

HRD in Emerging Economies- Research Perspectives in Indian Banking

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Limited research restricts comprehensive understanding of challenges that hit various aspects of Indian banking. There has been a dearth of studies that address the impact of changing environment on Human Resource Department (HRD) paradigm. In the changing times, it is pertinent to verify the relevance of HR in business priorities, its compatibility and efficiency in Indian Banks. This paper ascertains various challenges that Indian banking industry is facing and the subsequent requirement of change in HRD paradigm. The article forms the foundation for further diligent research in the area and identifies the missing links in researches which are crucial to pave way to the future of HRD and performance of Indian banking.

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Introduction

Indian banking systems has undergone rapid changes in the decade of the 90s. Changing banking sector in India offers huge opportunities and with the opportunities come the challenges. In the wake of greater financial deregulation and global financial integration, the challenges to survive and develop in this global economic scenario, banks could not afford to ignore the HRD facets. However, it is change, and especially the rate at which change occurs that largely influences the HRD hybrid that any organisation adopts. Techno-sophistication has facilitated the speed of change in banking. The wisdom about the important role that HRD plays for organisational success has been developed over the years and finds its relevance even more today. The changing dynamics have sketched a new role for HRD in the organisations. Trends in managing people in this dynamic industry reflects emergence of the most critical issues in lieu of the enormous opportunities spun off by the market. As the entire Indian banking industry is witnessing a paradigm shift in systems, processes, strategies, it would warrant creation of new competencies and capabilities on an on-

going basis, thus, demanding in-depth studies. Researches enhancing the understanding of paradigm shift in Indian banking sector especially those directed towards change are very limited. It is important to realise emerging patterns in Indian banking and HRD in Indian banking systems.

Emerging Scenario in Indian Banking & HRD

Relationship between importance of HRD and its effect on the organisational performance have been established much earlier. HR efforts like training and development for new breed of bankers is crucial while managing human factor for banks. According to Asian Development Bank (1999), India needs to accelerate structural reforms directed towards its financial and capital markets, concentrate on infrastructure and public finance consolidation and strengthening support for human resource development to ensure sustainability of reform process in banking sector that have impacted the sector extensively (Reddy 2005). There is need to focus on developing human resources to cope with the rapidly changing scenario. In transforming Indian banking into a vibrant system, initiatives would not work unless quality human resources are available (Jalan 2001a, 2002b). HRD is the key to the success of any organisation and that success lies in how efficiently the organisation manages its human resources and adapts to change, matches with the global standards, evaluates on an ongoing basis continual up-gradation in the organisation (Gupta 2003). Banks require quality human resources and that

would be in serious trouble unless quality HR is retained. HR needs special focus in terms of attracting, retaining and motivating human resources. Quality of human resources should be commensurate with the ability of banks to deliver value to customers. Banks should emphasize on the need to streamline human resource development strategies with business strategy (Kamesam 2004). It is the impact of change, technology and challenges of enhancing the quality of existing manpower and explaining importance of changing HRM in the Indian banks (Leeladhar 2005) which is set to face more challenges (Nair 2006).

Banks in the country need a paradigm shift in their human resources (HR) practices.

Dynamism in Indian banking can be attributed to the challenges like upward direction of interest rates, demanding customers, financial inclusion, technological advancements, competition for human talent and efficient utilisation of a bank's resources (Financial Express 2010). Other challenges before Indian banking sector, according to Kamath et al. (2003) are changing needs of customers, coping with regulatory reforms, thinning spread, maintaining high quality assets, management of impaired assets, keeping pace with technology upgradation, healthy bottom lines and increasing shareholder value. The drivers of dynamic changes offer challenges, which need to be addressed to unleash the competitive advantage offered by the Indian banking sector and thus contribute to in-

vigorate banking sector's growth. This calls for the effective management of the mobilizers of all other resources i.e. human resources, leading to another challenge of streamlining HR (BCG, FICCI and IBA 2010), i.e. banks in the country need a paradigm shift in their human resources (HR) practices.

In lieu of the confronting challenges, HRD in Indian banking demands a makeover. HRM has since many years been misunderstood of its capability to produce results. A wrongly perceived importance of HRs consequently affects HRD approaches and finally the financial performance losses of the banks (Ramu 2008). There are various business strategies, but equally important is the strategy woven around people and their capabilities to perform and deliver. In service organisations like banking human capital can be the difference between success and failure. Various new HRD interventions that banking sector needs are regarding image makeovers, brand building, performance accountability, promotion, posting and discipline; and more such practices. Subbarao (2009) discussed the advanced approaches that banks are likely to face and the need to be multi-faceted, like, assessment of skill requirements, identifying and bridging the gaps, identifying talents, putting the available talents to optimum use, attracting fresh talents, retention of talents, and change management. According to him banks needed to pay special attention along with the other critical issues inclusive of the human resources. Regarding recruitment and selection he discussed Reserve Bank of India considerations on

new human resource policies that would permit lateral entry at senior positions so that some fresh winds blow down banks' corridors. These issues have been around for decades but never as relevant as they are in the current context. Financial Express (2010) emphasized the need to invest in human capital development. Along with knowledge and professionalism being areas of improvement, McKinsey (2010) in their report mentioned the need for human capital development and concerted efforts required towards enabling labour reforms, focusing on enriching, human capital, to help public sector and old private banks become competitive. According to Deolalkar (2010) management of young generation workforce and its implications for HR practices are recruitment, career development, strong staff management, matching resources with new responsibilities, and managing the spread of IT culture, etc. Also, focus is required on creating core competencies along with staff morale, organisational culture and training, retraining essentials that highlight the importance of managing people for productivity excellence (Bhasin 2011). To evolve is a mandate. Obsolete practices cannot prove to be relevant and effective for performance of any evolved organisation. There are changes and challenges in the next generation banking in India. It is important to review the current challenges thrown by the changing environment upon the Indian banking industry and its consequent implications on HRD. As mentioned above, HR practices like recruitment, talent acquisition approaches, career management, and the cultural factors have effect on banks'

performance. Thus, it becomes imperative to identify the best practices in the banking sector and come up with innovative practices to meet the challenges in the light of concerted researches in the area.

HRD Research Perspectives in Indian Banks

The relationship between HR efforts and performance has received research support in various studies. HRM has undergone continuous changes over time and reshaped itself to address the contemporary state of affairs. There are convincing researches projecting the relationship between the management of people and the performance of companies (Moynihan, Gardner, and Wright 2003). Studies on HRM climate, practices gave an idea about progressive HRM (Kopelman, Brief & Guzzo 1990, Huselid 1995, Delaney & Huselid 1996, Ostroff & Bowen 2000, Boxall 2003) affecting organisational performance (Bowen & Ostroff 2004, Lawthom et.al 1998). HR investment is also one of the key elements required to understand the changing HRM framework (Wood 2006) and its effectiveness.

Papers in the last few decades basically have dealt with the theoretical concepts of human resources development like, HR practices, climate studies in banks. Studied were the concepts (Varsheny1986), framework and functions (Gupta1983) and significance of HRD in banks (Joshi 1986). Abraham (1988) studied HRD climate with the help of a structured questionnaire. Kulkarni

(1988) discussed the impact of environmental changes on human resources in banks. He emphasized on promotion, recruitment, placement, performance appraisal, training, and social welfare in banks. Raman (1989) explained through his experience, the practices and techniques of HRD in SBI. Although extensive, these researches attempted only at the conceptual framework rather than highlighting issues related to banking industry and suffer from the limitation of narrow scope. And most importantly they no longer seem to be relevant in today's context, thus call for new and systematic studies. Role of management at different levels was studied through specific case studies regarding HRD in a particular bank like Bank of Baroda (Verma 1988), Canara Bank (Prabhu 1988).

Challenge before Indian banks today is to encourage people and help them feel being treated fairly and to unleash the power of thinking and application.

The profitability of the public sector banks improved in the latter half of the nineties relative to the performance of the private and foreign banks (D'Souza 2002). Pattanayak (2003) for example, studied HRM climate as a matter of serious concern in Indian public sector organisations with reference to organisational role stress and quality of work life. Khandelwal (2007) emphasized on mobilizing the passion of people to transform organisations and grow. Also, cannot be overlooked is one of the most

important internal customers of HR department i.e. employees. To a large extent effectiveness of HRD efforts depends upon how it is being perceived. Literature in the area has devoted less empirical attention to how employee perceptions and attitudes influence HR effectiveness. Although recently, empirical researches (Bhatt 2008) have studied the perception about various aspects of HRD effectiveness in public and private sector banking units in the changing environment but geographically restricted to south-Rajasthan. Challenge before Indian banks today is to encourage people and help them feel being treated fairly and to unleash the power of thinking and application. A satisfied employee is a prerequisite for a satisfied customer. The required effectiveness of an organisation calls for right HR policies and practices. There are various other HRM practices that influence performance of organisations, which need to be addressed in the studies, i.e. environment that encourage creativity, transparency, open communication, good group dynamics, knowledge of growth opportunities, management trust in employees, HR philosophies, investment in people, grievance handling mechanisms, etc. which need to be addressed and at scale representative of Indian banking systems. Al-Hawary and Sharma (2011) have also acknowledged that banking is under revision and that employees are required to be handled and managed appropriately in times of change. They studied the multi-dimensional transformations, inclusive of HRD taking place almost in all categories of the banks and analyzed their effect on performance of major banks in terms of

productivity and profitability in the pre and post e-banking period. They suggested some measures to tackle the challenges faced particularly by public sector banks. Right human resources, right HR efforts, at right time in sync with right context (change) would help management's abilities to manage the business (Uppal 2011).

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Thus, the above literature review raises the need for studies in the area of upcoming challenges and their implications on the HRD in Indian banks. Empirical evidences regarding employees' perception towards change and challenges in front of Indian banking sector and their perception about the effectiveness of current HRM practices can prove beneficial for the banking industry in India.

Summary

There are many facets of HRD in Indian banking system, which are still left unattended. The studies of HRD paradigm in Indian banks especially in the context of change can be more relevant and functional. In the light of growing importance of human resources, the present study attempts to raise the untended need of studies and empirical evidences that can fill the gap. Past researches reveal narrow learning and lim-

ited understanding of the fast-paced sector. A comprehensive and integrated outlook based on an empirical study on human resource development in banks is the gap to be filled in the existing literature on the subject. There is need to address various dimensions of HRD in Indian banking industry starting from its role, practices, workforce attributes and attitude and their implications for managers, leaders along with discerning efforts required to be directed by them in times of change. In an environment that calls for strategic changes, implications can be drawn for researches addressing issues like investment in HR, reaction to changes in HR practices and feasible solutions to manage change. The researches in the area have been mostly prescriptive in nature which otherwise may attempt to address the current systems prevailing in the Indian banks, along with their appraisal. This information can help us to understand the working HR strategies to handle specific challenges tossed by the environment. Such an understanding can be more beneficial to the management to manage the Indian banks, its people and cope with change.

Collaborated research effort in the area can facilitate better assessment and understanding of the change in HRD by virtue of the challenges that Indian banks are confronting. Thus, focused research may pave way to innovative human resource management strategies and practices. There is need to research feasible solutions to the problems in Indian banking sector, both private and public sectors. Understanding from the researches can contribute to the management of the

human resources in Indian banks, so that the best information can be made available to the policy makers and researchers from around the world, thus, leading to constructive improvement in HR practices. This cross-pollination of ideas would mutually enrich the banking and HRD processes.

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