



A Multidisciplinary Indexed International Research Journal

ISSN: 23203714

Volume: IX



ADHYAYAN
INTERNATIONAL
RESEARCH
ORGANISATION



Human Resource Practices in Banking and Financial Sector

T. Radhika, Research Scholar, K L University

Assoc.Prof , Vidya Dayini College Of IT & Mgt

Abstract:-

In the current scenario Human Resource practices are playing a crucial role in the organizations in improving the employee performance. Being scarce and valuable resources they are considered as the most critical source of sustainable competitive advantage. Banking sector is one of the vital financial pillars of Indian economy . Presently the competition is going on sky high in the banking industry. Fast moving and complex world of new techniques & skills are forcing banks to adjust themselves to the changing banking environment. This requires advanced competencies among the bank employees to make them more appropriate to the altering circumstances. On account of giving better services banks are trying to implement newer technology such as e-banking, networking banking, ATM's etc. but still customers are facing difficulties in fulfilling the needs and expectation from banking industry Training banking sector employees for controlling their emotions, restructuring of the feelings and change the attitude positively to face the stress full environment is more important. This situation is creating a need to innovate the earlier HR practices of the banks so that the employee productivity can be enhanced. The present study makes an attempt to provide an insight to such innovations, related to Human Resource Management practices and analyze the impact of these practices on banking sector.

Keywords:-

Human Resource practices, Sustainable, Banking sector, Technology, Training, Employee

Introduction:-

Today's increasing complex and volatile business environment characterized by globalizations, liberalization have created enormous challenges to organizations. Efficient and effective human resource management is one of the most essential requirements for survival of organization in this competitive world. HRM practices refer to organizational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfillment of organizational goals (Tiwari and Saxena, 2012). Basically, HRM deals with planning, acquiring the right people, retaining/developing the people, and managing people separate on/exit chakrabarty, 2012). Therefore, the major challenge for any organization is to manage its human resources in such a manner that placing the right candidate in the right job at right time .In HRM innovative practices are used to attract and retain talented people in the organization. Recent trends in the banking industry of India show that the banking sector is growing in size and sophistication to meet the needs of a modern economy and global environment. Fast moving and complex

world of new techniques & skills had forced banks to consider it and to adjust themselves to the changing banking environment The present paper has been mainly focused on providing insight to innovative practices related to Human Resource management of banking industry. The concept of innovative HRM evolved in the early 1900s with an increased emphasis on a proactive, integrative and value driven approach to human resource management (Butler et al. 1991; Schuler 1992). A few researchers have found out that the human resource practices, such as resourcing, employee development, reward system, and employee relationship, should be developed in such a way that they get complemented with one another. These practices were named as "bundles" of human resource practices (Kochan and Dyer, 1993; Walker, 1993; and Cusworth and Franks, 1993).

Banking Sector in India:-

Indian Banking industry is one of the most technologically advanced industries with vast networks of branches empowered by strong banking systems, their wide range of product and effective distribution channel capabilities. The financial sector reforms in India were designed to infuse greater competitive vitality in the banking system.

To achieve this objective, the “Narsimhan Committee” was formed. The Narsimhan Committee report suggested wide ranging reforms for the Indian banking sector in 1992, including the important one to introduce internationally accepted banking practices so as to enable Indian banks to achieve service excellence. The Committee recommended a liberal policy towards the entry norms of private sector banks and foreign banks into the Indian banking sector. The Interest rate structure has been deregulated to a great extent and banks have been given a great degree of freedom in determining their rate structure for deposits and advances, as well as their other product range.

Financial liberalization has led to intense competitive pressures, and retail banks are consequently directing their strategies towards increasing customer satisfaction and loyalty through improved service quality. With such a high potential in the Indian banking industry, all leading banks are looking ahead to establish themselves as the most preferred bank by the customers and this can only happen when they are able to differentiate themselves on the basis of service quality being offered by their competitors.

Indian Banking industry has undergone a sea-change since the last decade. There has been a huge proliferation of bank branches. Regular up gradation in the services being offered to the banking customers influenced many researchers to study different aspects of satisfaction level of bank customers.

Further, de-regulation has brought in its wake numerous banking services, niche products etc. Widespread use of technology also enhanced the customer expectations, specifically on the aspects of speed and quality of service delivery. In addition, technology implementation has made branch banking redundant on many aspects, redefined several of the existing services and raised customer expectations regarding reasonableness of service charges. While the bankers hold a view that the introduction of core banking solution entailed huge cost and the passing of benefit will take some more time till substantial portion of customers start using technology based products.

The economy is also experiencing demographic dividend, thereby the number of youngsters accessing banking service is on the increase with the resultant pressure on providing technology based services and hence it is more important to find the quality of the level of services being offered to

them. Retail Banking has immense opportunities in a growing economy like India. As the growth story further unfolds in India, retail banking is going to emerge a major driver of economic growth. A.T. Kearney, a global management consulting firm, recently identified India as the second most attractive retail distribution centre of 30 emergent markets.

Innovative HRM practices in Banking & Financial sector:-

Human Resource is considered as human capital of any organization. Human capital is the most important resource for the entire organization across the globe when compared to any other resource. In fact, it is the most critical resource irrespective of the size of any organization from small to big everyone are investing on human capital to strengthen human potential which is the core competency to achieve a remarkable competitive advantage. Every organization will frame its own strategies in all the areas of business but there are several challenges the organizations have to confront during the execution of these strategies. Therefore they need the best human capital to execute these strategies. The most critical human capital challenges are:

- **Change Management:** change is happening at a very fast pace in almost all the sectors, so the organizations should focus on proactive change rather than reactive.
- **Return on Investment:** organizations should concentrate on return on investment of human capital
Rather than only measuring heads
- **Strategic workforce planning:** Organizations are concentrating on operational strategic planning instead of workforce planning which helps to adapt the positive change leading organizations towards the success path
- **Performance Management:** organization should plan a appropriate purpose-driven approach by aligning the day to day strategies to organizational goals and objectives.

Contemporary challenges of human capital:

Human resource management face a big challenge with today's diversified workforce environment. To compete with the changing

business needs organizations should concentrate on the best HRM practices like

- Hiring and Retaining Talented pool
- Effective Recruiting & selection
- Optimize Employee Performance
- Best Compensation package
- Legal Compliance
- Health care reforms
- Generational Shifts
- Technological advancements
- Challenging and Expertise leadership
- Wok-life balance
- Employee engagement
- Employer branding
- Increased level of employee commitment

HRM practices in the Indian Banking sector:

1. Recruitment & Selection Practices:

This factor includes all those innovative HR practices which aim at attracting maximum number of highly talented applicants and selecting the best to achieve competitiveness (Khan, 2010)

- A pre-defined policy of hiring employees

- Selecting professionally qualified personnel
- weightage to the attitude and competence
- customized “Retention” policy
- Using social networking sites for recruitment process

2. Training & Development:

Training is a age old art which is practiced in one or the other form since the ancient days in order to enable the employees of the organization to perform efficiently, expenditure towards training should be considered as an investment and not as expenditure. Emergence of training is considered as the most dynamic and fastest growing modern management practice. The major responsibility of banks in this regard is to build up a right mix of skills, attitude, and conceptual understanding is essential and a continuous process of different training interventions in banking sector is mandatory. But unfortunately in many instances training programme is considered as

a relaxation spot from routine office work in order to overcome this, employees should be given opportunity to utilize their newly acquired training skills in their concern areas. Banking industry is suffering with a lot of crisis due to lack of trust of people in this sector especially a couple of private banks. Therefore it can be concluded that to overcome this situation only the employees can take the initiative to build up the trust and faith among the customers for that proper training should be given to the employees to bring the change in their attitude towards their organization.

3. Performance Management System:

Appraising is a general process of facilitating interpersonal relationship between employees and managers through performance related discussions (Wilson & Western, 2000). Now-a-days just performance appraising is not enough performance management is essential for goal

achievement in an efficient manner.

In the present scenario the most common performance management practices used are

- Awareness of the Performance Appraisal policy
- competency mapping model
- Goal Review Based Appraisal
- Appraisal on Fair Data
- 360 Degree Performance Appraisal
- Challenge the Appraisal with the solid proof in case of dissatisfaction

4. Compensation Management Practices :

compensation is all forms of financial returns and tangible services and benefits employees receive as part of an employment

relationship (Milkovich and Newman 1999).

- Special Incentive to the Talented Employees
Special incentives are given to talented
- Increments on Regular Basis for best performing employees
- Special Festival Advance
- Customised Perks to the individual needs

5. Career Development Practices :

Innovative career goals, formulating and implementing strategies and monitoring the results are categorised under this head (Greenhaus 1987). These help the employees to groom themselves and manage their careers. Following are the Career Development related innovations :

- Educational Opportunities for the career enhancement
- Easy Approval for the career opportunities outside the bank

- promotion process on the Basis of Merit and timely Promotions

6. Employee Motivation Practices :

The effectiveness of talented employees will be limited if they are not motivated to perform their jobs (Delaney and Huselid, 1996) the employees can be motivated in the following ways :

- Music at Work Place
- Day Care Centers
- Work Autonomy
- Employee Stock Option Plans
- Loans at Discounted Rates
- Stress Management Programs
- Best Employee Awards

7. Employee Security Practices :-

The practices which make employees feel secured in their present job come under this category like

- Retirement Benefits
- Voluntary Retirement scheme
- Life and health Insurance for both self & dependents
- Sabbatical Leaves
- Grievances handling procedures

CONCLUSION:-

In the present era the banking sector, especially developing economies like India, are facing tough competition to sustain and gain the success due to talent crunch, and skill shortage. All these have made the banks feel that the employees are equally important with external customers, therefore every bank is trying to implement innovative HR practices to attract and retain the best talent by providing them the comfortable environment to work. Chakrabarty (2012) has highlighted in one of his speeches on HRM in banks that it is the people, people and people that make an organization achieve competitive advantage in this tough and competitive world. Now a days, the profile of the employees is being checked using the social networking sites. Flexible working hours, child care centers, provision of special perks in the salary packages etc. are few examples of the innovative practices of HRM. The banking sector is the financial pillar of the Indian economy. It has been found that convergence of practices of new and innovative HR areas will benefit the banks to become more competitive in the global market and move forward towards the dynamic business environment. But the implementation of the practices may vary from bank to bank.

References

1. Dessler, G. (2008), Human Resource Management, 11th edition, PHI, New Delhi.

2. Rao, A.P. (2000), Cases and Problems on Financial Management, 10th edition, Everest Publishing House, Pune.

3. Awad, Elias M. (2007), Electronic Commerce from Vision to Fulfillment, 3rd edition, PHI, New Delhi.

4. J. Poornima, A. Sharmila, "Recent HR Practices Of Selected Banks In India", Indian Journal of Applied Research, Vol.I, Issue.II November 2011

5. D'Souza, E. (2002). Employment and human resource practices in public sector banks in the nineties. In Shuji

6. Gomez-Mejia, L.R., Balkin, D.B. and Cardy, R.L. (2003). *Managing Human Resource*. Delhi: Pearson Education (Singapore) Pvt. Ltd.

7. Bitner, M. J., and Zeithaml, V. A. (2004). *Service Marketing*, New York: McGraw-Hill. Cisco, W.F. (2006). *Managing Human Resource: Productivity. Quality of Work Life, Profits*, New Delhi: Tata McGraw-Hill.

8. Chakrabarty, K. C., (2012). Human Resource Management in Banks- Need for a New Perspective. Inaugural Address by Deputy Governor, Reserve Bank of India at the HR Conference of Public Sector Banks at Mumbai, RBI Monthly Bulletin, July 2012,

9. Huselid, M.A. (1995). The Impact of Human Resource Management Practices on Turnover Productivity, and Corporate Financial Performance. *Academy of Management Journal*, 38(3),