategy, business planning, engineering, organizational architecture, structure and types of operations, products and services, risk management system, technology management, treasury management and HR management; operational engineering and accounting; client servicing.
Purposive approach	Programs for achieving specific results: yield increase, control procedures improvement, management structure optimization, improving level of service, employees' skill improvement, implementation of new operations and services, decreasing quantity of mistakes and reclamations, formation of corporate culture.
Qualification approach	Training of initial, middle and higher levels of qualification with the aim to achieve relevant (planned) level of human capital assets.

Educational services on the postgraduate market can be provided in different forms through implementing various selling procedures.

The main task is to train experts of basic banking professions according to bank needs, bank's corporate interests and internal technologies. The forms of educational services are as follows:

- ◆ skill improvement and retraining of specialists through inter-bank seminars according to general programs, target programs of concrete customers, original and integral professional and educational programs; practical courses for appropriate personnel categories, on-site training and probation; modular training programs and continuous system training, computer-based education;
- ◆ postgraduate programs which allow to get a diploma, second higher education; double diploma programs.

The methods of providing educational services can be ranked as follows: intramural, intramural-extramural, extramural, night school, non-residence, distant training, and dual system.

## Conclusion

In order to provide effective and dynamic development of domestic banks it is essential to focus on training and retraining of human resources. Qualified specialists are determinative factor that provides effective activities of particular financial-credit institutions as well as banking system as a whole.

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