

Digitalisation and Human Resource: Challenges & Opportunities in Indian Rural Banks

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ABSTRACT

The banking system in India encompasses a huge canvas of history, which covers the standard banking practices from the time of Britishers to the reforms period, nationalisation to privatisation of banks and now increasing numbers of foreign banks in India. The modern world within which we live is dominated by the concept called "Digitalisation". The modern world within which we live is dominated by the concept called "Digitalisation". The business profile of banks has transformed dramatically to incorporate non-traditional activities like merchant banking, mutual funds, new financial services and products and therefore the human resource development. The changes staring within the face of bankers relates to the elemental way of banking-which is undergoing rapid transformation within the world of today. The key challenge faced by banks today is to shield the falling margins thanks to the impact of competition. Another significant impact of banks today is that the use of technology. The concept of digitalisation has been playing major role all told sectors of the economy and banking sector isn't exception to that. Digitalisation has become decisive for Indian Banking sector, which plays major role in furthering financial inclusion and which is principally concerned with providing better services to customers together with a chance to achieve more in near future. All this can be possible with the assistance of efficient human resource management. However, the challenges faced within the HR front are numerous and want to be handled diligently, this paper attempts to spot few HR challenges with-in the Indian Banking Context and suggests mechanisms to handle them. Even though Indian banking sector is moving towards digitalisation, there are various issues and challenges to be ad-dressed, especially in rural banking. This conceptual research paper is a shot made to research the problems and challenges within the area of Digitalisation and Human Resource of Rural Banking and to achieve a replacement perspective in this area.

1. Introduction

Since 1991, India has been engaged in banking sector reforms geared toward increasing the profitability and efficiency of the 27 public-sector banks that controlled about 90% of all deposits, assets and credit. There has been radical and perceptible transformation within the operational environment of the banking sector.

In the fast-paced world digitalisation is playing a prominent role. At most all the sectors of the economy depends on digitalisation for his or her growth and banking sector isn't exception thereto. The countries which are easily adapting to that are performing exceptionally well compared to those countries which are lagging behind in adopting digitalisation. The banking sector which is termed because the sector of development of all other sectors, thanks to the financial assistance it provides for other sectors and thereby encouraging capital formation. Although India is one in all the fastest developing countries within the world, it's lagging behind within the implementation of digitalisation to banking sector. It's true that digitalisation of banking will bring revolution within the economy; there's a requirement to require some important steps in digitalising rural banking. Still 19% population remains unbanked even after the implementation of Jan Dhan Yojna by the central government consistent with the study conducted jointly by The Associated Chambers of

Commerce & Industry of India and Ernst and young India (ASSOCHAM-EY) report 24th July 2017.

Some of the problems within the banking sector are: responding to intense competition, changing customer profile, increasing role of IT, innovation, profit orientation aspects etc. These developments have implications not just for present but also for the long run in terms of operational aspects. The qualitative aspects of change include prudential norms like asset classification, provisioning capital adequacy, risk management requirements, transparency, corporate governance, changing regulatory supervisory systems etc. This conceptual paper highlights the varied issues and challenges in implementing digitalisation with human resource of rural banking.

2. Importance of Digitalisation of rural banking

Digitalisation of rural banking is incredibly helpful in financial inclusion and helps the economy to grow faster with the event of all other sectors. A number of the significances of digitalising rural banking are:

1. Expands effectiveness: digitalisation of banking builds the productivity in banking segment and empower smoother exchanges.
2. Quick and irate: digitalisation will decreases the hour of exchange and in this manner supports simple

progression of assets contrasted with conventional banking.

3. Immense inclusion: digitalisation of banking covers enormous number of individuals and has wide coverage.
4. Improves the quality: Digitalisation will improve the nature of administration of the financial division contrasted with customary banking.
5. Less human mistake: Digitalisation of banking keeps up legitimate records of exchanges and in this way diminishes the human blunder.
6. Environment friendly: As digitalisation of banking saves paper and trees it's more of environment friendly.
7. Increase Investment: Digitalisation of banking results in quick and simple access to varied banking services and thereby increases the investment activities within the country.
8. Less cost: Digitalisation of banking reduces the value of printing currency notes as there's no usage of money and fewer cost in maintaining records as its available online.

3. Objectives

1. To analyse different challenges in implementation of digitalisation in rural banking.
2. To analyse the factors influencing the Digitalisation of rural banking- like Communication networks, education, occupation, income, gender, socio-economic status.
3. To analyse the Human Resource issues in implementation of digitalisation in rural bank India.
4. To investigate probable areas which require to be focused for implementing digitalisation of rural banking and helping in making India a digital India.

4. Challenges Faced by Indian Banking Industry

Banking in India is mostly fairly mature in terms of supply, product range and reach, although reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to possess clean, strong and transparent balance sheets relative to other banks in comparable economies in its region.

Consequently, we've seen some samples of inorganic growth strategy adopted by some nationalised and personal sector banks to face upcoming challenges in banking system of India. as an example recently, ICICI Bank Ltd. merged the Bank of Rajasthan Ltd. so as to extend its reach in rural market and market share significantly. bank of India (SBI), the most important public sector bank in India has also adopted the identical strategy to retain its position. it's within the process of acquiring its associates.

5. Digital Banking Services

There are various digital banking services which are provided by the banks to its customers a number of them are- National Electronic Fund Transfer, Real Time Gross Settlement, Debit and Credit Cards, Mobile Banking, Inter Bank Mobile Payment System etc., Implementing these services in

rural areas of India aren't that easy from banks perspective as there are various issues and challenges needed to be addressed.

6. Issues and challenges in Digitalisation of rural banking

it's evident that usage of digital banking services needs the education. in line with the Survey report 29% of rural population lack literacy, which is that the greatest challenge in implementation of digitalisation to rural banking. the main points are a part of a survey on 'Social Consumption: Education' during the National Sample Survey (NSS) 71st Round, January to June 2014, conducted by the National Sample Survey Office (NSSO) under the Ministry of Statistics and Programme Implementation.

Lack of infrastructural facilities: Digitalisation of rural banking requires the provision of Infrastructural facilities, here we are considering mainly the Electricity and communication networks. Nearly 96% villages in India are electrified but only 69% of homes have electricity connections, in line with the planet Bank report. Less number of individuals using smart phones: the amount of individuals in country using smart phone is incredibly less which is that the big hindrance in implementation of digitalisation of rural banking. Lack of banking habits among rural people, majority of the people in geographical area don't have access to banking due to the dearth of banking awareness and lack of economic literacy. Network issues in rural areas, there's an issue of communication networks due to which here is lesser digital payments in rural areas which must be addressed. Lack of monetary literacy: the financial literacy among rural people is incredibly less, because of which people aren't alert to different types of making payments Cash economy, rural India mainly depends on cash than digital cash to satisfy their daily need as the transaction happens mainly with help of money or barter form. Volume of transaction: the amount of transaction in geographic area is incredibly less thanks to lesser demand for the products and low level of income. Customer resistance to new technology: the agricultural people don't change so easily within the case of usage of technology, as lack of awareness on usage of digital banking services. Cost of economic services: the price of providing financial service is just too high in geographical region because of lack of infrastructural facilities and low volume of transaction in geographical area.

7. Human Resource Management

Gelade and Ivery (2003) examined relationships between human resource management (HRM), work climate, and organisational performance within the branch network of a retail bank. Significant correlations were found between work climate, human resource practices, and business performance. The results showed that the correlations between climate and performance can not be explained by their common dependence on HRM factors, which the info are according to a mediation model within which the consequences of HRM practices on business performance are partially mediated by work climate.

Bartel (2004) studied the link between human resource management and establishment performance of employees on the manufacturing sector. employing a unique longitudinal dataset collected through site visits to branch operations of an outsized bank, the author extends his research to the service

sector. Because branch managers had considerable discretion in managing their operations and employees, the HRM environment could vary across branches. Site visits provided specific samples of managerial practices that affected branch performance. An analysis of responses to the bank’s employee attitude survey that controls for unobserved branch and manager characteristics shows a positive relationship between branch performance and employees’ satisfaction with the standard of performance evaluation, feedback, and recognition at the branch—the “incentives” dimension of a high-performance work system. In some fixed effects specifications, satisfaction with the standard of communications at the branch was also important.

8. Skilled workforce

HR practices and training is engaging the immediate attention of banks nowadays. HRM strategies include managing change, increase a team of committed human capital and improving team work. Knowledge levels are important and sufficient training should be afforded to the staff. the prevailing staff will must upgrade their skills to stay pace with the sweeping changes that are going down on the technology front in Indian banks. Only this can help in improving the standard of service to the shoppers still as justify the investments made in technology and also the salaries paid.

The human resources of a corporation constitutes its entire workforce. Human resource management (HRM) is liable for selecting and inducting competent people, training them facilitating and motivating them to perform at high levels of efficiency, and providing mechanisms to confirm that they maintain their affiliation with the organisation. Human resource management is additionally an art of developing people and their potentialities for his or her personal growth and for the expansion of the organisation. it’s a process of bringing people and organisations together to make sure that individual and collective goals are closely aligned.

People have always been considered as critical in an organisational set-up. Unlike other resources, like technology, finance, and materials, which may be purchased human resource could be a critical and sensitive element, and it has to be handled with care. Often, organisations are concerned not only about employee productivity but also about employee commitment and harnessing their potentialities for max growth.

9. HR Issues/Challenges in Banking

According to the Hudson report (2008) the critical HR challenges are hiring right staff, retaining talent, cutting staff, staff development, salary inflation, external threats, etc.the other challenges are Changing working conditions, re-skilling, compensation etc. handling the huge technology adoption programme – change management from employees’ still as customers’ perspectives. a number of the management concerns are:

- Marketing HR services
- Human assets
- Man-power planning
- Talent management
- New approach to performance management
- How HR can act because the ‘corporate glue’ or ‘organisational conscience’
- Making the foremost of human capital
- Customers- who are they, and what do they want?
- Towards a framework for continuous development and learning
- Challenges facing HR today – attracting, retaining and motivating talent
- Implementing recruitment and resource-based strategies
- Where HR fits within the modern financial organisation
- Managing people and linking with technology in banking operations must be prioritised.

Table: SWOT Analysis of Indian Banks (In HR Context)

Strength	weakness
<ul style="list-style-type: none"> • High skilled personnel in middle and low levels in the banks. • Aggression towards the development of the existing standards • Strong regulatory impact by central bank to all banks for implementation • Presence of intellectual capital to face the change in implementation with good quality 	<ul style="list-style-type: none"> • Poor technology infrastructure • Presence of more number of smaller banks that would likely to be impacted adversely. • Poor compensation system • Poor talent management.
Opportunities	Threats
<ul style="list-style-type: none"> • Availability of fresh talent to strengthen the bank operations. • Increasing risk manage expertise. • Need significant connection among business, credit & risk management and information technology 	<ul style="list-style-type: none"> • Inability to meet additional capital requirements. • Huge investment in technologies. • Entrance of foreign banks to capture talent HR. • Increasing the cost of human capital.

Source: Jagannath Mishra & Pankaj Kumar Kalawatia: Basel II: Challenges Ahead of the Indian Banking Industry 2008

SWOT analysis indicates number of strengths and opportunities to grow within the competitive direction.

However, the weakness and threats also are serious and want attention immediately. While there's presence of intellectual capital, there's also a threat of skyrocketing the price of human capital.

Talent management has been neglected over the years. The compensation systems must tend a fresh look. Technology upgradation and interaction must be dropped at international standards. The presence of competitions from public and personal sphere proves to be a significant threat to performance in banks.

10. Conclusion

This conceptual paper highlights mainly on the implementation of digital banking in rural India and various issues and challenges have to be faced in implementing. This paper also stresses the importance of usage of digital banking services in country and thereby contributing to the expansion of the country. Demonetisation which happened on 8th November 2016 is that the best evident of importance of digitalisation in banking sector especially in rural India which mainly relied on cash for the various sorts of transactions. It's evident from the developed countries that digitalisation plays a dominant role within the development of a rustic. Digitalisation of banking is incredibly important for the event of the country and for financial inclusion. Capital formation depends mainly on the savings of the people and investment activities. Due to lack of

awareness among rural people on the digital banking services and lack of required facilities for the usage of digital banking services the saving rate is a smaller amount and since of lesser saving habits the investment activity also reduced which is that the main reason for the backwardness of rural India.

This conceptual paper are going to be helpful for both banking sector in taking necessary measures like creating awareness among people on importance of digital banking services, increasing financial literacy through various modes of making awareness among the agricultural people. It's also helpful for presidency in taking necessary measures for implementation of digitalisation to rural banking like providing proper infrastructural facilities especially, building communication networks together with electrification of country, which is that the main pillar of success for implementing digitalisation to rural banking in India.

Banks in near future will need to address compensation issues, flexible work schedules, outsourcing and retaining talent. To face the challenge, bank requires enhanced skills, new knowledge and behavioural adjustments of human resources. This text discusses the assorted challenges and opportunities like rural market, transparency, customer expectations, management of risks, growth in banking sector, human factor, global banking, environmental concern, social, ethical issues, employee and customer retentions. Banks are striving to combat the competition. The competition from global banks and technological innovation has compelled the banks to rethink their policies and methods.

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