



Subject: Management

HUMAN RESOURCE PRACTICES IN BANKING SECTOR - A CASE STUDY OF ALLAHABAD BANK

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INTRODUCTION

During the recent past, the retail character of banking operations has become more predominant, especially among the new private sector banks. Retail banking or mobilizing deposits from individuals and providing loan facilities to them in the form of home loans, auto loans, credit cards, etc is becoming popular. This is used to be considered by the banks as a tough proposition because of the volume of operations involved. But, during the last few years, banks seem to have realized that the only sustainable way to increase deposits is to look at small and medium class consumer retail deposits and not the price sensitive corporate depositors. With financial sector reforms gathering momentum, the banking system is facing increasing competition from non-banks and the capital market. More and more companies are tapping the capital market directly for finance. This is one of the main reasons for the banks to focus vigorously on the much ignored retail deposits. Margins in corporate banking are also shrinking. In corporate lending, the margins are generally 1 to 2 percent above the prime rate. In retail they are 3-4 percent.

In addition, it is reported that the Indian retail market has the potential to be second only to the US. National Readership Survey V puts Indian households with monthly income of over Rs. 5,000 at 4.5 million. According to the survey, the category of households with annual income of 2 lakh and above is growing at the rate of 30 percent per annum. This obviously indicates the enormous potential of the retail market. No wonder, banks with vision and insight are trying to woo this market through a series of innovative additions to their products, services, technology and marketing methods. Fixed and Unfixed Deposits (i.e. Cluster Deposits which can be broken up into smaller units to help meet depositors needs without breaking it up entirely), centralized database

for any branch banking, (whereby a customer can access his account in any of the branches irrespective of the branch where the account is maintained), room service (whereby the customers are visited at their residences/offices to enable them to open their accounts), automatic teller machines, tele-banking network, extended banking time, courier pick-up for cheques and documents, etc. are some of the privileges extended to the customers by the banks in their eagerness to cultivate the retail market in short, in the bold new world of retail banking, the customer is crowned as king.

Closely allied to the above point is the emergence of virtual banking. Going by the latest indications, virtual banking is catching up in the Indian banking system. ATMs (Automated Teller Machines) have been installed by almost all the major banks in major metropolitan cities. The Shared Payment Network System (SPNS) has already been installed in Mumbai. The operationalization of the Very Small Aperature Terminal (VSAT) is expected to provide a thrust to the development of Indian Financial Network (INFINET) which will further facilitate connectivity within the financial sector. Electronic Funds Transfer (EFT) mechanism has been initiated by major banks. As on 30 September 2001, the scheme, which is operated by the Reserve Bank, is available for funds transfer across thirteen major cities in the country. The scheme was originally intended for small value transactions. However, with effect from 1 October 2001, even large value transaction (as high as 2 crore) have also been permitted.

Thus, the banking institutions are now in a position to provide an enlarged range of services to the customers more rapidly and accurately at their convenience. The task cannot be completed without the help of the employees.

An organization is a system having three broad elements-input, transformation, and output. Input may be in the form of human and non-human resources. Transformation is the conversion of various non-human resources into output, and output is the final outcome of the transformation process is the most important aspect for determining organizational functioning and effectiveness. Since this transformation process is carried on by human resource, their efficiency goes a long way in determining organizational efficiency. Therefore, there is a need for managing human resources effectively. Effective management of human resources depends to a very large extent on the overall attitudes and orientations of top management of the organization, there may be different models for managing human resources.

HRD model treats human resources as strategic resource of the organization. A strategic resource is one which is used to create and sustain competitive advantage. Competitive advantage exists when there is a match

between the distinctive competencies of an organization and the factors critical for success within its industry that permits the organization to outperform the competitors. Human resource can be used as a means for creating competitive advantage which may be in the form of lower cost of production, development of products/service for special need, special means for marketing, and so on. This can be done only when human resource is treated as strategic resource and is managed that way.

An organization, being a subsystem of the society, adapts national culture. However, since it is a system within its own context, it may develop its own culture which may be somewhat different from other organizations. Thus, HRM practices may differ from organization to organization within the same country. For example, we have identified earlier two groups of organizations in India-traditionally managed and professionally managed-based on the professional context in HRM. In both these groups of organizations, HRM practices are different. Further, within a group, there may be different HRM practices in different organizations.

The above discussion shows that HRM practices have to be tailor made. Even if best-in-class world HRM practices are benchmarked, these are adopted with necessary modification. The basis of modification may be organizational culture, its size, nature of industry, nature of workforce, etc.

REVIEW OF LITERATURE

The Human Resources (HR) of any successful organization has long been considered an asset. The HR of any organization develop and utilize the other asset i.e. The technology base, along with themselves, to convert the inputs to outputs to earn profits as the level of performance. The profit performance in relation to size and quantity of the technology base reflects the productivity of the organizational HR investment have a significant positive correlation with an increase in an organisation's competence share and added value. Guthrie (2000) states that intellectual capital is instrumental in the determination of enterprise value and national economic performance. Human resources have strategic and competitive importance (Flamholtz and Hua, 2003).

Human resources of an organization are an indispensable and considered a more valuable resource as compared to with tangible and intangible assets. People are obviously a vital asset and even technology does not replace people. Human assets are intangible form and are within the ambit of human resources. The importance of human capital is value creation of firm (Abhayawanse and Abeysekar, 2008). Chauhan and Gupta (2009) emphasized that human resources should be treated like physical assets. Sonara and Patel (2009) opined that

employees are the greatest assets. Das (2009) commented that intellectual capital is becoming more and more valuable for firms to retain human resources competitive advantage.

Managing human resources refers to the functions that a manager performs relative to the organization employees. Human resources are considered more important in services sector. (Wikramsinghe and Fonseka, 2012) especially in financial services with emphasis on banking. The companies do not disclose cent percent of the total HR disclosure items and the overall extent of human resource disclosure is higher in labour intensive industries (Huui, 2012). Most of the work on issues relevant with human resource accounting and disclosures are done in developed countries (Binn,2012) and there is a need to work in Indian context.

In the light of Human Resources Management gaining the right attention and importance, banks have to create an environment in which they will be able to expand business, largely through redeployment, extensive training and better incentives. As a supplementary effort to the direct recruitment and lateral induction, the banks themselves should evolve an ongoing strategy of redeployment of existing staff in new business activities after suitable training and effect cultural transformation for smooth transition. Ideally HR should align with the overall goal of organization in an, holistic manner (Raghavan, 2014). Banks caught between mounting competition and the increasing expectations of customers, can survive and grow only if the work force is highly motivated and tuned to improving productivity. In the modern business world, there should be a right person for right job, in this connection, best manpower inventory should be framed and this is possible only through the HRA to select the right person for right job (Kanakrajan, 2014). Majumdar (2016)⁷ opines that Talent development is one of the key areas where HR has to play a crucial role. Further, he emphasizes on the effective engagement of work force. Perhaps it is one of the most important parameter for achieving operational excellence and effectiveness of any organisation.

STATEMENT OF THE RESEARCH PROBLEM

To make the Indian banking system stronger, efficient and low cost, the creation of fundamentals must include in the bank's operations, strategies and processes, strengthening the prudential norms and market discipline; adoption of international benchmarks, management of organizational change and consolidation within the financial system and human resource development as catalyst of the transformation. The human resource field in the Banking Industry is considered as one of the processes of discovery and transformation. The field of human Resource can be described as emergent and dynamic within the cultural business aspect in the Banking Industry. The success of today's banking business depends on the human resource of the organization in which it plays a

crucial role in providing the service needed. The evolution of banking system in India affected the human resource practices, recruitment and selecting practices, and training system. It is very important that the details of human resource are discussed along with the employees; build their own career planning perceptions and development.

The primary strength of the industry is the human resource that is why the efforts to develop the skills and management are the main subject placed before the human resource. A major challenge for many banks is to develop the special competencies and skills for credit appraisal and risk management along with putting the information technology as key contributor in human resource development. Therefore, the HRM model of the future will require professionals to the both driving and anticipating change, understanding the complexities of the new business environment and forces shaping it.

Human resource is considered as the axis of any financial institution. HRM contributes to organizational performance in different ways: through should functional basics; through effective realignment when the external environment changes; and by building an organizational context to that the organization can cope with the dualistic forces. The core function of HRM in banking industry is to facilitate the performance improvement among its people. Factors such as skills, attitudes and knowledge of personnel, play a critical role in determining the competitiveness within the organization or industry. The quality of human resource shows the ability of banks to deliver the value of client of customers. Indian banking has been an important driving force behind nation's economic development. The emerging environment poses opportunities and threats as well as human resource in dynamic economic and business environment. The primary emphasis need to be on integrating human resource strategies with the business strategy.

Earlier, banking was just a programmed activity efficiently carried out by under graduates, graduated and to a certain extent post graduates too, who blossomed as great bankers in the restriction be context of banking that was severely under the regulatory control of the reserve bank of India. However, present day banking sequel to Liberalization, Privatisation and Globalisation (LPG) coupled with technological advancement scenario. Wealth management, profit making and Economic value addition (EVA) have taken precedence over traditional series of deposit mobilization and credit deployment. Product diversification and technological revolution paved way for new lines of business drives as well as Delivery Channels, needing different kinds of personnel. Management of people begins with recruitment process and snails through various movement such as training, placement, transfer, composition performance reviews, promotions, welfare activities valiant any or compulsory retirement,

super annuity, pension etc. Against this background, the present study attempts to make an appraisal of Human Resource Management practices in Indian Banking Sector in general and in Allahabad Bank particular.

OBJECTIVES OF THE STUDY

The study has been undertaken with the following objectives:

- To outline the emerging dimensions of Indian banking sector,
- To elaborate on Human Resource practices in Indian Banking sector in general and Allahabad Bank in particular, and
- To identify Human Resource Challenges in Indian Banking sector in general and Allahabad Bank in particular and suggest ways to overcome those challenges.

IMPORTANCE OF STUDY

The main purpose of the present research project is to analyze, evaluate and examine the importance of HRM in Banking business in general and Allahabad Bank in particular. With the galloping intensity of competition banks have to satisfy its employees and survive in cut throat competition. As technology allows for telecommunicating and more communication than ever before, corresponding changes in the workplace pose challenges for today's HR practices due to

- Social Media (Face book, Twitter, Blogging, Linkedin etc.)
- Generation Gap
- Employees Retention
- Laws, Regulations and Accountability.
- Work Culture.
- Ethics and values.
- Managing low attrition rates
- Balancing work life
- Stress and conflict
- Performance measurement criteria
- Compensation Management
- Sexual Harassment of female

- Consultative approach
- Restructuring organizations
- Globalization etc.

The aim of current research is to clarify the variables that impact on the success and recognizing the importance of showing how human resource contributes towards the business strategy, human resources effectiveness and development in the organization. As far as this study is concern, the study concentrate on the impact of HRM practices on shaping quality leadership, corporate culture, innovation and change, performance management etc. in the light of success of the organization.

The study is undertaken to analyze the parameters of HRM practices in Allahabad Bank. The study is also being undertaken to analyze the HRM strategies and practices in the Indian banking industry in general and Allahabad Bank in particular. Hence, the study is of great relevance.

HYPOTHESIS

Our study is be based on the following Hypotheses :

- The HR planning, the start of the strategy, illustrate the process of developing human resource plan. The strength and weakness of staffing options such as outsourcing, use of contingent workers and downsizing are involved in planning.
- The recruitment process is tailored strategically to determine the talented employee fit for the position.
- The selection process emphasizes the way of selection of employees and placement to improve the entities' competitive position. The selection method standards such as validity and reliability are utilized.
- An effective training system of the manager's role in determining employees readiness for training, creating a positive learning environment, and ensuring the training is in practice.

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