1 GLOBALIZATION AND HRD PRACTICES IN THE FINANCIAL SERVICES SECTOR
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Over the last 15 years the Indian economy has undergone a sea change. Coinciding with this Indian Financial Services Industry also witnessed major changes, with the initiation of the reforms process in 1991 followed by the second generation of reforms in 1998. Following the policy of liberalization and integration with the global financial system, the Indian Financial Securities Industry has undergone metamorphosis and displayed its potential. Recent developments such as reforms in Stock Exchanges, Custodians, and dematerialization of securities, Internet trading, derivatives trading and other reforms have further enhanced the growth potential of the Indian Financial Services Industry.

People around the globe are more connected to each other than ever before. Information and money flow more quickly than ever. Goods and services produced in one part of the world are increasingly available in all parts of the world. International travel is more frequent. International communication is commonplace. This phenomenon has been titled "globalisation."

1.1 CONCEPT OF GLOBALIZATION

The concept of globalisation can be traced to the phenomenon of nation states. In the distant past, there were just human communities. For much of human history, most people remained confined to their communities, villages or local areas. With developments in communication and economic activity, it has progressively become easier to move from the local to the regional and then from the regional to the national level, and finally across nations.

Enhanced investment activity, particularly in the infrastructure area, would necessitate higher domestic savings, especially in the public sector coupled with efficient financial intermediation. In addition, foreign savings need to be attracted and absorbed with a
strong preference to Foreign Direct Investment in all sectors though in some sectors like banking, a calibrated approach may be warranted. At the same time, Indian enterprises should be enabled to attain a strong global presence in all sectors.

1.2 FINANCIAL INTEGRATION

Unlike in the case of trade integration where benefits to all countries are demonstrable, in case of financial integration, a "threshold" is important for a country to get full benefits. Fortunately, India, has been adhering to a cautious and calibrated approach in our reforms so far and there is merit in adopting a 'road map approach' building on the strengths that we have already developed.

One of the major concerns for developing countries in proceeding with financial integration appears to be the financial stability. Hence, the role of cross-border linkages in this regard should not be ignored.

It is noteworthy that financial integration complicates the conduct of monetary management. The growing cross-border integration of financial markets enables massive movements of capital, which quickly arbitrage interest rate differentials across national boundaries. This is reinforced by the ever-widening impact of the information technology revolution. Real long-term interest rates in industrialised countries have been converging since the late 1980s. Financial integration has also brought with it shocks common to several countries since the media transmits financial crises across countries swiftly. In a world of generalised uncertainty, monetary policy in several countries is faced with a progressive loss of discretion. For developing countries, in particular, considerations relating to maximising output and employment weigh equally upon monetary authorities as maintaining the price stability.

It is also useful to recognise a close link between the extent of capital account liberalisation and the presence of foreign financial enterprises in a country. One of the important considerations for encouraging the presence of foreign financial enterprises is to ensure adequate and healthy competition. The compulsion to expand foreign enterprises would thus depend on quality of competition that already exists in a country.
In any case, the consensus appears to be that process of liberalization in financial sector has to be carefully calibrated and sequenced.

1.3 BANKING SECTOR REFORMS

Pros and cons associated with licensing foreign banks in the emerging economies: The pros relate to (a) increasing and diversifying available funds; (b) enhancing banking competition and efficiency; (c) developing financial markets and market infrastructure; (d) helping with recapitalisation and wider diversification of banks; and (e) reducing sensitivity of the host country banking system to local business cycles and changing financial market conditions. The arguments against foreign banks' entry encompass (i) weakening infant domestic banks; (ii) servicing only the 'best' customers and neglect of Small and Medium Enterprises; (iii) likelihood of bringing instability; (iv) concerns that majority of banking assets will become foreign owned; and above all (v) challenges to financial supervisors in the emerging markets.

India's approach to financial sector reforms, in general, and to the management of the external sector, in particular, has served the country well, in terms of aiding growth, avoiding crises, enhancing efficiency and imparting resilience to the system. The development of financial markets has been, by and large, healthy. The basic features of the Indian approach are gradualism; co-ordination with other economic policies; pragmatism rather than ideology; relevance to the context; consultative processes; dynamism and good sequencing so as to be able to meet the emerging domestic and international trends. The intention to move over to capital account convertibility was announced in 1997 and its achievement is still an ongoing process - which differentiates the roles of individuals, corporate and financial intermediaries. [economywatch.com]. RBI's Governor Y V Reddy emphasized on the priorities for public policy to ensure successful economic integration of India with global economy. He mentioned that practical policies in the external sector, particularly in the management of capital account and exchange rate, contributed to growth, provided resilience to shocks and an overall stability. Thus, India must continue with pragmatic, cautious and gradual
approach in this regard, subject to improvements in fiscal arena and the progress in strengthening the domestic financial sector.

Second, the management of financial sector has been oriented towards gradual rebalancing between efficiency and stability and the changing shares of public and private ownership. Enhanced competition among diverse players, including from branches of foreign banks, has been encouraged. Considerable improvements have taken place in prudential governance as also in moving away from administrative measures to market-orientation. Hence, it will be advisable to follow the same path in the coming years.

In the banking system, diversified ownership of public sector banks has been promoted over the years and the performance of their listed stocks in the face of intense competition indicates improvements in the system. Foreign banks have been operating in India for decades with a few of them having operations in India for over a century. The number of foreign bank branches in India has increased significantly in recent years since RBI issued a number of licenses - well beyond the commitments made to the World Trade Organisation. The presence of foreign banks in India has benefited the financial system by enhancing competition, resulting in higher efficiency. There has also been transfer of technology and specialised skills which has had some "demonstration effect" as Indian banks too have upgraded their skills, improved their scale of operations and diversified into other activities. At a time when access to foreign currency funds was a constraint for the Indian companies, the presence of foreign banks in India enabled large Indian companies to access foreign currency resources from the overseas branches of these banks. Also with the presence of foreign banks, as borrowers in the money market and their operation in the foreign exchange market has resulted in the creation and deepening of the inter-bank money market. Now, it is the challenge for the supervisors to maximize the advantages and minimize the disadvantages of the foreign banks' local presence.
The liberalisation measures would need to take into account several imperatives, such as, consolidation of domestic banking sector; restructuring of Development Finance Institutions; and appropriate timing for the significant entry of foreign banks so as to be co-terminus with the transition to greater capital account convertibility while being consistent with our continuing obligation under the WTO commitments. The Reserve Bank of India intends to formulate the guidelines, through an ongoing process of consultation, as in the past. The proposed guidelines in this regard are expected to carry forward the process of financial integration of India in a carefully calibrated and transparent manner.

1.4 ROLE OF CAPITAL MARKETS

SEBI as the counterpart of the RBI, as regulator for the capital markets, has also taken a planned and cautious approach in the liberalization process. Encouragement for FDI and dematerialization of securities has gone on side by side. Various measures have been taken to create and sustain interest and confidence in our market for the global investor. We shall see if these have also had any effect on the perceptions and working of the employees of the financial services sector. Various commentaries on the situation which prevailed prior to year 1990 and the need for globalization have been stated here. "India's approach to financial sector reforms, in general, and to the management of the external sector, in particular, has served the country well, in terms of aiding growth, avoiding crises, enhancing efficiency and imparting resilience to the system. The development of financial markets has been, by and large, healthy. The basic features of the Indian approach are gradualism; co-ordination with other economic policies; pragmatism rather than ideology; relevance to the context; consultative processes; dynamism and good sequencing so as to be able to meet the emerging domestic and international trends'.

Banks, though not the focus of this study continues to be the largest entity in our financial system. The effects on the banks are discussed here: "In the banking system, diversified ownership of public sector banks has been promoted over the years and the
performance of their listed stocks in the face of intense competition indicates improvements in the system. Foreign banks have. In recent years since RBI issued a number of licenses - well beyond the commitments made to the World Trade Organisation. The presence of foreign banks in India has benefited the financial system by enhancing competition, resulting in higher efficiency. There has also been transfer of technology and specialised skills which has had some "demonstration effect" as Indian banks too have upgraded their skills, improved their scale of operations and diversified into other activities. At a time when access to foreign currency funds was a constraint for the Indian companies, the presence of foreign banks in India enabled large Indian companies to access foreign currency resources from the overseas branches of these banks. Also with the presence of foreign banks, as borrowers in the money market and their operation in the foreign exchange market has resulted in the creation and deepening of the inter-bank money market. Now, it is the challenge for the supervisors to maximize the advantages and minimize the disadvantages of the foreign banks' local presence."

Thus in brief the globalization and liberalisation measures would need to take into account several imperatives, such as, consolidation of domestic banking sector; restructuring of Development Finance Institutions; and appropriate timing for the significant entry of foreign banks so as to be co-terminus with the transition to greater capital account convertibility while being consistent with our continuing obligation under the WTO commitments. The Reserve Bank of India intends to formulate the guidelines, through an ongoing process of consultation, as in the past. The proposed guidelines in this regard are expected to carry forward the process of financial integration of India in a carefully calibrated and transparent manner. (Ref: economywatch.com).

1.5 CAPITAL MARKETS REFORMS

The major reform in the capital market was the abolition of capital issues control and the introduction of free pricing of equity issues in 1992. Simultaneously the Securities and Exchange Board of India (SEBI) was set up as the apex regulator of the Indian capital
markets. In the last five years, SEBI has framed regulations on a number of matters relating to capital markets. Some of the measures taken in the primary market include:

- Entry norms for capital issues were tightened
- Disclosure requirements were improved
- Regulations were framed and code of conduct laid down for merchant bankers, underwriters, mutual funds, bankers to the issue and other intermediaries. In relation to the secondary market too, several changes were introduced:
  - Capital adequacy and prudential regulations were introduced for brokers, sub-brokers and other intermediaries
  - Dematerialization of scripts was initiated with the creation of a legislative framework and the setting up of the first depository
  - On-line trading was introduced at all stock exchanges. Margining system was rigorously enforced.
  - Settlement period was reduced to one week; carry forward trading was banned and then reintroduced in restricted form; and tentative moves were made towards a rolling settlement system.

In the area of corporate governance:
- Regulations were framed for insider trading
- Regulatory framework for take-overs was revamped
- "SEBI had been going through a protracted learning phase since its inception. The apparent urgency of immediate short term problems in the capital market has often seemed to distract SEBI from the more critical task of formulating and implementing a strategic vision for the development and regulation of the capital markets". (1)

In quantitative terms, the growth of the Indian capital markets since the advent of reforms has been very impressive. The market capitalization of the Bombay Stock Exchange (which represents about 90% of the total market capitalization of the country) has quadrupled from Rs 100.10 billion at the end of 1990-91 to Rs 400.30 billion at the end of 1996-97. As a percentage of GDP, market capitalization has been more erratic, but on the whole this ratio has also been rising. Total trading volume at the Bombay Stock Exchange and the National Stock Exchange (which together account for well over half of the total stock market trading in the country) has risen more than ten-fold in 1996-97.

1.6 FACTORS AFFECTING HUMAN RESOURCES DEVELOPMENT PRACTICES

The Human Resources Development (HRD) practices consist of all those activities, which are directly related to the Attracting, Retaining and Developing of Human Resources in any organization. This fact makes it imperative that the practices are well suited for developing rather than discouraging the Human Resource. Another major factor is that the output as far as Financial Services as in other services depends wholly on the human factor. Thus the raw material and the finished goods in the form of client services are H.R. oriented. Of all the HR practices three important practices are Recruitment, Performance Appraisal/Management and Training & Development.
As a Human Resources Development [HRD] professional I have had the unique opportunity of working in a premium Financial Services organisation for over 11 years. During this period I observed that HRD practices varied within the same company, mainly during the times when the CEO changed. There was also an extra focus on getting the job done i.e. Business volume and bottom line as against Human Resources Development approach per se. This periodic change in emphasis has not been conducive for sustained development of Human Resources in such organisations. While this may not be an issue in the short run, we may have to view the situation from the longer term perspective. Competition and opportunities on a global scale needs upgradation of Human Resources quality in the organisation continuously.

One of the aspects that need to be examined is the impact if any on Human Resources Development practices in institutions over the crucial period of Globalisation which transformed the industrial scenario, mainly the Financial services sector in our country during the early nineties[1990-1991].

1.7 EFFECT OF GLOBALISATION ON HRD PRACTICES

The researcher is trying to see if there could be any significant effect of the globalization process on the selected HRD practices since, India's global integration has to be a two way process, encompassing movement of people, trade in a free and equitable manner and financial integration on a specially sequenced basis involving multiple cultural effects.

Prior to globalization under the rigid rules and regulations dictated by the Ministry and the Regulator RBI there was little scope or requirement for innovation in services and customer care. The human resources were required to maintain the ongoing functions and the competition was practically non-existent. It is expected that the HRD practices were of a mechanistic nature and had no reason to seek quality or excellence in human resources development. The compensation and career planning would be time bound and along predictable lines since specific incentives or effort to nurture quality and excellence was not a priority.
The transition period in the globalization and liberalization process brought about far reaching changes in the policies governing the financial services sector. The opening up of the economy also created opportunities for foreign institutions to enter this sector. The customer also started getting more choice of products and services. This time would have been crucial for gearing up the human resources to meet the challenges of global competition and increasing customer expectations. The managements would have focused attention on the essential training and development as well as talent acquisition and retention in the human resources in their respective organizations.

With the plethora of foreign entities coming in offering financial products and services, the banks and financial institutions were jolted out of their age old complacency and had to scramble to realign their products and services to meet the customer needs and the higher standards being set up by the private and foreign players. The preparedness made the difference between ongoing success or failure. The human resources practices would therefore have to focus on competencies, continuous training and knowledge upgradation not only to improve product and services but also to attract and retain bright talents in the industry.

1.8 EFFECT OF EQUITY HOLDING /OWNERSHIP PATTERN ON HRD PRACTICES

Another aspect that may be likely to affect the selected Human Resources Development practices could be the influence of the management, more specifically the broad ownership of the institution under study.

Here, we are considering organizations

a) setup and operating in the Public sector, including those set up by Public sector institutions with majority of shareholdings,

b) Private limited Indian companies and

c) Private limited foreign companies operating in India.

The above categorization has been made in order to distinguish the style of functioning based on the predominant ownership and management of the companies.
The sectors as seen above are operating under varied conditions of monopoly in some cases while there is intense competition in others. The nature of their business, the customer and the competition is expected to have a strong bearing on the human resources development practices.

1.10 RESEARCH PROBLEM AND ITS RELEVANCE:

The Human Resources Development (HRD) practices consist of all those activities, which are directly related to the Attracting, Retaining and Developing of Human Resources in any organization. This fact makes it imperative that the practices are well suited for developing the Human Resources in every aspect. Another major factor in the present study is that the output as far as Financial Services sector is concerned, is dependent almost wholly on the human factor. Thus the raw material and the finished goods in the form of client services are all human resources [HR] oriented. The present study “AN EVALUATION OF HRD PRACTICES IN THE FINANCIAL SERVICES SECTOR OF INDIA” attempts to examine the current scenario in order to understand the perception of the employees in this very important sector.

Of all the HR practices, this study is focused on the three important practices of Recruitment, Performance Appraisal/Management and Training & Development. It is observed that HRD practices varied within the same company, mainly when the management changed. There was also an extra emphasis on getting the job done i.e. Business volume and bottom line as against HRD per se. This periodic change in emphasis has not always been conducive for sustained development of HRD in such
organisations. Therefore managements need to remain extra vigilant to see that the best talents in the organization are recognized, rewarded and retained for its own benefit and prosperity.

Competition and opportunities on a global scale need upgradation of HR quality in the organisation continuously. Perception of employees is dictated by various inputs both from the internal and the external environment.

This study is extremely relevant in the current scenario since the financial services sectors in India are seen by many including policy makers and economists as the engine of growth for India in the current decade. The level of sophistication in financial services available in the developed parts of the world such as the USA, Europe and Japan are at present very much more than available in India. However with the right amount of political and economical will, infrastructural support and training and development of the human resources we will be in a position to match the best in the world.

The challenge has to be tackled on top priority in order to gain the maximum benefit from our emerging market status. Benchmarking with the best in class companies and institutions will help our financial services sector executives to raise their performance standard to acceptable global levels.

This study provides a baseline understanding of the extant human resources practices in the area of recruitment and selection, training and development and performance management practices available in the institutions under this sector. It is expected that future researchers and students of HRD will develop an understanding of the growth requirements which will boost the potential of our human resources in this vital sector by progressive practices.