

## **Human Resource Development Challenges in Indian Banking Sector**

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### **Abstract**

In the 21<sup>st</sup> century many countries in the world initiated reconstructing their economies especially in the financial sector. In India the Narasimham Commission in 1991 recommended steps that were needed to improve the financial health of Indian banks. Reforms have been initiated on all fronts. BY STUDING OF VARIOUS ARTICLES WE concluded that there is a need for introduction of new technology, skill building and intellectual capital formation. The most important need in this service industry is naturally the Human Resource during the early phase of banking development in India after independence; opportunities for employment of the educated man-power were relatively limited. This sector was the preferred employer for the educated persons in the country in addition to civil services. In recent years, this position has changed dramatically. Certain complexities have also developed in HRD within the banking system as this system is public sector. As per the above facts and figures it has been found that Banking sector are facing the problem to upgrade the skills of the employees and Human Resource development policy are not meant/fulfill their actual motive in this industry

**Keywords:** HRD, Indian bank, growth.

### **Introduction**

In the 21<sup>st</sup> century many countries in the world initiated reconstructing their economies especially in the financial sector. In India the Narasimham Commission in 1991 recommended steps that were needed to improve the financial health of Indian banks. Reforms have been initiated on all fronts. They were more speeders and pronounced in the financial sector. Are the Indian banks nurturing specialization and expertise development in other words had rejuvenative HRD measures been initiated? Little has been done in this area. The present staff is without specialized skills no attempt to attract fresh talents is being done. Competitively the Indian banks are at disadvantage as compare to private and foreign banks. In the banking industry raw material is man. This makes HRD very important. The HRD is long way down the priority aspect, the bank executives consider it as the responsibility of HRD department. Realization of HRD in banking is very important to obtain optimum results. The HRD means initiation, facilitation, awareness, generation, coordination and follow up the banking executive. In the 21<sup>st</sup> century of globalization and competition/encouraging and motivating employees is essential for organizational growth. The old banking concepts are outdated. The banking is under revision and renovation.

In a service industry like banking the raw material is men, human resources development emerges as the single most important factor of the Indian banks. Most of the banks have HRD departments. But their functions are only ritualized and they are not taken seriously. Importance and significance of the human resource development remains unappreciable and it continues to receive country cousin treatment. There is misperception about the HRD. It is understood to be synonymous with training. And the common uneasiness and reluctant among bank employees about entering the training programme whether as a trainer or as a trainee, completes the bad picture of HRD in banking sphere. It is a general idea in the minds of banks' executives that HRD is the responsibility of only the HRD departments of the banks. This thinking emerges when the executives are asked to list out the functions they expected to perform, development of their employees does not figure in the list and if it does, it is a long way down in the priority aspect. Even as the importance of human factor is emphasized or re-emphasized in all forms and on all platforms.

### **Importance of Human Resource Management for Banks**

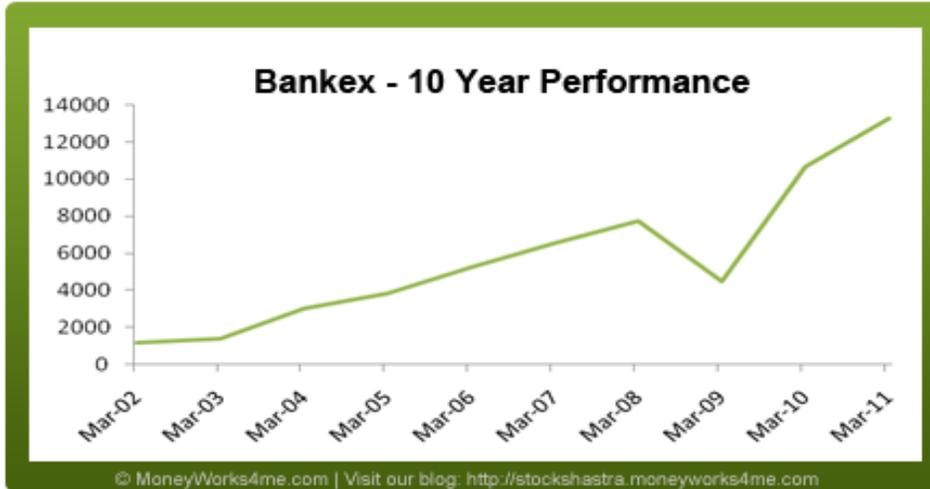
Human Resource Management is important for banks because banking is a service industry. Management of people and management of risk are two key challenges faced by banks. How you manage people and how you manage the risks determine your success in the banking business. Banks must try to distinguish themselves by creating their own niches or images, especially in transparent situations with a high level of competitiveness. In the coming times, the very survival of banks would depend on customer satisfaction.

### **Key Challenges of Human Resource**

1. Acquiring the right people
2. Problem of Low Productivity
3. Retaining people
4. Skill Upgradation
5. Performance Management
6. Reorganisation, Restructuring and Reengineering (RRR)
7. Challenges of Technology

### **Indian Banking Industry – Growth Drivers and Future Prospects**

Recently, the RBI took a few important steps to make the Indian Banking industry more robust and healthy. This includes de-regulation of savings rate, guidelines for new banking licenses and implementation of Basel Norm III. Since March 2002, Bankex (Index tracking the performance of leading banking sector stocks) has grown at a compounded annual rate of about 31%. According to a Mckinsey report, the Indian banking sector is heading towards being a high-performing sector



According to an IBA-FICCI-BCG report titled **‘Being five star in productivity – road map for excellence in Indian banking’**, India’s gross domestic product (GDP) growth will make the Indian banking industry the third largest in the world by 2025. According to the report, the domestic banking industry is set for an exponential growth in coming years with its assets size poised to touch USD 28,500 billion by the turn of the 2025 from the current asset size of USD 1,350 billion (2010)”. So, before going in its future, let’s have a glance at its historical performance.

### Literature Review

In this field tremendous studies has been conducted and their findings are as follows:

In a conference held at **Mumbai on June 2012, Deputy Governor of RBI** focused on the concern of Human Resource Management policy prevailing in the banking sector. There is hard need to change the rule to get out the ball from the box. As Globalization has increased because of this the Indian banking sector has to make policy according to the International environment. Banks are playing a major role in buildup of a nation dignity. Banks have to succeed not only for their selves but for the nation and Society.

**According to MrPranabMukherjee(Former Finance Minister of India)** that Human Capital is the major challenge of present Indian BANKING Sector. Some of the major HR challenges today are building capabilities for the future; improving productivity and performance; building talent management practices; developing institutional arrangement for sustained human capital management and transforming the HR function from legacy driven to developmental HR.

**The Financial Services Secretary, Mr D.K. Mittal**, said human resources are a key challenge for public sector banks in India. They need to go into details to address issues such as succession planning by grooming future leaders, talent acquisition, retention and management, streamlining recruitment process and skill upgradation.**Gelade and Ivery (2003)** examined relationships between human resource management (HRM), work climate, and organizational performance in the branch network of a retail bank. Significant correlations were found between work climate, human resource practices, and business performance. The results showed

that the correlations between climate and performance cannot be explained by their common dependence on HRM factors, and that the data are consistent with a mediation model in which the effects of HRM practices on business performance are partially mediated by work climate. **Sekaran, U. (1989)** studied a sample of 267 bank employees, this study traced the paths to job satisfaction of employees at the workplace through the quality of life factors of job involvement and sense of competence. Results indicated that personal, job, and organizational climate factors influenced the ego investment or job involvement of people in their jobs, which in turn influence the intra-psychic reward of sense of competence that they experienced, which then directly influenced employees' job satisfaction. **Mitchell, Holtom, Lee and Graske (2001)** asserted in their study that people often leave reasons unrelated to their jobs. In many cases, unexpected events or shocks are the cause. Employees also often stay because of attachments and their sense of fit, both on the job and in their community. **Goyal and Joshi (2011b)** have concluded in their study on social and ethical aspects of Banking Industry that Banks can protect themselves as a socially and ethically oriented organization by disbursement of loans merely to those organizations, which has social, ethical and environmental concerns.

### **Research Question**

1. To know what challenges are facing by the Indian Banks in Human Resource Development?
2. To know how Human Resource Development is helpful to retain the employees in the banking Sector.

### **Types of Data**

In this article we used secondary data. We used the various Articles to identify the research questions.

### **Findings of the Study**

By studying of various research papers we concluded that there is a need for introduction of new technology, skill building and intellectual capital formation. The most important need in this service industry is naturally the Human Resource during the early phase of banking development in India after independence; opportunities for employment of the educated man-power were relatively limited. This sector was the preferred employer for the educated persons in the country in addition to civil services. In recent years, this position has changed dramatically. Certain complexities have also developed in HRD within the banking system as this system is public sector. Its hierarchical structure gives preference to seniority over performance, and it is not the best environment for attracting the best talent from among the young. However, the emergence of a core and peripheral workforce in many organization has presented new challenges for HR managers public & private sector organizations are fast becoming diverse communities for core workers, flexibly employed casual and part-time workers, consultants, contractors & business partners.

Government has also done various things to modify the HRD Practices in Banking Industry, some of them are: The Government had recently requested the chief

executives of public sector banks to prepare human resource management plans, keeping in view the decisions taken on the recommendations of the Khandelwal Committee report on HR issues in public sector banks.

Mr Mukherjee said that a bank is only as good as its people and therefore the quality of its human capital will be the single most important defining factor in shaping its future. The Reserve Bank of India (RBI) plans to rope in outside consultants to overhaul its human resource (HR) practices, a move that would affect its nearly 18,000 employees. It is reported that the central bank will form a panel of up to six independent professional firms to help the RBI in framing, implementing and delivering integrated HR solutions in the areas of HR policies, processes and systems, among others.

### **Conclusion**

As per the above facts and figures it has been found that Banking sector are facing the problem to upgrade the skills of the employees and Human Resource development policy are not meant/fulfill their actual motive in this industry. There has been various researches has been done but till date no further conclusion has been found out. There is lots of opportunity to work in this field.

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