

Role of Human Capital Management in Banking Sector

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Abstract:

Human capital management (HCM) is responsible for the people dimension of an organization. It has a significant role to play in today's world in that it not only has to assist the organization in achieving its strategic direction. This study has been conducted to examine the HCM practices followed by the banking sector and the factor effecting HCM in the banking sector. The researcher has tried to include all possible parameter for analyzing the HCM performance

Keywords: HCM, CEO, HR, Organization.

I. INTRODUCTION

Human capital management (HCM) is responsible for the people dimension of an organization. It has a significant role to play in today's world in that it not only has to assist the organization in achieving its strategic direction, it also has to represent and advocate for the organisation's employees. At its broadest level, HCM comprises the functions of staffing, development, motivation, and maintenance. In other words, hiring competent people, training them, helping them perform at high levels, and providing mechanisms to ensure that these employees maintain their productive affiliation with the organisation.

Of all the resources available to an organization, human resources are considered the most important for attaining the objectives of the organization. Hence, employees are now variously referred to as human capital, human assets, or human resources. An organization may have huge capital and the most advanced machinery, but if it does not have capable, motivated and high performing employees, the organization is not likely to demonstrate sustained level of performance. Since all physical and capital resources depend on people for their efficient use, maintenance and management, the quality of the people of an organization is important in attaining competitive advantage. The term capital refers to wealth, money, or property. Capital is used to generate more wealth for an organization. When employees are referred to as capital, it is implied that they are the resources that generate more 'wealth'.

Human capital refers to the collective skills and knowledge of the total workforce of an organization that hold economic value for the organization. It enhances the productivity and profitability of the organization. In order to ensure that human capital generates more wealth as well as leads to value creation, it is important that human capital is utilized and managed efficiently and effectively. When the value of the people is enhanced, it enhances the value of the organization.

According to economics theory, two of the main reasons for pooling of human resources into companies are the cost reduction that is achieved with partitioning of work and the need for management of work, which is divided between numerous employees. The distinction in value that people bring to the organization had been lost in the past as financial capital, physical capital and technological capital were viewed as the driving energies behind the success of organizations. The transition from personnel management to human resources management saw an increase in awareness that the human resources in an organization were equally critical to the overall businesses success as were technology and other physical resources. At the core of the value that human resources bring to the organization is the fundamental belief that the knowledge, skills, attributes and brain power that an employee possesses, are viewed as the organization's human capital. When collectively embraced the composition of an organization's human capital is considered a key strategic business advantage that organizations possess. Notwithstanding the investments that are being placed in human capital and talent management, companies guided by human resources professionals must be creative, innovative and ingenious by deciding on non-conventional ways to recruit. The introduction of job testing, competency standards and enhanced performance management systems must be explored in an attempt to ensure that recruitment and retention efforts are successful within organizations.

Human Capital Management—the end-product of the human resource (HR) function—receives far less corporate focus than it deserves. Human capital defines and categorizes a person's embodied knowledge, health, skills, and abilities as they affect production, exchange, and entrepreneurship, as well as disembodied human knowledge, as reflected in publications, patents, and other forms of intellectual capital that contribute to the formation and transfer of new knowledge and innovation. While paralleling physical capital—including buildings, factories and machines—as a means of production, human capital also has a special role in promoting productivity growth and economic development. Individuals, families, firms, and societies invest in human capital via education, health care, and organized research. Individual and family incomes depend in large part on human capital attainments. Thus, human capital is a major input affecting production in both the marketplace and in the household sector, as well as a key determinant of wealth creation

and social mobility. Studying the role of human capital in the modern information economy is critical for understanding the continuing transformation and expansion of individual and societal well-being in our increasingly global economy.

Human capital management (HCM)'s belief that human capital is an organisation's most important resource provides HR (including learning & development) with a new, strategically important role. This moves past the debate about whether HR should be given equal status with other functions to create a role for HR that is second only to the CEO (perhaps that of a Chief People Officer). This new role concerns the development of business strategy based upon the people in the organisation: their particular capability, or their potential to develop a particular capability. It is also about ensuring that, at least on some occasions and for at least some of the time, the business strategy should be informed by the people management strategy rather than solely the other way around. However, the role is not purely focused on strategy. The need to develop organizational capability through people means that Ulrich's employee champion or employee advocate role is an essential part of the position. People need to be managed and supported effectively if they are going to keep their human capital invested in the organisation. They also need to see the returns on their investment; so one requirement of HR is to develop a clear Employee Value Proposition (EVP) that articulates what an individual employee can expect to receive in return for his/her contribution. And HR needs to execute new activities, such as organisation design, knowledge management and network development that do not figure largely in HR's traditional concerns.

Intellectual capital

Human resource management (HRM) has already emerged as a separate discipline to 'personnel'. In personnel management, people management strategy is developed through a process that is separate to the development of the business strategy and in which the primary focus of attention and effort is within the HR function and on the current state. In HRM, people management strategy links to and cascades from the business strategy. It is also forward looking, focusing on making incremental changes to the current state to achieve the objectives in the annual business plan.

II. THE STRATEGIC MANAGEMENT OF HUMAN CAPITAL IS BASED ON FIVE STEPS:

- _ Developing a human capital management (HCM) strategy.
- _ Developing measures to help monitor the execution of this strategy.
- _ Benchmarking the strategy and associated measures to check that strategic objectives are appropriately stretching.
- _ Implementing the strategy.
- _ Reporting on achievement against the strategy, measures and benchmarks to internal and external stakeholders.

Compensation is critical in attracting and retaining information technology (IT) professionals. However, there has been very little research on IT compensation. The HR Manager is an internet-based system that provides managers and human resource professional's easy access to competency-based occupational information to support a variety of human resource management functions, including assessment development. HR Manager provides data for job design, recruitment and selection, performance management and career planning on the basis of government-wide job analyses. Occupational data is currently available for occupations in the following job families:

- Clerical & Technical
- Professional & Administrative
- Leadership & Managerial
- Information Technology
- Trades & Labor
- Science & Engineering

Objectives of the Study

The broad objectives of the study are:

1. To identify the factors affecting investment in human capital in the selected banks under study.
2. To evaluate the prevalent practices of human capital management in the banking sector.
3. To analyze the behavioral aspects of human Capital management in the banking sector.
4. To analyze the impact of information technology on the human capital Management in the banking sector.

III. THE DATA & METHODOLOGY

The study is based on the primary and secondary data. An exploratory research design has been followed for the study. The primary data has be collected in order to carry out a behavioral analysis. The secondary data has be collected from the various published and unpublished sources. The secondary information has been collected through various journals, books, related studies, and reports of government and non-government agencies in this regard, periodicals and the internet sites related to study. A structured questionnaire will be prepared taking into account the various components of Human Capital Management. The balance sheets and the other statements of the various banks have be analyzed and efforts would be made to see the investment of various banks in the human capital. For the purpose of analysis of the collected data, various statistical and graphical techniques have seen used as per the requirement.

Methodology of Data Collection

The two issues related with the collection of data are discussed below:

Sampling Techniques: Keeping in mind the nature of data required for the study, convenient sampling technique has been used. The respondents for the survey have been selected from the six banks i.e. HDFC, ICICI, PNB, Oriental bank of

commerce, state bank of India and IDBI. Data has been collected from the employees working at the branch level in all the six banks selected for the study. Sampling Tool/ Survey Instrument: The researchers have used the carefully designed structured questionnaire as sampling tool survey instrument for the present study. However, for the development of the questionnaire, questions used by previous researchers for similar study and recorded in the literature, as well as those developed through expert's opinion and interviews have been used.

IV. FORMULATION OF QUESTIONNAIRE

The questionnaire has been prepared by using the standard instruments as well as the ones developed through consolidation of literature review. The questions used in the questionnaire (survey instrument) have been taken from two basic sources. Nearly 60% of it has been taken from the earlier studies available in the literature. The balance of around 40% has been developed through interviews and discussions with experts from the area of banking and academia. The structured questionnaire consisted of 61 questions. These questions are framed on seventeen perceived HR determinants and jumbled up in order of preferences and category to avoid any possibility of biasness. The objective is to obtain respondents' opinion about various HCM practices on which employee's perception can be obtained and identify areas for improvement. The respondents have been requested specifically to ignore their personal prejudices and use their best judgment on a 5 point Like rt scale. The purpose of this exercise was to make the response a true reflection of organizational reality rather than an individual opinion. The 5 points of the scale indicated the following:

- 1 - Strongly Disagree
- 2 - Disagree
- 3 - Undecided
- 4 - Agree
- 5 - Strongly Agree

Measurement of HCM Practices For the purpose of this study, we have adopted those HCM practices that are most consistent with the existing theoretical and empirical work in the field. [1994; Lado and Wilson 1994; Wright, McMahan and McWilliams, 1994; Dyer and Reeves, 1995; Huselid, 1995; MacDuffie, 1995; Becker and Gerhart, 1996; Koch and McGrath, 1996; Ulrich, 1997]. These practices included aspects like personnel selection, performance appraisal, incentive compensation and so on. Thus, we tried to analyze, among other aspects, the manner in which candidates are attracted (internal! external recruitment), the selection criteria used (general! specific knowledge and skills), training and career development, the main characteristics of the pay system, whether or not it had an established system for assessing performance, etc.

V. CONCLUSION

This study has been conducted to examine the HCM practices followed by the banking sector and the factor effecting HCM in the banking sector. The researcher has tried to include all possible parameter for analyzing the HCM performance, but keeping in view the vastness of the topic following agenda emerges for the future studies:

1. Training and development in the banking sector.
2. Exclusive study on impact of I.T on intellectual formation.
3. Wage compensation acts, impacts on HCM in banks.
4. Performance management and its impacts on the banking sector.

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