Chapter 4

BANKING SYSTEM IN INDIA AND THE NEED FOR ENHANCING BEHAVIOURAL COMPETENCY OF BANK OFFICERS WORKING IN SCHEDULE COMMERCIAL BANKS OPERATING IN INDIA

4.1 Overview of Banking in India

Banking System is the backbone of every country’s economy. It is generally agreed that a strong and healthy banking system is a prerequisite for sustainable economic growth and development. Banks play a substantial role in capital accumulation, firm’s growth and economic prosperity. A sound and profitable banking system always supports to face the negative shocks and contribute to the stability of the financial system. Banks are in a business that receive deposits or liabilities and issue debt securities on the
one hand and create or invest in assets on the other. A bank collects the savings and disburses the same in various productive sectors.

The Indian Banking sector has played a commendable role in sustaining growth in the economy. In the recent, a large part of the growth of the banking sector was energised by financing consumption, as reflected in the growth of retail banking. Profitability, viability and development of financial institutions are directly affected by the quality and performance of advances. Indian banks are weighted down by enormous amounts of bad debts that threaten the very health of the banking system. In fact, banks extended large number of loans to all sector at the request of ruling governments and policy makers, but their experience with these borrowers has not been satisfactory.

The new economic reforms have given a new thrust to the Indian banking sector as a whole and private sector banks in particular. The banking system in the country has undergone a sea-change with the introduction of prudential norms on income recognition, asset classification and their provisioning. In spite of commanding role of the Indian banking sector in the last five decades under the competitive global environmental conditions, the banking sector currently suffers from a number of weakness such as low recovery rate of credit, high costs, poor management practices, trade union pressures, political interferences, unprofitable branches and mounting Non-Performing Assets (NPAs).

4.2 Changing Role of Banks in India

In a developing country, banking is seen as an important instrument of development. The role of banks in India has changed a lot since the economic reforms of 1991. These changes came due to LPG, i.e. liberalization, privatization and globalization policy being followed by
Government of India. Since then most traditional and outdated concepts, practices, procedures and methods of banking have changed significantly. Today, banks in India have become more customer-focused and service-oriented than they were prior to 1991. They now also give a lot of importance to their rural customers. They are even willing to help them and serve regularly the banking needs of country-side India. The changing role of banks in India can be glanced in points depicted in exhibit 4.1.

**Exhibit 4.1 Changing Role of Banks in India**

- Better customer service
- Bank on wheels scheme
- Issue of electro-magnetic cards
- Automated teller machine (ATM)
- Marketing of mutual funds
- Encouragement to bank amalgamation
- Mobile banking facility
- Portfolio management
- Universal banking
- Internet banking
- Internal Customers
- Subordinates of the role holders

Exhibit 4.1 indicates that the role of banks in India is changing. Now let's note the changes taking place in the Indian banking sector.
Better Customer Service

Before 1991, the overall service provided by banks in India was very poor. There used to be very long queues (lines) to receive payment for cheques and to deposit money. In those days, some bank’s staffs were very rude to their customers. However, all this changed remarkably, after India initiated economic reforms in 1991. Banks in India have now become very customer and service focused. Their service has become quick, efficient and customer-friendly. This positive change is mostly due to rising competition from new generation private banks and the initiation of Ombudsman Scheme by the RBI.

i. Mobile Banking

Under mobile banking service, customers can easily carry out major banking transactions by simply using their cell phones or mobiles. Here, first a customer needs to activate this service by contacting his bank. Generally, bank officer asks the customer to fill a simple form to register (authorize) his mobile number. After registration, this service is activated, and the customer is provided with a username and password. Using secret credentials and the registered phone, customer can now comfortably and securely find his bank balance, transfer money from his account to another, ask for a cheque book, stop payment of a cheque, etc. Today, almost all banks in India provide mobile-banking service.

ii. Bank on Wheels

The 'Bank on Wheels' scheme was introduced in the North-East Region of India. Under this scheme, banking services are made accessible to people staying in the far-flung (remote) areas of India. This scheme is a generous attempt to serve banking needs of rural India.
iii. Portfolio Management

In portfolio management, banks do all the investment work of their clients. Banks invest their clients' money in shares, debentures, fixed deposits, etc. They first enter a contract with their clients and charge them a fee for this service. Then they have the full power to invest or disinvest their clients' money. However, they have to give safety and profit to their clients.

iv. Issue of Electro-Magnetic Cards

Banks in India have already started issuing Electro-Magnetic Cards to their customers. These cards help to carry out cashless transactions, make an online purchase, avail ATM facility, book a railway ticket, etc. Banks issue many types of electro-magnetic cards, which are as follows:

a) **Credit cards** help customers to spend money (loaned up to a certain limit as previously settled by the bank) which they don't have in hand. They get a monthly statement of their purchases and withdrawals. Along with the transacted amount, this statement also includes the interest and service fee. The entire amount (as reflected in the statement of credit card) must be paid back to the bank either fully or in installments, but before due date.

b) **Debit cards** help customers to spend that money which they have saved (credited) in their individual bank accounts. They need not carry cash but instead can use a debit card to make a purchase (for shopping) and/or withdraw money (get cash) from an ATM. No interest is charged on the usage of debit cards.

c) **Charge cards** are used to spend money up to a certain limit for a month. At the end of the month, customer gets a statement. If he has
a sufficient balance, then he only had to pay a small fee. However, if he does not have a necessary balance, he is given a grace period (which is generally of 25 to 50 days) to repay the money.

d) **Smart cards** are currently being used as an alternative to avail public transport services. In India, this covers Railways, State Transport and City (Local) Buses. Smart card has an integrated circuit (IC) embedded in its plastic body. It is made as per norms specified by ISO.

e) **Kisan credit cards** are used for the benefit of the rural population of India. The Indian farmers (Kisans) can use this card to buy agricultural inputs and goods for self-consumption. These cards are issued by both Commercial and Co-operative banks.

v. **Universal Banking**

In India, the concept of universal banking has gained recognition after the year 2000. The customers can get all banking and non-banking services under one roof. Universal bank is like a super store. It offers a wide range of services, including banking and other financial services like insurance, merchant banking etc.

vi. **Automated Teller Machine (ATM)**

There are many advantages of ATM. As a result, many banks have opened up ATM centers to offer convenience to their customers. Now banks are operating ATM centers not only in their branches but also at public places like airports, railway stations, hotels, etc. Some banks have joined together and agreed upon to set up common ATM centers all over India.
vii. Internet Banking

Internet banking or E-banking or net banking: Under this system, the customer can do banking transactions through the medium of the internet or World Wide Web (WWW). The customer need not visit the bank's branch. Through this facility, the customer can easily inquire about his bank balance, transfer funds, request for a cheque, book, etc. Most large banks offer this service to their tech-savvy customers.

viii. Encouragement to Bank Amalgamation

Failure of banks is well protected with the facility of amalgamation. Therefore, depositors need not worry about their deposits. When weaker banks are absorbed by stronger banks, it is called amalgamation of banks.

ix. Encouragement to Personal Loans

Today, the purchasing power of Indian consumers has increased dramatically because banks give them easy personal loans. Generally, interest charged by the banks on such loans is very high. Interest is calculated on reducing balance. Large banks offer loans of huge amount like rupees one crore and above. Some banks even organise Loan Mela (Fair) where loans are sanctioned on the spot to deserving candidates after they submit proper documents.

x. Marketing of Mutual Funds

A mutual fund collects money from many investors and invests the money in shares, bonds, short-term money market instruments, gold assets; etc. Mutual funds earn income by interest and dividend or both from its investments. It pays a dividend to subscribers. The rate of dividend fluctuates with the income on mutual fund investments. Now banks have
started selling these funds in their own names. These funds are not insured like other bank deposits. There are different types of funds such as open-ended funds, closed-ended funds, growth funds, balanced funds, income funds, etc.

xi. Social Banking

The government uses the banking system to alleviate poverty and unemployment. Many social development programmes are initiated by the banks from time to time. The success of these programmes depends on financial support provided by the banks. Banks supply a lot of finance to farmers, artisans, scheduled castes (SC) and scheduled tribe (ST) families, unemployed youth and people living below the poverty line (BPL).

In the context of the scenario explained the need for enhancing competency of the banking staff has become imperative.

4.3 Importance of HRM Practices

Human resource management is developed as a part of management. In simple sense, human resource management means employing people, developing their resources, utilizing, maintaining and compensating their services in tune with the job and organizational requirements with a view to contribute to the organization, individual and the society. Human resource is an important asset for any organization. Human resources are a private variable without which the inanimate assets are worthless. Human resources are also known to be as people management. HR is the bridge between people and management of the company. In earlier days, personnel department dealt only with the administration of people oriented activities.
Later emerging trends of people resources plays a major role in organization development. Corporate started to think personnel department as valuable one. Modern concepts evolved in the human resources in order to use personals of organization in more effective manner. Organization started to give importance to employee’s problems like stress, conflicts, team building, interpersonal and intra-personal relationships due to various reasons like attrition rate, demand for knowledge, to meet globalization, training overheads etc. But no single rigid system is followed in industries. HR system differs from industry to industry and even from company to company.

In today’s global and competitive business environment, to thrive, organizations need highly competent employees. The capabilities of its employees decide if an industry succeeds in business or buckles up under intense competition. But, many industries are finding it difficult to determine whether employees have the capabilities needed for success. The capabilities needed vary from one business unit to another and even across roles within a business unit. So, many industries now a days use competency models to identify the knowledge, skill and personal characteristics required to perform a job successfully.

**4.4 HRD in Indian Banking Sector**

Human Resource Development (HRD) has assumed considerable importance in the recent years. In business organization or a bank, the development of human resource is necessary for its efficient and effective working. Liberalisation of Indian economy has not only triggered changes in the whole economy, including the banking sector, but has also thrown up challenges for banks, in general, and public sector banks, in particular. Human Resource Management (HRM) is an important element in the
business process evolution, post-liberalisation, has given a strategic telescopic focus is subject to debate.

During the post liberalization period, banks faced various HR issues. Some of these are:

i. Changed business positioning is to align with the global players and technology to implement the business positioning

ii. Repositioning of the people in the organisation to effect the changing banking paradigm

iii. The real challenge for Indian banks, how to transform into global corporations without losing the positive values and culture that they have developed

iv. As most part of the jobs in banks are monotonous/repetitive and routine, the HRD Department has to empower, engage and energize employees to create effectiveness and efficiency through motivation organizational structures, systems & procedures which facilitate of these the need to focus greater attention on these aspects of the industry

v. The emergence of a core and peripheral workforce in many organization has presented new challenges for HR managers of public & private sector organizations that are fast becoming diverse communities for core workers, flexibly employed casual and part-time workers, consultants, contractors & business partners

vi. Certain rigidities have also developed in HRD within banking system itself because this industry is largely in the public sector
vii. New generation private banks entered with clear business positioning (investment, retail, and corporate banking) and to a certain extent lured away the cream of experienced and trained human resource in the respective fields from public sector banks (PSBs) and that too in the lower and middle management levels (that constituted the core customer relations human resource) and

viii. the training establishments need to be actively involved in the total training process starting from the identification of training needs, evaluation of training.

The core function of HRD in the banking industry is to facilitate performance improvement and enhance employee competency, measured not only in terms of financial indicators of operational efficiency but also in terms of the quality of financial services provided. Factors like skills, attitudes and knowledge of the human capital play a crucial role in determining the competitiveness of the financial sector. The quality of human resources indicates the ability of banks to deliver value to customers. Capital and technology are replicable but not the human capital that needs to be valued as a highly valuable resource for achieving the competitive edge. The primary emphasis needs to be on integrating human resource management strategies with the business strategy. HRM strategies include managing change, creating commitment, achieving flexibility and improving teamwork.

4.4.1 Role of HRM in Banks

The banking industry is a highly regulated powerhouse that stabilizes the economic environment of nations around the world. Banks store sensitive, personal information about their clients, and commercial banks often house more valuable inventory -cash - than other retail operations.
Bank employees, from executives to tellers, must have a higher level of integrity and trustworthiness than employees in most other industries.

- Select, identify and develop the right person for the right job.
- Retain the competent employees in rapidly changing technological environment.
- Creating work culture provides such a working environment where people feel satisfied and enjoy their work.
- To educate and to bring about the changes in the attitudes managerial personnel towards human resource approach.
- Framing human resource policies and strategies according to the needs and expectations of various people in the organization.
- Develop a two-way communication system.
- Ensure the punctuality and regular attendance of the staff.
- To appraise the performance of the Branch staff in a timely and fair manner and ensure safekeeping of the filled Appraisal forms.
- Ensure proper maintenance of leave/ service /contract records of each employee.
- Allocate staff responsibilities for efficient and effective implementation of the operational plan / accounting / administrative work.

4.5 Need of Employee Competency

India is fast emerging as a Human Resource Powerhouse for the world where 11 million workforces is getting added to the job market every year. This paves way for tough competition that will result in high demand...
and expectation from the organisations. With high demand on job requirements, employees should prepare themselves for this scenario and hone the skills accordingly. As corporate India is becoming more global and diverse, organisations across industry sectors are recruiting talents from various geographies. Companies are therefore looking for employees with effective social skills who can fit into the organisation's culture. Thus, in short, it can be said that employers now-a-days are making higher demand from their employees’ competencies than five years ago and job requirements are likely to become even more demanding in the next 5 years.

4.5.1 Employee Competency in Banking Sector

The banking scenario in India is at cross roads and is continuously evolving, but the progress has been remarkable over the decade with the level of competition increasing in the banking industry. “Competency is a set of skills, related knowledge and attitudes that allow an individual to perform a task or an activity within a specific function or job”. Banking industry moves from a transaction-centric to a relationship-centric business approach. Competency is a standardized requirement for an individual to perform a specific job. It encompasses a combination of knowledge, skills and behavior utilized to improve performance. More generally, competency is the state or quality of being adequately or well qualified, having the ability to perform a specific role.

For instance, management competency includes the traits of systems thinking and emotional intelligence, and skills in influence and negotiation. A person possesses a competency as long as the skills, abilities, and knowledge that constitute that competency are a part of that person, enabling the person to perform effective action within a certain workplace
environment. Therefore, one might not lose knowledge, a skill, or an ability, but still lose a competency if what is needed to do a job well changes.

Competency is also used to work with more general descriptions of the requirements of human beings in organizations and communities. Examples are educations and other organizations that want to have a general language to tell what a graduate of an education must be able to do in order to graduate or what a member of an organization is required to be able to do in order to be considered competent. An important detail of this approach is that all competencies have to be action competencies, which means that a person shows in action that that person is competent. In the military, the training system for this kind of competency is called artificial experience, which is the basis for all simulators.

Competency is one of the most essential concepts for business to achieve success in any of the day-to-day job performance responsibilities from task management to recruiting, from training & development to advancement. Competency for your business is having personnel with the ability to execute the principles, skills, behaviors, processes and techniques needed to perform a given task, procedure or set of tasks to achieve your desired results.

Banks are functioning increasingly under competitive pressures emanating from within the banking system, from non-banking institutions as well as from the domestic and international capital markets. Thus, in this era of increased competition in order to prosper, it will be imperative for banks to focus on developing long term relationships. The operating principle is to “Build good relationship and profitable transaction will follow automatically”.
4.5.2 Significance of Employees’ Competency in Banking

In the globalized Indian economy, all the industries are doing well in the market and Indian banks are also performing well comparatively. In the booming economy and the continuing expansion most of the banks facing challenges to perform well and it clearly brought out by the fact that contrary to public perception, it is not just the new private sector banks that are doing well. A few public sector banks are functioning well. They got a place among the top 10 best performing Indian banks. It is worth mentioning that these public sector banks have performed so admirably in spite of the fact that they operate with many handicaps, such as strong unions and the inability to offer market salaries and incentives and burdened with huge workforce. The secret of success of any company simply depends on how they treat employees and keep them satisfied. For that, they have design their human resources process like recruitment, selection, training and development, performance appraisal and other based on employee perspective in order to benefit them. In India the banking industry becoming more competitive than ever, private and public sector banks are competing each other to perform well. The executives of banks are now in the position to modify their traditional human resource practices in order to meet the challenges from other competitive banks.

Banking being a service sector industry, productivity of the staff has a significant bearing on the banks overall performance. Profitability based indicator -the profit per employee of public sector banks witnessed a significant rise between the period 1996-97 and 1999-2000. It rose from about Rs.35000/- per employee to about Rs.65000/-. This is so conspicuous that much prominence is attached to the people who deliver services to the wider stakeholders of the Banks.
Exhibit 4.2 gives SWOT analysis of Indian commercial banks in HR context

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<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>High skilled personnel in middle and low level in banks</td>
<td>Poor technology infrastructure</td>
</tr>
<tr>
<td>Aggression towards the development of the existing standards</td>
<td>Presence of more number of smaller banks that would likely to be impacted adversely</td>
</tr>
<tr>
<td>Strong regulatory impact by central bank to all banks for implementation</td>
<td>Poor compensation system</td>
</tr>
<tr>
<td>Presence of intellectual capital to face the change in implementation with good quality</td>
<td>Poor talent management</td>
</tr>
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<table>
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<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of fresh talent to strengthen the bank operations</td>
<td>Inability to meet additional capital requirements</td>
</tr>
<tr>
<td>Increasing risk manage expertise</td>
<td>Huge investment in technology</td>
</tr>
<tr>
<td>Need significant connection among business, credit &amp; risk management and information technology</td>
<td>Entrance of foreign banks to capture talent HR</td>
</tr>
<tr>
<td>-</td>
<td>Increasing the cost of human capital</td>
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In future, the response of Indian banks to the challenges imposed by the changing economic and business environment will mainly depend upon the extent to which they can leverage their intrinsic strength called human resources. The banking system confronts certain rigidities in this regard. Especially, the large public ownership has operated as a drag on human resources development, particularly on skill development, management change and career planning. A major challenge for many banks will be to develop the special competencies and skills for credit appraisal and risk management in an environment of deregulation and openness. As emphasized by Bimal Jalan, Former Governor of Reserve Bank of India, the recommendation of the second Narasimhan Committee could provide useful guidance to banks particularly in recruiting skilled manpower from the open
market, including lateral induction of experts and deployment of existing staff in new business and activities after suitable training. In this context, the importance of building and reinforcing corporate vision and culture that fosters creativity and recognizes talent and merit cannot be regulated to the behind.

The Human Resource Development department has to pay a more proactive role in shaping the employee to flight out the challenges. The banks not only have to make plans and polices and devise strategies, the actual functionaries have to show willingness, competence and effectiveness in executing the said policies and strategies. In Banks, HRD departments have the advantages of not being excessively burdened with day to day problems of running the banks or ensuring profitability of individual transactions.

They are in a position to take strategic and long-term view of the competitive advantage of the human resources as well as identify areas of professional weaknesses to rectify well before any damage takes place in the bank. Indeed, they have excellent opportunity to implement the desired human resources policies to improve and strengthen the organization to withstand the onslaught of fierce competition in future. Based on this perspective, an attempt has been made to highlight the factors which may lead to substantial transformation of banks to compete in an environment of risk and uncertainty.

4.6 Role of the Indian Institute of Banking & Finance (IIBF) In Enhancing Banking Employees’ Competency

Indian banks also realized that with organic growth there is a need to grow inorganically as well, to be competitive with other players in the market.
The banking in India, as the world over, is undergoing rapid transformation. The business of banking is not only expanding its frontiers, both physical and functional, but also increasingly becoming sophisticated. The business processes are getting highly computerised with customer preferences and convenience dominating the drive besides the competitive forces. The decision-making skills with the perceptive approach of Risk Management in all the business decisions are adding a new dimension to the managerial competence.

In this scenario, the only way the functionaries of banks can keep pace with the change and make contribution to the growth of sound banking business is to be professionally knowledgeable. Bank employees today are expected to move between roles throughout their career and therefore they need to be flexible. The employers expect their workforce to be competent, flexible and increasingly productive, with a high quality of work produced. The customers expect high standards of service from the employees. In this context, it will be appropriate to expect that the employees take control of their own development so that they are able to respond to their employer’s and customers’ expectations while shaping their own career in an increasingly competitive industry. Staff reductions, limited opportunities for progression and competition are all compelling reasons for one to take control of the career.

Competencies help to improve the individual performance, by modeling the behaviors that make high performing employees successful in their jobs. In this way, we can use competencies to further professional development. These competencies help lay out a road map to superior performance, but they do not ensure it. Only the personal commitment to excellence, motivation, and actual consistent performance determines the performance level. Ideally, competencies can help fix the attention on key business goals and values, such as improved customer service. Competencies can help to be more flexible in
meeting various work requirements. Applying the competencies at work will help us to become more creative in meeting job demands and allow us to quickly adapt to changes at work. Finally, competencies encourage teamwork by promoting cooperation and sharing.

Recognizing this need of the bankers, the Indian Institute of Banking & Finance (IIBF), like many other initiatives in the competence building exercise of bankers, has come up with a certification process in the area of Continuing Professional Development. The bank employees may be acquiring a great deal of knowledge and experience on their own through training/seminars/workshops sponsored by the banks both within and outside the banks, even though they might not have necessarily undergone a formal qualification from a University or Professional Institute. The efforts of the bankers often go unnoticed and their professional competence building efforts go unrecognized. The Institute believes that all the efforts on the part of the employee towards his competence building and professional upgradation need to be recognised and suitably documented.

4.6.1 Components of Employee Competencies

Competencies are identified behaviors, knowledge, skills, and abilities that directly and positively impact on the success of employees and organizations. Coaching and learning opportunities can enhance the competencies. Competency is defined as a behavior that describes excellent performance in a particular work context (eg: job, role or group of jobs, function or whole organization). Competency for a job can be defined as a set of human attributes that enable an employee to meet and exceed expectations of his internal as well as external employees. Competency may take the following forms: Knowledge, Attitude and Skill. Other characteristics of an individual
includes: Motives, Values and Self-concept etc. The set of human qualities and/or attributes that make a person a star performer for a particular activity defines the competency for that particular activity.

"Competence" as a combination of knowledge, skills and behavior utilized to improve performance; or as the state or quality of being adequately or well qualified, having the ability to perform a specific role. For instance, management competency might include systems thinking and emotional intelligence, and skills in influence and negotiation.

4.6.2 Measures to Identify Employee Competencies in Banking Sectors

Competencies can be identified among one or more of the following category of people:

Exhibit: 4.3 People involved identification of competencies
Competencies are mainly seen as inputs. Any underlying characteristics required for performing a given task, activity, or role successfully can be considered as competency. According to Hayes, competencies are generic, knowledge, motive trait, social role or a skill a person linked to superior performance on the job. UNIDO defined competency as a set of skills, related knowledge and attributes that allow an individual to successfully perform a task or an activity within a specific function or job. Competency represents observable and measurable knowledge, skill, ability, behaviours, and attitudes associated with excellent job performance, work results or outputs. It defines performance in terms of what work is done and how it is done. Competency may take the following forms: knowledge, Attitude, Skill and other individual characteristics including: Motives, Values, Self-concept, etc. A competency is described in terms of key behaviors that enable recognition of that competency at the work place. Competencies are always behavior specific.

Skills, Knowledge, attitude and other personal characteristics that lead to superior performance are typically bunched together into the concept of competencies. Competencies are generic, meaning that they are relevant for a wide variety of jobs. For example, Erickson, the Swedish telecommunications grant, has a competence triangle consisting of technical/professional competencies, human competencies and business competencies. Each of these generic groups has a set of more specific competencies. Erickson lists teamwork, communications; cultural awareness as the competencies necessary for social interaction. Stuart stated that “while an individual may be ‘deemed competent’, ‘occupational competence’ relates to the functions associated with an occupation. Standard
of competent are used to describe characteristics of the functions and so are independent of the individual.”

HRD theorists and practitioners came up with a rather integrated and definitive definition of the term competency as a cluster of skills and attitudes, (conveniently labeled in the industry as K, S, A i.e., Knowledge, Skill and Attitude) that

- Affects the major part once job
- That correlates with performance on the job
- That can be measured against well accepted standards
- That can be improved through training and development

4.6.3 Measurement of Competencies

The competencies schema intended to capture information about measurable characteristics. Some competencies may be measurable, but never the less difficult to quantify. In some cases, the measure may be simply whether the characteristics exists or does not exist. Some competencies can be objectively measured, whereas others may only be subjectively recognized.

“Effectiveness of an organization is the summation of the required competencies in the organization.” Competency helps in Gap analysis, Role clarity, Selection, Potential identification, Growth plans, Succession planning Restructuring, and Inventory of competencies for planning. For effectively playing the different HR roles, the HR manager should have the following knowledge, skills and abilities (competencies). These are Problem solving skills, Business knowledge/organization sensitivity, Knowledge of compensation techniques to reinforce business plans, Strategic and
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conceptual skills, Knowledge of succession/career planning systems, leadership skills, Ability to analyze data and plan from it., Computer literacy, Competence in HR functional area and Awareness of the financial impacts in the HR function as well as to the organization.

4.6.4 Characteristics of Good Competencies

Some of the characteristics of good competencies are:

i. **Manageable:** Too many competencies will become confusing and inefficient, clouding rather than clarifying an organization's priorities.

ii. **Defined Behaviorally:** Competencies should be described in terms of specific, observable behaviors.

iii. **Independent:** Important behaviors should be included in just one, not multiple, competencies.

iv. **Comprehensive:** No important behaviors should be excluded.

v. **Accessible:** Competencies are written and communicated is clear, understandable and useful to those outside of the HR world.

vi. **Current:** Competencies should be up-to-date, and reviewed regularly to keep pace with industry and company changes.

vii. **Compatible:** Competencies should "fit in" with a company's vision, values and culture.

4.6.5 Process of Competencies

The processes of competencies are: (i) Identification, (ii) Standardization, (iii) Assessment and (iv) Certification.
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i. Identification: This process establishes or defines the competencies needed to perform a work activity satisfactorily. Three principle methods have been developed to identify competencies.

- **Occupational Analysis:** In this method the task is the object of analysis. Occupational analysis was developed and that is widely used in the United States.

- **Constructivist Analysis:** Constructivist analysis in which typical job is studied in its dynamic is the object of analysis and is a construct built out of consideration of different but related jobs. Constructivist analysis was developed and is used mostly in France.

- **Functional Analysis:** Functional analysis in which the function (a meaningful set of interrelated tasks that are performed to attain an objective) is the object of analysis. Functional analysis was developed and is used in the United Kingdom, as well as by many European and Latin American countries. Functional analysis is the most widely used method to identify competencies mainly because it is more holistic than occupational analysis and less time-consuming to develop the constructivist analysis.

ii. Standardization: By standardization we mean the process of generalizing a competence and turning it into a competence standard. A standard is a competence that becomes a valid benchmark for a given group of workers or organizations.

iii. Assessment: It is the process of collecting evidence to measure competence of a worker’s performance. This is to judge the competency against a pre-determined standard and to identify areas that need to be
strengthened, modified, or improved. Strategies and instruments to collect evidence for assessment of competency include oral or written tests, interviews, execution tests, and observation of performance, simulations, examination of work products, portfolios, and testimonies from third parties.

iv. Certification: The process of formal recognition of competence demonstrating that the worker can perform a standardized labor activity is certification. Experts judge the mastery attained in each competence and may grant a certificate or some other credential to those showing that competence has been achieved. Being aware of the organizational priorities and thus setting proper guidelines which helps to empower their organization to know itself and identify its social/human capital, is much more valuable than most of the current focus in knowledge management. Following may be considered as a sort of guidelines to do competency at low cost:

- Identify a role that is relatively well-understood by all individuals in the organization. Work out for this role and give it as an illustration. For example sales executive, production supervisor, assistant HR manager, receptionist, transport manager etc. are known to all and easy to profile.

- Identify competencies for the role selected, if necessary, with the help of job analysis specialist or an internal member who have the knowledge of competencies.

- Circulates to others and ask various departments to do it on their own. Circulate samples of competencies done by others. Illustrate knowledge, attitudes, skills, values etc.
4.6.6 Classification of Competencies

Competencies can be broadly classified into three categories namely:
(i) Organizational competencies, (ii) Job related competencies, (iii) Personal competencies includes Threshold competencies and Differentiating competencies.

i. Organizational Competencies: Organizational competencies are unique factors that make an organization competitive. According to C.K. Prahlad and Hamel who wrote the famous book “Competing in the future”, organizational competencies:

- Provide potential access to a wide variety of markets.
- Make a significant contribution to perceived customer benefits of the end product.
- Are difficult for competitors to imitate.

Organizations need to focus their efforts in the area of their competencies and strengthen them and outsource the other activities. This is very important as these competencies are fundamental to the success of the organization. Some of the examples for organizational competencies include Sony-miniaturization, Phillips-optical media, Honda-engines, and Intel-microchip.

ii. Job Related Competencies: Job related competencies are those competencies which are required for performing a specific job. These are the competencies someone must demonstrate to be effective in his job/role, task or duty. Thus these competencies are job or role specific and vary from job to job. A competency model can be used to develop specific job related competencies and come out with a competency
dictionary. These competencies are organization specific as roles and responsibilities may vary from organization to organization even though the job title may be the same. Job related competencies may become the criteria for most of the HR functions like selection, Training and development, performance appraisal, compensation etc.

iii. Personal Competencies: Personal competencies are aspects of an individual they include the abilities of individuals to perform the activities within an occupation or function to the standard expected in employment. It includes the various behavioral competencies apart from the knowledge and skill level of an individual. These competencies includes-

- Personal competencies like developing oneself, taking initiative, delivering results, showing commitment, and adaptability.
- Interpersonal competencies such as relationship building, advising, team orientation, service orientation, cultural awareness, communication, and openness.
- Information oriented competencies like strategic thinking, business understanding, conceptualizing, innovation, processing, analyzing and comprehending.
- Management competencies such as leadership, directing, building teams, facilitating performance, motivating, guiding people, and transferring knowledge
4.6.7 Benefits of Competencies

In a competency-based system, both the employer and the employee benefit. This is a result of establishing a transparent blueprint for recruitment, job expectations, job performances evaluation and advancement path. Personal judgment and subjectivity are minimized, creating a more positive work environment and a stronger relationship between employee and employer.

- Reduction in staff turnover, recruitment costs, training costs, etc
- Improvement in productivity, performance, training and development
- Reliable and consistence performance data across cultures and geographic borders
- Delivery of comprehensive training & development plans
- Creation of training & development processes that identify and deliver the most effective sessions
- Identify employee’s capabilities for an organization’s future needs
- Analyzing capability gaps.

4.6.8 Models of Competencies

The models of competencies are behavioral and functional competencies

i. Creativity: Creativity is the act of turning new and imaginative ideas into reality. Creativity is a crucial part of the innovation equation. Creativity is a core competency for leaders and managers and one of
the best ways to set your company apart from the competition. Corporate Creativity is characterized by the ability to perceive the world in new ways, to find hidden patterns, to make connections between seemingly unrelated phenomena, and to generate solutions.

ii. Self-confidence: Self-confidence is extremely important in almost every aspect of our lives. Self-confidence is considered one of the most influential motivators and regulators of behavior in people's everyday lives. It also associated with the life of an employee because self-confidence can contribute to the determination of an employee to increase the productivity of a company.

iii. Teamwork: Teamwork is used as the most popular and effective way of improving organisational health. This has resulted in the recognition that people are the most important resource in an organisation. Using their knowledge and experience in the most productive way leads to quality improvements in products and services. Teamwork also can benefit the organisation and the members of the teams. However, commitment and a good infrastructure are needed for consciously develop teamwork.

iv. Influence: Influencing is the ability to impact and influence others is often the number one competency in helping, service, managerial and leadership roles. Influence as a competency is the ability to persuade or convince others to support an idea, agenda or direction. It involves taking a variety of actions to influence others including establishing credibility or using data to directly persuade or address a person’s issues or concerns. Learning to increase the ability to impact and influence others can make a big difference to your career success.
v. Problem Solving: Problem solving is the most basic and most important human mental activity. HR professionals are hired to supervise a particular aspect of an organization, and problem solving is an important part of this responsibility. Often the most creative HR professionals make the most effective problem solvers. These HR professionals have mastered the art of recognizing problems and tackling them, logically and creatively, before they get blown out of proportion. Problem solving itself can create further problems, depending on the methods used, and so the HR professional must tread carefully. Here the HR professional’s responsibility is immense. Human resources professionals must aid their team members in developing their own problem-solving abilities.

vi. Interpersonal Skills: Interpersonal skills are the life skills that use every day to communicate and interact with other people, individually and in groups. Interpersonal skills include not only how the people communicate with others, but also the confidence, and the ability to listen and understand. Problem solving, decision making and personal stress management are also considered interpersonal skills.

vii. Business Knowledge: It represents the ability to understand business including the market and its segments, the products and services offered, the customers and their business and business model itself, value creation as opposed to cost effective HR. It happens when HR managers demonstrate their understanding of business while designing and delivering HR system and process. All business decisions have people issues and it is important that HR professional provides appropriate input to evaluate the implications of such issues.
viii. Change Management: Change management refers to the ability to diagnose design and deliver change processes for organization’s culture transformation. The key message for HR manager is that winning organization differ from losing ones only in their ability to respond to the pace of change. Any change in system, policies and processes has to have people acceptability for them to be successful. HR has a crucial role in preparing people for the change, educating them of the advantage and implication of a new system and clarifying issues that may arise in the implementations and competencies building.

ix. Execution Excellence: It refers to the ability to consistently deliver on time on commitments to internal and external customers. HR system and policies that inhibit speed in the organization will be eliminated. In the process HR staff necessary to administer and audit those system will be eliminated. HR professional must begin to question and change the basic premises and assumptions on which organizations must exist.

x. Personal Credibility: Personal credibility refers to demonstrate high integrity in personal and professional transaction with others. As a key competence for HR managers personal credibility is of paramount importance as it earns trust and respect of people they work with be it superior peers and juniors.

xi. Relationship Management: It refers to the ability to develop effective relationship with internal and external forums. As organizations are often described as a network of roles-conflicts is an integral part of the organization. Since these are people sensitive issues, right mix of behavioral and functional skill are required to address these conflicts tactfully. Relationship management no wonder becomes focused area
of HR and HR professional need to acquire an expertise in these areas for an effective interface with internal and external environment.

4.7 Building Change Competence in Employees

The following list defines the requirements for building change competency in employees. It uses the ADKAR model as a framework. The requirements must be filled in sequential order. In other words, only when the first requirement is met should you move to the second requirement.

i. **Awareness:** Employees are aware of the significant role they play in the overall change management process. They understand that change is the norm, not the exception. They also understand that some changes may happen quickly and without warning. Employees expect change, and understand that their change competency is part of their job responsibility. Employees are aware that they collectively produce business success and understand the need to change to keep pace with changing market conditions.

ii. **Desire:** Employees are committed to building change competency. They understand the business risk of not building this competency into the organization, and understand the personal consequences for them (both good and bad) that create a desire to develop this competency. Employees recognize that being able to adapt to change is part of their job responsibilities, and that doing their job well requires constant adaptation and change. They see evidence that adaptability and change competence is part of their overall performance evaluation.

iii. **Knowledge:** Employees understand how to cope and thrive in a changing environment. Tools like the ADKAR model of change are
provided to employees and are part of the coach-employee relationship. Employees understand the tools and resources they have to assist them through the transition. They know how to identify where they are having problems and know how to seek solutions. Employees have the skills, behaviors and knowledge to be change competent.

iv. Ability: Employees have a chance to practice and fail in a non-threatening environment. They have been given the appropriate coaching and know where to go for help.

v. Reinforcement: The values of a change-competent organization are factored into the job descriptions, compensation and reward schemes for employees. Their direct supervisors provide guidance and opportunities to practice the skills needed to support constant change.

4.8 Dimensions of Competency

The concept of competency includes all aspects of work performance and not only task skills. The assessment of competency should involve a demonstration of competence in all of the dimensions of the competency, including: Task skills, Task management skills, Contingency management skills, Job/role environment skills and Transfer skills

i. Task Skills: Undertaking the specific task/s required to complete a work activity to the required standard. This means being able to perform the individual actions as well as the whole task.

ii. Task Management Skills: Managing a number of different tasks to complete a whole work activity. This means working efficiently to meet deadlines, handle a sequence of interrelated tasks, and progress smoothly between tasks.
iii. **Contingency Management Skills**: Responding to problems and irregularities when undertaking a work activity, such as: Breakdowns, Changes in routine, Unexpected or atypical results or outcomes and Difficult or dissatisfied clients.

iv. **Job Role/Environment Skills**: Dealing with the responsibilities and expectations of the work environment when undertaking a work activity, such as: Working with others, Interacting with clients and suppliers, Complying with standard operating procedures and Observing enterprise policy and procedures

**Conclusion**

Banking services growth in India is closely associated with the employee competency in the respective organization in the form of its productivity and profitability. Banks in India generally appoint well-educated and technically sound work forces for execution of their financial operations. Thus, it can be rightly said that banking is a knowledge-intensive, skills-based and relationship-rich industry. In an increasingly complex and a more liberalized environment, the competitiveness of banking institutions will depend critically on the quality of human intellectual capital and the extent to which the industry is able to leverage on these talents. To compete effectively, banking institutions need professionals with the requisite skills and expertise not only at the strategic and management level, but also at the technical and operational levels. Thus, it can be rightly said that with the changing environment both public and private sector banks have opportunities and at the same time have to face the threats that have been posse by the HR resources imbalances. Strengthening the employees’ competency is the only possible solution by which the banks can determine its future growth
prospects. Competency always contributes to the high levels of performance between individuals as well as organization.

Chapter V and VI provide a detailed empirical analysis on the employee competency of selected banks headquartered in Kerala. The analysis of chapters also provided detailed empirical discussion on employee behavioural competency based on will parameters and skill assessment.