CHALLENGES FOR INDIAN BANKING SECTOR: SOLUTION LIES IN REFORMING H. R. PRACTICES IN THE SECTOR

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ABSTRACT

Financial sector reforms were initiated as part of overall economic reforms in the country. Wide ranging reforms have been carried out in industry, trade, taxation, banking, insurance service since mid 1991. Two decades of economic and financial sector reforms have strengthened the Indian economy and transformed the banks and financial institutions in the country. Significantly, the financial sector reforms have improved the financial health of the banking sector. Key areas like capital adequacy, profitability, asset quality and risk management have shown remarkable improvement. De regulation has created new opportunities for the banks to increase revenue by undertaking new business like investment banking, insurance credit cards, depositary services, mortgage financing securitization etc. As a result there has been increasing competition among banks and mutual funds, NBFCs, Post office etc. Increasing competition is having negative effect on profitability and forcing banks to work efficiently. But there is a greater choice available to the customers. Indian Banks are benchmarking themselves against global standards despite intensification of competition and introduction of prudential norms, the Indian Banking sector is facing a lot of challenges. They are a) Improving profitability b) Technological upgradation, c) Improved risk management practices d) Greater customer satisfaction e) Corporate governance. These far reaching changes in the banking sector need a fundamental shift in the set of skills required in banking. Banks are facing the twin challenges of increased competition and managing risk. In this overall context, the HRD department of the banks need to be strengthened in terms of HR practices, training needs, compensation package. The HR practices prevalent among banks should be reoriented to meet the emerging challenges in the banking sector.
KEYWORDS: Liberalization, Banking sector reforms, prudential norms, Deregulation, competition, Information technology, human resources practices.