

Effective Human Resource Management in Indian Banking Sector: Need of the Hour

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Abstract

An organisation is nothing without human resources. People are the essential ingredient in all organisations, be the organisations business, social, governmental or religious. Also, it is the way in which people are recruited and utilised by the managers largely determines whether the organisation will achieve its goals. Human Resource Management is a management function that deals with recruiting, selecting, training and developing human resources in an organisation. It is concerned with people dimension in management. It includes activities focussing on the effective use of human resources in an organisation. The success of today's banking business depends on human resources of the organisation as it significantly affects the services provided by the organisation. The jobs in the banks are monotonous and repetitive, the HR faces challenges to empower, engage and energize employees to create effectiveness and efficiency through motivation, system and procedures.

Key Words: *Banking Sector, Conflict Management, Human Resource Management, Morale Boosting, Work-Life Balance.*

Introduction

Akio Morita, the founder of Sony Corporation, once said, "there is no 'magic' in the success of Japanese companies in general and Sony in particular. The secret of their success is simply the way they treat their employees." Under Morita, the whole process of recruitment, selection, training and development, performance appraisal, and rewards at Sony was built on the premise that employees were the most valuable part of the company. Indeed, it is they who are its permanent associates and it is they who serve the organization with their work, talent, creativity, and drive. World's leading food company Nestle's CEO, Peter Brabeck also pointed out that every single person in the organization should ask himself or herself-is there anything I can do to add a little more value to our company? This clearly shows how importantly people are to be treated in the organizations.

Organizations need to elicit entrepreneurial behaviour that calls for a high degree of employees' achievement and motivation to achieve excellence. Successful entrepreneurship has the following characteristics:

- High sense of purpose among the people in the organization.
- Absolute organizational focuses on customers both internal and external.
- A new way of work that encourages product innovation.
- A great sense of self-inspired behaviour among ordinary people to do extraordinary things.
- Five to ten years from now, organization should be able to do twice the amount of work they are doing, without adding a single person to the pay roll.
- Ten years from now, the productivity of the human resource should double.
- In addition, ten years from now, they should be able to do at least twice the amount of work they are doing now without putting in one additional penny of capital.

Excellent organizations are characterized as having ethical values and clarity about these values (**Hoffman, 2000**). The communication systems should be good enough to aid the process of classification and implementation. There should be room for rational disagreement and protest.

Dealmaker and Kennedy (2000) have rightly pointed out that values are the bedrock of any corporate culture. It has been felt very strongly that the organizational values and ethics have a definite bearing on the corporate excellence. In today's business, unethical practices may bring short-term gains to the organization but ultimately you need corporate moral excellence.

Competition necessitates improvement of the quality of products, reduction in the cost to make the price competitive, innovation in product development and enhancement of productivity leading to achieving corporate excellence. All these require a workforce which is trained, motivated, goal-oriented and committed. This is achievable through philosophies and practices of the management which are equally, if not more oriented, to the HRD and the welfare of employees. It is unfortunate that not many managements in India have this orientation.

Organizations, before looking at technological upgradation, should therefore, ensure human competence upgradation to cope with the technological change. Before introducing human resource development policies, HR professionals should note the following points:

- These policies do not come about in the short run.
- They should be drawn from the business strategy of the organization.
- They have to be at the core of management philosophy and values rather than being introduced mechanically. Such values are not inculcated but are a matter of belief.
- It is difficult to change the course mid-way, i.e. if the companies do not have this value orientation, it is more likely that the mindsets of the top management and their subordinates will be tuned to follow a particular set of policies. Hence, an attitudinal change is required before any change of policy.
- Even if such a change is introduced, ensure that it is not going to cause turmoil and disturb the existing manpower.

HR Department in Banks

The role of the Human Resource Department is to create the climate and conditions in which management throughout the Bank will be enabled to optimize the individual and collective contribution of all employees to the short and long-term success of the Bank. The responsibilities of HR Department include

- To be the principal sponsor and guardian of HR policies in the Bank.
- To propose and obtain agreement on changes to these policies from time to time and to ensure that policies which have been agreed are being implemented throughout the Bank.
- To contribute fully to the task of meeting the business challenges which the bank has to face by supporting Branch/Unit Managers in continuously developing the potential of employees and in creating conditions in which all the employees are motivated to meet the objectives of the Bank.
- To continuously monitor the Bank's strategies to ensure that HR policies are appropriate and that employee numbers and skills are fully supportive of such strategies.

- To deliver a full range of personnel services in support of line management. These services include manpower planning, recruitment/transfer, remuneration, and training and employee welfare.
- To support line management in their day-to-day management of the workforce by providing advice and consultancy on personnel and performance management issues.

HR Practices in Banks

HR aims at maximising the competency and commitment of the employees and the overall culture in the Bank, thereby, paving the way for the growth and development of the organization as well as the employee.

Recruitment and On boarding

The recruitment process starts with periodic assessment of job requirements, identifying job responsibilities and notifying suitable candidates through various channels. 'Human Resources Policy' of an organisation will be treated as the best policy if it ensures the selection process to be viable, fair, and equitable for all competent candidates. HR is responsible for a well-designed onboarding process to ensure a seamless transition of employees and percolation of the organization's culture.

Placement (Transfer/Posting)

Specialization plays a vital role, especially in the present competitive, ever-changing dynamic world. For example, customer- facing departments such as loans/ asset management would require an individual to be up to date, empathetic with customers, able to communicate well and recommend as per customer's requirements.

Moreover, every decision taken by an employee on behalf of the organization will affect the organization's reputation. For example, a credit decision by overfinancing/underfinancing may lead to non-performing asset.

Hence, HR. should place the right person at the right place and at a right time based on an employee's academic background, various assignments, passing of internal/external certification exams; additional/professional qualifications, etc. Employee's choice must also be considered to yield maximum from the employee.

Training

Building a learning organization is critical for offering competitive products and services and meeting customer expectations. Banks have to build strong capabilities in training and development to build competencies. Training on products and operations is imparted through web-based training programmer Special programs, on functional training and leadership development to build knowledge as well as to equip management ability, have to be conducted at dedicated training institutes.

HR should also utilise the best available training programs and faculty, both international and domestic to meet its training and development needs and build global standards. HR should seek to in still in all their employees a feeling of ownership, commitment towards outstanding performance, efficiency, adaptability to changing organizational needs and the demands of the business environment.

Learning and Development

Besides fulfilling the training needs of the employees, focused attention should be given to learning and development in the Banks. Especially. HR should motivate employees to appear for external certification examinations to be equipped with the current and appropriate methodologies. In such cases, Banks should not only reimburse the expenses in respect of such examinations but also provide incentives in the form of honorarium.

Apart from imparting knowledge through training, HR should facilitate mentoring of junior employees by senior officials to rejuvenate employees in knowing and learning from the veteran bankers at doorsteps.

Re-engineering

Apart from utilizing external consultancy services by the Bank, HR should also explore the in-house talent in the reengineering of processes. Employees should be allowed to share their ideas and suggestions in the improvement of an existing process, reduction of cost, and maximization of profits of the Bank, etc.

Promotion

Promotion is one of the highly motivating factors for employee satisfaction and retention. By shouldering higher responsibilities, employees will show their full potential. Hence, HR should ensure that the promotion process is unbiased and transparent, which will

build confidence among the employees and motivate the employees to get elevated to a higher cadre to shoulder higher responsibilities.

Work-Life Balance

As this quote aptly conveys that we hold the responsibility to steer work-life balance in our lives it is a significant area of concern for, many of us. We believe that achieving the right balance between the workplace and home is crucial to the efficient running of our organization. HR should proactively bring in policies to encourage work-life balance among employees. HR should also create channels and equip reporting managers to have conversations with team members and encourage them to maintain a work-life balance.

Medical Facilities

Banks have been extending medical facilities (taxable and non-taxable) besides several other welfare measures to their employees in a big way. Post-retirement also medical facilities are being provided especially in public sector banks. HR should ensure in making available, such welfare programmes, to every employee irrespective of the cadre. HR should also take initiatives to educate and motivate employees to utilise such benefits

Conflict Management/ Interpersonal Relations

Conducting staff meetings at regular intervals will not only obviate inter-personal issues but also help in the flow of communication across all the levels te., top to bottom and vice versa. Thereby teamwork will. improve among employees and it will be a cakewalk in reaching the desired goals. When a conflict is not solved within the team, HR plays a significant role in resolving it by getting to the very bottom of the issue.

Handling of Grievances

A single platform should be placed to raise the staff grievances, and they have to be addressed within a reasonable turnaround time (TAT). HR should ensure that there is no negative impact on the employee who raises any grievance.

Cope with the Stress

Stress occurs when the pressures upon us exceed our resources to cope with those pressures. HR role is vital in reducing the stress among the employees; otherwise, it may lead to attrition.

Whistle Blower Policy

This policy should be in place in all Banks to nip the frauds at the bud stage. The early plugging may minimise the losses to Bank and save the image as well. Simultaneously, one should not forget the humanitarian angle i.e., neither the whistle blowing person should be treated differently nor any action to be initiated on the accused until the allegations are proved by the appropriate authority.

Alignment of HR with Business Strategy

The human resource team will have to play a substantial role in the business. To perform this role, HR professionals should have in-depth knowledge about the business of the Bank as well as of human resource functions such as innovation, problem-solving and possess the leadership qualities to impact the employees in the Bank.

Current Challenges faced by Banks in HRM

Acquisition of talent, retention of the employees, and ensuring the good mental health of the employees are current challenges being faced by HR in the banking sector. Following are among current challenges being faced by Banks in HRM:

❖ Effective Work Force

A time-consuming and hectic job is to hunt the right talent. Higher the professional value of the vacancy, tougher is the search. Identifying the right stuff followed by negotiation is the element which makes the job tough for the employer. Banks are keenly interested to fill up two types of breeds of professionals. Ones who are outstanding professionals with high job hopping attitude- these are those who come in-work for some tome and then leave for better prospects. Others are those who are keenly picked-up, trained and are somehow retained to be developed as future management within the bank.

Management trainees are a growing popular phenomenon where freshly qualified business graduates are engaged by banks and a certain percentage of these well-equipped professionals stay back within the organization to grow into the footsteps of senior managers. Banking jobs being apparently lucrative for many attract a large number of candidates against advertised vacancies in media creating a large database management problem. This has been facilitated by specialized hiring agencies who may take up the job of hiring in case of large number of vacancies,

❖ **Right People**

The most difficult agenda of HRM across the banking sector is to retain the right people. Sudden growth of retail banking and other services has put pressure on HR Managers in banks to engage more professionals within shorter span of time thereby attracting manpower in other banks on attractive packages has made the job market very competing. A bank in a normal course invests time and money to hire and train the appropriate workforce for its own operations. This readymade force is often identified and subsequently picked-up on better terms by others.

❖ **Compensation**

How much to pay the right employee and how much to the outstanding performer. Banks have traditionally followed pay scales with predetermined increments, salary slabs, bonuses and time-based fringe benefits like car and house advance, gratuity, pensions, etc. The situation is not the same anymore. An increment of Rs.500-800 per annum is no more a source of attraction for a professional anymore. A basic pay with traditional formulas of linkage with medical and other facilities has no soothing today.

A promise of future growth, learning culture and corporate loyalty is out of dictionary and does not mean anything to this energetic and competent performer today. A waiting period of 3-4 years in each cadre haunts the incumbents who strongly believe in immediate compensation. A freshly hired professional requires a brand-new car or car loan in resuming office quite contrary to his previous breed of bankers who would wait for the job seniority to qualify for a car loan.

❖ **Job Satisfaction**

Everybody in the bank wants to work in the preferential department, preferential location, city of his own choice and boss of his liking. An administrative deviation from any of these results in lowered job satisfaction. Although hiring is normally based on regional requirement matching the area of activity with that of employee's nativity yet other elements like appointment in the department of choice and preference makes the job of HR manager quite challenging.

What the HR manager cannot afford is the dissatisfied employee who not only disrupts the smooth working him, but also spreads the negativity to others by his demotivated attitude.

❖ **Morale Boosting**

What has long been overlooked is the morale boosting of the employees by the organizations. Human beings even if satisfied of material wellbeing need to be appraised and encouraged and constantly. Smart banks have realized this need and have taken steps to keep their work force motivated through proper encouragement like man of the mouth awards, repeat get-togethers, conferences, sports events, dinners, company sponsored travel, reunions, etc. This is the way employees create a feeling of belongingness.

Suggestions

Following are some of the suggestions for HR to overcome the above challenges:

- ✓ HR personnel should maintain a healthy relationship with employees and gain their trust by providing safe space.
- ✓ They need to initiate innovative and efficient means to know about their employees as frequently as possible.
- ✓ Activities should include gauging employee mental health, satisfaction levels, motivating factors, and collecting reverse feedback.
- ✓ HR should strive to strengthen the team bond by initiating activities such as team dinner, celebrating personal occasions, personal and work achievements, outdoor activities, etc.
- ✓ HR should also strive for greater employee contentment. with customised incentives.

The above suggestions are illustrative only but not exhaustive. These would motivate employees to work with full concentration which in turn will increase their efficiency.

Conclusion

We can, therefore, conclude that HRM is more crucial today for the success of any organization than ever before. Banking sector is not an exception. The question that arises at this point is-what measures the organization should take to influence the human resource outputs. The issues that need to be considered to move towards this goal are:

- ✓ Workers must no longer be seen as liability, but as a key resource which needs to be carefully nurtured and constantly developed.
- ✓ While organizations are becoming conscious of the potential of new technologies, they must also realize the crucial role that human being plays in managing that technology.

- ✓ Those organizations which are able to give relevant training to their personnel and maintain their willingness to learn new ways to do things can hope to survive in today's economic environment.
- ✓ There is serious need for all of us to try and transform at least that part of the organization, where we have the power, into learning segments which could then be synthesized into a learning whole.

So, finally we may opine that to obviate the challenges and survive the environment in the banking sector, HR should act amicably in the utilisation of state-of-the-art technology and equip the existing employees to make the best use of the technology.

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