

DESIGNING FINANCIAL INCLUSION IN THE HUMAN RESOURCE WAY: A STUDY

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ABSTRACT

The purpose of this paper is to comprehensively understand the perception of bank employees towards Financial Inclusion Policy and study the impact of perceived organizational support and affective commitment on its better implementation. Authors have done descriptive research while analysing the data gathered through primary sources and discussed their viewpoints while interpreting the results. It was found that there is a strong relationship between affective commitment and other variables in the study. Change is the only pervasive factor affecting every phenomenon existing in this world. Its effects can be seen in how major economies of the world are functioning and moving towards achieving growth and efficiency and solving the macro economic issues like poverty and unemployment. Indian government is also making and devising strategies to take Indian economy toward achieving growth and equity. There is a strong positive correlation perceived superiors support and perceived organizational support. This is a fairly original paper which discusses HR perspective of Financial Inclusion.

Keywords: Financial Inclusion, Financial Services, Perceived Organizational Support, Perceived Supervisor Support, Affective Commitment.

INTRODUCTION

A committee on Financial Inclusion was formed under the chairmanship of C. Rangarajan and that committee defined the term as *“The process of access to financial services, and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at an affordable cost”*.

Human Resource Management is important for banks because banking is a service industry. Management of people and management of risk are two key challenges facing banks. How you manage the people and how you manage the risks determines your success in the banking business. Efficient risk management may not be possible without efficient and skilled manpower. Banking has been and will always be a "People Business". Though pricing is important, there may be other valid reasons why people select and stay with a particular bank. Banks must try to distinguish themselves by creating their own niches or images, especially in transparent situations with a high level of competitiveness. In coming times, the very survival of the banks would depend on customer satisfaction. Those who do not meet the customer expectations will find survival difficult. Banks must articulate and emphasize the core values to attract and retain certain customer segments. Values such as "sound", "reliable", "innovative", "international", "close", "socially responsible", "Indian", etc. need to be emphasized through concrete actions on the ground and it would be the bank's human resource that would deliver this.

It is a common complaint among bank executives that skilled manpower is in short supply. No two arguments on this, HR resources are becoming scarce – both in quality and quantity. And, it is quite elementary that any resource that is in short supply needs to be properly managed for the benefit of society and, therefore, you need to pay attention to the entire Human Resource Management process. What do I mean when I say this? You need to manage the people – and for this you need to discriminate between the people, I mean positive discrimination. The entire spectrum of HR practice requires revolutionary changes if the banks have to survive. Managing the people is the key challenge. And, in my opinion, discrimination is the key word when dealing with people. You will notice that I will use this word very frequently during my discussion.

HOW TO MANAGE HUMAN RESOURCES

I would like to highlight the following key challenges faced in HR management in any organization and which is all the more relevant for public sector banks today:

PLANNING

- (a) Acquiring the right people
- (b) Retaining/ developing the people
- (c) Managing people separation / exit
- (d) I would attempt at sharing my thoughts on each of the above areas:

(a) Planning

As the economy grows at a steady rate of around 7–8%, incomes rise and demographic dividends start accruing, the Banking industry is expected to take a quantum leap forward. But this growth will need a large number of people and considering that there are retirements in lakhs, a defining moment is being presented before the Nationalized Banks to transform. Are the banks ready to handle the new bunch of employees who will be culturally so different from their predecessors of the post nationalization era? It all begins with having a manpower plan. How many banks can claim to have a proper manpower plan that captures the type of people it requires, the level at which they are required, clearly defined roles for everyone, etc. Manpower plans should follow a lifecycle approach, that is, from the time of recruitment of an employee to his retirement. Further, this needs to be integrated with the Business Plan and strategy of the bank. Are we having a Business Strategy or Business Plan needs to be addressed first. While planning your people requirement it is very important for you to develop your “employer brand”, that is, your reputation as an employer to attract, engage and retain talented candidates and employees. Banks will have to plan for the following:

- A steady, carefully calibrated recruitment program
- As rapid technological changes transform business – continuous skill up-gradation.
- A new generation of the workforce will be working alongside an older generation as a team. Banking, in my opinion is a team work and this new situation will require cultural adjustments and therefore, change management

(b) Acquiring the right people:

What kind of talent is required by the banks? Discrimination is the key. Do we need good people? Or do we need suitable people? I think we require good but suitable people. Is the mad rush to top campuses justified? Will the people recruited from top management institutes understand the Financial Inclusion drive? Will these people have empathy towards BIS central bankers' speeches 3 poorest of the poor? I have often heard bank heads talking about the challenge of finding people keen to work in rural areas. Does it not indicate that there is something amiss in the way we recruit people? Is it not better to recruit people from smaller cities? How do we get to acquiring people with the right kind of talent? Unfortunately, it is the same limited talent pool that will be targeted by Banks, Financial Institutions, Insurance, Telecom and other industries which are on fast growth track and in need of talented manpower. While my friends in the Banking Industry are busy developing "on-line" application forms and "on-line" tests, we need to probably question if we are even targeting the right kind of talent pool. I would like to have a study on how many people in remote villages, at the taluka / tehsil level, appear for the recruitment tests that are conducted. Because, these might be the people who could be best suited to drive our financial inclusion agenda. While we are busy testing the people for problem solving skills on paper, Professor Debashis Chatterjee, Director of IIM Kozhikode says that these do not necessarily mean problem solving skills on the ground. Our recruitment tests do not focus on testing the psychological abilities of candidates to ensure that only the ones with right attitude towards the job are selected. This is why we often end up with people having brilliant minds but incapable of actually delivering on the tasks assigned. Banks need to seriously look at lateral recruitment as an option to induct specialists at various levels with specific skill sets and experience pool. While we have often heard of people leaving banks to join finance, legal, accounting firms, etc. seldom have we heard of people leaving these professions to join banks. This, I think, needs to change. The right people will come only if they are paid competitive salaries. However, too much pay also involves moral hazard issues and invites adverse attention of external stakeholders. As we will see later, the salary structure in the PSBs appears to be distorted. There has to be discrimination in salaries of people.

(c) Retaining/ Developing the People:

We may be able to get the most suited people for our work but then the challenge is to retain these people and to develop them. There are several dimensions to this issue such as training/ re-skilling of employees, performance measurement, promotion policy, transfer policy, talent management, communication, etc. I would like to briefly dwell on some of these issues:

Training / Re-skilling: The nature of business requires massive re-skilling of the existing workforce and continuous skill up-gradation. Khandelwal Committee has recommended major up-gradation of in-house training facilities of banks. I tend to have a different view.

With a lot of service providers in the market, should we not majorly utilize their services? In-house training facilities should be used for courseware development on IT / electronic platforms. The courseware should facilitate skill development. Again, there will have to be discrimination in the training that each employee has to be provided – based on his /her requirements and the need of the institution, not as a routine, not as a measure of reward alone. It is also important here to understand why people work? In the olden times, in agrarian societies, people worked for livelihood. Times changed and came the industrial age. Livelihood was not the only reason of working. As Henry Ford famously said “Why is it every time I ask for a pair of hands, they come with a brain attached?” The people then understood that apart from livelihood, there is something else required. This something else was termed “Job Satisfaction”. We have moved on further and are now in the “Knowledge Age” and in this age, in my opinion, people work for “Empowerment” more than anything else. I will touch upon other requirements of managing in Knowledge Age a bit later. The best development of people is through empowerment. People at all levels in the organization must feel empowered. For this, we need to cut layers of bureaucracy that we 4 BIS central bankers’ speeches have created over the years and adopt an effective way to delegate. We have made some beginning in this direction in the RBI.

Performance Management: This is the most important area of Human Resource Management, the foundation of which is discrimination. Unfortunately, current systems are unable to discriminate and differentiate between performers and non-performers. In fact, it is impossible to identify who are the performers and who are the non-performers. I don’t know if any one of you has even attempted to identify who are, say, the bottom 25% people in your organization. In any organization typically there would be some 10–15% of people who would be the high performers. HR managers often focus on this segment and try to cater to their needs first.

Instead, I feel that focus should be on the remaining 85% as any improvement in their performance would have a significant impact on the organization's performance. With all the efforts a student who always scores above 90% marks in his class, will benefit by only a few percentage. The one who scores only 45%, however, has the potential of doubling his marks.

The results of not having a proper performance management system are disastrous. We all have to deal with the problem of people who are “promotable” but not “post able” and people who are “post able” but not getting promoted. This is because we have failed to discriminate between performers and non-performers. HR systems may have failed to appreciate performers. In fact, we have not even tried to define what performance is in a given job. Despite this, what is the kind of time we are spending on Performance Management? What is the kind of attention that the Boards, CMDs and EDs give to this? To begin with, job roles and job descriptions need to undergo a major overhaul. In fact, even at the level of CMDs/ EDs there is a need for complete job description and clear delineation of job roles of CMDs and EDs. We need to define “performance” appropriately in the context of banking services today for all levels of functionaries. A fair, transparent and objective mechanism for performance management is a must for all banks because an effective Performance Management System is the key to talent management and succession planning. In RBI we are shortly going to introduce a new Performance Management System that will work on goal setting, potential appraisal of performers and developing a talent pipeline. We are also going to face major challenges on the Talent Management front. In coming times, the work force will get complex and there will be a need to juggle a wide variety of people with varied needs and preferences, resulting in an array of relationships between the organization and those who work for it. Peter Drucker had, more than a decade ago, expressed the need for what he called “non-traditional” work relations: flexible schedules, contract arrangements, virtual teams, etc.

Managing in the knowledge era: We are living in the knowledge age where our existing management theories, which are oriented towards being more productive in the industrial society and the ethics around it, will need to undergo a 360 degree change. As I mentioned earlier, the key driver that motivates people in the knowledge era is not livelihood or job satisfaction but is the feeling of empowerment. When we talk of talent management today, it is about managing knowledge workers and there are some prerequisites for it:

- They cannot be treated as subordinates, but as associates
- They cannot be managed, but led
- They will work flexi-time and flexi-place but would need a “home base”
- Above all, they cannot be purchased or bribed, they have to be empowered.

The new generation, in the age of knowledge workers, is going to be different. We need to rewrite our employment contracts. There should be a variety of people working with us on variety of options – part time / contractual / regular – regular in regular job / regular on flexi-hours, etc.

A Performance Management System should throw up future leaders. This sounds very simple but we must know what we expect from these leaders. What is expected of a leader?

A leader is expected to do three things:

(i) Plan (the tasks)

(ii) Inspire (people)

Inspire for aspiring

Inspire for perspiring and;

(iii) Deliver (on results).

A leader is no leader if he / she cannot deliver. Systems/ Processes: The hallmark of any effective HR system/ process is that it should be objective and transparent. These traits are essential for the manpower to repose trust in the organization’s systems/ processes. No HR function can be effective if it does not enjoy the trust and confidence of its constituents. Two key stakeholders in the HR management process are Board/ Senior Management and Unions. How much time do Board members spend on HR related issues? Structurally, it is important that Board/ senior management is actively involved in HR matters involving all its manifestations. Organized employee unions are an important part of the democratic process and form an

effective channel for communicating with employees down the line. It is important to involve them in the HR process without allowing them to have an overbearing influence.

Communication: Communication with employees is a vital part of the HR process as it helps enhance transparency in HR practices, thereby imparting credibility to them. When dealing with human beings, it is important to be objective, transparent and non-discriminatory and this must be effectively communicated. The employee must say that the management has all the above qualities. The Board must spend time on devising ways and means for this communication – lay down appropriate structures for the purpose. All forms of modern communication channels including intranet, corporate e mails, etc. can be adopted to reach out to employees. However, despite these developments, the traditional channel of communicating through unions continues to be relevant as employees attribute greater credibility and reliability to messages received through their unions. The Banks have a clear cut advantage in this respect – they already have a participative process. Representatives of the employees sit on the Board itself and hence, it requires better practice of participative management in the real sense of the term.

(d) Managing people separation / exit:

Except maybe a last few years, so far most of the people leaving us were due to retirements. Things will change, unless we are doing all the other things that I spoke out earlier, properly, people will also leave us for other opportunities – and believe me, there are going to be plenty of them – not only from competitor banks and financial sector but also from outside the financial sector.

We need to introduce a system of exit interviews to determine why people are leaving our organization – whether there are any inherent system/ structure failures? Have we not been able to empower the people enough? We should not try to block their exit but, as a part of the manpower planning process, should be able to identify substitutes who can step in and ensure non-disruption of important functions, in the event of the exit of a key person. The place of an experienced person could always be filled in through lateral recruitment of a person with matching skills/ experience.

While we are facing a crunch of manpower – can we use our retired people in some way – we are paying them pension and reasonable medical benefits already – can some contracts not be

worked out for them? Again, can we not provide some empowerment to them to leverage on their inherent loyalty? They could be useful in brand building efforts, or perhaps, in our financial inclusion initiatives. It is, definitely, an avenue that could be explored.

IS IT THE RIGHT TIME?

Definitely yes, believe me, the time is now! In fact, we are already behind the clock. During the 2010 to 2020 decade, Nationalized Banks are at the cusp of a unique opportunity – with people retiring in lakhs making it a “retirement decade”, it is the best time to transform the HR processes and implement some new age concepts. This kind of opportunity to transform HR processes is once-in-a-lifetime window which, if properly utilized, could help our banks take giant strides. On the other hand, those who miss the bus would lag behind. The kind of HR changes required is a tremendous challenge and opportunity at the same time. We need some fresh ideas to make the banks “future – ready”. This Conference would, I believe, throw up many such ideas.

In the beginning, I alluded to the promoters – Government – taking a keen interest in the Banks. Why has this situation arisen? Let me present some data on staff expenses of various bank groups:

Table: Staff expenses (Payments to and Provisions for employees) of Public Sector Banks versus Private Sector Banks

Year	Public Sector Banks		Private Sector Banks	
	Staff	Cost per employee (Rupees)	Staff	Cost per employee (Rupees)
1998-99	8,83,648	1,67,940	60,777	1,69,307
2002-03	7,57,251	2,70,426	59,374	3,54,532
2003-04	7,52,627	2,97,903	81,120	3,17,308
2006-07	7,28,878	3,81,449	1,37,284	3,83,439

2007–08	7,15,408	4,00,611	1,58,823	4,47,920
2008–09	7,31,524	4,72,493	1,76,339	4,83,501
2009–10	7,39,646	5,55,874	1,82,520	5,16,491
2010–11	7,57,535	7,15,914	2,18,679	5,63,154

The above table suggests that Public Sector Banks are no longer the major employment provider in the financial market and also that their per employee expenses have gone above that of Private Sector Banks. The staff strength of Public Sector Banks has gone down between 1998–99 and 2010–11 but that of Private Sector Banks have gone up significantly. The per employee expenses of Public Sector Banks have gone above that of Private Sector Banks and today, is more than 150% higher than that of Private Sector Banks. This is despite the fact that pension expenses of PSU Banks are not fully reflected in their staff expenses. One thing is, thus, loud and clear – the competitive advantage in terms of staff costs that we always thought the Public Sector Banks had is no longer there. The absence of the cost advantage coupled with the problem of lower productivity underscore the critical need for urgent HR transformation in Public Sector Banks. Hence, time has come for us to pay attention to this critical aspect on which our ability to compete finally hinges on. We can no longer postpone this issue.

CONCLUSION

The public sector banking system in India is standing at an important cross road. There are critical choices to be made and initiatives to be taken. The time is ripe for leaving the old baggage and taking bold measures. These measures would determine the future path of public sector banks and whether they would continue to retain their position of preeminence in the banking space or would they yield to the pressure from their peers in the private sector. Considering the importance that banks have in the nation building process, the choices made now could have a bearing on the economic future of the country and on the lives of crores of our fellow countrymen, many of whom are yet to be touched by the formal financial system. We must succeed. Not only for ourselves but also for the society and for the nation

I hope that some of the issues raised by me here today are dwelled upon during the course of this Conference and concrete action plans emerge to tackle the HR challenges facing our banks. I wish the Conference all success. Thank you.

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