

HUMAN RESOURCE MANAGEMENT IN BANKING SECTOR

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Abstract

The banking industry is a highly regulated powerhouse that stabilizes the economic environment of nations around the world. Banks store sensitive, personal information about their clients, and commercial banks often house more valuable inventory, cash than other retail operations. Bank employees, from executives to tellers, must have a higher level of integrity and trustworthiness than employees in most other industries, makes the role of HR in banking that much more important. Human resources departments must design and monitor work processes to reduce opportunities for internal theft and collusion. HR policies separate cash receiving, storage, processing and disbursement, and record all activities via video surveillance. In the event that an employee attempts to steal from a bank, the HR department must handle the legal paperwork and administrative processes required by court proceedings. Certain jobs do not really require a thorough background check, but any job in a bank definitely does. Human resource departments in banks must go the extra mile to uncover the criminal and financial history of job applicants, for the safety of their clients and their organization as a whole. Banks are highly unlikely to hire candidates with financial fraud on their records, for example, due to the sheer weight of temptation a position in a bank would place on someone with that kind of history. Efficient human resource management is one of the most essential requirements for survival in this competitive world. The present study deals with the HRM in Banking Sector and the importance of HRM in Banks. This study is based on empirical data and the secondary data.

Key words: *stabilizes the economic environment, integrity, trustworthiness, reduce collusion and survival competitive world*

Introduction

Human resource management (HRM) has long been overlooked in the corporate sector in the country where a small section, comprising mostly the multi-national companies was practicing the same. With the growing realization of proper HRM in the corporate sector, it has grown into an important activity. Now the head of HRM is an important member of the senior teams of any thriving business. Although the idea is new for many local businesses where entrepreneurs are at the beginning of the learning curve yet in reality the theme is getting support from the organized entrepreneurs. The banking sector has grown from a few institutions primarily involved in deposit acceptance and trade finance into a complex multi player markets where large number of commercial banks, financial institutions and specialized banks are operating with various products and activities. The banking has become a complex activity within the financial market linked directly and indirectly with an over-all national growth and its impact as an integral part of

regional segment of a global banking environment. Almost every bank and financial institution is involved in various functions in a day's job and thus requires a highly effective team and appropriate manpower to run the show. Corporate goals are translated into viable realities and profits only with human element that play their due role in achieving the desired results. Thus even the high automation would require proper man behind the machine to make things happen. This idea has been realized by top managements in progressive banks. Like many other organized sectors, banking requires a multi layer manpower for its various requirements of professionals and support staff. The range may require reasonably educated security guards on the one end and a highly educated and trained professional as head of corporate finance at the other. With liberalization of activities within the banking sector, for example, more emphasis on consumer and house finance and personal loans, etc. banking has turned itself into a more market-based business where banks have expanded their reach more to customers' door steps in a big way making banking more practical. This has further highlighted the need for proper deployment of man-power to run banks efficiently.

For many years, HRM banks like other institutions have been handling this sensitive activity through respective personnel departments. This means human resources were managed like other physical assets e.g. pieces of furniture, calculators, equipment and appliances. Personnel departments were primarily engaged in approval of leaves, handling of staff loans, issuance of show cause, conducting disciplinary enquiries and termination from service. Recruitment was a routine function and was done in a mechanical way to hire people with specific educational background irrespective of their real value to the institution. Success stories of large banking companies have been evident of the fact that HRM is quite different from management of physical assets. Human brain has its own peculiar chemistry. Its strong sensory and decision-making capacity has to be greatly emphasized by the employers. The work forces constituting all levels of employees are constantly thinking in many dimensions. On the one hand it is the assigned duty and task they are to perform and for which they are paid by their employer, on the other they think of their long run goals and objectives.

Objectives of the Study

The study is framed with the following objectives

1. To know about Indian Banking Sector.
2. To study the challenges faced by Indian Banking Sector.
3. To know how to manage the Human Resource in Banking Sector.
4. To give suggestions for well-built Human Resource in Banking Sector.

Operational Definitions

Banking can be defined as “the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to earn a profit. However, with the passage of time, the activities covered by banking business have widened and now various other services are also offered by banks. The banking services these days include issuance of debit and credit cards, providing safe custody of valuable items, lockers, ATM services and online transfer of funds across the country/world”.

“HRM is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an array of cultural, structural and personnel techniques” Storey.

Review of Literature

D.V. Ramana Murthy has discussed in this article on “Human Factor in Banks,” the significance of human factor and trade unions in the banks. S.R. Varde in his paper on “Manpower Planning” at the level of an Indian commercial bank dealt with the aspects like basic structure of manpower planning, linkage of manpower plan to other plans, interrelationship of various manpower functions, objectives of manpower planning in Indian commercial banks, anatomy of manpower plans and techniques of manpower planning. N.R. Seth discussed growth, functioning and progress of trade unions in Indian banks. P. Subba Rao, have discussed the role of counselling, performance counselling and action planning in his paper on “Bank Branch Manager as a Counsellor.”

T.V. Rao, in his book on “The HRD Machinery” explained HRD instruments, processes and outcomes, HRD Departments and their tasks, structuring the HRD function, qualities, and competence requirement of HRD managers, developing HRD managers, traps and temptations of HRD managers and HRD instruments”. Balader R. Sharma in his study on “Human Resource Management in Banking Industry” studied managerial beliefs, work technology and organizational climate. P. Amsa in his paper ‘Organization culture base for effective HRM in Banks” studied HRD related areas in brief in addition to various issues related to human resource management. T.P. Raman in his paper on “HRD in State Bank of India” explained the practice of HRD and various techniques of HRD in State Bank of India. His paper is mostly based on his work experience in the bank rather than a study. R. K. Agarwal. In his paper on “HRD” in State Bank of Patiala” explained the objective and structure of HRD department, HRD climate and various techniques of HRD in the Bank. This paper also suffers from the same limitations of the T.P. Raman’s paper.

Indian Banking Sector

India's banking sector is constantly growing. Since the turn of the century, there has been a noticeable upsurge in transactions through ATMs, and also internet and mobile banking. Following the passing of the Banking Laws (Amendment) Bill by the Indian Parliament in 2012, the landscape of the banking industry began to change. The bill allows the Reserve Bank of India (RBI) to make final guidelines on issuing new licenses, which could lead to a bigger number of banks in the country. Some banks have already received licences from the government, and the RBI's new norms will provide incentives to banks to spot bad loans and take requisite action to keep rogue borrowers in check. Over the next decade, the banking sector is projected to create up to two million new jobs, driven by the efforts of the RBI and the Government of India to integrate financial services into rural areas. Also, the traditional way of operations will slowly give way to modern technology.

The RBI has given banks greater flexibility to refinance current long-gestation project loans worth Rs 1,000 crore (US\$ 163.42 million) and more, and has allowed partial buyout of such loans by other financial institutions as standard practice. The earlier stipulation was that buyers should purchase at least 50 per cent of the loan from the existing banks. Now, they get as low as 25 per cent of the loan value and the loan will still be treated as 'standard'. The RBI has also relaxed norms for mortgage guarantee companies (MGC) enabling these firms to use contingency reserves to cover for the losses suffered by the mortgage guarantee holders, without the approval of the apex bank. However, such a measure can only be initiated if there is no single option left to recoup the losses. SBI is planning to launch a contact-less or tap-and-go card facility to make payments in India. Contact-less payment is a technology that has been adopted in several countries, including Australia, Canada and the UK, where customers can simply tap or wave their card over a reader at a point-of-sale terminal, which reads the card and allows transactions. SBI and its five associate banks also plan to empower account holders at the bottom of the social pyramid with a customer call facility. The proposed facility will help customers get an update on available balance, last five transactions and cheque book request on their mobile phones.

Importance of Human Resources

For small businesses and large conglomerates alike, the human resources or personnel function can be helpful for much more than simply processing payroll or handling the open enrollment season once a year. Human resources plays an essential role in developing a company's strategy as well as handling the employee-centered activities of an organization.

Human Capital Value

Having in-house human resources function is important. An in-house human resources staff or a human resources expert on staff can increase the understanding of how important human capital is to the company's bottom line. For small businesses, in particular, human capital is critical because so many smaller firms have employees who perform cross-functional duties. With a smaller workforce, if just one person leaves, it leaves the company with a huge gap to fill and a potential threat to the company's profitability.

Budget Control

Human resources curbs excessive spending through developing methods for trimming workforce management costs, which includes negotiating better rates for benefits such as health care coverage. In addition, human resources ensures competitive and realistic wage-setting based on studying the labor market, employment trends and salary analysis based on job functions. As some small businesses have budget constraints, this human resources function is especially helpful.

Conflict Resolution

Workplace conflict is inevitable, given the diversity of personalities, work styles, backgrounds and levels of experience among employees. A human resources manager or a staff person specially trained to handle employee relations matters can identify and resolve conflict between two employees or a manager and employee and restore positive working relationships.

Training and Development

Human resources conducts needs assessments for the organization's current workforce to determine the type of skills training and employee development necessary for improving skills and qualifications. Companies in the beginning or growth phases can benefit from identifying training needs for existing staff. It's much less expensive than the cost to hire additional staff or more qualified candidates. In addition, it's a strategy that also can reduce turnover and improve employee retention.

Employee Satisfaction

Human resources specialists usually are charged with the responsibility of determining the level of employee satisfaction -- often an ambiguous measurement at best. With carefully designed employee surveys, focus groups and an exit interview strategy, human resources determines what underlies employee dissatisfaction and addresses those issues to motivate employees.

Performance Improvement

Human resources develops performance management systems. Without a human resources staff person to construct a plan that measures performance, employees can wind

in jobs that aren't suitable for their skills and expertise. Additionally, employees whose performance falls below the employer's expectations can continue on the payroll, thereby creating wasted money on low-performing employees.

Sustaining Business

Through succession planning that human resources develops, the company identifies employees with the promise and requisite capabilities to eventually transition into leadership roles with the company. This is an important function as it can guarantee the organization's stability and future success.

Corporate Image

Businesses want to be known as the "employer of choice." Employers of choice are the companies that receive recognition for the way they treat employees; they are the companies for whom people want to work. Becoming an employer of choice means human resources balances recruiting the most qualified applicants, selecting the most suitable candidates and retaining the most talented employees.

Steadfast Principles

Human resources ensures the workforce embraces the company's philosophy and business principles. From the perspective of a small business, creating a cohesive work environment is imperative. The first opportunity human resources have to accomplish this is through wise hiring decisions that identify desirable professional traits, as well as orientation and on-boarding programs.

Challenges Faced by Banking Industry

Here are the challenges that the HR function in India faces

- The first and foremost challenge that HR function in India faces is to convert the abundant population pool into useful human resource.
- Training and development of human resource to match ever changing industry demands requires HR to develop new and innovative ideas that suit individual as well as industry criteria.
- Employee motivation and satisfaction is another area of concern for the HR today. In order to reduce attrition, HR needs to realize that monetary needs are not the only drive for an individual and that a sense of belongingness must be imbibed in employees.
- With the increase in number of job options available nowadays, the HR function of an organization must take care that they hire those people who believe in long-term commitment to the organization. The HR then must take up the challenge of retaining them by developing retention techniques like Holiday plans fun-at-work etc.

- Because of cutthroat competition, HR in India also faces the task of building competitive advantage for the company over national and international competitors.
- The growing importance that companies are nowadays giving to cost-cutting has posed HR with the challenge to minimize expenditure on HR not compromising on the productivity.
- Since right-sizing has been a growing trend in Indian organization, the HR now faces the task of identifying and retaining the key employees of an organization and letting go those that do not suit its future requirements.
- HR also faces the challenge of creating a balanced organization that originates from mergers and acquisitions. HR needs to assimilate those policies that are mutually agreeable to the companies being merged as well as profitable for the new organization.
- Globalization poses HR with challenges such as expatriation and repatriation. HR needs to train employees that leave their nation for fulfilling a foreign assignment. It also needs to provide such employees with adequate moral support and assure them of job security on their return.
- With multinational organizations on the rise, HR needs to focus on issues such as cross-cultural training so that problems that can arise because of differences in international professional values can be diminished.

Human Resource Challenges in Banking Sector

The banking sector has been growing at a very fast pace in India not only in the terms of its size but also in terms of the services being provided. With banks reaching the remote areas in the country one can anticipate positive things like financial aid to farmers and increased financial awareness. However, with the increase in size and activities of banks, the number of banks in private sectors has also increased thereby posing challenges like cost-efficiency, technological advancement, and credibility related issues. The task before the HR is to develop strategies that help banks in gaining competitive advantage and encourage innovation in its products and services.

Managing Human Resources in Banking Sector

Considering the above HR challenges which our Indian banking industry is facing, we can manage the human resources by proper Planning like

- Hiring the right person for the right job
- Retaining and Developing
- Training and development

Hiring the Right Person for the Right Job

In assessing whether the "right person" has been selected for the "right job", the most prominent theoretical concept that emerges is the concept of "fit". Different writers emphasize different types of fit. Sekiguchi (2004: 179) in a review of literature on person-environment fit discusses two types of fit that emerge as the most prominent types of fit: person job fit and person-organization fit. In pursuing person-job fit, companies seek to match the job holder's knowledge, skills and abilities to the requirements of the job. Companies can ascertain person-organization fit by focusing on how well the individual fits with the culture or values of the company and the individual's capacity to work well with other company employees.

Banks will have to plan for the following:

- A steady, carefully calibrated recruitment programme
- As rapid technological changes transform business - continuous skill up-gradation
- A new generation of the workforce will be working alongside an older generation as a team. Banking, in my opinion is a team work and this new situation will require cultural adjustments and therefore, change management

Retaining and Developing Employees

We may be able to get the most suited people for our work but then the challenge is to retain these people and to develop them. There are several dimensions to this issue such as training/ re-skilling of employees, performance measurement, promotion policy, transfer policy, talent management, communication, etc.

Training and Development

With drastic growth of banks it calls for efficient and well trained staff members to handle/deal with the consumer needs. Banks are shaping up as financial hub for their clients to grow in size and well recognized in the world market. To pull consumers banks are offering traditional with advance services like SMS banking, ATM, internet banking, priority banking, demat. So we can say that it caters to the need of the bottom to the highest class of society providing something to everyone. Universal banks have become modern day's supermarket extending almost every facility of banking under one roof.

Banks like Bank of Baroda are conducting Grooming and etiquettes programmes for front-line employees and also for employees selected for overseas posting in order to improve their service levels and qualitative interaction with customers and various stakeholders better. SEED (Self efficiency and effectiveness development) programme being run for frontline staff of the Bank in order to improve their service skills and servicing efficiency.

In Punjab National Bank, in the light of the large scale human resources gaps that Bank is likely to face in the next few years need for Succession Policy has been felt. The Policy envisages mapping of the 'existing pool' against the 'future requirement' from the projected business figure to ensure that adequate number of officials are available in the pool and also to foresee the surplus / deficit in the pool for ascertaining the requirement of succession in a particular vertical.

Bank has a three tier training set up comprising of Central Staff College (CSC) at Delhi at apex level catering to training needs of Top / Senior / Middle Management Grade officers, three Regional Staff Colleges (RSCs) located at Belapur - Navi Mumbai, Lucknow and Panchkula for training needs of Senior / Middle / Junior Management officers as well as workman staff and seven Zonal Training Centres (ZTCs) at Dehradun, New Delhi, Jaipur, Kolkata, Kozhikode, Ludhiana and Patna looking after the training needs of Middle / Junior Management Grade officers & Workman Staff. IT Training Centre located at Faridabad caters to the training needs of officers exclusively in the areas of Information Technology.

Tips for Management Success

A successful manager, one whom others want to follow:

- Builds effective and responsive interpersonal relationships. Reporting staff members, colleagues and executives respect his or her ability to demonstrate caring, collaboration, respect, trust and attentiveness.
- Communicates effectively in person, print and email. Listening and two-way feedback characterize his or her interaction with others.
- Builds the team and enables other staff to collaborate more effectively with each other. People feel they have become more - more effective, more creative, more productive - in the presence of a team builder.
- Understands the financial aspects of the business and sets goals and measures and documents staff progress and success.
- Knows how to create an environment in which people experience positive morale and recognition and employees are motivated to work hard for the success of the business.
- Leads by example and provides recognition when others do the same.
- Helps people grow and develop their skills and capabilities through education and on-the-job learning.

Suggestions

The banking sector has grown from a few institutions primarily involved in deposit acceptance and trade finance into a complex multi player markets where large number of

commercial banks, financial institutions and specialized banks are operating with various product activities. Like many other organized sectors, banking requires multi layer manpower for its various requirements of professionals and support staff. The range may require reasonably educated security guards on the one hand and a highly educated and trained professional as head of corporate finance. With liberalisation of activities within the banking sector, for example, more emphasis on consumer and house finance and personal loans, etc Banking has turned itself into a more market based business where banks have expanded their reach more to customer's door step in a big way making banking more practical. This has further highlighted the need for proper development of man power to run banks efficiently. Smart banks have realized this need and have taken steps to keep their workforce motivated through proper encouragement like man of the month award, repeat get-together, conferences, sports events, dinners, company sponsored travel, reunions.etc. In spite of all these facilitations there still exist several lacunas in the HRM practices in banking industry. Some of the specific suggestions based on survey of literature as well as the group discussions and survey are given here under:

- There should be a balanced compromise between organisational need and individual need. Total insensitiveness to individual preference gives rise to frustration at some point of time, which as a consequence has a real damaging effect on the organisational growth itself.
- While there must be rewards for performance, non-performance must be punished/ reprimanded. Promotions must be only on merit.
- There must be uniform, impartial and balanced "employee performance review system." This system in fact needs a total review.
- Enthusiastic and pleasant behaviour of staff to the customer is necessary.
- There must be a clearly defined system of succession planning and career growth planning in banks.
- Attitudinal changes are required at the top level.
- Human resource Balance Sheet should accompany financial statements.
- In order to become HRD conscious, the Public Sector Banks should allow independent functioning of HRD section, where the top person should be himself a good successful banker, a real HRD person free from any biases. Openness, transparency in personal matters, high value of human dignity, people oriented management system, creating belongingness and trust, two-way communication.
- Banks should have a system, whereby the training needs of an employee are identified and are duly fulfilled at every stage of career growth.
- Have special R & D wings in HRD Department for ongoing in house & external research development, review and implementation of HRD policies.
- There should be award schemes administered by prestigious organisations and Govt. agencies for best HRD policies & Practices amongst Public Sector Banks.etc

Conclusion

The core function of HRD in the banking industry is to facilitate performance improvement, measured not only in terms of financial indicators of operational efficiency, but also in terms of the quality of financial services provided. Factors like skills, attitudes and knowledge of the human capital play a crucial role in determining the competitiveness of the financial sector. The quality of human resources indicates the ability of banks to deliver value to customers. Capital and technology are replicable but not the human capital which needs to be valued as a highly valuable resource for achieving that competitive edge. The primary emphasis needs to be on integrating human resource management strategies with the business strategy. HRM strategies include managing change, creating commitment, achieving flexibility and improving teamwork. The other processes representing the overt aspects of HRM are recruitment, placement and performance management. To conclude, Organisations all over are rushing to implement the latest ideas on management, sometimes to the point of overuse. The major challenge now for banks as well as any other organisation is therefore how to develop their social architecture that generates intellectual capital as the quintessential driver of change. Developing the individual or human capacity is an integral element of building capacity and, in fact, capacity building initiatives are now increasingly becoming almost an index of institutional quality. Taking the banking industry to the heights of excellence, especially in the face of the a forehead-detailed emerging realities, will require a combination of new technologies, better processes of credit and risk appraisal, treasury management, product diversification, internal control and external regulations and, not the least, human resources.

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