

JULY EDITION

Quest

STRAIT OF HORMUZ CRISIS

IS WAR INSURANCE THE ONLY THING
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NATIONAL
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From the *Editor's Desk*



Vasant Hegde

Welcome to the fifth edition of U-Quest, the institutional voice of our banking academy. As an organization, our collective strength lies in the seamless collaboration of every department—from our dedicated Faculty and HR teams to our robust Facilities, marketing and Finance divisions. Each of you play an indispensable role in building a premier talent pipeline for the financial sector.

In this edition, we turn our focus toward the human-side of banking. While financial metrics and regulatory compliance govern our daily operations, it is behavioral dynamics and interpersonal excellence that define true professional success. We are proud to feature a diverse compilation of articles penned by our esteemed professors, who bring decades of deep field experience to the domain of banking soft skills.

Chetna Julka's article on "Training Future bankers in the age of AI, highlights the skills required by future bankers while interacting with customers. Rati Chandra's article brings out the need for war risk insurance against the backdrop of the blockade of strait of Hormuz.

U-Quest in classroom covers **Priority Sector Lending (PSL) guidelines** & keeping pace with these regulatory targets is crucial for every banker ensuring inclusive economic growth. The section on Trivia covers Portmanteu which have redefined our vocabulary. Whether you are guiding trainees in the classroom, managing human capital, maintaining our infrastructure, or balancing our institutional budgets, these perspectives on behavioral banking will enrich your daily professional toolkit.

On behalf of the editorial team, I want to extend my gratitude to all the contributors for sharing their expertise, and to all of you for your continuous commitment to our academy's shared vision. I hope this issue inspires meaningful reflections and conversations across our hallways.

Happy reading!

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National Blockchain Framework

Moulding the Future of Banking in India

Faculty – HDFC Bank Onboarding Program

Visualise walking into a bank to apply for a loan by offering your property as collateral. You carry all required documents—property papers, income proofs, identity documents, and bank statements. The process seems routine until the bank informs you that your property records need re-verification because similar collateral appears in another loan database. The loan is delayed, not because of your credibility, but due to gaps in inter-institutional trust and data coordination.

This scenario illustrates a widespread challenge in India's financial system. Despite large-scale digitisation, verification delays, duplicate records, and fraud risks persist. According to the Reserve Bank of India's Annual Report 2024–25, complaints related to loans and advances—frequently involving documentation and collateral disputes—remain a major category of grievances. In FY 2024–25 alone, over 13.34 lakh complaints were registered, showing a 13.55% increase from the previous year.

It is this gap—between digitisation and trust—that blockchain technology intends to bridge. Recognising its possibilities, the Government of India introduced the National Blockchain Framework (NBF) in September 2024. Through this effort, India is quietly building one of the world's most advanced government-led blockchain ecosystems. Under the framework, more than 38 crore documents have already been verified on a blockchain platform, signalling a major change in how trust is established in digital systems.

Understanding Blockchain Technology

Blockchain is a secure, distributed digital record system where information is stored in blocks that are linked together chronologically. Once data is recorded, it cannot be altered without consensus from all participating nodes, making the system tamper-resistant by design.

Unlike traditional databases controlled by a single authority, blockchain operates through distributed verification. Multiple participants validate transactions, preserving transparency, integrity, and trust without the need for constant third-party reconciliation. For financial systems, this fundamentally changes how records, ownership, and verification are managed.



**Anurag
Choudhary**

Types of Blockchain Systems

Blockchain systems can be designed in different ways depending on access and governance requirements:

- **Public Blockchains:** Open to all participants, commonly used in cryptocurrency networks.
- **Private Blockchains:** Access is restricted and controlled, rendering them suitable for government or regulated institutions.
- **Consortium Blockchains:** Shared among multiple trusted institutions, such as banks or regulators.
- **Hybrid Blockchains:** Combine public transparency with private control, balancing openness and confidentiality.

For banking and governance, private and consortium blockchains are particularly relevant owing to regulatory and data privacy considerations.



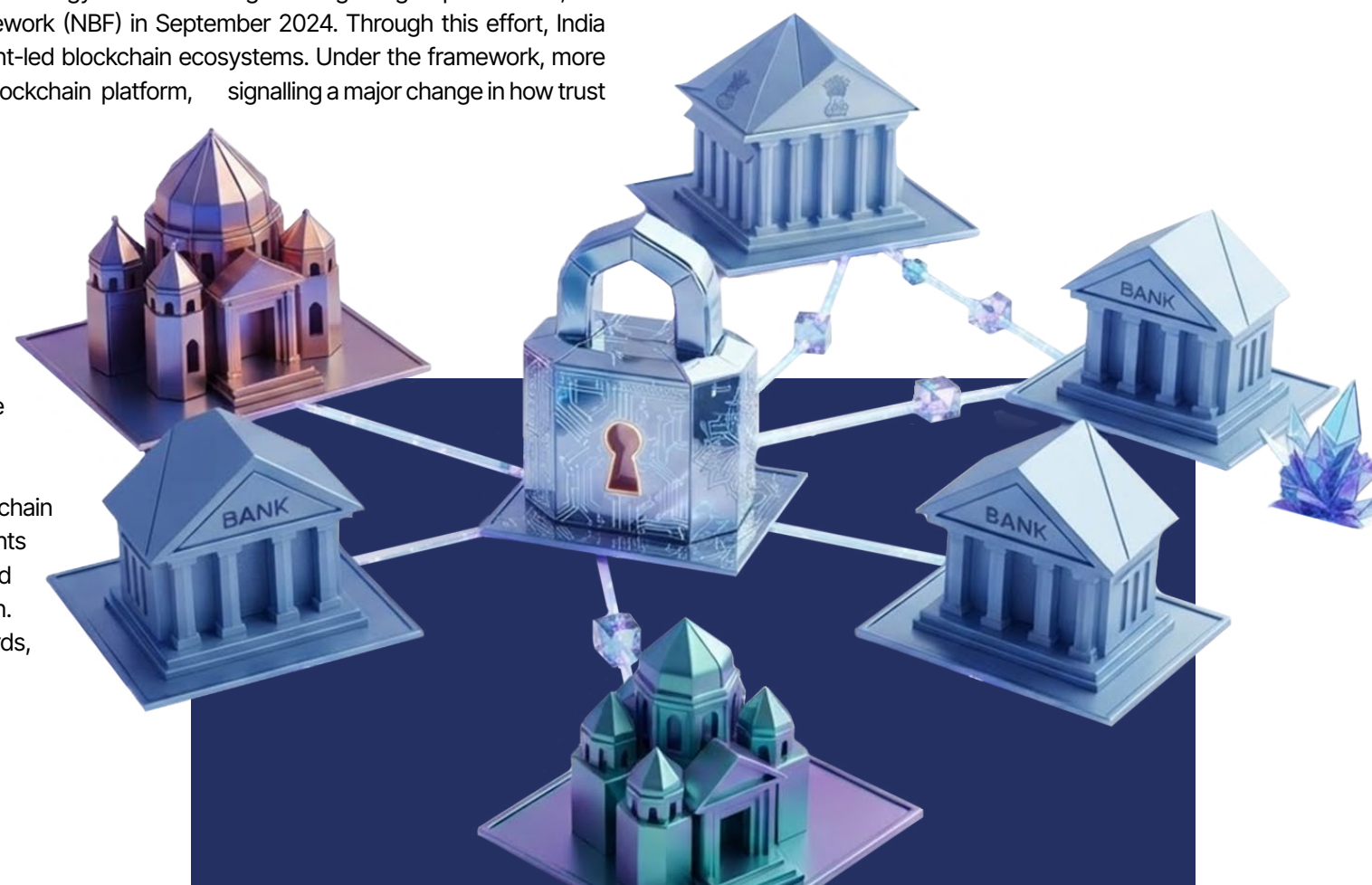
What Is the National Blockchain Framework (NBF)?

The National Blockchain Framework is a government-led initiative designed to promote the safe, standardised, and interoperable use of blockchain technology in India. It provides a common infrastructure that can be leveraged by banks, government departments, regulators, and public institutions.

The framework secures:

- *Tamper-proof record keeping*
- *Improved transparency*
- *Reduced duplication of data*
- *More substantial evidentiary value for digital records*

India's official blockchain platform, VISHVASYA, serves as the trusted backbone for secure digital governance and financial systems. By providing a shared, verified data environment, NBF substantially reduces fraud risks and verification delays.



How Regulators Are Already Using Blockchain



Reserve Bank of India (RBI)

The RBI is thoroughly exploring blockchain to strengthen payment systems and economic security. Primary initiatives include:

- Central Financial Digital Currency (Digital Rupee) pilots to offer sovereign digital money
- Inter-bank settlement experiments for faster and more transparent fund transfers
- Fraud and risk monitoring, where shared ledgers help identify unusual transaction trends early



Securities and Exchange Board of India (SEBI)

SEBI is examining blockchain applications to strengthen market transparency plus investor protection:

- One-time KYC sharing across intermediaries
- Observing market abuse, including insider trading
- Accurate and immutable securities and mutual fund records



National Securities Depository Limited (NSDL)

NSDL is among the most advanced adopters of blockchain at the operational level:

- Ensuring DEMAT and ownership record integrity
- Preventing duplicate or fake investor records
- Transparent tracking of corporate actions such as dividends and bonus issues

For depositories where trust in records is absolute, blockchain provides a natural and effective solution.



Role of Blockchain and NBF in the Future of Banking

As India builds a fully integrated government-hosted blockchain ecosystem, banks will play a central role as trusted nodes inside this network. Their role will extend beyond traditional financial intermediation.

In the future, banks will:

- Participate in shared verification systems.
- Maintain and validate immutable transaction records.
- Reduce duplication in KYC, collateral, and compliance checks.
- Educate customers on secure digital financial procedures.

Under the National Blockchain Framework, bank operations are expected to become faster, more transparent, and more secure. This joint participation will strengthen trust, reduce fraud, and support India's vision of a resilient, trust-driven digital economy.

Conclusion

The National Blockchain Framework signifies a significant milestone in India's digital financial progression. By addressing long-standing issues of trust, duplication, and verification delays, blockchain can transform banking from a transaction-heavy system into a trust-centric digital ecosystem.

As banks, regulators, and government institutions collaborate under this system, India is primed to lead the next phase of the digital economy—one where technology strengthens trust rather than replacing it. In this evolving landscape, blockchain will not simply support banking operations; it will change how trust, transparency, and accountability are embedded in the financial system itself.

Evaluation Grid – Edited Article

Parameter	Guiding Questions	Rating (1–5)	Final Rating
Clarity & Structure	Is the article well-organised and easy to follow?	5	5
Relevance	Does it address current banking and regulatory trends?	5	5
Originality & Thought Leadership	Does it offer meaningful insights into blockchain adoption?	4	4
Writing Style & Professional Tone	Is it suitable for academic, training, or banking audiences?	5	5
Reader Engagement & Value	Does it add practical and conceptual value?	5	5

Final Score: 4.8 / 5 – Excellent

War Insurance

Shield for Trade or Costly Illusion?



Dr. Rati Chandra

In modern times, wars between nations are not fought only with missiles, tankers and submarines. They also involve the disruption of financial systems, trade corridors and risk markets. Among the most powerful strategic tools in the contest of economic disruptions is the control of world's major sea routes. This control can shape negotiations between nations, sometimes more decisively than the military strength itself. A clear reminder of this fact is the current circumstances in the Strait of Hormuz. This small channel is one of the most important energy chokepoints in international trade. The U.S. Energy Information Administration (EIA) estimates one-fifth of global petroleum consumption passes through the Strait of Hormuz each day.

Marine transport accounts for more than 90% of world trade; thus, the security of these transport routes is very important. When tensions escalate politically, they have repercussions beyond naval military response. Shipping companies hesitate. Banks reassess exposure, and insurers begin recalculating the cost of risk. It is at this point that a specialised but often understated layer of protection comes into focus known as war-risk insurance.

War-risk insurance fills the exclusion gap in standard marine policies by covering losses arising from armed conflict, hostile actions, blockades and politically motivated attacks.

War-risk premiums are typically voyage-specific and rise sharply when underwriters classify a region as a high-risk zone. Before recent conflicts, vessels passing through the Persian Gulf typically paid around 0.02%–0.05% of a ship's value as war-risk insurance. After the commencement of hostilities, premiums rose to about 0.5%–1% of the vessel's

value for each trip. In case of a \$120 million tanker ship, it would mean that a one-time insurance premium would increase from:

\$40,000 to above \$1 million

Without this financial safety net, cargo companies might have withdrawn from the region entirely, creating severe disruptions in global energy markets. This scenario restates that war-risk insurance does not eliminate danger it prices the risk of conflict so that global trade can continue in the times of uncertainties. Recent developments in the Gulf have proven how quickly insurance markets react to geopolitical uncertainty. Reuters reported that premium of war-risk insurance rose steeply due to the high-risk classifications by London marine insurers, highlighting the direct relationship between regional tensions and insurance costs.

Institutions such as Lloyd's of London continuously monitor geopolitical developments and periodically designate certain maritime zones as high risk, leading to higher war-risk premiums and increased costs for trade-dependent nations.

India's position within this system deserves particular attention. The country depends heavily on maritime trade for oil imports and essential industrial raw materials. A substantial portion of India's crude oil shipments is imported through West Asian Sea routes that often faces geopolitical tensions. Indian insurers like The New India Assurance Company Limited and the reinsurer General Insurance Corporation of India provide the insurance support that allows Indian cargo ships to operate in international trade routes.

Understanding the strategic importance of these sea routes, Indian policymakers have started strengthening their own war-risk insurance support. Government-supported insurance pools or sovereign guarantees are particularly relevant for India, where disruptions in Gulf shipping routes can directly affect energy security, freight costs and import bills.

Though war-risk insurance is available in India, getting coverage has become more difficult. In recent months, General Insurance Corporation of India withdrew marine hull war-risk cover for certain high-risk regions, due to this, major Indian players like The New India Assurance Company Limited and ICICI Lombard General Insurance are forced to review their exposure and issuing cover more cautiously for voyages near Iranian waters. International insurance markets have reacted in a similar way. Arguably, seaways and air corridors have just as much influence on strategic outcomes as military capabilities do.

War Risk Insurance distributes the cost of risk between the insurer, the reinsurer, and various institutions. Its neither protects against danger nor offers any kind of safety net; it rather serves as a shock absorber, softening the blow of political events and enabling economic exchanges despite general tension.

For businessmen and diplomats alike, the problem of war risk insurance lies beyond its price tag. The crucial question that must be asked is whether the exchange of goods between nations could continue in the time of war if not for such insurance. Given the current uncertainties this precarious arrangement might be the only thing preventing the collapse of international trade.

The Comfort Trap

How Good Times Shaped Fragile Minds

When we look at the young bankers at our academy today- & this applies to the younger generation elsewhere as well, we frequently find ourselves asking a familiar set of frustrated or concerned questions from a distance:

“Why can’t they handle stress? Why does everything feel like too much for them? Why are they so sensitive and constantly overwhelmed?”

We treat this generation as if they are entirely separate from us. But if we sit with these thoughts for a moment, a quiet truth emerges that we rarely want to say out loud. What if the answer isn’t out there in the world, but within us? Every generation dreams of building a better life for the next. We worked harder, built more, and made things easier, faster, and safer so our children wouldn’t have to struggle the way we did. Yet, somewhere in that profound love and protection, we unintentionally removed something essential for human growth.

There is a simple, painful truth about human nature: bad times create strong people, strong people create good times, good times create weak people, and weak people create bad times. This isn’t about pointing fingers; it is about understanding how resilience works. Strength isn’t an inherited trait, nor is it something that can be taught through words alone. It is built slowly and



Harikrishnan P

painfully through real-world experience, failure, discomfort, and those difficult moments when nothing goes your way but you choose to move forward anyway. When life becomes too easy, we naturally start solving problems before they are even felt, protecting people from falling instead of teaching them how to pick themselves up. Out of love, we say things like,

“Don’t worry, I’ll handle it,” or “I don’t want you to struggle,”

but life does not understand or respect that kind of protection. Eventually, life shows up unannounced with a painful failure, a stinging rejection, lingering loneliness, or unbearable pressure. When that moment arrives, it feels completely overwhelming—not because the person is inherently weak, but because they were never trained to carry that weight. To be honest, this generation isn’t broken, and they are not struggling because something is inherently wrong with them.

They are struggling because something vital is missing from their environment. They grew up in an instant world where answers, validation, and success stories are just a click away, yet comparison is constant because every scroll shows someone else doing better. While the pressure they face is invisible, it is relentless. We talk about feelings more than ever, but we rarely build actual emotional resilience.

We told them they could be anything they wanted to be, but we forgot to show them how to handle the heavy cost of becoming something. When they feel anxious, lost, or overwhelmed, it isn’t a personal failure; it is a natural response to an unnatural preparation. It hurts to admit, but in our quest to give them comfort, we forgot to give them the strength required to sustain it. Good times, by themselves, have never lasted throughout history.

This realization shouldn’t be about blame, but about shifting our awareness from protecting to preparing, from avoiding pain to understanding it, and from offering ease to building endurance. We need to find a balance where we offer comfort alongside capacity. This means letting failure happen while standing beside them rather than blocking the blow, teaching patience in a world addicted to speed, and encouraging discomfort as preparation rather than punishment. We must show them that while their emotions are entirely valid, those emotions must also be actively navigated.

Ultimately, we need to help them build the quiet confidence that says, “I can handle this,” because one day, they will have to. Maybe the compassionate question isn’t, “Why can’t this generation handle stress?” but rather, “Did we prepare them to?”

The historical cycle of ease and hardship will always continue, but we are not powerless within it. We get to decide whether we will only create short-term comfort or if we will actively build long-term resilience. The next time you see someone overwhelmed, pause before you judge. Behind that anxiety might just be a life that was taught only how to avoid hardship, never how to carry it. Good times are a wonderful gift, but raising strong people is our responsibility, and the future depends entirely on our willingness to build both.

Campus Buzz

HDFC AI Ignite

The 38th batch of HDFC Future Bankers Program 2.0 program lit up the stage with Sales Fiesta AI Ignite — a powerful showcase of how Artificial Intelligence is reshaping the future of banking. With energy, confidence, and razor-sharp customer focus, the cohort proved that tomorrow's banking leaders are being built today.



Transformational Leadership Program with Bandhan Bank

We launched a niche leadership development initiative for future General Banking Heads, meticulously designed based on a comprehensive Training Needs Analysis. As part of an 8-week transformational journey, 30 participants came together to sharpen their leadership in growth, governance, risk, and digital transformation — through immersive simulations and real-world business scenarios.

Phase 1, a 3-day campus intervention at Manipal Academy of BFSI, is complete. The journey continues post capstone, as tomorrow's leaders rise to the challenge.



The Success Story of the IDFC FIRST Long-Term Program

Launched in July 2025 with 150 learners, the IDFC FIRST Long-Term Program set out to prove that industry and academia, working together, could shape job-ready bankers. By year-end, that vision had grown into 455 participants with two new initiatives: a short-term program for Debt Managers and a long-term track for Business Banking cohorts.

Beyond the numbers, the program is designed to sharpen skills with real-world exposure, AI-driven simulations and structured branch visits that bring students face-to-face with senior leaders. Our program with IDFC First Bank solidifies that when industry and academia come together, we build bankers of tomorrow.



Chrysalis-RBL Branch Managers Leadership Program



Three batches strong and counting, this program has already begun reshaping how branch leaders are built. A dream project of Mr. R. Subramani Kumar, MD & CEO, RBL Bank, launched on 29 October 2025, this intensive residential program is turning job-ready branch managers into confident, strategic leaders for the long term.

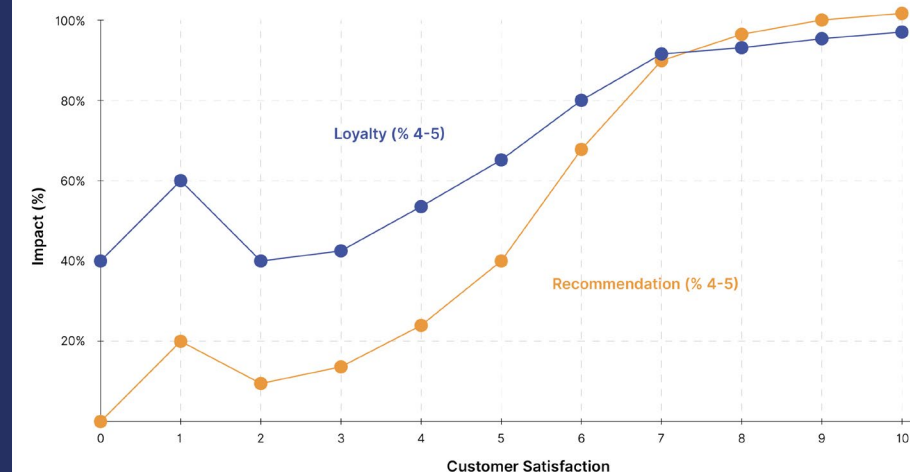
Orchestration as the Defining Advantage

Enabling the 10x Relationship Manager in Commercial Banking



Roopali R Baadkar

The Impact of customer satisfaction



0 unsatisfied-
10 very satisfied

0 low loyalty-
5 high loyalty

0 low willingness to recommend-
5 high willingness to recommend

Source:

Impact of customer satisfaction, loyalty and recommendation in the Spanish service sector, IESE Business School, based on a survey on 3464 Spanish households.

Source: <https://www.adlittle.com>

Commercial banking is saturated with digital tools and accelerating AI adoption, yet true competitive differentiation remains elusive.

The next advantage will not come from more automation. It will come from orchestration — converting scale from a constraint into a competitive advantage.

In banking, orchestration integrates AI agents, data flows, workflows, and human expertise into a unified decision system. Competitive advantage no longer comes from deploying AI tools, but from orchestrating them effectively across the enterprise with human oversight.

From Cost Efficiency to Outcome Advantage

Automation focuses on efficiency—completing the same tasks faster and at a lower cost. In contrast, orchestration focuses on outcomes by aligning systems, decision layers, and strategies to drive the right action at the right moment.

As products standardise and information becomes commoditised, differentiation shifts from product features to advisory intelligence and trust.

The Evolution of the Relationship Manager

In the past, commercial banks encountered a structural choice:

- Deliver high-touch advisory services to a limited clientele, or
- Provide standardised services to a larger group.

Human capacity limits, manual processes, and compliance costs made scaling expensive.

AI-driven workflow integration removes this structural constraint. Agent-based AI architectures enable the 10x Relationship Manager — not a banker working longer hours, but one who orchestrates intelligence and expertise.

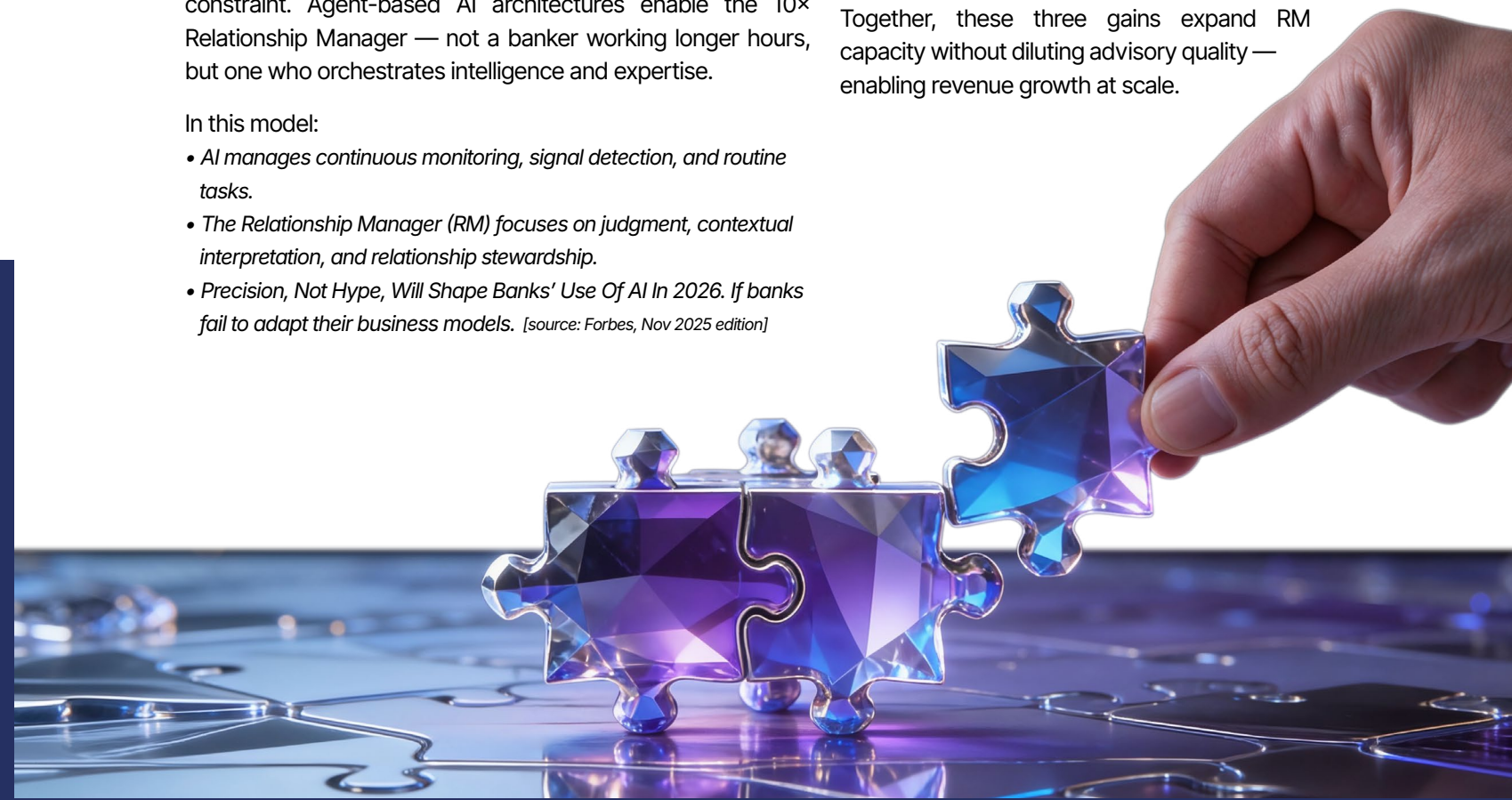
In this model:

- AI manages continuous monitoring, signal detection, and routine tasks.
- The Relationship Manager (RM) focuses on judgment, contextual interpretation, and relationship stewardship.
- Precision, Not Hype, Will Shape Banks' Use Of AI In 2026. If banks fail to adapt their business models. [source: Forbes, Nov 2025 edition]

Orchestration creates value through three distinct advantages:

- **Insight Gain** → Earlier signal detection → Higher-quality decisions
- **Context Gain** → Human interpretation of AI outputs → More confident decisions
- **Trust Gain** → Proactive, accountable advisory → Stronger client relationships

Together, these three gains expand RM capacity without diluting advisory quality — enabling revenue growth at scale.



1. Insight Gain → AI as a Tool for Higher-Quality Decisions

Insight Gain emerges when AI continuously monitors cross-domain signals—risk, treasury, compliance, and transaction data—surfacing patterns humans would otherwise detect too late.

Integrating cross-domain signals improves early risk detection and opportunity identification. For example, an AI system might detect:

- A client's receivables are taking longer to collect.
- Inventory levels are rising.

Individually routine, these signals together can indicate a working capital issue. The RM gets an early alert, shifting banking from reactive to proactive—improving credit quality, wallet share, and retention.

2. Context Gain → Where AI Meets Human Judgment to Create More Confident Decisions

Insight alone is insufficient. Data alone cannot capture intent, timing, strategy, or client-specific nuance. Context Gain arises when human expertise interprets AI insights. AI offers structured options, while the RM adds judgment and context—making decisions both data-driven and accountable. AI may signal a liquidity risk or propose a working capital facility based on anticipated cash flows. However, only the RM can assess whether the signal signifies:

- Delayed receivables associated with major contracts
- Strategic inventory accumulation
- Market expansion strategies

When AI insights are combined with human context, decisions become sharper, more confident, and strategically aligned.

With this context, the RM may propose:

- A shorter-tenor facility
- Invoice-based financing
- A flexible drawdown structure that corresponds with cash cycles

AI generates options. The RM applies wisdom.

This division of capability is not incidental—it is designed through orchestration.

3. Trust Gain → The Human Element That Enhances Client Relationships

When Insight and Context are effectively combined, they result in Trust Gain. Clients receive proactive, precise, and context-aware advice. Trust is not automated. It is earned — when intelligence is timely, advice is contextual, and accountability remains human. Thus, trust emerges from orchestration: AI provides timely insights, the RM supplies context and judgment, and together they build predictive, trusted, human-centred relationships.

Strategic Outcomes of Orchestration: The 10- Effect

Orchestration does not replace relationship banking — it multiplies its impact. Early deployments show measurable gains in RM productivity, response speed, and risk visibility — expanding share of wallet.

These outcomes manifest in four ways:

- RMs can handle larger client portfolios without compromising service quality.
- Clients get quicker and more relevant advisory insights.
- Banks improve risk results while promoting sustainable revenue growth.
- Trust strengthens rather than erodes.

In fact, Gartner’s AI Hype Cycle 2025: Cutting Through the Noise to Real Use Cases speaks in length about generative AI, its usage and shares a sharp assessment of the impact of AI in business.

Conclusion: Orchestrating the Competitive Future

The defining competitive advantage will not be which bank adopts AI first — but which orchestrates it most effectively. The future of commercial banking is the 10× Relationship Manager — powered by AI-driven insight, refined by human judgment, and anchored in trust.

Trivia

Portmanteau

Language is alive, and nowhere is that more evident than in the art of the portmanteau — a word formed by blending the sounds and meanings of two existing words or names into one neat, expressive package. The term itself comes from French, originally meaning a large suitcase with two compartments. Lewis Carroll popularised its linguistic use in “Through the Looking-Glass” (1871), where Humpty Dumpty explains that words like slithy (lithe + slimy) pack two meanings into one, “like a portmanteau.”

The blend is both phonetic and semantic — the new word carries the essence of both parents. Brunch (breakfast + lunch), smog (smoke + fog), and internet (interconnected + network) are classic examples.

Modern Portmanteaus Are Everywhere:

The popular ones are *Podcast* — iPod + broadcast, *Staycation* — stay + vacation, *Frenemy* — friend + enemy, *Fintech* — financial + technology

In films or sports you have *Virushka* (Virat Kohli & Anushka Sharma), *Brangelina* (Brad Pitt & Angelina Jolie) or *Satchi* (Satwik Rankireddy & Chirag Shetty)

In essence, portmanteaus reflect how language evolves — efficiently, creatively, and always in step with culture.



Knowledge Management System (KMS) In Banks



Syed Kunnir

The purpose of a Knowledge Management System (KMS) in banking is to help banks derive maximum value from their intellectual assets. The strength of a bank is reflected in the collective knowledge of its employees. It is a source of sustainable competitive advantage as the same cannot be copied by other banks. In a fast-changing banking scenario, banks have felt the need to create a framework of KMS which will take care of future business expansion requirements.

Banks can create a team of people who are practitioners of a well-defined knowledge domain who come together to capture, create and share relevant knowledge. The team members' contribution should be well recognized and incentives in various forms shall be given to the team members.

Banking today is more competitive and technology-driven, where human capital can play a pivotal role in determining the worth of the institution. As the organizational structure of banks continues to evolve, it is essential for HRD to develop an effective KMS so that maximum benefits accrue to the organization. Banks can figure out the 'next right thing' and prepare well in advance to be more effective in the long run. All the information, technology and data base cannot assure banks competitive advantage unless the same can be translated into actionable business propositions. Banks must keep in mind that long term competitive advantage can be possible on the basis of how well they practice knowledge management.

Banks can formulate an integrated process of knowledge management by addressing some critical issues as given below:

- It must capture knowledge and information for effective sharing amongst its employees.
- It should recognize the value of collective knowledge base
- It should ensure that the system reacts quickly to the market changes.
- It should not suffer from any information overload.
- Its core team should be able to take timely and accurate decision.
- It should try to find synergy between the application of IT and knowledge management.
- Banks should avoid the knowledge degradation that results in losses, employee defections, and the inaccessibility of needed experts at the right place.
- The speed of doing business can be accelerated through the deliberate and effective use of the organization's implicit knowledge base.
- Banks can create new opportunities typically result from the ability to create implicit knowledge base.

Good communication and extensive knowledge sharing are not likely to happen unless there is an atmosphere of trust and some commitment to the employee. The communication and the knowledge sharing process should be streamlined within the organization in such a manner that it can go beyond the prevailing formal structure of the banks, which solely aims at the increase in the productivity of the banks.

How to achieve it:

The key to this vital knowledge lies in the mountains of raw data of the bank already collected. By transferring that raw data into actionable intelligence, to implement winning strategies across the organization. Business intelligence is a key component of the Intelligence value chain. Business intelligence ensures that the right information is delivered to the right people at the right time so they can take informed decisions that are based on facts and not on intuition.

Every bank's knowledge base depends on the quality of the people in terms of education and skills, the software and hardware it uses in the business process, the process of storage of data for future use. The function of the HRD is to ensure that this base fine tuned in the light of changing banking environment at regular intervals. There should be a system where like-minded colleagues communicate with each other regularly and try to innovate ways for the better productivity of banks.

A sort of compartmentalization can be made wherein every group can follow a specific target like retails products marketing, IT development, streamlining of systems and procedures in banks and recovery of NPA etc.

Conclusion

Knowledge Management System has evolved and continues to evolve from the intersection of research fields such as machine learning, pattern recognition, database statistics, Artificial Intelligence etc.

Some suggestions for optimizing the performance of KMS are:

- Reducing the size of dataset considered for Business Intelligence
- Avoid inconsistent, redundant, trivial knowledge,
- Defining more efficient data mining algorithm and
- Employing high performance systems to improve KMS.

Financial Vulnerability

Lessons from the 2025 Bengaluru Cash Van Robbery



Vijaya Vanitha

The 2025 Bengaluru Cash-in-Transit (CIT) robbery exposed structural weaknesses in India's cash logistics governance framework. This paper examines the incident through the lens of insider risk management, authentication control deficiencies, predictive surveillance gaps and fragmented regulatory oversight. Drawing upon operational resilience principles and international best practices, the study proposes a technology-enabled reform model integrating artificial intelligence (AI)-driven anomaly detection, insider threat analytics and Intelligent Banknote Neutralisation Systems (IBNS). The Reserve Bank of India's (RBI) proposed risk-based deposit insurance premium framework further strengthens the economic rationale for proactive security investments. The findings suggest that predictive security architecture is essential for enhancing financial resilience in cash-intensive economies.

1. Introduction

On 19 November 2025, a CIT vehicle transporting ₹7.11 crore for HDFC Bank was intercepted and looted in Bengaluru. The perpetrators allegedly exploited insider knowledge of route schedules and impersonated officials to gain unauthorized access. Although a substantial portion of the funds was recovered, the event exposed systemic vulnerabilities within India's cash logistics ecosystem.

Rather than treating the robbery as an isolated criminal incident, it should be interpreted as a governance failure highlighting operational risk gaps. Contemporary financial resilience depends not only on physical safeguards but also on predictive, intelligence-driven risk management frameworks (Basel Committee on Banking Supervision [BCBS], 2011, 2021).

2. Cash Logistics in a Cash-Intensive Economy

Despite significant digitalization, India continues to maintain high currency circulation relative to GDP ([RBI, 2024]). CIT operations remain integral to financial infrastructure, facilitating currency movement between banks, ATMs and currency chests.

Existing security frameworks rely predominantly on armored vehicles, armed escorts and predefined routing mechanisms. While necessary, these measures are reactive and compliance oriented. The absence of integrated digital monitoring systems creates structural asymmetry between asset value and risk detection capability.

Operational resilience principles emphasize anticipatory risk identification rather than post-event response (BCBS, 2021). The Bengaluru incident underscores the urgency of this transition.

3. Systemic Weaknesses Revealed

3.1 Insider Risk Exposure

Insider threats remain among the most complex risks in financial institutions (Greitzer & Frincke, 2010). The suspected leakage of route-related intelligence suggests deficiencies in continuous monitoring. Traditional background checks and periodic audits are insufficient in high-value operational contexts.

Behavioral analytics and psychosocial risk indicators enhance early detection capabilities (CERT Insider Threat Center, 2022). Continuous monitoring of system access, communication patterns and operational deviations can significantly reduce insider exploitation risk.

3.2 Authentication Deficiencies

Security engineering frameworks stress layered authentication and cryptographic authorization for high-risk environments (Anderson, 2020). The reported impersonation of officials indicates reliance on weak procedural controls rather than robust multi-factor verification.

Biometric validation, encrypted digital authorization and real-time command verification systems are essential components of modern security architecture.

3.3 Absence of Predictive Surveillance

Machine learning-based anomaly detection is widely adopted in cybersecurity and fraud management (Buczak & Guven, 2016). However, CIT frameworks remain largely reactive. AI-driven systems can generate Normal Operating Profiles (NOPs) for vehicles and personnel. Deviations—route divergence, unscheduled halts, abnormal communications—can trigger automated alerts, enabling preemptive intervention.

4. Regulatory Reform and Financial Incentives

CIT operations in India are governed by RBI cash management guidelines and the Private Security Agencies Regulation Act (2005). These frameworks emphasize physical security compliance but do not mandate AI-driven monitoring or IBNS deployment. Regulatory fragmentation limits integrated risk governance.

The RBI's proposed risk-based deposit insurance premium framework (RBI, 2026) introduces performance-linked incentives. Institutions demonstrating stronger operational risk controls may benefit from lower insurance premiums, aligning economic incentives with resilience enhancement.

5. Intelligent Banknote Neutralisation Systems

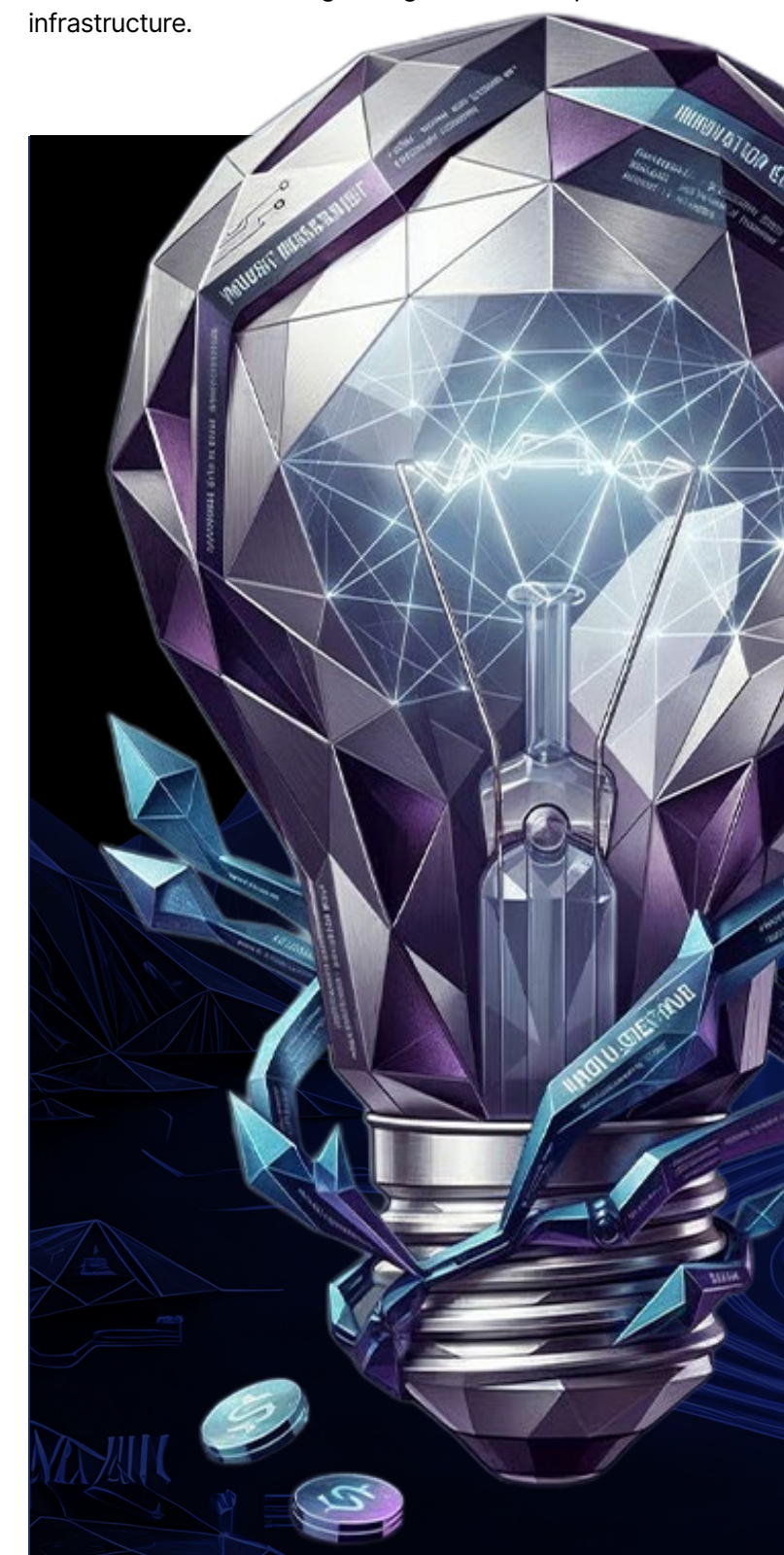
IBNS technology permanently stains banknotes upon unauthorized access, rendering stolen currency unusable. European jurisdictions have reported measurable reductions in CIT robberies following widespread IBNS adoption (European Secure Transport Association [ESTA], 2021).

When integrated with AI-based route analytics and biometric authentication, IBNS contributes to a layered, deterrence-focused security model.

6. Conclusion

The 2025 Bengaluru CIT robbery revealed systemic weaknesses in India's cash logistics governance. While investigative recovery demonstrated enforcement effectiveness, sustainable resilience requires structural transformation.

Future resilience lies not in strengthening reactive controls but in embedding intelligence within operational infrastructure.



AI in banking

Power, Promise and Prudence



Vimal Antony E

When ChatGPT became widely available in 2023, it reshaped public expectations of what artificial intelligence could do. For many users, it was their first hands-on experience with an AI system that could answer complex questions, summarise documents, draft reports, and engage in natural conversation. “ChatGPT” quickly became shorthand for modern AI itself—much as “Google” is used to describe searching the internet.

This sudden leap in visible capability led many customers to reassess the technology they encountered elsewhere, including in banks. Compared to conversational AI, banking chatbots were seen as rigid and transactional. This raised the question: if AI had advanced so dramatically, why were not banking systems getting transformed?

AI in Banking Before ChatGPT

Banks started using AI well before 2023. Machine learning models were used for fraud detection, transaction monitoring, customer onboarding, and behavioural analytics. These systems process vast volumes of data efficiently and became an integral part of daily banking operations.

However, this form of AI is very different from large language models such as ChatGPT. Traditional banking AI is designed to solve narrowly defined problems. It does not reason across domains, understand context in the way humans do, or hold open-ended conversations. Most customers recognised this gap. Banking chatbots perform well for balance enquiries or simple service requests, but they often struggle when questions fall even slightly outside predefined scripts.

Why Banks Could Not Simply Adopt ChatGPT

Given its capabilities, it may seem surprising that banks did not immediately adopt AI tools so easily available. The reasons for it are pretty straightforward.

Banks handle extremely sensitive customer data—account balances, transaction histories, personal identification details, and credit information. Feeding this data into external AI platforms just cannot be done, due to privacy and security concerns.

Equally important is accountability. Banking decisions have legal and financial consequences. If a transaction is blocked or a loan application is rejected, a bank must be able to explain the matter clearly to customers, auditors, and regulators. Public AI systems are known to generate, not infrequently, incorrect responses—often referred to as “hallucinations.” In a regulated environment, this risk is unacceptable.

How RBI Views AI

RBI is open to the use of artificial intelligence. It has consistently encouraged responsible adoption of advanced technology to strengthen the financial system.

A good example is the MuleHunter.AI, developed by RBIH, which uses behavioural analytics to identify mule accounts. The platform analyses fund movement patterns across accounts and detects suspicious behaviour more effectively than traditional rule-based approaches. Several banks have already adopted it.

This illustrates RBI's position clearly. AI is welcome—so long as it enhances system resilience, protects customers, and remains auditable. RBI's focus is not on slowing innovation, but on ensuring governance, cybersecurity, and accountability remain intact.

Where AI Can Truly Make Banks Smarter

The real opportunity lies not in replacing bank staff, but in enhancing their skills.

AI systems can help customer service teams retrieve accurate information from large volumes of policy documents in seconds. Relationship Managers can receive decision support based on transaction behaviour and customer needs. Fraud investigators can identify network-based risks far faster than manual reviews. Compliance teams can track regulatory changes and flag operational gaps proactively.

In each of these areas, AI works best as an assistant. Final judgement remains with banking personnel, preserving accountability while improving efficiency.

The Need for Strong Safeguards

The benefits of AI must be matched by robust controls. Decisions involving credit, account restrictions, or fraud outcomes should always involve human oversight. Customer data must remain protected through secure infrastructure and strict access controls.

Equally important, AI-generated recommendations should be logged and auditable. Regular testing is required to ensure models remain accurate, unbiased, and aligned with regulatory expectations. Without these safeguards, trust—banking's most valuable asset—would get eroded.

U-Quest In Classroom

Priority Sector Lending

Priority Sector Lending (PSL) is a key directive by the Reserve Bank of India (RBI) that mandates commercial banks to allocate a specified portion of their lending to certain economically vital sectors that might otherwise struggle to access formal credit. The primary aim is to ensure credit flow to underprivileged and productive segments of the economy, promoting inclusive growth and financial inclusion. All scheduled commercial banks must direct 40% of their Adjusted Net Bank Credit (ANBC) toward priority sectors. Foreign banks with fewer than 20 branches have a target of 32%.

Key Sectors Covered:



Agriculture (18% sub-target)



Micro, Small & Medium Enterprises (MSMEs)



Education Loans



Housing for Low-income Groups



Renewable Energy



Social Infrastructure



Weaker Sections of Society

Banks that exceed targets can sell Priority sector lending certificates (PSLCs) to those falling short, creating a market-based compliance mechanism.

Significance:

PSL bridges the credit gap for farmers, small businesses, and marginalized communities, reducing dependence on informal moneylenders. It supports rural development, entrepreneurship, and self-sufficiency.

Challenges:

Banks often face issues of high NPAs in these segments and difficulties in reaching remote borrowers efficiently, making last-mile delivery a persistent concern.



Training Future Bankers

In the Age of AI

The banking industry has gone through multiple phases of transformation over the last few decades. From manual operations to digitization and now Artificial Intelligence, every phase has changed not only the way banks operate, but also the role of the banker itself. Today, as the industry enters the era of Generative AI and Agentic AI, the challenge before banks is no longer limited to adopting technology. The real challenge lies in preparing a future-ready workforce that can work confidently in an increasingly intelligent and automated banking environment.

In the early days, banking operations were completely manual. Transactions were recorded in handwritten ledgers, reconciliations were carried out manually, and communication largely happened through postal mails. Customers visited physical branches for almost every banking requirement and often waited in long queues to complete transactions.

The early 1990s brought in the wave of computerization and digitization. Banks gradually adopted core banking systems, digital bookkeeping,

ATMs, internet banking, and later mobile banking. Employees had to learn about computers, emails, spreadsheets, and system-based transaction processing.

The next phase saw the growing use of Artificial Intelligence in banking operations. AI-driven chatbots, fraud detection systems, automated loan eligibility checks, and personalized product recommendations helped banks improve operational efficiency and customer experience. Tasks that earlier took hours or days could now be completed much faster with better accuracy and improved turnaround times.



Chetna Julka

Today, the industry stands at the threshold of a far bigger transformation driven by Generative AI and Agentic AI. Tools such as ChatGPT, Copilot, Gemini and Claude have already become part of everyday professional life. Unlike earlier technological shifts that focused mainly on process automation, GenAI is increasingly enabling decision support and intelligent automation. AI systems can now analyse large volumes of financial data, generate reports, and support highly personalized customer interactions. What makes this transformation very different from earlier phases of digitization is the speed at which it is happening and the pressure on employees to continuously reskill and upskill is far greater

What should a future-ready banker look like?

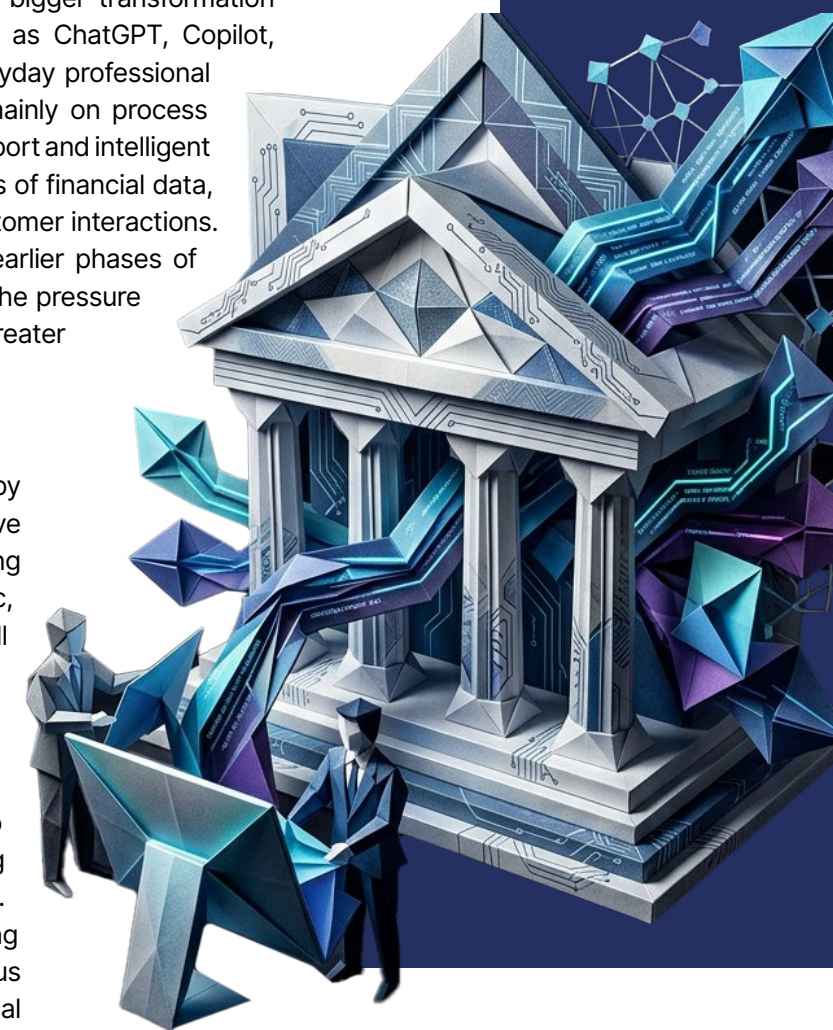
The banker of the future will no longer be defined only by operational efficiency or process knowledge. As repetitive tasks become increasingly automated, the role of banking professionals is shifting towards analytical, strategic, and relationship-driven functions. Future bankers will increasingly work alongside AI systems, validate AI-generated insights, interpret data intelligently, and make informed decisions based on those insights.

This also means that training institutions will have to rethink the way bankers are trained. Traditional training models focused heavily on processes and compliance. However, in an AI-driven banking environment, training needs to move beyond operational workflows and focus on building adaptability, analytical thinking, technological fluency, and customer-centric problem-solving capabilities.

The future banking workforce will broadly require three categories of skills:

• **Technical Skills:** Digital literacy in the future will go far beyond basic computer skills. Employees will need to understand how AI workflows function, how data is processed and analysed, and how AI-generated outputs should be interpreted and validated. Banking functions such as credit underwriting, fraud detection, customer analytics, scorecard models, and risk assessment are increasingly becoming data-driven. Future bankers will therefore require working knowledge of data analytics, predictive modelling, AI-assisted decision making, and intelligent dashboards. As banks become more dependent on digital ecosystems and AI-powered automation, digital fraud risks will continue to rise. Banking professionals across functions will need stronger awareness of cybersecurity practices and digital risk management.

• **Soft Skills:** While AI can automate processes and generate insights, it cannot replace human judgment, empathy, and relationship-building. In fact, as routine tasks become automated, human capabilities will become even more valuable. Relationship managers and customer-facing teams will increasingly differentiate themselves through trust, advisory capabilities, communication skills, and the ability to understand customer requirements beyond data points and algorithms.



• **Leadership and Change Management Skills:** The future banking environment will require leaders who can guide teams through continuous technological change. Banking leaders will need the ability to manage hybrid human-AI workflows, build confidence within teams, and foster a culture of continuous learning and adaptability. As technology continues to evolve rapidly, employees will need support in adapting to new tools, new systems, and new ways of working. Creating an ecosystem of trust and continuous learning will therefore become a key responsibility for banks and training institutions alike.



The banking industry is gradually moving from process-driven operations to intelligence-driven ecosystems. In this evolving landscape, bankers will not compete against AI itself, but against those who know how to effectively work with AI. The true differentiator will be the ability to combine technology with human judgment, adaptability, and deep customer understanding. Training institutions like ours will have a defining role to play, not merely as providers of knowledge, but as architects of a future-ready banking workforce.

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