indian management

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ALL INDIA MANAGEMENT ASSOCIATION

DECEMBER 2024

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THE EMPLOYEE-OWNERSHIP STRUCTURE

DELEGATING RISK
Graham Ruddick

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THIS ISSUE

COVER STORY
DELEGATING RISK 12
How organisations approach risk if everyone has a stake in their success and failure.
- GRAHAM RUDDICK

TECHNOLOGY
THE FUTURE OF AI IN HR 16
How AI is revolutionising the HR sector.
- PROF RASHMI BHATIA

MYTH BUSTER
THE RIGHT HIRE 22
The framework: Rower, Sitter, Drillersm can help managers and organisations understand the different personalities at work.
- PAUL FAYAD

THE LIBRARY
RECOMMENDED READS 26

LEADERSHIP
LESSONS FROM OUR HISTORY 28
Connecting the dots that are shaping modern leadership.
- JHANVI, RAJDEEP ROY CHOUDHURY, DR SUMANTA DUTTA

ORGANISATIONAL CULTURE
ETHICAL DILEMMA 32
Balancing ethics and growth.
- GIRISH MAINRAI

TECHNOLOGY
DEMOCRATISING FINANCE 36
The role of AI in democratising finance in India.
- DR RAJKUMAR ARIHANT

PRESIDENT'S
MESSAGE

Employee ownership: Taking the rough with the smooth

Suneeta Reddy is Managing Director, Apollo Hospitals Enterprise Ltd.

Inclusive capitalism is an appealing concept, though its widespread adoption is still evolving. While there is growing recognition of the benefits of employee co-ownership, some companies remain hesitant due to concerns about complexity and the risks involved, especially when they do not require employees to defer salary or fund the business themselves. Still, inclusive capitalism is making steady progress.

For all their virtues, employee ownership programmes come with risks attached, both for the employees and the enterprise. While the investors expect to gain from employee effort, sacrifice, and stickiness, they have to bear the impact of dilution of earnings of the shareholders

However, if planned and executed well, all sorts of companies can get more productivity and profits by offering both salary and investment to the employees. Though financial incentives do not guarantee unconditional loyalty, they certainly help secure employees' commitment. When the employees get a piece of the profits, and pay for the losses, they align more strongly with the financial results of the enterprise. It ensures that employees are more receptive to profitable business practices and work harder.

The employee ownership structure is well suited to businesses that are labour intensive and rely on workforce commitment to drive sales and margins. Large and distributed service enterprises in many parts of the world resort to partial employee ownership, especially where it also comes with tax benefits.

The enterprises wanting to draw on the contribution of owner employees have a menu of structures to choose from. The tech companies have popularised ESOPs, the employee stock ownership plans. Enterprises can create trusts to park employees' stock. They can give employees the option of buying stocks at a fixed price. Or, they can just create an incentive programme linked to the price of the company's stock without actually handing out any shares. Ultimately, the choice of structure depends on the needs of the enterprise and compliance requirements.

Different employee ownership structures come with their own benefits and risks. For example, ESOPs, the most common form of employee ownership, allow the employer to reduce regular employee costs while rewarding them with stock value when they leave. This structure works well for companies that rely on future profitability or valuation gains. Early-stage enterprises use it to attract critical talent by linking their rewards to the company's future success. ESOPs are also useful for businesses facing challenges or those at risk of hostile takeovers, providing a flexible mechanism to retain employees during turbulent times.

For all their virtues, employee ownership programmes come with risks attached, both for the employees and the enterprise. While the investors expect to gain from employee effort, sacrifice, and stickiness, they have to bear the impact of dilution of earnings of the shareholders. Employees who defer income in exchange for the potential future value of shares take on significant risks if the business does not succeed. Ownership can also limit employee mobility, as their compensation is tied to the company's long-term performance, which may reduce their flexibility to explore other opportunities.

> **Employee ownership structures come with inherent challenges. When employees' financial well-being is directly linked to the company's performance, they may be more cautious about supporting risky investments or disruptive changes. In fast-evolving markets, this can hinder the company's ability to innovate**

Employee ownership structures come with inherent challenges. When employees' financial well-being is directly linked to the company's performance, they may be more cautious about supporting risky investments or disruptive changes. In fast-evolving markets, this can hinder the company's ability to innovate. Additionally, the vested interests of employees in the current business model may deter investors who are concerned about potential conflicts when major structural adjustments are required.

One way to overcome employee-investor conflict is to offer ownership to employees with claims on shareholders' benefits but not on strategic decisions. The key to enjoying both the employees' loyalty and investors' confidence is to ensure that the employees are able to generate wealth through stake ownership and the investors are able to get the recalibration that is necessary to generate wealth for all shareholders. Issuing non-voting shares to the employees is a useful way to achieve this objective.

As we enter the age of AI, employee ownership structures are likely to undergo significant evolution. While many routine tasks and roles may be automated, employees will remain critical to a company's competitiveness. They will play key roles in training AI systems, making strategic decisions, and engaging with customers and stakeholders. This suggests that highly flexible employee ownership models will become increasingly important in the future, enabling businesses to adapt to changing technological landscapes while maintaining employee engagement. IM

The opinion expressed is personal.

EDITOR'S NOTE

Dear Readers,

Organisations approach risk with a balanced and collaborative mindset when both management and employees have a shared stake in the outcomes of failure and success. This shared accountability fosters a culture of collective ownership, where risks are identified, assessed, and mitigated through open communication and joint decision-making.

When employees too have a stake in the success and failure of an organisation, their performance often reflects heightened engagement, motivation, commitment, accountability, and resilience. They are more likely to take initiative, embrace responsibility, and align their actions with the organisation's goals, knowing that their contributions directly impact outcomes. This sense of ownership fosters innovation, as employees feel empowered to propose solutions and take calculated risks to drive improvements. It also enhances collaboration, as individuals recognise that collective effort is essential for shared success.

Graham Ruddick editor-in-chief, *Business Leader* magazine and author, *Risk Roulette*, quotes in the cover story of this issue, "Firms that have engaged employees, who own a chunk of their company, are just as dynamic, just as savvy, as their competitors. In fact, they often perform better—lower absenteeism, less staff turnover, and lower production costs."

Do write in with your views to **imeditorial@spentamultimedia.com**

Maneck Davar

Maneck Davar

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ALL TOGETHER

Delegating risk

Firms where everyone has a stake in the success and failure of the organisation produce more engaged employees.

✦ GRAHAM RUDDICK, AUTHOR, *RISK ROULETTE*

COVER STORY

In England in the 1800s, engineers were forced to sleep under the bridges they were building to encourage them to make the structure as strong as possible. Sleeping under the bridge made it clear to the engineers that their own safety was at risk if the bridge wasn't strong. Their risks were aligned with those who would use the bridge in the future.

Nassim Nicholas Taleb uses this example in his book *Skin in the Game* about the power of aligning incentives and risk to get the best outcomes. If individuals see the upside and downside risks differently to the wider organisation then everyone will not pull in the same direction.

Yet risks and incentives often split apart in business. Shortly after the collapse of Silicon Valley Bank in 2023, the *Financial Times* ran a story that said executive pay at the bank had soared on the back of a drive to boost profitability by buying riskier assets. Greg Becker, the chief executive, and Daniel Beck, the finance director, had bonus payments linked to the bank's return on equity, which is a measure of profitability. In 2021, Becker collected a pay package of $10 million, nearly 60 per cent more than what he collected four years earlier. But just two years later Silicon Valley Bank was bust. The executives had hit short-term metrics, but the long-term future of the business was not secure.

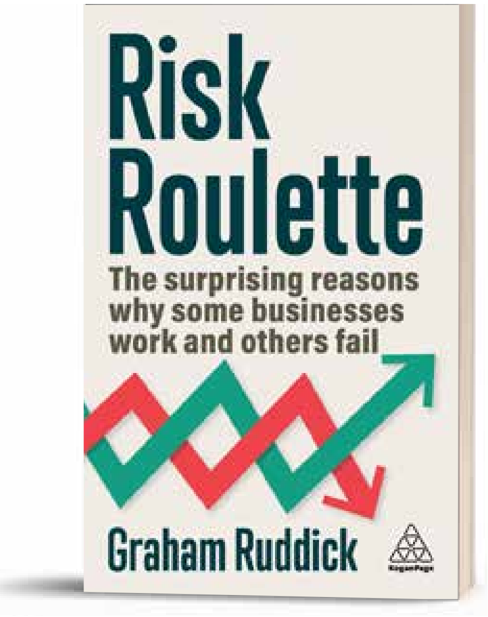
The John Lewis Partnership is an extreme example of everyone having a stake in the success and failure of the organisation. The UK retailer owns the department store chain John Lewis and the upmarket supermarket chain Waitrose, two of the best-known brands in the UK. Its origins go back to 1864. But what makes the business particularly unique is the ownership structure—the John Lewis Partnership is owned by its employees, all 70,000-plus of them. Staff get to share the retailer's profits through an annual bonus as well as vote on key decisions through a council.

A decade ago, John Lewis and Waitrose were thriving. John Lewis appeared to have seen off the threat of Amazon and the growth of online shopping with well-located department stores and a sophisticated website of its own. Waitrose's high-quality food was popular and profitable.

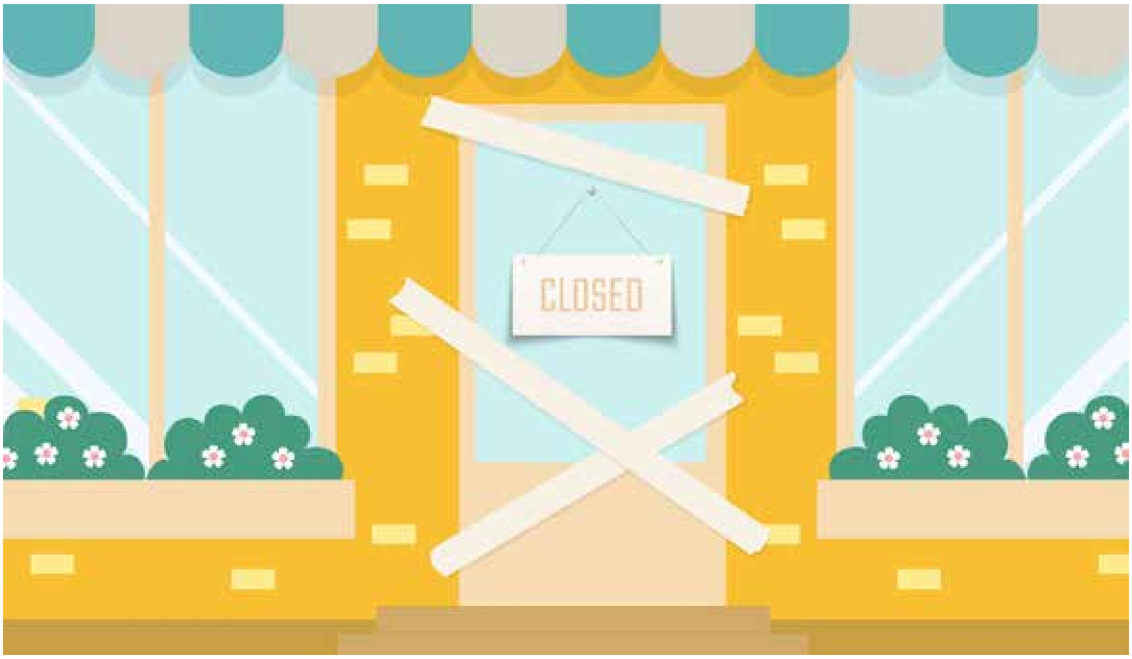
The John Lewis Partnership was celebrated as a success story. This prompted Sir Nick Clegg, then the deputy prime minister of the UK and now a senior executive at Mark Zuckerberg's Meta, to say he wanted to create a 'John Lewis economy'. "We don't believe our problem is too much capitalism; we think it's that too few people have capital. We need more individuals to have a real stake in their firms. More of a John Lewis economy, if you like," Clegg said. What many people do not realise about employee ownership is that it is a hugely underused tool in unlocking growth. I don't value employee ownership because I believe it is somehow 'nicer', a more pleasant alternative to the rest of the corporate world. Those are lazy stereotypes.

"Firms that have engaged employees, who own a chunk of their company, are just as dynamic, just as savvy, as their competitors. In fact, they often perform better—lower absenteeism, less staff turnover, and lower production costs. In general, higher productivity and higher wages. They weathered the economic downturn better than other companies."

However, things have become more difficult since then. Sales have stalled for John Lewis and Waitrose. Covid-19 lockdowns led to the retailer doing what previously seemed unthinkable—it closed shops and



cut hundreds of jobs. It looked like the John Lewis Partnership may have overexpanded and been too slow to react to changing shopping habits.



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COVER STORY

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Questions were raised about the employee-ownership structure. Did everyone having a stake in the business slow down decisions?

According to those at the top of the business, the answer to that question is no. James Bailey, who runs Waitrose, spent more than 13 years at publicly-listed rival J Sainsbury before joining the Partnership, so he is well-placed to offer a view on the different models.

"There's nothing in the partnership model that says it should be slow or overly bureaucratic or anything like that," Bailey says. "There are plenty of people in this organisation who go back to the founding texts of John Spedan Lewis. He was a pretty ruthless retailer — he was all about performance. If the business is succeeding, then it can reward its employees and its partners. But not the other way around. He was very explicit about the demands of running a brilliant business. To all intents and purposes, he lived that mantra as well.

"There's plenty in our recent history—2000 onwards—where the partnership has taken quite big risks, been quite agile and done things that maybe public businesses wouldn't get the chance to. But without that external scrutiny and without a particularly active shareholder base or the stock market to compare the results, there is a risk that the model can become inward-looking, a little bit safe and risk-averse. You just need to make sure that you're always guarded against that."

Dame Sharon White, who stood down as chairman of the John Lewis Partnership in 2024, is even clearer on the power of the employee-ownership model. "The partnership has shown time and time again through history our boldness, our courage, our determination, but also our unity of purpose to overcome whatever obstacles have been thrown at us. There is not a time that we haven't come out stronger." IM

ABOUT THE AUTHOR

Graham Ruddick is editor-in-chief, *Business Leader* magazine; founder and host of the Business Leader podcast; and founder of *Off to Lunch* newsletter. Graham is also author, *Risk Roulette: The surprising reasons why some businesses work, and others fail.*


Dinesh Bhogale

AI and following best practices, organisations can create a more agile, responsive, and effective HR function that drives business success.

✦ PROF RASHMI BHATIA, JAIPURIA INSTITUTE OF MANAGEMENT, GHAZIABAD

The future of AI in HR

The human resources (HR) function has long been the backbone of any organisation, responsible for recruiting, training, and developing employees to drive business success. However, with the rapid advancement of artificial intelligence (AI), the HR landscape is undergoing a significant transformation. As AI-powered tools and technologies become more prevalent, HR professionals must adapt and evolve to remain relevant in this new era.

What is AI in HR?

AI in HR refers to the use of artificial intelligence technologies, such as machine learning (ML) and natural language processing (NLP), to automate and enhance HR-related tasks and processes. AI-powered tools and software are designed to analyse vast amounts of data, identify patterns, and make predictions to help HR professionals make informed decisions.

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The impact and benefits of AI in HR

- **Automated hiring processes:** The use of AI in HR can lead to a more streamlined and efficient recruitment process, allowing HR professionals to spend more time on strategic initiatives, such as workforce planning and diversity and inclusion.
- **Predictive analytics:** AI-driven predictive analytics provides HR professionals with actionable insights into employee potential, turnover probability, and future talent requirements, empowering more informed and strategic HR decisions.
- **Personalised learning and development:** AI-powered learning platforms can offer employees personalised learning and development opportunities, tailored to their skills, interests, and career goals.
- **Efficient talent management:** AI can help streamline talent management processes, such as performance

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management, succession planning, and leadership development, making it easier to identify and develop future leaders.

- **Employee engagement:** AI-powered chatbots and virtual assistants can enhance employee engagement, providing real-time feedback, support, and guidance to employees.
- **Data-driven decision making:** AI can analyse vast amounts of HR data, providing insights into employee behaviour, retention rates, and training effectiveness. This enables HR professionals to make data-driven decisions and drive business outcomes.

Role and applications of AI in HR

- **Recruitment:** The integration of AI-powered tools in recruitment is streamlining the process, allowing companies to efficiently filter, evaluate, and select top talent.
- **Employee onboarding:** AI-driven chatbots are being used to provide new employees with a personalised onboarding experience, answering questions and providing instructions.
- **Performance management:** AI-powered tools are being used to analyse performance data, provide feedback, and identify areas for development.
- **Employee engagement:** AI-driven tools are being used to measure employee satisfaction, provide personalised feedback, and identify areas for improvement.

The changing role of HR professionals

As AI assumes more administrative and analytical tasks, the role of HR professionals is shifting from transactional and tactical to strategic and advisory. HR professionals must now focus on:

- **Strategic planning:** Developing and implementing HR strategies aligned with business objectives, leveraging AI-driven insights and data.
- **Talent acquisition and management:** Focusing on high-touch, high-value recruitment and talent management activities, such as interviewing, development, and talent growth planning.

- **Employee experience and engagement:** Designing and delivering employee experiences that foster engagement, retention, and growth, leveraging AI-powered tools and insights.
- **Organisational development:** Driving organisational change, innovation, and growth through strategic HR initiatives, collaborative partnerships, and AI-enabled business solutions.
- **Data-driven decision-making:** Using AI-driven insights and analytics to inform HR decision-making, ensuring that data-driven approaches drive business outcomes.

The future of AI in HR

As AI technology continues to evolve, we can expect to see even more innovative applications in HR. Some potential future developments include:

- **Personalised learning and development:** AI-powered tools will provide employees with personalised learning and development recommendations, enhancing their skills and career prospects.
- **Predictive analytics:** AI-infused tools will empower HR professionals to identify at-risk employees and implement proactive strategies to keep them engaged and committed to the organization.
- **Virtual assistants:** AI-powered virtual assistants will become more prevalent, providing employees with 24/7 support and guidance.

Challenges and limitations of AI in HR

- **Data quality and integrity:** AI algorithms rely on high-quality, accurate data to make informed decisions. Poor data quality can lead to biased or inaccurate results.
- **Bias and inclusivity:** AI algorithms can perpetuate biases and discriminate against certain groups. HR professionals must take steps to mitigate these risks.
- **Employee trust and transparency:** Employees must be informed about the use of AI in HR and have trust in the technology. HR professionals must ensure transparency and explainability of AI-driven decisions.

Best practices for implementing AI in HR

- **Start small:** Begin with a pilot project or a specific HR function to test the waters and gather feedback.
- **Collaborate with stakeholders:** Work with HR professionals, business leaders, and employees to ensure that AI solutions meet their needs and expectations.
- **Monitor and evaluate:** Continuously monitor and evaluate AI-powered tools to ensure they are delivering the desired outcomes.
- **Address bias and inclusivity:** Take proactive steps to mitigate bias and ensure inclusivity in AI-driven decision-making.

Conclusion

AI is revolutionising the HR industry, providing HR professionals with innovative tools and solutions to enhance the employee experience, improve recruitment, and increase efficiency. While there are challenges and limitations to consider, the benefits of AI in HR are undeniable. By harnessing the power of AI and adhering to best practices, organisations can revolutionise their HR function, unlocking greater efficiency, innovation, and business growth.

AI is revolutionising the HR industry, providing innovative tools and solutions to enhance the employee experience, improve recruitment, and increase efficiency

The future of work

AI is not only changing the HR industry but also the future of work. With AI-powered tools, employees will have access to personalised learning and development opportunities, enhancing their skills and career prospects. AI-driven virtual assistants will provide employees with 24/7 support and guidance, improving the overall employee experience.

Key takeaways

- AI is revolutionising the HR industry, providing innovative tools and solutions to enhance the employee experience, improve recruitment, and increase efficiency.
- AI can analyse vast amounts of data, providing insights into employee behaviour, retention rates, and Training effectiveness.
- AI-powered chatbots can help personalise the Employee experience, providing Tailored feedback, coaching, and development opportunities.
- Organisations must address bias and inclusivity in AI-driven decision-making to ensure fairness and equity.
- AI will continue to Evolve and Improve, providing even more Innovative applications in HR.

Recommendations

As we explored the role of AI in HR, we highlighted the numerous benefits and opportunities that this technology can bring to organisations. However, to fully leverage the potential of AI in HR, it's essential to implement it in a thoughtful and strategic manner.

- Start exploring AI-powered tools and solutions to enhance your HR function. Begin by exploring various AI-powered tools and solutions available in the market. This can include: AI-driven recruitment platforms, chatbots for employee engagement and support, predictive analytics for employee retention and development, AI-powered performance management and feedback tools. Evaluate these solutions based on factors such as: functionality and features, integration with existing HR systems, customisation options, cost and RoI, vendor support and customer service.
- Collaborate with stakeholders to ensure that AI solutions meet their needs and

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expectations. Collaboration is key to successful AI implementation in HR. Work with stakeholders from various departments and levels to: Identify HR challenges and pain points, determine which AI-powered solutions can address these challenges, evaluate the feasibility and potential impact of AI solutions, develop a comprehensive implementation plan.

Stakeholders may include: HR leaders and professionals, business leaders and managers, IT and technical teams, employees and employee representatives.

- Monitor and Evaluate AI-powered tools to ensure they are delivering the desired outcomes. Continuous monitoring and evaluation of AI-powered tools are critical to ensure they are delivering the desired outcomes.

  This includes: Tracking key performance indicators (KPIs) and metrics, conducting regular feedback sessions with stakeholders, analysing data and insights to adjust and refine AI-powered solutions, identifying opportunities for improvement and optimisation.
- Take proactive steps to mitigate bias and ensure inclusivity in AI-driven decision-making. As we discussed earlier, AI algorithms can perpetuate biases and discriminate against certain groups.

  To mitigate these risks, organisations should: Implement bias-detection and mitigation frameworks, include diverse perspectives and voices in AI decision-making, develop and deploy AI solutions that prioritise fairness, equity, and inclusivity, regularly audit and review AI-driven decisions for potential biases.

Final thoughts

AI is not a replacement for human HR professionals but a tool to augment and enhance their capabilities. By leveraging AI and adopting best practices, organizations can establish a more agile, responsive, and effective HR function that fuels business growth and success. The future of HR is exciting, and AI is at the forefront of this revolution. IM

ABOUT THE AUTHOR

Prof Rashmi Bhatia is Dean (Academics), Jaipuria Institute of Management, Ghaziabad.

Rowers, sitters, and drillers; understanding this unique framework can make or break an organisation, opines Paul Fayad, MSA, co-author of *Shaping a Winning Team: A Leader's Guide to Hiring, Assessing, and Developing the People You Need to Succeed,* and co-founder, Positive Leader and ELM Learning.

MYTH BUSTER

The right hire

MYTH 1: Behaviours and personalities are the same.

Behaviour is a range of actions and mannerisms made by individuals, organisms, systems, or artificial entities within particular environments. It is how we act or conduct ourselves toward others or in response to a situation or a stimulus. Behaviour can be modified, learned, and improved to meet the needs of specific tasks or responsibilities. The ability to perform skill sets is taught and, therefore, can be viewed as behaviours. Essentially, behaviours are what we do.

Behaviours can be encouraged through rewards and positive recognition or discouraged through punishment. It can be confusing to separate behaviours from personalities.

By contrast, personality goes much deeper to the core of the individual; it is defined by most as the combination of the following attributes:

- values
- views
- set responses
- thought patterns

Collectively, personality is a relatively stable aspect of an individual. More importantly, personalities are inherent and take a long time to change, if at all. Research has shown that our personalities are part of our ancestral DNA, inherited from our parents and their ancestors similar to our skin tone, facial features, and body composition. There can be times of anomaly when these characteristics stray from the norm. This is usually during times of intense stress or upheaval. After the stressor or event has passed, the personality generally returns to its previous state.

Personalities are who we are and why we act in a certain way while performing skills. Another way to look at personality is by observing our attitude while performing tasks. This is seen day in and day out in all professions.

Myth 2: People can change their personalities.

In the course of operating a national healthcare services company for over 20 years and being personally involved in the management team's training, as well as the experience of being a front-line supervisor, department manager, and consultant for over 40 years, I can attest that no amount of focus, training, and development provides sustainable change in individuals. Of course, as we can see from myth number one, we can modify the behaviour of individuals through training, development, and proper management styles that focus on providing positive feedback. However, people cannot change their personalities such as increasing their empathy, becoming more open to other perspectives, embracing higher levels of modesty, or becoming more conscientious. Research has shown that our personalities are inherent and that it is highly improbable to change them. We can, for short periods of time, exhibit the traits that would indicate we have, for example, become more empathic; however, we will always resort to the outcome of our inherent personality. This by far is the most difficult thing for managers and leaders to accept.

MYTH 3: Everyone has good intentions at work.

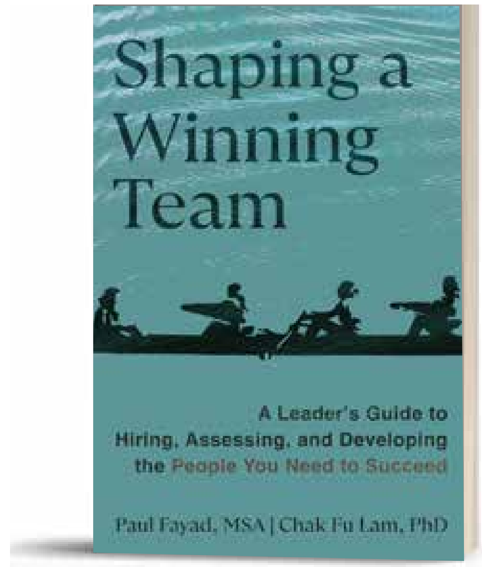
Managers and leaders deeply desire that all of the individuals they hire will turn out to be star employees. Based on interviews and the concept of intuition, managers create a must-succeed mentality for all their hires. Therefore, they are committed to seeing all of their staff become successful no matter what the ongoing results actually produce.

The reality is that not all of our hires have good intentions. The framework: Rower, Sitter, Driller℠ helps managers and organisations understand the different personalities at work and in our lives. Rowers are highly motivated employees who take pride in getting the job done. They row! While doing this, they also bring positive energy that translates into getting along with others and inspiring them.

Sitters tend only to do what is minimally expected of them and can be swayed to adopt the traits of rowers or drillers, whichever is more dominant.

Drillers are negative-energy people who find faults in how things are done, managed, and processed. While they may have exceptional skills on paper, they don't always employ them in their work, choosing instead to grumble and cause moderate to serious disruption in the workplace. While others are rowing, or at least not hindering progress, the drillers are in the back of the boat, drilling a hole in the bottom to sink it. Most organisations are fortunate if they have some rowers, yet the reality is they primarily employ sitters and sadly allow drillers to stay on their teams.

While others are rowing, or at least not hindering progress, the drillers are in the back of the boat, drilling a hole in the bottom to sink it



MYTH 4: If I focus my attention on the problem employee (driller) I can increase productivity and quality.

Why would any organisation allow someone as destructive as a driller to remain? And why would they tolerate the uninspired work of sitters? It is human nature to focus on what is wrong while ignoring what is right. This goes back to the beginning of humankind when the bulk of the day was spent trying to avoid death at the hands of a predator or the elements. Therefore, most of the time was spent maintaining shelter, staying warm, finding food, and resting. It might have been noticed if something was going right, but little time was spent practising gratitude. Survival, not revelling in good fortune, was the mission.

Typically, most managers and leaders—whether they are positive people or not—place 80 per cent of their focus on 20 per cent of their staff, bowing to the instinct of concentrating on what is wrong. It's like seeing a fire and instinctively wanting to put it out. Unfortunately, this means they are focusing the overwhelming majority of their attention on the drillers in hopes of turning them into sitters or even rowers. Their objective is to improve the work of the drillers.

But as we learned earlier, we cannot change personalities, and therefore we cannot change drillers. They will always complain, and their personality tendency is to be negative. They will always act selfishly and resist change not initiated by them. Moreover, they are perfectly comfortable being this way. The mere act of focusing on the drillers does not translate to improving workplace quality or increasing production. Not only does it not change the drillers but sitters, through the concept of social learning, will most assuredly take on the actions of the drillers because the drillers are getting attention. This dynamic—called social learning—is explored in many studies. The most significant takeaway, however, is that focusing on the problem tends to compound it by encouraging others to talk about problems and issues rather than opportunities and possibilities. This management style decreases productivity by focusing on what cannot change and missing the opportunity to increase productivity. When you are focused on your productive team, rowers, who are shown gratitude, will row harder and inspire the sitters, increasing quality, and productivity.

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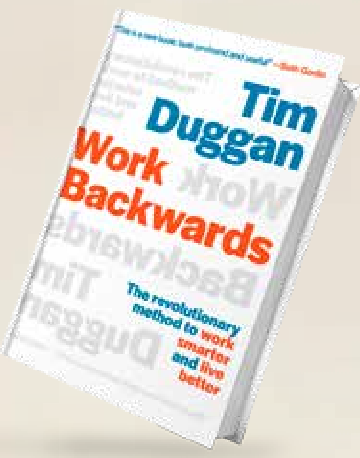
MYTH 5: Intuition is an important part of the hiring process.

The hiring process is the most important part of building your team. Arriving at the decision based on the interviewers' intuition is a failing process. Why? Intuition is based on the storage of information from past experiences in your brain. When we meet someone who may have similar looks, smells, or voice inflections to someone in our past, our brains are automatically triggered to either accept or reject the individual before we have formed an accurate analysis. The hiring process utilising interviews as the primary tool for arriving at a decision is a flawed process. Utilising assessments to determine personalities, behaviours and communication skills as well as multiple people in the interview process will help overcome bad decisions in the hiring process. IM

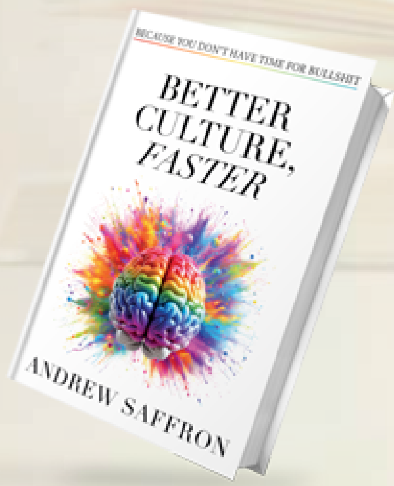
Recommended reads



WORK BACKWARDS

Author: Tim Duggan
Publisher: Wiley

In *Work Backwards,* leading careers expert and entrepreneur Tim Duggan, by examining what different cultures, experts, and studies can tell us about creating happiness, purpose and meaning, helps readers to change the way they think about work, money and life. Whether it is for your own work-life balance as a manager, or to help you understand how to build and lead a happy, healthy team, Work Backwards is an inspirational and practical guide to building a life you love.



BETTER CULTURE FASTER

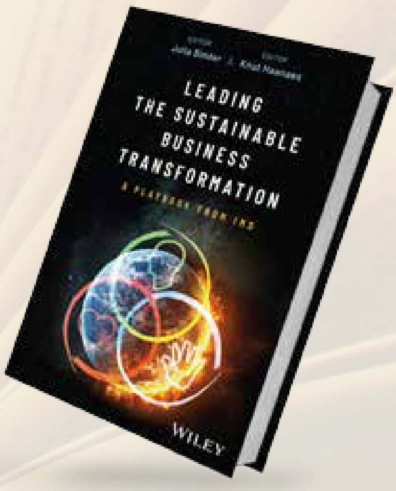
Authors: Andrew Saffron
Publisher: Practical Inspiration Publishing

Most organisations today understand that their culture directly impacts their ability to achieve their business goals. However, most leaders still struggle with how to change culture, and wrongly believe it is something that develops over a number of years. Andrew Saffron, in *Better Culture, Faster* cuts through the myths about culture and creates a simple blueprint for fast culture shifts, without spending huge amounts on consultants, posters, or mission statement mugs.

HIGH PERFORMANCE BOARDS

Author: Didier Cossin
Publisher: John Wiley & Sons Inc

Governance and the quality of decision-making at the very top of organisations can make the difference between success and failure. While there is often scrutiny around lower levels of management, it is often the boards that need to anticipate and navigate the biggest challenges that lie ahead. *High Performance Boards* is a comprehensive manual for mastering best practices in modern governance for managers, board members, or anyone else interested in effective governance.



LEADING THE SUSTAINABLE BUSINESS TRANSFORMATION

Author: Julia Binder and Knut Haanaes
Publisher: Wiley

While most leaders now recognise the importance of sustainability in business, many still struggle with turning ideas into action, overcoming barriers to change and creating a strategy that actually uses sustainability initiatives to drive commercial performance. Too often, good intentions fall down when leaders have to navigate the complexities of getting all departments to buy into their vision. Over many years, the IMD Business School in Switzerland has built a reputation for challenging management thinking, and this playbook brings together research, insights and advice from across their team of sustainability experts that apply to every part of an organisation. It will quickly become a trusted companion that you not only keep coming back to, but also share with the rest of your team.

A STRATEGY FOR HUMAN-AI SYMBIOSIS

Author: Dr Alexandra Diening
Publisher: Human-AI Symbiosis Alliance (H-AISA)

There is no doubt that artificial intelligence is already causing seismic shifts across all industries, but how do we know if it is really for the better? Should we be scared of AI taking our jobs? What should we learn (and unlearn) to thrive in an AI-driven world? And why are the algorithms so addictive?

As the co-founder of non-profit organisation the Human-AI Symbiosis Alliance, Dr Alexandra Diening is one of the world's leading experts in the ethical development of AI. In this book she offers a roadmap for thriving in the AI revolution, using a human-centric approach to ensure people and humanity are at the core of all decisions around AI development. It is an accessible guide, packed with practical, real-world insights drawn from two decades of hands-on AI experience.

THE FAMILY BUSINESS BOOK

Author: Alfredo De Massis & Emanuela Rondi
Publisher: Pearson

Family businesses are the one of the most prevalent and influential types of organisations in any global economy and play a significant role in shaping wider society. Some simply stay as small enterprises run by husband and wife teams, while others go on to build a legacy that lasts across the generations.

This new book is a practical guide to navigating the unique complexities, dynamics and emotions that come with family businesses, not only for the families themselves but also those who work with and for them. The authors, professors Alfredo De Massis and Emanuela Rondi, blend over 20 years of research with real-world examples to provide a roadmap through their insightful entrepreneurial family galaxy concept. It is packed with templates, worksheets and strategies that will allow a family business to truly prosper.


Dinesh Bhogale

Over the ages, Indian visionary thinkers, through their wealth of knowledge, have established marvellous viewpoints on leadership.

✦ JHANVI, ST. XAVIER'S COLLEGE (AUTONOMOUS), KOLKATA; RAJDEEP ROY CHOUDHURY; POSTGRADUATE & RESEARCH DEPARTMENT OF COMMERCE (M. COM), ST. XAVIER'S COLLEGE (AUTONOMOUS), KOLKATA; AND DR SUMANTA DUTTA, ST. XAVIER'S COLLEGE (AUTONOMOUS), KOLKATA.

Lessons from our history

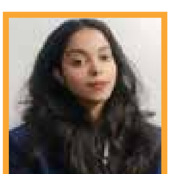
In today's demanding world, inspirational leaders need a range of highly-developed skills. Knowing which skills to deploy in different circumstances and embracing a balanced approach can transform your leadership style for the better.

We have all met leaders who are gifted in a particular area. However, when they apply that one skill to every situation regardless of the facts, poor results are not far behind. Leaders with such a narrow skill set are at risk of becoming the one-trick ponies of the leadership world, lacking breadth and nuance in their approach. As one former colleague described the limited style of a peer's leadership, "When you are a hammer, all you see is nails."

Leadership is an evolving concept that has been observed and studied comprehensively over the years. Our scholars have borne time-tested advice about strategies to deal with adversaries. It talks about the loop of competition, guarding your weakness, and finding out the competitors secrets.

A prominent aspect of leadership, reinforced by the Indian knowledge system, in which it has been seen time and again, is how the king (leader) is unequivocally bound by the views of the general public. The most prominent example emerges from *Ramayan*, when, based on the whispers of a washerman, King Rama administered the agnipariksha to his wife Sita after her return from Ravana's captivity. This brings us to the present context, wherein, to discharge their *rajadharma*, the leaders must utilise modern management concepts such as Management by Objectives (MBO) and 360-degree feedback.

Just as ancient Indian kings were required to consult regularly with their ministers, scholars, and public representatives, today's business leaders must take into consideration opinions and advice from all levels to develop goals aimed at the welfare maximisation of all the parties involved. In ancient governance, as kings were expected to be open to feedback from scholars, spiritual leaders, and even the general public, the same spirit can be echoed in today's organisations, with leaders employing the 360-degree feedback mechanism on themselves to ensure holistic, personal growth.



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Interestingly, in our Indian *shastras*, the requisite skills of a good king (leader) include generosity, charitability, hospitability, humbleness, and being free from vices and addiction, the coincidental majority of which are aligned with the right-brain concept. It is safe to say that in the modern right brain-left brain split concept, our traditional cultural teachings put a greater weight on developing the emotional quotient (EQ) in leading people. On the other hand, the analytical, logical, and detail-orientated left brain finds lesser prominence.

Another lesson for the modern business leaders and managers lies in our traditional teachings of a self-referral process for developing *antar drishti* by traversing the routes of *antar mukhita* and *antar suddhi*. This translates beautifully in the modern perspective. A leader must undertake regular self-introspection to identify his strengths and weaknesses, take necessary steps to further refine his strengths, and minimise the weaknesses. The combined impact of all this leads to clearer and better insights on leading people and organisations towards the desired goals.

A leader must undertake regular self-introspection to identify his strengths and weaknesses, take necessary steps to further refine his strengths, and minimise the weaknesses

We can link a few such modern leadership philosophies from Chanakya from his notable works like *Artha Shastra*, and *Chanakya Neeti* presented the newly coined concepts in the field of management centuries ago.

"Kaaryabahutve bahufalmaaya tikam kuyati"

This shloka asks leaders to select and undertake a work of sustainable nature that materialises their efforts to bring about a transformation. That brought the concept of servant leadership, which was coined by Robert K. Greenleaf in his seminal 1970 essay The Servant as a Leader.

"Naakam chakram paribhramyati"

It is an age-old saying of Chanakya that still holds relevance for today's democratic leaders: a vehicle cannot be run by a single wheel. It leads to the development of situational leadership. It was developed by Paul Hersey and Ken Blanchard and emphasises the leader's ability to adapt their leadership style to meet the ever-changing needs of their followers and the situation at hand.

"Trayanaamekvakye sampratyayah"

Chanakya says that at all times and in all situations, there should be harmony among the king (leader), minister (stakeholders), and intellectuals in order to ensure success. He says that the world would change by leaps and bounds, and the same strategy cannot be applied to every circumstance. This is where the role of a leader's intellect comes into play. A leader at all times should ensure coordination between his stakeholders and his

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intellect to enhance better decision making. It leads to the development of adaptive leadership.

Based on Indian cultural values and traditions, the late Prof. SK Chakraborty of the Indian Institute of Management, Calcutta, who was a pioneer in the field of human values and Indian management, had propounded the 'Raj-Rishi' model of leadership. The model majorly highlights how leaders can inculcate values for effective human capital management rather than obtaining short-term skills. It emphasises that the 'Heart-mind-*pran*' triad forms the foundation of effective leadership.

Finally, the model illustrates how control over one's senses, or *indriyas*, is the most important criteria for developing into a great leader.

From Chanakya to Prof. SK Chakraborty, Indian visionary thinkers, over the ages, have leveraged the immense wealth of knowledge embedded in our culture to establish marvellous viewpoints on leadership, helping leaders tap into their unutilised potential. IM

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Dinesh Bhogale

Growth without ethics can lead to chaos, disharmony, and eventually, failure.

✦ GIRISH MAINRAI, BANK OF INDIA STAFF TRAINING COLLEGE

Ethical dilemma

Deepak Sharma, Head of Processing Centre, Bharat Bank was looking at the bunch of loan files submitted by the marketing staff of the centre. He was always excited about the flow of business reflected in the volume of leads (files) on his table. Of late, he would become anxious seeing the files on his desk. Bharat Bank's MSME Processing Centre, at Lucknow under Deepak's supervision, consists of two key departments: processing officers responsible for loan application scrutiny and approval and marketing officers tasked with sourcing new business leads.

Bharat Bank is a major player in India's private banking sector, with a well-established presence across the country. Over the years, the bank has carved out a significant market share through aggressive marketing and a focus on capturing diverse customer segments. The MSME segment, which includes micro, small, and medium enterprises, has been a critical area of focus for the bank. MSME loans are crucial for driving economic growth in the country and are a lucrative segment for financial institutions. However, the MSME lending market has become increasingly competitive, with several banks and non-banking financial companies (NBFCs) aggressively targeting MSME customers. Bharat Bank, despite its large network and established presence, has begun to feel the effects of this competitive pressure, particularly in terms of falling margins and diminishing market share in the MSME segment. The Head Office's Marketing Department is keenly focused on growing the bank's market share in this segment, exerting significant pressure on all branches and processing centres to achieve business growth.

The leads for MSME are generated by marketing officers who also carry out initial due diligence of the prospective lead. After this, they discuss the viability of the proposal — credit history, financial behaviour, managerial capacity, financial & economic viability, and technical aspects for assessing the creditworthiness of the entity — with the centre head, who is assisted by his deputy Mr. Rakesh Gupta in decision-making. Based on this, the decision for approval or rejection of the lead wis taken. After this, the file is sent to the processing officers for disposal of the application. The processing officers follow a well-laid-down process for appraising the loan proposal and put it up for sanction to the centre head after incorporating the recommendations of the deputy in charge, Mr. Gupta.

Deepak Sharma was responsible for the overall functioning of the centre, including achieving business targets assigned to the processing centre by the marketing department at the head office. Business growth was a key parameter in annual performance appraisal, pay raise, and in promotion decisions of the staff at the processing centre. At the same time, Deepak Sharma's role as the team leader of the MSME processing centre is to ensure that loan applications are properly evaluated, processed, and sanctioned in compliance with the bank's internal policies and the regulatory framework governing MSME loans.

Recently, Deepak noticed a worrying decline in the quality of the leads being generated by the marketing officers. Several issues have emerged which are inconsistent with the policies and procedures of the bank. Marketing officers are inflating the income and revenue projections of MSME loan applicants to meet the eligibility criteria for higher loan amounts.

As a part of initial due diligence marketing officers carry out credit history checks, which are crucial to evaluating an applicant's ability to repay the loan. The credit reports of potential clients are being neglected or deliberately downplayed by the marketing staff to push through more loans.

Apart from this, the marketing officers are pressuring Deepak and the dealing processing officers to approve higher loan limits for customers than they are eligible for, to meet aggressive business targets. Deepak, having a long experience of over twenty years in the industry, understood that certain industries are inherently riskier than others, depending on factors like market volatility, government regulations, competition, or susceptibility to economic downturns. These aspects were used to be discussed in detail earlier were now overlooked by the marketing staff for pushing loan applications. Other aspects like lack of

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clear business strategy or expansion plan, or a sustainable roadmap for growth were sometimes overlooked by the marketing staff of the Centre.

Similarly, the profitability aspects and high completion in the business segment in which the customer was operating were not given due emphasis by the marketing staff.

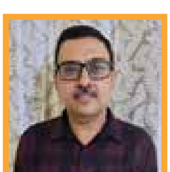
In some cases, the marketing staff pushed loan proposals based solely on the strength of personal guarantees from the borrower or business owners, without fully assessing the business's ability to repay the loan. Deepak explained several times that personal guarantees alone do not compensate for poor business viability. Even this was not given due emphasis while discussing the viability of the proposal.

This unethical behaviour by the marketing staff deeply disturbed Deepak, as it not only violates the Bank's ethical guidelines but also increases the risk of non-performing assets (NPAs) in the MSME loan portfolio. A rise in NPAs could result in financial losses for the bank and damage its reputation. Deepak, realising the seriousness of the situation, initially attempted to address these issues by discussing them directly with the marketing officers. However, instead of acknowledging their actions or taking corrective measures, the marketing staff escalated the matter to the VP of Business Sourcing & Excellence at the Head Office, accusing Deepak of obstructing their efforts to meet their targets.

Several things were going around in Deepak's thought process. The marketing officers' actions not only misrepresented the borrowers' financial health but also undermined the fairness of the loan approval process. MSME borrowers who do not meet the eligibility criteria should not be approved for higher loan amounts simply to meet business targets.

He understood his role in achieving the business targets of his processing centre. But pushing through more loans may result in short-term business growth, the long-term impact could be disastrous if these loans turn into NPAs. Deepak had to weigh the immediate pressure for growth against the potential long-term damage to the bank's financial health. Reporting the issue to the ethical committee would be the correct course of action based on the bank's code of conduct, but Deepak is concerned about potential backlash from the Marketing Department and higher-ups at the Head Office.

As a team leader, Deepak has a responsibility to achieve business targets but at the same time uphold the bank's policies and protect its financial interests. Turning a blind eye to the marketing officers' unethical practices would compromise his integrity and put the bank at risk. Skipping due diligence increases the likelihood of errors or oversights, which could lead to poor loan performance down the line. During his long career, he has overcome several challenging situations but this seems to be an extremely difficult situation entailing careful consideration of all aspects. His ponderance was broken by the entry of marketing staff, Dharmendra, who had come to enquire about the meeting for decision-making about the fate of files lying on his desk. IM



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Dinesh Bhogale

As the nation strives to bridge the gap between the served and underserved, AI emerges as a transformative force, reshaping the financial landscape and fostering inclusivity.

✦ DR RAJKUMAR ARIHANT, SATYAWATI COLLEGE, DELHI UNIVERSITY

Democratising finance

The World Bank recently highlighted India as one of seven nations where half of the world's 1.4 billion adults lack access to formal banking services. This exclusion, perpetuated by traditional banking systems, has marginalised entire communities. However, a global movement characterised by the emergence of artificial intelligence, (AI) is challenging these barriers, heralding an era of democratising finance. This paper examines Artificial Intelligence's pivotal role in fostering financial democracy in India. AI serves as a transformative catalyst, reshaping digital banking and dismantling barriers to financial access. Through AI-powered initiatives, this paper elucidates how technology democratises finance, promoting economic inclusion and social justice.

Keywords: Artificial intelligence, financial inclusion, democratising finance, digital banking, socioeconomic disparities, marginalised communities.

Methodology

In order to study artificial intelligence (AI) as a means of democratising finance in India, this research will make use of secondary data. The latter will come from academic journals, periodicals, books and articles that revolve around digital technology in finance as well as electronic sources with current data.

Introduction

In the digital era, access to financial services equates to access to opportunity. India's bank-dominated financial system, especially in credit allocation, underserves vast segments of the population, perpetuating socioeconomic disparities. However, a global movement advocating financial empowerment emerges, akin to democracy, characterised by the emergence of artificial intelligence, (AI) aiming to dismantle barriers and level the economic playing field, heralding an era of democratising finance.

Democratising finance transcends access to bank accounts; it empowers individuals to control their financial destinies. The democratisation of finance is realised through increased access to financial instruments, allowing ordinary people to participate in wealth-building activities.

History of inclusive banking

The spirit of financial inclusion materialised

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in 2005 when RBI underscored its significance in the Annual Policy Statement of 2005-06. It urged banks to extend their reach to the masses, taking banking services to rural areas. Subsequently, the RBI began encouraging banks to prioritise Financial Inclusion as a business objective.

The transformative change came with the introduction of the Pradhan Mantri Jan Dhan Yojana (PMJDY) and direct benefit transfer schemes, coupled with expanding mobile and telecom services which laid the foundation for a more inclusive financial ecosystem. It has played a crucial role in democratising access to traditional banking, credit, and money, ensuring that millions of citizens, especially those in vulnerable sections, have access to basic banking services, insurance, and pension schemes.

Artificial intelligence (AI) and machine learning (ML)

Technology, particularly AI and ML catalyse this transformation. These tools reshape finance, offering affordable solutions for all. AI enhances service delivery, while ML unlocks unprecedented insights.

Democratising finance

The democratisation of financial services is poised to have profound effects—amplifies the voices of the marginalised, fostering equity and driving sustainable growth. This movement's impact transcends monetary value, touching lives across diverse backgrounds. It transforms finance from a privilege into a force for universal upliftment.

Leveraging AI technologies, financial institutions can better cater to marginalised communities, promoting economic empowerment and social justice. This paper discusses AI's pivotal role in democratising finance within India and how it reshapes the financial landscape, fostering inclusivity, and addressing long-standing disparities.

Artificial intelligence (AI) in financial services:

The adoption of AI has catalysed the emergence of innovative digital solutions spanning online banking, mobile apps, contactless payments, biometric authentication, chatbots, virtual assistance, personalised financial services, and new business models such as peer-to-peer lending. These technologies are revolutionising the design and delivery of financial products, aggregating and tailoring them to the unique needs and preferences of low-income households.

The collaboration between banks and digital solutions providers, facilitated by the synergy of AI, ML, and other technologies encompasses the entire lifecycle of a loan, from customer application to onboarding, approval, credit disbursement, management, collection, and recovery. This democratisation of lending extends to providing small loans or microfinance to diverse segments of the population, especially those who may not fit the conventional mold of creditworthiness. AI and ML algorithms possess the capability to analyse alternative data sources, such as mobile usage patterns and transaction histories, to accurately assess creditworthiness.

However, with the advent of AI-driven solutions, this landscape is witnessing a paradigm shift. AI and ML enable financial service providers to utilise data and analysis creating affordable and convenient financial solution for the under presented segments of society.

Credit scoring revolutionised by AI

One of the most groundbreaking contributions of AI in the financial arena is the development of alternative credit scoring models. These models are specifically designed to include individuals without traditional credit histories, thereby reaching underserved populations.

AI-enabled credit scoring models utilise a diverse range of data points, including an individual's utility bill payments, social media activity, mobile and smartphone usage, online shopping behaviours, GST payments, rental history, and e-commerce transactions. By analysing these alternative data sources, AI algorithms can predict an individual's creditworthiness, particularly for the unbanked or underbanked demographics. This dynamism not only expedites the lending process but also leads to more accurate pricing of loans and a reduction in non-performing assets. As AI continues to evolve, its role in

democratising access to credit is poised to make a lasting impact on global financial inclusion efforts.

Language accessibility: empowering financial literacy in India

In a country as linguistically varied as India, the importance of financial literacy is paramount. Traditional banking systems, which largely operate in a limited number of languages, frequently face linguistic obstacles. These barriers hinder the spread of essential financial services, especially in rural areas, and can result in misunderstandings that erode the trust that customers have in these institutions.

AI chatbots

In this scenario, the advent of AI-driven solutions provides a revolutionary solution. AI chatbots, armed with sophisticated linguistic algorithms, have the ability to communicate fluidly in a wide range of Indian languages. By eliminating language barriers, these chatbots not only enhance the quality of customer service but also play a pivotal role in fostering financial inclusion and democratising access to banking services across India.

These chatbots, as digital intermediaries, can interact with users in their local languages, navigating them through banking procedures, responding to queries, and even aiding in financial planning.

The goal is to ensure that every individual, regardless of when they seek advice, which language they speak, or what their unique financial situation might be, has access to informed, relevant, and timely financial guidance.

AI's role in fraud detection

AI emerges as a powerful ally, leveraging its sophisticated algorithms and data analysis capabilities to detect and mitigate fraudulent behaviour. AI operates tirelessly, scanning vast amounts of transactional data in real-time to identify anomalies and suspicious patterns indicative of fraudulent activity. Moreover, AI and machine learning (ML) technologies

play a crucial role in enhancing risk management for financial crime surveillance. By continuously learning from new data and adapting to evolving fraud tactics, AI systems can stay ahead of emerging threats and ensure robust protection against financial crime.

Challenges in financial democracy with AI implementation:

Despite its benefits, AI also poses risks. AI models, while adaptable and scalable, can suffer from algorithmic bias, which leads to systematic favoritism towards certain outcomes, reducing their robustness. Additionally, AI system might generate false or misleading information, known as 'hallucination'. Human biases, shaped by personal and professional experiences can unintentionally infiltrate these stages, resulting in AI systems that mirror these biases. This can arise from design assumptions or programming errors where developers' biases affect algorithm decision-making. In India, biases are more pronounced due to its cultural, linguistic, caste, religious and socioeconomic diversity. In the financial services sector, such biases can manifest as racial, gender, or socioeconomic discrimination, impacting credit and investment decisions, hiring practices and customer services.

The complexity of AI models often obscures their decision-making processes, leading to a lack of transparency. Customers may struggle to understand AI-driven financial decisions, which can lead to mistrust. The widespread adoption of AI could also lead to market concentration in the financial services industry.

With AI's pivotal role in financial democratisation comes significant responsibility. Regular audits and fairness checks are imperative to ensure that AI models do not inadvertently perpetuate biases or disparities. Addressing accountability, it's crucial for the RBI to provide detailed guidelines.

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Conclusion

The role of AI in democratising finance within India is paramount. As the nation strives to bridge the gap between the served and underserved, AI emerges as a transformative force, reshaping the financial landscape and fostering inclusivity. By embracing innovation with mindfulness and responsibility, India can unlock AI's true potential in democratising finance, fostering a future where every individual has access to the financial resources and opportunities needed to thrive. IM

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