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HRM IN INDIAN BANKS

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- Efficient human resource management is one of the most essential requirements for survival in this competitive world.
- This study reveals that Indian bank managers have good administrative skills for industrial competitiveness. Also, they have good administrative skills to manage HRD policies.

TRADITIONAL ROLE OF HRM IN INDIAN BANKS

TRADITIONAL HR MANAGEMENT

In **traditional HR management**, they do not educate workers about responsibilities or **how their work will be done**; they assume their managers will go over their work and that the **employee will pick up the training** while on the job.

Traditional human resource management is primarily **reactive**. This means the HR department's **activities aren't fully aligned with the business's leadership goals**. Instead, HR is more of a task-oriented, administrative department that **fulfils employees' needs only as they occur**.

For example, in a traditional human resource management approach, HR will recruit and hire employees once a department manager informs them of an open position. Similarly, if employees have questions about a specific policy, then HR will provide the answers. However, HR

probably won't go so far as to create an employee handbook or host seminars on new policies that employees need to be aware of. →

In general, they are **working to solve employee problems, manage labour relations, and keep their employees happy.** →

Examples of traditional HR management tasks:

- Placing ads for jobs when a department requests a role to be filled
- Responding to questions employees have on benefits and payroll
- Terminating employees

Because this role is reactive, the tasks may sometimes need to be rushed or fragmented.

STRATEGIC ROLE OF HRM IN INDIAN BANKS

STRATEGIC HR MANAGEMENT

In contrast, Strategic Human Resource Management (SHRM) has a broader approach. A strategic HR manager is focused on forming a long-term strategy.

Unlike the reactive approach of traditional human resource management, strategic human resource management is highly **proactive**. With this approach, HR aligns with the business's larger goals from an executive level.

The organization develops a cohesive HR strategy in conjunction with the objectives it wants to achieve. All human resource initiatives — **from recruiting and hiring to onboarding and training** — are designed to bring the organization closer to its targets.

For example, instead of waiting for a department manager to notify the HR team of an open position, **HR will proactively recruit and hire employees** based on the overall business strategy and in lockstep with department managers. The HR team can do this because it's already aware of the company's future needs and can set plans in motion to meet those needs.

Similarly, using the strategic approach, HR will pre-emptively assess employees' needs for onboarding, training, performance evaluations, and compensation, and **they'll develop and implement programs to provide employees with the necessary information and resources.**

While traditional HR managers work reactively, strategic HR managers work proactively.

Examples of strategic HR management tasks:

- Recruiting employees based on long-term goals
- Training employees
- Developing ways to help employees reach the company's goals

Changing role of HRM

- The personnel departments, which are firefighters in some banks, are charged with duties of putting on industrial relations tires and to ensure that industrial relations problems do not otherwise compromise the position of management.
- The emphasis must shift **from industrial relations to core HR functions like manpower planning, employee, development, and performance management.**
- **The HR departments must be involved in various activities be looked on as an integral part of management and be equally responsible for business results.**

- In these charged competitive days **HR specialists must be actively involved in the process and preparation of business plans and strategies.** They must be thoroughly committed to the fulfillment of such plans.
- Compared to business planning, manpower planning takes much longer to become operational. Therefore, departments should rightly be working on plans for two years ahead. In any case, for some of the banks the prime necessity is to retain their **separate existence and survive in the face of emerging challenges.**

Changing Mindset

- The HR functionaries need to break out of the present mentality and acknowledge that adherence to the rules and their implementation is the key to their success.
- Efficiency in all that banks will be the key to continued success, applicable in equal measure to the HR departments themselves.
- While staff shortage may be an issue, the solution should lie in **better use of technology** which if harnessed well, can actually make up for the shortage, with better MIS and prompter action. Emphasis has to shift from firefighting to developing executives for tomorrow.
- A number of **long-established PSU banks have started with the help of consultants, the process of reorganisation and restructuring.**
- According to Dr. **Bimal Jalan, former Reserve Bank of India Governor** "capital and technology are replicable but not human capital which needs to be viewed as a valuable resource for the achievement of competitive advantage."
- **Jack Welch, former CEO of General Electric,** has commented "outside of the CEO, HR is the most critical function in any company. Development of leaders is the ultimate responsibility of

every CEO and thus is an integral part of HR. I saw my job as allocating people and dollars to opportunities. I wasn't designing products. I was putting people where I thought they were right for the job. I did that with my partners in HR."

- According to **Wharton Management Professor Nancy Rothbard** "If top management doesn't see value in having HR as a strategic partner - and if HR can't think out of the box in that role - then the partnership is probably not going to happen."

Human Resource Planning

- Human Resource Planning (HRP) is the process by which an organization ensures that **it has the right number and kinds of people, at the right places, at the right time, capable of effectively and efficiently completing those tasks that will help the organization to achieve its overall objectives.**
- The purpose of HRP in Banks is to assess where the organization is, **where it is going and what implications these assessments have on future supply and demand for human resources.**
- Generally, Banks will make attempts to match supplies and demands by also considering the human resource costs to make them
- compatible with the future HR needs.

Human resource Planning process generally comprises of the following steps:

1. Assessing current human resources.
2. Assessing future business expansions and projections and new business lines, etc.
3. Assess and forecast of number and type of human resources additionally required to meet the above business forecasts.

4. Assessing the internal and external HR supply sources.
 5. Acquiring people at right time from within and outside as per the pre-drawn estimates.
 6. Making the people available at required places at right time.
- Making the people available at the right time at the right places by the HR department is **very important in banks to ensure that Business Continuity Plans are implemented as per the overall corporate plan, and they are not derailed for want of right manpower at the right time at the right place.**

Recruitment and Selection

- Apart from the people required for traditional support functions, The Bank recruits **talented individuals from the external market to supplement their internal wealth of talent**
- Selection of employees is based on knowledge, skills, and talent.
- The Bank is committed to providing equality of opportunity to all **candidates, regardless of gender, race, nationality, age, disability, ethnic origin, or marital status** while at the same time, identifying the unique strengths everyone brings which can be harnessed.

Training & Development

- Development is critical to the bank's future business success and the bank's performance is linked to people's development amounting to investing in the future.
- Training here is a partnership between the employee and the Bank.
- The Bank has a **unique one-year training period for fresh graduates** during which, the employee can expect to experience a blend of core and discretionary elements, through exposure to the following:

1. **Induction**, the process that introduces the new entrant to the bank, the employee's own business or function and particular department.
2. **Training** in specific products and technical skills.
3. **On the job training post** the initial exposure, to all operational areas including a systems training.
4. **Work-based assignments** in respective business or function, i.e., doing a job in a particular department for a period.
5. **Cross-functional attachments** - experiencing short stints spent in another business or support function.

Product training is provided e.g., cash handling training, operational training, etc., to help the staff gain hands-on exposure about the products.

Employee Welfare

- The Bank believes that the health and well-being of their employees and their families is important. **Concerned not only about the physical health** of their employees, but also of their **mental and emotional well-being**, the **Bank has policies and practices that provide for a safe and healthy working environment.**
- The importance of employee-welfare in banks has set new standards as the Government of India has mandated Public Sector Banks to spend an amount up **to 3% of their net profits towards staff welfare activities.**

Compensation

- The PSBs are attempting to reward the performance by way of incentives and rewards and by providing better working condition, etc.
- In contrast, the new age Private Banks regularly conduct salary surveys to ensure that the reward package remains competitive in the marketplace.

Performance Management

- Performance management is the process through which managers ensure that employee activities and outputs are harmony with the organization's goals.
- The Bank has a generous reward structure for those who excel in performance.

EXPECTATIONS FROM HR DEPARTMENT

- The business environment is now no more static, or predictable though controlled and governed under a strong regulatory framework.
- Bank Management has no more remained a mere "Man" and "Money" Management but translated into a complex managerial system of which "Knowledge" has become the critical ingredient in the fast-changing banking business.
- Following are the major factors, which led to the change in the profile of banking business over a period, particularly in the last one decade.
- **Deregulation** of Banking operations, **Entry of Private Sector Banks**, Foreign Banks, Foreign Capital Participation, etc.

- Introduction of prudential Norms for Asset classification and Income Recognition in relation to conditions for greater transparency in financial statements, disclosures, etc.
- Stipulation of Capital Adequacy Ratio.
- Extensive use of computer and information Technology.
- Increased dependence on real time MIS.
- A highly demanding customer base.
- Choice of products in the retail sector.
- As seen from the above, the expectations from the core function of HR in banking industry are challenging.
- Today, the HR department in Banks must undertake many functions which are of developmental HR viz., **Talent Management, Succession Management, Performance Management, Competency Mapping, HR Audit, HR Accounting, Attrition Management** and as such the HR professional requires to possess new skills to handle all these contemporary functions of people management.
- Hence, **the expectations of HR function by all other business verticals are immense.**

MAJOR HR CHALLENGES FACING BANKS

- A key focus of the human resource management is expected in the role of Staffing, Performance Management, Succession Planning, Talent Management, Training and Skill Development, and Compensation that will greatly affect business strategies of the future.

The HR strategy for banks must therefore address the following major issues:

- HR planning must illustrate the process of developing human resources available from all sources. The strengths and weaknesses of staffing options such as outsourcing, use of contingent workers, and downsizing must find a place in manpower planning.
- The recruitment process must be done strategically **to source the correct talent mix for an early fit for the position.**
- The selection process should emphasize ways of minimizing errors in employee selection and placement to improve the bank's competitive position. **Increased use of scientific selection methods** will be needed. The back-ground checks of promising new entrants should be done in a meaningful manner without a casual approach so that the moral and ethical wealth of the banks will boost up their endeavors in avoiding frauds and cyber-crimes.
- An effective **training program to define expectations, actual training needs, develop competencies and grow talent for the future need of the Bank.** Revamp the training systems towards experiential training and to **transform 'Training' endeavour to 'Learning' process.**
- To handle Performance Management function with more rigor to **distinguish 'Performers' and 'Non-performers'** with a genuine intention of transforming the 'non-performers' through a 'carrot and stick' approach.
- To ensure 'Job-man fit' by placing the right man on the right job' through robust Competency Mapping systems.

The HRM strategies and practices should be aligned to help the banks meet their objectives - as well as better customer focus.

CORE BANKING AND PEOPLE CHALLENGES

- Core banking is a **banking service provided by a group of bank account and perform basic transactions from any of the member branch offices.**
- Core banking is often associated with retail banking and many banks treat the retail customers as their core banking customers.
- Core banking covers basic depositing and lending of money.
- Normal Core Banking functions will include **transaction accounts, loans, mortgages, and payments. Banks make these services available across multiple channels** like ATMs, Internet banking, mobile banking, and branches.
- The core banking services rely heavily on computer and network technology to allow a bank to centralize its record keeping and allow access from any location.
- Core banking Solutions (CBS) packages in Banks are developed by external software vendors like TCS, Infosys etc. has allowed core banking solutions to be operational in banks.

Core Banking Solutions

- Core Banking Solutions is a new jargon frequently used in banking circles of India. The advancement in technology especially **internet and information technology has led to new way of doing business** in banking.
- Technology has helped **cut down time, work simultaneously on different platforms and increased efficiency.**
- **The platform where communication technology and information technology are merged to suit core needs of banking is known as Core Banking Solutions.**

- Here computer software is developed to perform core operations of banking like recording of transactions, passbook maintenance, interest calculations on loans and deposits, customer records, balance of payments and easy facilitation of withdrawals with the use of anywhere banking.
- This software is installed at different branches of bank and then interconnected by means of communication lines like telephones, satellite, internet etc.
- It allows the user (customers) to operate accounts from any branch if it has installed core banking solutions. This new platform has changed the way banks are working.

ONE LINERS

- **The pattern of planned human resource development and activities intended to enable Banks to achieve its goal is called _____**

Ans: Strategic HRM

- _____ is the process of forecasting an organisations future demand for, and supply of, the right type of people in the right number.

Ans: HR Planning

- **While traditional HR managers work reactively, strategic HR managers work _____ in Banks.**

Ans: Proactively

- **Human resources planning should serve as a link between human resources management and the overall _____ of an organization.**
Ans: Strategic Planning
- **_____ of key talents is already becoming a major challenge in all banking sectors be it the public sector undertakings, private or MNC Bank.**
Ans: Core Banking Solutions
- **_____ is a banking service provided by a group of networked bank branches where customers may access their bank account and perform basic transactions from any of the member branch offices.**
Ans: True

State Whether the following Statements are true or false

- **Availability of the right manpower is critical to a bank's progress**
Ans: True
- **Selection of employees is based on knowledge, skills and talent.**
Ans: True
- **Performance linked to incentive is not applicable in PSU banks**
Ans: False

- **Core functions of HR is performance management**

Ans: False

