



## A STUDY OF CHALLENGES INVOLVED IN MANAGING HUMAN RESOURCE IN BANKING SECTOR IN INDIA: A REVIEW

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### Abstract

*It is a well known fact that for effective functioning of any organization and adapting to any change, the management of human resources is utmost important. The management of any organisation is possible only when human resources are given due acknowledgement and focus is laid on their development wholeheartedly. Human Resource Management is important for banks because banking is a service industry. Therefore in context of banks also we can say that development of Human Resources leads to all round development and it also makes them more dynamic and responsive to the environmental changes. The present paper focuses on the fact that the development of Indian banking system depends on the development of its human resources and also the challenges involved in the process. The main objective of the study is to identify the emerging HR challenges in Indian banks. The paper focuses on various issues faced by the banking industry in terms of its HR and what are the various strengths and weaknesses of it along with the threats and opportunities available for the same.*

**Key words:** HR practices, banking sector, Issues and Challenges, Human Resource Development (HRD), Human Resource Management (HRM)



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### INTRODUCTION

The evolution of banking over the years has shown the following three distinct phases. These three phases broadly coincide with the level of development in the real economy:

- ❖ **Initial Phase:** This was the primary stage wherein banks were primarily engaged in offering the basic services i.e. provision of savings facilities and credit for productive purposes and also facilitate payment services including remittances
- ❖ **Intermediate Phase:** In addition to providing the services offered in the initial phase, the banks offered certain other services for consumption purposes. The banks started offering certain para-banking services like insurance etc. The demand for such services arose because of transition of the economy from an investment (production) led growth phase to a consumption led growth phase. At this stage of development of the economy and the society, retail banking becomes very relevant.

- ❖ **Advanced Phase:** In this stage in addition to previously mentioned services, the banks have additionally started providing high-end savings & investment products, wealth management products, and structured products to both individuals and corporate. We can say that, in this phase, the banking system starts supporting the speculative activities over and above for the production and consumption activities additionally. Private banking, an advanced version of retail banking for ‘classes’, becomes relevant at this stage.

## **BANKING SECTOR IN INDIA**

The banking industry caters to the following broad categories of products/services:

- Retail Banking
- Retail products such as credit cards, debit cards etc.
- Portfolio Management: Mutual Funds etc.
- Corporate lending and project financing (including loans)
- Investment banking
- Foreign exchange trading.

Banks are smart enough to introduce alternative delivery channels to contain operating costs like off-site ATMs, internet banking, telebanking, outsourcing etc. Technology is the key driver for enriching CRM and reduction of operating costs. Developing foresight in anticipating changing risk-return relationships, pricing bank’s products appropriately by putting in place efficient asset-liability management, and enhancing technical skills to operate modern technology are essential for banks to face the market challenges.

## **HRM IN BANKING SECTOR: LITERATURE SURVEY**

According to banking experts, Human Resource Management is the main area of focus for Public Sector Banks. Indian banks have historically had access to superior talent but there is a lack of specialist skills and new-age leaders. This problem is acute and crippling for these banks. There is an urgent need to attract, hire, develop and retain the best available talent to ensure sustained long-term growth in the banks.

A survey of 14 leading Indian banks, including seven public sector banks, by a well-known company, showcases this discerning characteristic of an Indian customer. Findings from the survey reveal that customer experience is the biggest driver of value. A growing mass of young, affluent Indian customers are driving a cultural change within the Indian banking sector, particularly in Public Sector Banks (PSBs).

Some of the researchers also point out that the most of the challenges which facing by the HR in 21<sup>st</sup> century are retention of the employees, multicultural work force, women work force,

retrenchment of the employees, change in the demand of the government, technology, globalization, and initiating the process of change.

The World Federation of Personnel Management Association (WFPMA, 2009) survey pointed out the most important top ten HR challenges are leadership development, organizational effectiveness, change management, compensation. Health and safety, staff retention, Learning and development, succession planning, staffing which includes recruitment and skill labour.

Liz Weber (2009) has pointed out that the most important challenges of the HR in business are layoffs. Most of the owners and managers are facing this hard issue. This laid off may be due to several reasons which include the economic uncertainty, the employee's job instability etc.

### **CHALLENGES FACED BY INDIAN BANKING INDUSTRY IN CONTEXT OF ITS HR:**

- **Technology up gradation:**

Technology is the fundamental force not just behind product differentiation and delivery but it also influences productivity, efficiency and profitability.

- **Customer Centric:**

The trend with the customers is changing; they are no longer just investors or buyers of financial solutions. As banking service requires high level of customer interface, understanding customer requirements and developing customer-centric business strategies is the prime focus area for banks.



### **Challenges Faced By HR of Indian Banking Industry**

- **Response to competition:**

Competition is unavoidable as more number of banks aim for their share of the market.

Most banks aim for the corporate sector and mark their presence in the metros and the urban markets for business.

- **Transparency/Accountability:**

Banks need to adopt the best global practices of accounting norms and reporting. More transparent disclosure norms will ensure that banks resort to self regulation rather than base their working on regulatory requirements.

- **Skilled workforce:**

HR practices and training is the prime focus area of banks these days. HRM strategies include managing change, building up a team of committed human capital and improving team work.

HR Challenges in banking sector is a broad area being discussed by various experts in their studies. According to the Hudson Report (2008) the critical HR challenges are hiring right staff, retaining talent, cutting staff, staff development, salary inflation, external threats, etc.

The other challenges relates to changing working conditions, re-skilling, compensation etc. Some of the management concerns are:

- Customers- who are our customers and what are their expectations?
- Framework for continuous development and learning

- Attracting, retaining and motivating talent
- Implementing recruitment and resource-based strategies.
- Place of HR in modern central bank
- Managing people and linking them with technology
- Marketing HR services
- Man-power planning.
- Talent management
- New approach to performance management

The challenges to banking sector do not end here. There is still a long list of concern for HR issues in India. Several other challenges which require attention are:

- The challenge that HR function in India faces is **to convert the substantial potential pool of people into useful human resource.**
- **Motivation and satisfaction among HR** is another area of concern today. In order to reduce attrition and absenteeism, HR needs to realize that apart from monetary needs a sense of belongingness must be developed in employees.
- There is increase in number of job options available nowadays than ever before, the HR function of an organization must make it a point that they **hire those people who believe in long-term commitment to the organization.**
- The growing importance to cost-cutting has posed HR with the **challenge to minimize expenditure on HR** and definitely not compromising on the productivity.
- Since right-sizing is gaining popularity in Indian organization day by day, the HR now faces the **task of identifying and retaining the key employees of an organization.**
- HR also faces the challenge of **creating a well balanced organization originating 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.
- As there is cut throat competition, HR in India also **faces the task of building competitive advantage for the company** over national and international competitors.
- Training and development of human resource to match ever changing industrial environment. It demands **HR to develop creative and innovative ideas** that suit individual as well as industry criteria.

## **SWOT ANALYSIS OF INDIAN BANKS IN CONTEXT OF HR**

### **Strengths**

- Highly skilled employees in middle and low levels in the banks.
- Passion towards development of the existing standards.
- Strong regulatory control by central bank on all banks in terms of policy implementation.
- Presence of smart workforce to facilitate change implementation with good quality.

#### **Weaknesses**

- Lag in technology infrastructure.
- Too much number of smaller banks that would likely to be impacted adversely.
- Poor payment system.
- No talent management.

#### **Opportunities**

- Availability of fresh, young and dynamic talent to strengthen the bank operations.
- Increase in risk manage expertise.

#### **Threats**

- Inability to meet increasing capital requirements.
- Huge investment in ever new and ever changing technologies.
- Competition with foreign banks to capture talented HR.
- Increasing cost of human capital.
- Need significant understanding among business, credit & risk management and IT.

#### **CONCLUSION**

Banks in near future will have to focus on several points like compensation issues, flexible work schedules, outsourcing and retaining talent. To face the challenge, bank is in need of enhanced skills, new knowledge and behavioral outlook of human resources. Public Sector Banks are starting to hire seasoned employees that specialise in soft skills and are trust worthy. Alongside, training companies are now conducting customer service sensitisation program in the workplaces based on the requirements to improve the customer service practices across India, that too in consultation with the bank senior management. Programmes are conducted through instructor-led-training mode and appropriate methodologies are developed to monitor impact of the training solutions. Professional trainers are engaged both internally and externally to train customer-facing employees at various levels, including branch managers. Such training solutions help bank employees do more than marketing their services and products. At the same time soft-skills training is paramount. Right from the clerical staff to the bank manager, soft skills training should be made compulsory as it forms

the basis of effective communication and building long-term relationship with the customer. Banks are also in need of putting equal emphasis on internal communication related training which could enhance team bonding between officers, clerical staff and sub-staff. These measures will definitely help Public sector Banks in India to put an effective coordination mechanism in place wherein employees are consistent in maintaining quality and uniform communication.

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