1.1 Introduction to Competency in Banking Industry

Competency is the sum total of all skills, knowledge and attitudes, manifested in the employee's behaviour. It is the "means" to achieve the "ends." “Competency is an underlying characteristic of an individual that is causally related to effective and/or superior performance in a job or a situation.” (Boyatzis, 1982). A plan to build and effectively utilize the required competency is the core theme in competency management, which determines the economic optimization of organizational goals. In today’s fast moving and knowledgeable world, it is very difficult for an organization to develop a sustainable competitive advantage. For achieving this, organizations are required to improve their operational efficiency and effectiveness. Competency management of currently available resources determines performance of any organization. Among the resources of an organization, skilled Labour is the vital resource for enhancing the output of
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the organization. According to Cheng et.al (2003) “the establishment of the competency of individuals is crucial for the further development of an organization”. Therefore, it is very essential to identify the individual competencies to improve the performance of the employees.

According to Zeti Akhtar Aziz (2005) “Banking is a knowledge-intensive, skills-based and relationship-rich industry”. In a progressive, complex and a more liberalized environment, competitiveness of banks will depend significantly on the quality of human resource and the extent to which the industry is able to enhance these talents. To compete effectively, banking institutions need professionals with the ample skills and expertise at all functional areas. Thus, the banking sector gives more priority to strengthen their intellectual human resources and the competency of them.

With rapid changes taking place in the financial landscape, Scheduled Commercial banks in India need a new generation of professional bankers who are more customer-centric, technology-savvy, more highly qualified, flexible and agile with behavioural skill sets that are now more comprehensive than previously. The quality of human capital will increasingly become the cutting edge of competitiveness. Having competent staff to deliver high quality products and services is important to build customer confidence and goodwill, driving customer satisfaction, enhancing reputation, and ultimately realising individual bank’s corporate vision and strategic goals. Therefore, banking institutions are interested to ensure competency and professionalism to serve their customers better.

Kerala can boast of a well developed banking sector from an early period. Initially private sector banks dominated the Kerala scene. At a later stage public sector bank’s branches were started in Kerala. Today Kerala is
one of the most developed states in the case of Banking.

This study aims to analyse, compare and contrast the behavioural competency of officials in commercial banks headquartered in Kerala. This is done by analysing the soft skills/behavioural skills possessed by an individual employee in both clerical and managerial levels and the means adopted to enhance their said skills in near future.

1.2 Significance of the Study

The last two decades, marked the era of liberalization and globalization. The reforms in the country have been eventful one for the Banking industry. It changed the face of the industry far beyond recognition. Banking sector in India has a very old origin and the modern banking in India began with the rise of power of the British. Banks are extremely useful and indispensable in the modern community and played substantial role in the growth of economies. The banks create purchasing power in the form of bank notes, cheques, bills, and drafts that encourage the habit of saving money among people. The customers have become more demanding and they need value added services from the banks. The service quality of the bank mainly depends on the attitude or behavior of the employees towards the customers. Narayana Murthy, chief mentor, Infosys, mentioned that organizational attributes is required for success in the banks: "Only those banks which use speed and excellence in execution will survive. Others will disappear like dew in the morning. Indian banks have several legacy issues hampering their progress - including inadequate customer support, human resources practices and a customer-centric focus."

Technology has brought substantial changes in banking in terms of customer services and new product innovations. The private sector banks
are more dynamic in adopting latest Human Resource Practices. Banking sector have realised the fact that in the changed scenario, success will depend on the ability of banks to leverage the human potential and capabilities. The competency approach to human resources management is based on identifying, defining and measuring individual differences in terms of the abilities that are vital for the successful job performance. The commercial banks operating in Kerala aims to build highly competitive structure by means of enhancing unexceptionable levels of workforce performance; those are tenacious commitment towards their competency.

1.3 Research Problem

Today, in every organization, human resource plays an important role in its success. The constant challenge for banks is getting their people to execute those behaviors that will deliver the organizational vision, values or strategic goals. Every person has different qualities, attitude, motives, personality traits, skills etc. that will affect their work performance. Human Resource (HR) department of banks is entrusted with the responsibility of searching, assigning and evaluating the employees by recruitment, selection and performance appraisal. The main objective of these functions is the assessment of suitability of the individuals for different functional jobs and developing their potential to be effective and excel in assigned jobs.

According to Mangaleswaran (2007) Human Resources (HR) are more important in the service organizations than in goods producing industry. Banking sector is one of the most important service sectors. In the present era, Banking has become a highly competitive industry and for the competitive advantage, it has to enter new businesses and new markets, to develop new ways of working, to improve efficiency of employees, and to
deliver higher levels of customer service. The recent trend is opening the commercial banks and their branches in every corner of the state for providing extended services to the society. Now everybody knows that the market and customers are changing frequently, their expectations have taken new forms and policies relating to people change as it is the people who are the key differentiators in the new era. But it is difficult to practice customer-centric strategic management without first achieving employee satisfaction. Therefore, the banks are focusing on the customer-centric strategic management. Employees on the frontline in banking sector are in constant contact with the customer and the customer satisfaction depends upon employee performance that in turn depends on employee satisfaction. However, earlier studies show that, in banking sector, employees are less satisfied and less motivated than other lines of work employees (Kelley, 1990; Bajpai, Naval & Deepak, 2004). This is reflected by high employee turnover rate (Branham, 2005; Nelson, 2007) and high level of stress (Chen & Lien, 2008) in the banking industry.

The winners in this sector will be the players who can understand the customer, fulfill customer needs, and achieve high levels of customer retention. For understanding the needs of the customers and fulfilling them, the bank employees both at the managerial and clerical level must have the required level of competency in their behavioural skills. For this, they must aim to improve their skills as and when new changes occur. The current study seeks to find out how Commercial banks headquartered in Kerala to improve the behavioural competency of their staff and to what extent they have succeeded in their attempts.
1.4 **Scope of the Study**

In India, Kerala boasts of a well-developed banking infrastructure. With passage of time, Kerala banking system has attained a high benchmark. A large number of branches of nationalized and commercial, banks along with Grameen banks have sprung up within the state. Among these banks, following are the five major commercial banks, viz. Federal Bank, South Indian Bank, Catholic Syrian Bank, Dhanlaxmi Bank and the State Bank of Travancore have head offices in Kerala. These banks play a vital role in the economic growth and overall development of the Kerala state. Along with financial capital and technology, human resources contribute a lot to the capabilities of the banking sector to face the new challenges thrown open by globalization and liberalization. It is in this context, the present study focuses on the management of the behavioral competencies of employees in the commercial banking sector headquartered in Kerala.

1.5 **Objectives of the Study**

The objectives of the study are:

- To study the socio-economic and job profile of the bank officers and clerical staffs in selected banks headquartered in Kerala.
- To analyse how far competency gets importance in the present set-up of the selected banking sector.
- To analyse the employee competency in the selected Commercial banks headquartered in Kerala.
- To measure the behavioural competencies of banking staff based on will parameters.
To identify the gap between desired and the actual level of employee’s competency for effective competency management.

1.6 Hypotheses:

The hypotheses of the study are:

- Demographic and socio-status of the managerial officers and clerical staff influences their competency level in the selected banks.
- There exist no difference in managerial staffs’ and clerical staffs’ perception about competency evaluation during (a) employee selection, (b) job design, (c) performance appraisal, (d) career development, (e) promotion and pay and (f) relation and participations.
- There exists no gap in managerial staffs and clerical staffs’ understanding on each other’s performance.
- There exists no gap in employees’ desired level of competency and the actual level.
- Employees’ competency differs from one bank to another.

1.7 Limitation of the Study

The limitations of the study are:

- The scope of the study is restricted to the banks headquartered in Kerala.
- No competency mapping or scaling technique is applied. This may reflect on the findings and conclusion drawn by the researcher.
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1.8 Scheme of the Study

The thesis is organised under seven chapters.

Chapter I introduces the theme of the thesis. It states the problem, the significance, scope, objectives, hypotheses and limitations of the study.

Chapter II presents the review of literature relevant to the topic of research.

Chapter III provides the conceptual framework, research design and methodology adopted in conducting the study.

Chapter IV contains discussions on the concept of banking system in India and the need for enhancing competency of bank employees working in scheduled commercial banks.

Chapter V contains a detailed diagnostic analysis on employee performances in the five sample banks during the study period (2001-02 to 2012-13).

Chapter VI presents the analysis and interpretation of the responses of the respondents.

Chapter VII sums up the findings, suggestions and conclusions of the study. Some suggestions with respect to further research is also listed herein.