

## Human Resource Development Practices in Indian Banking Sector – An Overview

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**Abstract:** Banking sector plays a key role in the development of Indian economy. There has been a sea change in the operation of banking services in India during the past three decades. In a service-oriented industry like banking, the quality in service largely depends on the effective human resources development practices in banks. Changing socio-economic profiles of the customers, government policies, changes at national and international levels have necessitated the banks to strengthen the human resources through effective HRD practices. Training and development, employee feedback and counselling, career and succession planning and compensation and reward management are the key components in HRD practices in banks. An overview of HRD practices in Indian banking sector is presented in this paper.

**Key words:** Human Resource Development, Banking Sector, Reward Management, HR Strategy.

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### I. Human Resource Development

It is well recognized everywhere that human competency development is an essential prerequisite for any growth or development effort. By recognizing the importance of employees' competency development, organizations in different sectors have set up new departments known as "HRD Departments". The HRD departments have been finding out new ways from time to time to develop employee competencies through training, performance appraisal, potential appraisal, feedback and counseling, mentoring, organization development interviews, etc. Worldwide has been a lot of progress in the field of human resource development particularly from 1980 onwards. The organizations in service sector and government usually consider the HRD practices as synonymous with training. In order to undertake the activities to facilitate and manage HRD function in any organization a conceptual background is required.

In the process of HRM, i.e., bringing people and organizations together so that the goals of each other are met, employees are helped in a continuous way to acquire capabilities, exploit their inner potential, develop an organizational culture, and also with HRD mechanisms. Any organization that is interested in improving its services needs to develop its employee competencies. The development of human resources is essential for any organization that would like to be dynamic and growth oriented. Thus HRD is a process, not merely a set of mechanisms and techniques.

### II. The Banking and Financial Services

A strong, healthy and sustainable banking system is must for the overall development of an economy and failure of which may lead to collapse of the economy as a whole (Sandeep Sharma and Manish Didwamia). Across the world technology advances have accelerated changes resulting in higher production of goods and services. With the advent of technology banks have been offering wide range of services, identifying new business niches, developing customized services, implementing innovative strategies to capture new market opportunities. Technology adoption has become necessity, particularly in the aftermath of liberalization, privatization and globalization. Indian banking influenced by the financial sector reforms witnessing a shift away from meeting social priorities to the confronting market forces. The Indian banking industry is going through a period of intense change. There are different types of banks under public, private, co-operative and foreign banks. Even though the public sector banks largely dominate the private sector banks and foreign banks have been posing a serious competition to the public sector banks.

The existing business environment requires companies as well as their HR team to think creatively and come up with the new approaches, Innovate HRD approaches would motivate the employees in banking sector

to utilize their set of skills and knowledge through discretionary effort realizing bank's business strategy. The HR practices in Indian banking sector are significantly different from the manufacturing and other service sector organizations.

### **III. Review of Literature**

Ms Yuvika Singh, Dr Shart Sood (2017) in their research paper on HR practices in Indian banking sector tried to focus on whether the introduction of innovative HR practices leads to favourable or unfavourable outcomes among the employees in the banking sector. The employee sourcing and human resource development initiatives in Indian banking sector are remarkably different from the manufacturing and other service sector organizations. New practices in HR can only lead to positive impact on organizational commitment. The study revealed that the major challenge for banks is how to develop their social framework that generates the intellectual capital as the essential drivers of change.

Umesh Raj(2016) research paper titled 'HRD Management in Banking Sector' analyzed and interpreted the HRD and Management in banking sector in India, taking into consideration the SBI. The study found that Management policy is an important subsystem of HRD in banks and HR development practices are picking up due to the philosophy of the management. Existence of good HRD practices was observed in the public sector banks, however, the changing paradigms in HR need to be taken into consideration for better development of human resources, the study concluded.

Rao T.V (1986) paper titled 'Integrated HRD system' declares that HRD is a process and not merely set of mechanisms and techniques. Organizations can facilitate this process of development by planning allocating organizational resources, and by exemplifying HRD philosophy that values human beings to promote their development. Rao felt that to get a maximum advantage of HRD, the organization shall introduce it as a total system within the organization. The study concluded that integrated HRD system can contribute significantly to positive cultural changes, increased productivity and achieving excellence in organizations.

Ranade P.S.et.al (1997) in their study 'Banking on a Better HR Policy' have examined the major determinants of behaviour pattern of employees in three major public sector banks in relation to different variables of job satisfaction. The authors opined that the human element of maintaining status-quo often pushes aside an individual's natural aspirations for better career growth. The study concluded that despite high education levels and training, the employees prefer to remain in the clerical cadre pointing to the need for the management to follow more practical human resource policies.

Karthikeyan k et al (2010) conducted a study to know the impact of training in Indian banking sector in Truchirapalli district of South India with special reference to public and private sector banks. It was found from the study that training practices differ slightly in public and private sector banks. Eventhough employees are satisfied with practices in both the sector and effectiveness of training can be assessed through employees' attitude towards training inputs and the quality of training programmes.

### **IV. Need and Objective of the study**

In the growth and development of any type of organization Human Resource plays an extremely important role. Among the several factors of production, human resource is unique and has unlimited potential to contribute to the growth of the organization. The Indian banking sector is playing a significant role in the development of economy. With the introduction of economic reforms in the year 1990 (Liberalization, Privatization and Globalization) there has been a complete transformation in the way banking and financial services offering of customers. The role of human competencies has become very crucial for the growth of banking sector due to technology adaption, high customer expectation and competition. At the outset an attempt has been made in this paper to overview the existing HRD practices in Indian Banking Sector.

### **V. Methodology**

The present study is based on the secondary data. Adequate review of literature has been done and information collected from Banks' Annual Reports of banks, research papers, books, internet and other published sources. However, some useful inputs were obtained based on the oral information from customers, bank employees and internet-based discussion forums.

### **VI. Review and Discussion of Key HRD practices in Banking Sector**

#### **VI.1 Analysis of Training Programmes**

The review of demographic profile of customers shows that male employees are higher than the female employees working in both public and private sector banks. With regard to age, majority employees working in the banks fall in the age group of 30-40 years, have post-graduate qualification and belong to married category. In the pay category, majority banks employees in both public and private sector have been drawing in the range of Rs 30,000 – Rs 40,000 per month.

The rapidly changing environment in banking and financial sector and changing socio-demographic profiles of customers make it imperative to continuously enhance and improve knowledge and skill sets. Development of an effective HR strategy to achieve organizations' goals has been one of the biggest challenges being faced by professionals in human resource management today.

The major impact of training and development in the banking sector may be towards-

- Motivating the workforce
- Competency and Skill Development
- Work life balance
- Attrition/Retention of the talent pool
- Bridging the Demand and Supply

The employees who are trained on a regular basis are the ones who provide a higher quality services to the customers. Banks must efficiently manage its employees during every phase of employment because people are the most important assets in a service-oriented industry like banking and finance.

### **National Institute of Bank Management(NIBM)**

The NIBM as an apex autonomous a institution endeavoured to develop and implement programmes that would assist the banks to develop capabilities to meet national priorities for the banking sector and at the same time provide world class banking and financial services. The activities of the Institutes fall broadly into three areas, viz, Education, Training/Skill Development, Research and Consultancy. The public sector banks are passing through a very challenging phase due to paradigm shift in consumer behavior, digital revolution, demographic changes, ever-increasing regulatory compliances and competition from private sector banks and Non-Banking Finance Companies(NBFCs). The Public Sector Undertakings (PSUs) well recognized facts that the success of banking services depends on abilities, knowledge, skills and personal characteristics of human resources.

Training system plays a key role to face the emerging challenges in banking. To tap the new business opportunities besides massive expansion in the present line of activities, there is a felt need to impart new skills and also to sharpen existing analytical and decision making skills in banks. In this regard, training establishments in banks and also apex level training institutions in the banking industry have a vital role to play. Towards the end, the NIBM initiated surveys on training in banking industry, thereby to take up new and challenging assignments in training and education.

The NIBM conducts every year about 150 educational and training programmes in all the functional areas. The forms of the training activities of the institute is on creating/imparting new perspectives in the crucial areas of concern to the banks. In order to increase the reach of the Institute to the banking system, the institute also conducts 'on location' programmes. The focus on NIBM consultancy was more on providing support in organizational design and development, Design and implementation of MIS, Manpower planning, etc.

One of the biggest challenges being faced by professionals in human resource management of banking sector is the development of an effective HR strategy that aligns with and supports short and long-term goals. The rapidly changing environment in banking and financial sector is essential to continuously enhance and improve knowledge and skill sets.

In the Indian banking sector there is enough evidence that trained employees are the ones who provide a higher quality services to the customers. To develop an integrated and proactive training and development strategy there is a requirement of coherent corporate culture in a service oriented industry such as banking. The public sector banks are ahead of private sector banks in providing training and development programmes for their employees to increase their efficiency. Thus one of the key factors in the growth of banking sector in India is the result of skilled manpower which is the outcome of training and development.

### **VI.2 Career and succession planning**

Helping the employees to plan their career in terms of their capacities in accordance with the organizational needs is an essential step required in the process of human resource development. It is a management technique for mapping out the career of employees in the organizations. In succession planning, the potential candidates are identified and they will be trained and developed to lead the organization in future.

In India, the public sector banks are continuously identifying the requisites for successful implementation of HRD practices. The managers of banks have realized that performance appraisal and career planning and development are instrumental in implementation of HRD practices of an organization. The key variables and factors impacting the HRD effectiveness in banks includes employees' commitment, awareness career planning and development. It was observed that there is a significant difference between public sector banks and private sector banks in regard to career planning and development. The age and gender of the employees also shown an impact on career planning.

The performance appraisal data has been used by banks efficiently for job enrichment, enlargement and career planning. Banks should develop appropriate career strategy to integrate specialists in the banking services and the career path should indicate the degree of knowledge and skills required at different levels in the organization. In the banking sector, comparatively male managers are more particular and interested in their career advancement.

### **VI.3 Feedback and Employee Counselling**

Professional counsellors stimulate personal growth of employees and offer help in addressing issues that cause stress. Prominent among these issues includes career change and job stress, adopting to life transitions. The counselling service at work place shall bring back work life balance and serve as development model in HRD. Banks strive to foster a culture of open communication, providing employees a number of channels to comfortably raise their concerns directly within the organization. Banking is one sector where a great degree of attention is being paid to performance appraisal systems. The public sector banks have changed their Performance Appraisal System(PAS) keeping in view the emerging trends in banking sector(Dr Shambu Nath Chowdhury 2008). It was observed that the private sector bank employees perceive greater fairness and satisfaction with their PAS as compared to public sector bank employees in India.

Although bank employees vary in their desire for improvement, they want to know how well they are performing. Employees will be grateful for information on how to improve shortcomings, when the PAS is presented in a constructive manner. In banks, the effective performance appraisal should adopt the steps such as selection of performance data to be collected, identifying right appraisers, overcoming rating deficiencies and delivering useful information to the employees. Eventhough the banking sector has been adopting technology, the service quality largely depends the quality human resources. The banks are considering PAS as an opportunity towards better HRD practices. As banks are presently operate in an increasingly deregulated and market driven competition, it is through PAS only, the banks can survive. Thus PAS as an important HRD mechanism enables building a resourceful banking organization capable of solving its problems and attaining the desired results.

### **VI.4 Compensation and Reward Management**

In Indian banking sector the compensation and rewards are the two most crucial factors in attracting as well as retaining high quality employees. Money is considered as the reward which is given to employees against work, to support their family and payment for the work which is done. Banks usually adopt both financial and non-financial strategies in ensuring fair compensation for their human resources. Seniority of employees has been the major determinant of compensation fixation and promotions especially at the managerial levels in banks. The banks and financial institutions are facing the challenges of matching skills and performance to the compensation systems.

Use of right rewards, either monetary or non-monetary for all levels of employees can motivate the employees to enhance their job satisfaction in the banks (Limberg et.Al. 2005).The motivation level of bank employees cannot be analyzed without taking into consideration the compensation and reward management in banks.The need for employee reward management gained special significance in the service organizations like banks in India. The banks are implementing rewards to create inner desire among the employees towards work and enhance their motivation levels so that organizational effectiveness. Majority employees in SBI and ICICI banks are of the opinion that rewards helped them for personal growth and improve morale. Several studies in this aspect also revealed that there is a significant positive relationship between employee rewards and work motivation in the banking industry. The ICICI bank is maintaining better reward system compared with other banks in India. Effective reward system also requires internal equity and equity with the job content.

## **VII. Conclusion**

The economic development of any country largely depends on the public savings, public lending facilitated and promoted by banking and financial services industry. Indian banking industry has witnessed rapid growth and changes in the past three decades as a result of economic reforms, changing socio-economic profile of the people, and technology revolution. Banks today are facing numerous challenges due to these changes. The survival of the banks completely depends on range and quality of services offered to customers. The quality and performance in banking services depends on effective HRD practices more particularly training and development, career and succession planning, feedback and employee counseling and compensation and reward management.

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