

HUMAN RESOURCE PRACTICES AND ITS IMPACT ON BANKING SECTOR

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ABSTRACT

The banking industry is a highly regulated powerhouse that stabilizes the financial climate o nations around the world. Banks store sensitive, personal information about their customers, and commercial banks hold more valuable inventory, cash, than other retail operations. Bank employees, from officers to tellers, must have a higher level of integrity and reliability than employees in most other industries, making the role of HR in banking even more important. HR departments must design and monitor work processes to reduce opportunities for internal theft and collusion. HR policies segregate cash receipt, storage, processing and disbursement and record all activities through video surveillance. If an employee tries to steal from a bank, the HR department must handle the necessary legal documents and administrative procedures for court proceedings. Some jobs don't really require a background check, but any bank job certainly does. HR departments in banks must go the extra mile to uncover the criminal and financial history of job applicants, for the safety of their customers and their entire organization. Banks are very unlikely to hire candidates with financial fraud on their record, for example, because of the sheer weight of temptation to place someone with such a history at a bank. Efficient human resource management is the most essential requirement to survive in this competitive world.

Keywords: Human Resource, Banking Sector, Human Resource Policies

INTRODUCTION

Human Resource has long been neglected in the country's corporate sector, where a small segment comprising multinational companies practiced the same. With the growing awareness of proper HR in the corporate sector, it has become an important undertaking. Now the head of HR is an important member of the senior teams of any thriving business. Although the idea is new to many local businesses where entrepreneurs are at the beginning of the learning curve, the theme is actually gaining support from organized entrepreneurs. The banking sector has evolved from a few institutions primarily involved in deposit-taking and trade financing to a complex multiplayer market where a large number of commercial banks, financial institutions and

specialty banks operate with a variety of products and activities. Financial market banking has become a complex activity directly and indirectly linked to all national growth and its impact as an integral part of the regional segmentation of the global banking environment. Almost every bank and financial institution is involved in various activities in a day's work and therefore requires a highly effective team and proper manpower to run the show. Corporate goals are translated into viable realities and profits only by human factors playing their proper role in achieving the desired results. Thus, even high automation will require a proper human behind the machine to make things happen. Top managements in progressive banks have realized this idea. Like many other organized sectors, banking requires multi-level manpower to cater for various needs of professional and support staff. This category may require highly educated and trained professionals such as educated security guards on one side and corporate finance heads on the other. Liberalization of activities in the banking sector, for example, increased emphasis on consumer and home finance and personal loans, etc., has transformed banking itself into a more market-based business where banks have extended their reach to customers' homes. A big way to make banking more practical. This has highlighted the need for proper deployment of manpower to run banks efficiently.

Over the years, HRM banks like other organizations have been handling this sensitive activity through the respective HR departments. This means that human resources are managed like any other physical asset e.g. Furniture pieces, calculators, tools and equipment. The personnel department was primarily involved in granting leaves, handling employee debts, issuing show cause notices, conducting disciplinary inquiries and dismissal from service. Recruitment was a routine task and was done mechanically to hire people with specific educational backgrounds regardless of their actual value to the organization. Success stories from large banking companies illustrate that HRM is very different from physical asset management. The human brain has its own peculiar chemistry. Employers should emphasize his strong intuition and judgment. The workforce at all levels is constantly thinking in multiple dimensions. On one hand is the duty and task assigned and for which they are paid by their employer, on the other hand they consider their long-term goals and objectives.

RESEARCH GAP

In order for banking companies to maintain HRM activities and employee happiness, the author argued that employees provided several key benefits to the organization. Some of the methods used are empowerment, teamwork, task rotation, employee participation and deferred compensation. Employee participation in the decision-making process emerged as the most important systematic predictor of satisfaction.

OBJECTIVE OF THE STUDY

- To explore the HRM practices prevalent in the banking sector.
- To quantitatively measure the HRM practices practiced in the banking sector.

OPERATIONAL DEFINITION

(a) Banking Sector

Currently, there are numerous types of banks and financial institutions operating in the world. Each of these organizations seeks to provide a specific set of services, and it is not uncommon for an organization to tailor its services to a specific market or type of investor. In another sense, banking operations include the methods and procedures used by banks to ensure that customer transactions are completed accurately and correctly. For example, if a customer wants to buy stock shares, the bank ensures that the money and stocks are ready for trading. The bank will monitor the actual transfer of stock and funds and ensure that any reporting requirements relating to the transaction are recorded. Throughout the process, the bank focuses on protecting its customers and detecting potential threats to the client's finances.

(b) Human Resource Management

Behind the production of every product or service there is human mind, effort and man hours (work hours). No product or service can be created without the help of man. Man is the basic resource for making or creating anything. Every organization wants to have skilled and competent people to make their organization efficient and best. Among the five Ms of management, i.e., men, money, machines, materials and methods, HRM deals with the first M, i.e. men. It is believed that among the five Ms., "men" are not so easy to manage. "Every man is different from others" and they are completely different from other Ms. in the sense that men have the power to manipulate other Ms. Whereas, other Ms are either inanimate or intangible and hence, have no power. To think and decide what is best for them.

(c) Indian Banking Sector

Banking sector in India is continuously growing. Since the turn of the century, there has been a significant increase in transactions through ATMs, as well as internet and mobile banking. After the Indian Parliament passed the Banking Laws (Amendment) Bill in 2012, the landscape of the banking industry began to change. The bill allows the Reserve Bank of India (RBI) to formulate final guidelines for issuing new licences, which could increase the number of banks in the country. Some banks have already received licenses from the government, and the RBI's new rules will encourage banks to detect bad loans and take necessary action to curb rogue borrowers. Over the next decade, efforts by the RBI and the Government of India to integrate financial services in rural areas are estimated to create 20 million new jobs in the banking sector. Also, the traditional way of operation will gradually give way to modern technology.

IMPORTANCE OF HUMAN RESOURCE

For small businesses and large corporations, the human resources or personnel function can be useful for much more than just processing payroll or handling the once-a-year open enrolment season. Human resources play a vital role in developing the company's strategy as well as handling the employee-centric activities of the organization.

- **Human Capital Value:** Having an in-house HR function is important. An in-house human resources staff or human resources specialist on staff can increase understanding of how important human capital is to a company's bottom line. For small businesses, in particular, human capital is critical because many small companies have employees who perform cross- functional duties. With a small workforce, if just one person leaves, the company has a huge void to fill and potentially threatens the company's profitability.
- **Budget control:** Human resources curbs high costs by developing methods to reduce manpower management costs, including negotiating better rates for benefits such as health care coverage. Additionally, Human Resources ensures competitive and realistic salary setting based on analysis of labor market, employment trends and salary based on job functions. Since some small businesses have budget constraints, this HR function is especially useful.
- **Conflict Resolution:** Given the diversity of personalities, work styles, backgrounds and experience among employees, conflict is inevitable in the workplace. Human resource managers or personnel specially trained to handle employee relations cases can identify and resolve conflicts between two employees or between managers and employees and restore positive working relationships.
- **Training and Development:** Human Resources assesses the organization's current workforce needs to determine the type of skill training and employee development required to improve skills and qualifications. Companies in the early or growth stages can benefit from identifying the training needs of existing employees. It is much less expensive than the cost of hiring additional staff or more qualified candidates. Additionally, it's a strategy that can reduce turnover and improve employee retention.
- **Employee Satisfaction:** Human resource professionals are typically tasked with determining the level of employee satisfaction -- often an imprecise measurement. With a carefully designed employee survey, focus group, and exit interview strategy, human resources can determine what causes employee dissatisfaction and address those issues to motivate employees.
- **Performance improvement:** Human resources develop a performance management system. Without an HR person in place to create a plan that measures performance, employees may wind up in jobs that aren't a good fit for their skills and expertise. In addition, employees whose performance falls short of the employer's expectations may continue to be on the payroll, wasting money on underperforming employees.

- ***Business Retention***: Through succession planning that develops human resources, the company identifies employees with the promise and necessary capabilities to eventually transition into leadership roles within the company. This is an important function as it can guarantee the stability and future success of the organization.
- ***Corporate Image***: Businesses want to be known as an "employer of choice". Employers of Choice are companies recognized for the way they treat employees; They are companies that people want to work for. Human resources are balanced to be the employer of choice by recruiting the most suitable applicants, selecting the most suitable candidates and retaining the most talented employees.
- ***Stable principles***: HR ensures that employees embrace the company's philosophy and business principles. From a small business perspective, creating a cohesive work environment is imperative. Human resources' first opportunity to accomplish this is through intelligent hiring decisions that identify desirable professional qualities, as well as orientation and on-boarding programs.

HUMAN RESOURCE CHALLENGES IN BANKING SECTOR

Banking sector in India is growing very fast not only in terms of its size but also in terms of services provided. Banks reaching remote areas of the country can expect positive things like financial assistance to farmers and increased financial awareness. However, as the size and activities of banks have increased, the number of private sector banks has also increased which has created challenges such as cost-efficiency, technological advancements and issues related to reliability. The task before HR is to develop strategies that help banks gain competitive advantage and encourage innovation in their products and services.

MANAGING HUMAN RESOURCES IN BANKING SECTOR

Keeping in mind the above HR challenges that our Indian banking industry is facing; we can manage human resources through proper planning.

- ***Hiring the right person for the right job***: In assessing whether the "right person" has been selected for the "right job", the most prominent theoretical concept that emerges is the concept of "fit". Different authors emphasize different types of fit. On Person-Environment Fit discusses two types of fit that have emerged as the most prominent types of fit: person-job fit and person- organization fit. In pursuing person-job fit, companies try to match the job holder's knowledge, skills, and abilities to the job requirements. Companies can determine person-organization fit by focusing on the person's fit with the company's culture or values and the person's ability to work well with other company employees. Banks will have to plan for the following:
 - A steady, carefully calibrated recruitment program
 - As rapid technological changes drive continuous skill improvement in business

- A new generation of employees will work as a team with the older generation. Banking, in my opinion, is a team function and this new situation requires a cultural adjustment and therefore a change in management
- ***Retain and development Employees:*** We can get the best people for our work but then the challenge is to retain and develop these people. Training/re-skilling of employees, performance measurement, promotion strategy, transfer strategy, talent management, communication etc. As such, this problem has many dimensions.
- ***Training and Development:*** Due to rapid growth of banks there is a need for efficient and trained staff members to handle/deal with customer needs. Banks are shaping up as financial hubs to grow their customer base and gain exposure in the global market. Banks are offering traditional along with advance services like SMS Banking, ATM, Internet Banking, Priority Banking, De-mat to attract customers. So, we can say that it caters to the needs of the upper class from the grassroots of the society and provides something to everyone. Universal banks have become modern day supermarkets with almost every banking facility under one roof.

TIPS FOR SUCCESSFUL MANAGEMENT

A successful manager, whom others want to follow:

- Creates effective and responsive interpersonal relationships. Reporting staff members, colleagues and executives respect his ability to show care, cooperation, respect, trust and attentiveness.
- Communicates effectively in person, in print and email. Listening and two-way feedback communicates with others.
- Builds teams and enables other employees to collaborate more effectively with each other. People feel they become more — more effective, more creative, more productive — in the presence of a team builder.
- Understands business financials and sets goals and measures and documents employee progress and achievements.
- Knows how to create an environment in which people feel positive morale and recognition, and employees are motivated to work hard for the success of the business.
- Leads by example and provides recognition when others do the same.
- Helps people develop their skills and abilities and learn through education and on the job.

CONCLUSION

The main function of HRD in the banking industry is to facilitate performance improvement, which is measured not only in terms of financial indicators of operational efficiency but also in terms of the quality of financial services provided. Factors such as skills, attitudes and knowledge of human capital play an important role in determining the competitiveness of the financial sector. The quality of human resources reflects the ability of banks to deliver value to

customers. Capital and technology are replicable but not human capital which needs to be valued as a highly valuable resource to gain a competitive edge. Primary emphasis must be placed on integrating human resource management strategies with business strategy. HRM strategies include managing change, building commitment, achieving flexibility and improving teamwork. Other processes that represent obvious aspects of HRM are recruiting, hiring and performance management. To conclude, organizations everywhere are rushing to implement the latest ideas on management, sometimes to the point of overuse. The big challenge now for banks as well as any other organization is how to develop their social structure to create intellectual capital as a key driver of change. Developing individual or human capacity is an integral component of capacity building and, in fact, capacity building activities are now increasingly becoming an index of organizational quality.

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