*Mission SAKSHAM: Scaling Capability through Co-operation**

Shri Swaminathan J.

Chairpersons, Directors, Managing Directors and Chief Executive Officers of Urban Co-operative Banks, colleagues from the Reserve Bank, distinguished participants, ladies and gentlemen. Good morning!

It gives me great pleasure to be here with all of you today as part of Mission SAKSHAM. As the name suggests, SAKSHAM is about capability–about ensuring that our Urban Co-operative Banks, and the people who lead and manage them, are equipped to deal with the demands of banking today.

These demands have changed considerably. Customers today expect banking services to be available conveniently, quickly and increasingly through digital channels. They expect to be able to transfer funds, make payments, access their accounts and avail of banking services with the same ease and reliability that they experience elsewhere in the financial system. These expectations apply as much to customers of a UCB as they do to customers of a larger bank.

Meeting these expectations increasingly requires UCBs to strengthen their technology and digital capabilities. The extent may vary across banks, depending on their size, business model and the services they are permitted to offer. But even smaller UCBs today depend substantially on technology–whether for their Core Banking Solution, payments or other critical operations–and often on outside service providers to support them.

Traditionally, we have tended to associate the complexity of a bank with its size–its balance sheet, branch network or area of operation. This remains relevant, and our four-tier regulatory framework for UCBs recognises these differences. But technology and greater interconnectedness are changing this relationship. A bank may be small in size, but the systems it depends on and the risks it has to manage may be much larger and more complex.

This means that the risks facing a UCB are no longer confined by its physical size or geographical presence. A cyber incident may originate far outside its area of operation. A failure at a technology service provider may disrupt critical banking services. A digital fraud can move across accounts within minutes. In that sense, a UCB may be local, but its risk environment is not.

Against this backdrop, I would like to speak about three things today.

i. First, what this changing environment means particularly for UCBs.

ii. Second, how UCBs can build the capabilities they need despite constraints of scale.

iii. Finally, how Mission SAKSHAM seeks to support this journey.

What the changing environment means for UCBs

Let me begin with the first-what the changing environment means for UCBs.

With rapid adoption of technology in every aspect of banking, a UCB may face cyber threats, digital frauds and technology failures of considerable complexity, but may not have the same resources or specialised manpower as a much larger commercial bank has to deal with them.

Many UCBs depend on outside service providers for their Core Banking Solution, payment applications, data centres and other important services. This is often both necessary and efficient. It allows smaller

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institutions to access technology and expertise that may be difficult or expensive to build entirely on their own.

However, this also changes the nature of the bank. Some of the activities that are critical to the functioning of the bank may now be performed outside the bank.

This raises a simple but important question for every Board and every CEO: **how much of my bank today actually sits outside my bank?**

Which systems are operated by external providers? What happens if one of them is unavailable for a few hours–or for a day?

The service provider may operate the system, but responsibility for understanding the risks, putting appropriate safeguards in place and ensuring continuity of critical services continues to rest with the bank.

There is another dimension to this. A cyber attacker does not distinguish between a large bank and a small bank. A digital fraud does not slow down because the bank has fewer branches. And a vulnerability in a common technology platform can affect several institutions at the same time.

So, while the size of a UCB may be limited, the risks it faces may originate far beyond its physical or geographical boundaries. **The institution may be small, but the risk environment around it can be much larger.**

Building capability despite constraints of scale

This brings me to my second point. If the risks facing a bank can be larger than the institution itself, how does a smaller UCB build the capabilities needed to manage them?

The answer cannot be that every UCB must build every capability entirely within its own organisation. That may neither be practical nor economical. A smaller bank may not, for instance, be able to maintain specialist teams in every area such as cyber security, technology, risk management or compliance.

At the same time, there are capabilities that every bank must possess within itself. The Board and senior management must understand the risks the bank is taking, exercise judgement and satisfy themselves that these risks are being properly managed. Even where specialist services are obtained from outside, the bank must acquire and retain enough knowledge to oversee them effectively.

In this context, common infrastructure and sector-level arrangements become particularly relevant for a sector comprising more than 1,400 institutions of widely differing sizes, many of which face similar technology, skill and operational challenges.

There is an interesting extension here of the very idea of co-operation. Co-operation has traditionally been at the heart of the UCB model, primarily through the relationship between the institution and its members. In today's environment, there is scope for another form of co-operation as well–**co-operation among institutions in building capabilities that may be difficult for each institution to develop on its own.**

This is where the National Urban Co-operative Finance and Development Corporation, as the Umbrella Organisation for the sector, can play an important role. Common technological infrastructure, shared expertise and other sector-level solutions can help UCBs overcome some of the constraints of individual scale. A challenge faced separately by many banks may sometimes be addressed more effectively by the sector acting collectively.

Individual scale can, therefore, be supplemented by collective capability. It is in this context that I would like to turn to my third point–Mission SAKSHAM.

Mission Saksham – helping build capability at scale

Mission SAKSHAM is a joint initiative to build capability across the UCB sector in a structured and scalable manner. It was launched by the Reserve Bank on April 28 this year and seeks to cover about 1.4 lakh participants across the sector.

An important feature of SAKSHAM is that it recognises that capability is role specific. What a Director needs to know is different from what is required of a CEO, an internal auditor, a compliance official or an IT employee.

The Mission therefore covers five groups–Board Members, Senior Management, Heads of Assurance Functions, IT Technical Employees and Other Employees–with learning tailored to their respective responsibilities.

The programme has also been designed keeping the practical needs of UCBs in mind. It draws upon discussions with the sector, Training Needs Analysis, regulatory expectations and practical experience of the challenges faced by UCBs. Delivery combines physical programmes with online learning through the NUCFDC platform, so that learning can reach a much larger number of people and can continue beyond programmes such as the one we have today.

I am particularly pleased with the response from Telangana. All 48 UCBs in the State have already been represented in at least one programme under the Mission. With more than 100 Directors, including Chairpersons, participating today, the coverage of the identified target groups in Telangana will cross one-third.

However, these numbers are only the beginning. The real value of SAKSHAM will depend on what happens after you leave this room. I would encourage each participant to take the important learnings back to the full Board and discuss what they mean for your own bank. A programme attended by one person should ultimately benefit the whole institution.

The same applies to the online component. UCBs should complete the required onboarding and role mapping and encourage their employees to make active use of the courses available on the LMS. The advantage of this platform is that capability building need not be limited by the number of people who can attend a physical programme.

Mission SAKSHAM should therefore not be seen as a one-time training exercise or as a substitute for the training that every bank must itself undertake. Its larger purpose is to help create a habit of continuous learning across the UCB sector–so that the capabilities of our institutions keep pace with the changing nature of banking.

Ultimately, the test of SAKSHAM will not be how many programmes are conducted or certificates issued. Its real measure will be the outcomes–whether the learning leads to better understanding, better decisions and stronger institutions.

Conclusion

Let me conclude with one final thought. Capability building should not begin only when weaknesses become visible or problems emerge. The purpose is precisely the opposite–to strengthen institutions continuously so that they are better prepared to recognise risks early, respond to change and deal with difficulties when they arise. **Capacity is best built before it is tested.**

As you return to your institutions, I would leave you with three questions. First, what are the critical capabilities that my bank must possess within itself? Second, where are we dependent on outside providers, and do we understand and oversee those dependencies adequately? And third, where can we make better use of common platforms, shared expertise and sector-level arrangements to strengthen capabilities that may be difficult to build alone?

The answers will naturally differ from one UCB to another. However, the underlying objective is the same–to ensure that the capability of the institution keeps pace with the changing demands of banking.

Mission SAKSHAM is just one part of that effort. In a wider sense, it also reflects a new opportunity for the co-operative sector: to draw strength not only from what each institution builds for itself, but also from what institutions are able to build together, reinforcing the spirit of cooperation. The individual institution may be small. Its capability need not be.

I wish the programme all success. Thank you. Jai Hind.