



## **Credible Communication – Perspective and Thoughts<sup>1</sup>**

(Padma Bhushan Professor Emeritus Dr. M.V. Pylee Memorial Lecture - delivered by Shri M. Rajeshwar Rao, Deputy Governor, Reserve Bank of India on Monday, February 26, 2024, at the School of Management Studies; Cochin University of Science and Technology, Kochi)

Dr. P.G. Sankaran, Vice Chancellor, CUSAT; Dr. Jagathy Raj, Director, School of Management Studies; faculty members, students, ladies, and gentlemen,

At the outset, let me thank Dr. Jagathy Raj for inviting to deliver this memorial lecture in the memory of Dr. M.V. Pylee. I cherish this gesture from my *alma mater* to deliver this talk and it is indeed an honour and privilege to do so. Padma Bhushan Dr. M. V. Pylee was a distinguished figure in the field of management and administration who enriched the field of management education in not only Kerala but across the country with his scholarly work. He made significant contributions to the society through his thought leadership and academic endeavour and with his enduring legacy. Dr. Pylee's leadership as a Management Guru and as the Director of the School of Management Studies, CUSAT, contributed significantly to the development of management education in Kerala. His vision and guidance helped establish several institutions as centers of excellence in management studies. Unfortunately, I did not have an opportunity to directly interact with Dr. Pylee as he demitted office of Director before I joined SMS,

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but I have benefitted from his ideals and vision, having completed my MBA from SMS in the year 1982.

Having put in about four decades in the Central Bank, I can certainly testify to the fact that academic research and insights are extremely useful for enlightened public discourse and have potential to alter the path of policy actions. Embracing the philosophy of Dr. Pylee that investing in the skills and knowledge is the most important requirement for progress, during the course of my address today, I wish to share my perspectives on the transformational journey and progress witnessed in the Indian financial system and emphasize on the need for skill building to survive, sustain, and succeed during this transformation.

A changing banking landscape, digitalisation of financial services, new business models, emergence of FinTech and technological progress are transforming financial sector in fundamental ways. This trend has been pronounced over the last decade. The business of banking has transformed with the strategic focus of services shifting beyond traditional financial offerings of banking services to offering up a suite of products including wealth management and other financial products.

What this means is that the financial institutions would need to continuously reinvent their business models and update their product offerings. For this to happen, a vital cog in the wheel, so to say, is having a set of skilled employees and a motivated workforce. The pace of change we encounter

nowadays is swift, and by all indications this pace will only increase, riding on the crest of the digital transformation playing out in the financial services industry. Therefore, it is imperative that the financial institutions and their employees have the capacity to not only deliver on the expected service levels continuously, but also have the capacity to adapt to both foreseen and unforeseen challenges. In current times, building the capacity of employees and continuous upgradation of their skills is not an option but a necessity.

In any service industry, amongst the four factors of production, human capital is the most significant which fundamentally determines the growth trajectory of the institutions and organisations. Human capital is not just important in the areas of the organisational structures and functioning but is also critical in fostering innovation and increasing productivity which contributes substantially towards both individual and institutional growth. This is true in the case of banking industry as well.

The agility demonstrated by banks and financial services firms during the pandemic is a testament to their investment in human resources and technology. As their focus shifted towards digital mode of interface, they scaled up remote engagements and quickly reshaped overall working models. Employees were dynamically redeployed amongst verticals based on evolving business needs. This experiment served the institutions well in various aspects – in optimal utilisation of human resources, in timely on-boarding new customers and in ensuring business continuity. In my view, this exploratory experience would have given many of the

banks a sense of comfort and confidence in agility-driven dynamic allocation of a future oriented workforce.

Here, let me emphasize that when I say skilled workforce, I do not mean the to say that the focus should be on the functional and technical knowledge of the employees alone. Soft skills are equally, or dare I say, more important in a service industry like banking. An effective customer engagement together with an empathetic approach acts as a major differentiator in a highly competitive market. Also, unlike technical skills which frequently get obsolete with changing business environment, soft skills fetch perpetual returns as they stay with the individual over his lifetime.

Now, let me now focus a bit more on one of the essential facets of soft skills required for an effective customer engagement – namely '*communication*'. The ability to communicate effectively, has, of late, become very important for the entire banking community. In my view, there are two reasons for this change, first – thanks to the sustained efforts of all the regulators and the Government, the customer awareness on financial matters has improved a lot. Members of public, with enhanced awareness, are demanding better services, which is a welcome move. Many customers, however, may still not be fully aware about the finer nuances of the financial offerings. Hence, determining suitability and appropriateness of a customer for a financial product and service becomes necessary for the financial service providers. Effective and clear communication

on the risks and rewards of any product, thus becomes a vital pre-requisite while on-boarding a new customer or cross-selling a product to an existing customer.

Second, as the income levels improve, customers' demand for bespoke products and services is expected to increase. In tandem with this, from the supply side, enhanced bouquet of products and services offered by financial entities makes the market significantly dynamic, something which was difficult to imagine a decade back. More so, technology-led delivery mode has expanded the reach of traditional financial institutions to hitherto unexplored geographies and segments. Two decades ago, one could not have imagined transferring money from one account to another without visiting a bank branch. Fast forward to the present and, you don't even need to visit the branch as most of your banking needs can be met digitally.

Even as technology aids the financial institutions to expand their reach and enable round the clock access to financial services to the customers at their convenience, there are also challenges to be handled. These come in the form of high obsolescence rate, which means that financial institutions have no option but to continue investing in technology. However, one resource which no other competitor can replicate easily, is the human capital of an organisation. Therefore, how the banks train their workforce in both aspects – business as well as behaviour, would decide who will have the competitive edge going forward and here communication will be an important dimension of the behavioural training.

Communication in business setting has two important aspects – individual and institutional. Individual communication pertains to the front-line staff – how they communicate with the customer while institutional communication means how the policies and priorities are communicated by the institution to its external as well as internal stakeholders. Effective communication by individual employees can win customers, and the appropriate corporate communication by the institution can enhance its public image and brand value. Therefore, it is imperative that the top echelon of the entity focuses on both – by undertaking appropriate training and sensitisation of front-line staff and by putting in place an appropriate enterprise-wide communication strategy which conforms to its core values and ideology.

The importance of communication pervades the financial system, including the central banks. Communication has gained greater importance for central banks following the global financial crisis (GFC), when evolving mandates and new tools required more explanation to both experts as well as non-expert audiences. Unconventional policies adopted by central banks have also been the subject of public debate. As a result, central banks, over the last two decades, have been trying to demystify their mandates and working to put across their views in a simple manner to anchor stakeholder expectations. The necessity of this manifested with greater urgency during the covid pandemic.

Let me also add that central banks are unique institutions inasmuch as they probably touch lives of almost everyone in the country. They also have a range of mandates – monetary policy, regulation and supervision of financial system,

consumer protection and ensuring financial stability, among others. Effective delivery of these mandates in today's dynamic world requires that they are able to communicate their policies, regulations, and the rationale of their actions clearly in a manner which could reach a wider spectrum of audience. Doing so effectively requires a transparent and consistent communication approach, leveraging on the available mediums, tools, and technology to communicate the right material in the right manner to the audience, both external and internal.

Effective communication is like a good recipe. You have to get all ingredients in the right proportion to make it palatable. Most of the times, communication for a central bank - and you all will agree with me on this – is bit of a tight rope walk in the face of strong cross winds. Central banks must always be careful in their communication to avoid any inconsistency between what they say and what is understood and interpreted by the markets and stakeholders. Everyone tries to dissect and parse each and every word, probably looking at the synonyms and semantics in search of the meaning which was not conveyed or intended in what they speak. Any difference in perception between the two could have unintended consequences or dilute the impact of policy actions.

We have come a long way since the days when Central Banks were shrouded in mystery. Central Bank communication has evolved to become more transparent over the decades. In my opinion, two things have brought about this change. First, as the remit and mandates of modern central banks has expanded in last half century or so, they have become increasingly accountable for their

actions. Now, in most countries of the world, central banks must demonstrate that they are acting within the statutory mandate and how are they delivering on that mandate. Second, central banks have realised that the policy making can be more effective if the changes are predictable. Now, there is credible amount of literature which points out that successful 'expectations management' by the central banks through effective and credible communication can increase the effectiveness of policy measures.

In India, we have another dimension to central bank communication. This dimension relates to Reserve Bank's regulatory and developmental role. The Reserve Bank is not only responsible for monetary policy but also for an array of functions including regulation, supervision, currency management, payment systems, management of external sector and the government debt. Therefore, the communication mix of RBI must address a large number of issues ranging from financial literacy to financial stability. To achieve this, a considerable amount of work has been done in recent past in expanding the reach of Reserve Bank's communication.

Earlier, most of the people knew about the Reserve Bank only as an issuer of the currency. However, in past one and half decades, we have undertaken concerted efforts to demystify the mandates and functioning of the Reserve Bank through series of financial literacy and awareness campaigns. We are also undertaking several customer education initiatives under 'RBI Kehta Hai' slogan which I am sure many of you would have seen. At the same time RBI



communication on monetary policy, prudential policy and financial stability has also undergone significant changes. It has become clearer, continuous and mostly calendar based. You might recall the regular press conferences by the Governor during the COVID lockdown where he telegraphed the policy steps being taken by the Reserve Bank to mitigate the impact of COVID on the economy, industry, and members of the public. Communication with all stakeholders including members of public is an important strategic tool in furthering public policy objectives and mandates for the Reserve Bank. Public understanding can help ease the way for reforms, as well as increase support for policies.

Today's fast-paced world requires us to continually engage in a process of learning, unlearning, and relearning. The ever-changing modes of communication are also keeping us on our toes, so much so that often it seems that we are chasing a moving target. With the advent of social media, the communication is instantaneously consumed, assimilated, and commented, all within few seconds and in few hundred words. As far as central banks are concerned, there is no one-size-fits-all solution for communication. For serious policy issues and monetary policy, it is important that the context, rationale and setting of decision making is placed before the audience to enable them to appreciate the outcome. For public awareness on topical issues, we have a 360-degree media approach to reach out to as many people as possible in the language they understand.

However, at a broader level, it must be appreciated that effective and transparent communication is the key for achieving the mandate set forth at the

individual institutions level, be it is Central Bank or a financial entity. This is particularly challenging for us in India as we are dealing with a large populace in a multilingual and multicultural environment. Communication is a vehicle for the financial services industry for raising awareness, shaping expectations, promoting financial education, and financial inclusion. However, the expanding sphere of entities and people who consume our communications presents both – a challenge and opportunity. Opportunity as it helps in achieving our mandates effectively. Challenge as reaching out to this diverse set of end-users with differing level of financial awareness puts our methods to test. Communication is a very powerful tool to set the right expectations during turbulent times and in tempering expectations right during the periods of exuberance.

Acquiring appropriate soft skills, including good communication skills, is thus important for an organisation to succeed. Additionally, it is important for us as individuals to excel at a personal level and as responsible members of society and institutions. It is for this reason that business communication is an important facet of management education. It is, in my view, an extremely vital skill you need to consciously develop to chart your individual growth paths. Business communication was and I believe still is, a part of the course curriculum for management programmes developed here at the School of Management Studies. Given my experience with the utility of communication in all facets of life, I should in conclusion pay homage to the role of pioneers like Dr Pylee whose vision for establishing a business school in Kochi enabled several of us to partake of these

critical skills which have enriched our lives and hopefully the effectiveness of organisations that we serve.

Thank you for your attention.

Namaskaar!!