



**HUMAN RESOURCE MANAGEMENT PRACTICE IN RETAIL BANKING: CHALLENGES AND
OPPORTUNITIES IN INDIA**

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Abstract

Service sector has been driving India to a better position in terms of economy especially in banking in comparison with Industrial and agriculture sectors. Under the different models and strategies adopted by the banks, their performance across retail banking business lines and also derive the inference for the future. , the retail banking sector has been continuously securing good position in terms of employment and as well as contribution to India's GDP. Banking sector has been observing tremendous changes with the entry of organized retail Banking. The various challenges and opportunities in retail banking. In the area of cut throat competition in organized retailing especially in 21st century, the Need for effective Human resource Management practices (HRM practices) has been increasing rapidly. The present study is a research based study primarily focuses on analyzing the HRM Practices and certain measures for the future growth of retail banking in India. Further, the study will bring a retail banking scenario in India.

KEYWORDS: Attrition, GDP, HRM, Special Tellers, Technology.

Introduction

Human resource management (HRM) practices are most effective when matched with strategic goals of organizations. HRM's role in the company's success is growing rapidly with the growth in many sectors in the present globalized era. HRM is a vital function in organizations and becoming more important than ever. The HRM practices are crucial in designing the structure for man power, staffing, performance appraisal, compensation, and training and development. HRM practices are a primary means for defining, communicating and rewarding desired role behaviors and desired role behaviors are a function of organizational characteristics. Innovative HRM practices can play a crucial role in changing the attitude of the companies and its employees in order to facilitate the entry and growth in the markets. The HRM practices in service sector especially in the area of retailing have found significant importance in the present scenario. The retailing is one of the service sectors where the need of qualitative human resources is highly expected. Retailing is an important element of business around the globe. Retailing consists of all activities that result in the offering for sale of merchandise to consumers for their own use. Retailing is the final step in bringing goods to consumer. They sell both goods and services. Retailing is the process of "Sale of goods or merchandise, from a fixed location such as a departmental store or kiosk, in small or individual lots for direct consumption by the purchaser. Retailing may include services, such as product delivery. Buyers may be individuals or businesses; a retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells in smaller quantities or lots to the end –users or consumers. Retailers are the end links of the supply chain as an important part of manufacturing/marketer overall distribution strategy.

1.1 OVERVIEW OF INDIAN RETAIL INDUSTRY

Retail banking is the innovation of the 21st Century. India has experienced a rapid growth in retail banking. Retail banking is a banking service that is geared primarily toward individual customer. It focuses strictly on consumer markets. Retail banking is a mass-market banking where individual customers use local branches of larger commercial banks. The services offered by retail banking includes saving and checking accounts, mortgages, personal loans, debit cards, credit cards etc. It takes care of the diverse banking needs of an individual customer. It provides banking products and services to individuals. Retail banking contains feature like multiple products, channels and customer groups. Most of the Indian banks have been retail banks in their business composition. Retail banking in India is growing and the same expected in the future. The various reasons for the growth of retail banking in India are:

- * Technology.
- * Introduction Private and foreign banks.
- * Increased competition.
- * Innovation in banking products and services.
- * Economic growth.
- * Deregulation of interest rates.
- * Consumerism.
- * Changes in life style of working/middle class.
- * Focus on productivity and profitability.
- * Drive towards low NPAs.
- * Changing consumer demographics.

Retail banking segment in the banking industry is continuously undergoing innovations, product Reengineering, adjustments and alignments. Indian retail banking segment includes:

- * Cards- credit, debit and ATM.
- * Housing loans.
- * Personal loans
- * Consumption loans
- * Education loans
- * Vehicle loans.
- * Insurance.
- * Demat services.
- * Online services.

Retail lending is the buzzword in India. Most banks has retail as of around 20% of their total lending portfolio and these are growing at an unnatural rate of 30 to 35% per annum, Retail lending has been the key profit driver and spectacular innovation in the banking sector in Retailing is one of the pillars of economy because of its 13% contribution to GDP. Though the Indian retail sector is dominated by unorganized sector with 90% share, it is providing immense opportunities for large scale retailers to set-up their operations. The organized retailing sector is steadily increasing with the entry and operations of departmental stores, hyper markets, supermarkets and specialty stores which are replacing the traditional formats dramatically altering the retailing landscape in India. India is the third most attractive retail market for global retailers among the 30 largest emerging markets. The total retail sales in India will grow from US \$ 395.96 billion in 2011 to US \$ 786.12 billion by 2015, according to the BMI India Retail report from the third quarter of 2011. Robust

economic growth, high disposable income with the expansion in middle and upper class consumer because, the report identifies potential in India's tier-II and tier-III cities as well. The greater availability of personal credit and a growing vehicle population providing improved mobility also contribute to a trend towards annual retail sales growth of 12.2 percent. An increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 35 percent annually while growth of unorganized retail sector is pegged at 6 percent. Though the retailing sector is growing rapidly, some of the constraints are restricting its growth. Apart from the regulations and approval for Foreign Direct Investments (FDIs), the sector is strongly lacking the effective human resource practices. The problems of lack of trained work force, low skill level for retailing management, lack of development programmed to the existing human resources and problems in retaining qualitative manpower are some of the obstacles creating huge challenges to the Indian retail sector. At present, to overcome some of the challenges faced by retail, the companies are investing heavily in training and recruitment of qualitative work force.

1.2 REVIEW OF LITERATURE:

Some of the selected references relating to the present research papers are given below. These have provided the bases for analyzing the HRM practices in retail sector. Susan E.Jackson et al. (1992), in their paper titled "HRM Practices in service based organizations: a role theory perspective" focused on the importance of the human resource management practices especially in the service based industries like retail sectors. The paper highlighted on the emerging issues, challenges ahead for the service organizations in retaining and succeeding in the competitive business. Ashok Som (2006) in his article titled "Bracing for MNC competition through innovative HRM practices: the way ahead for Indian firms" highlighted not emerging issues of MNCs in Indian market. The paper highlighted the prospects and retrospects of the competition and entry of MNCs in retail and other service units. Derek et al.(2006), in their paper titled " How does employee involvement stack up? The effects of Human resource management policies on performance in a retail form" focused on the need for effective practices in maintaining the employees in the organizations. The paper focused on the problems and prospect that arise in retail firms. The report of CII (2008) on "Retail in India: Getting organized to drive growth" emphasized on changing practices in retail sector in India. The report gave due importance for the need for organized retailers entry in India. The report also pointed out that effective management of human resources of retail outlets is one of the key considerations for the success of the organized retailers for sustainable growth in India. The study made by

“Dr.Manisha Kotagire.A (2011) on “Human resource management (HRM) and its productivity” revealed that HRM is vital for determining the productivity of the organizations. The study focused on the components of HRM and concluded that employee retention ratio is directly proportionate to the manner in which the employees are treated, in return for their imparted skills and experience.

- International literatures and also literature on the Indian retail banking space available from various sources as per details below were reviewed to have an understanding of the international practices and strategies.
- Research Reports on different facets of Retail Banking across the globe by renowned consulting agencies, Universities and domain players in the technology space.
- Reports in Journals carrying special reports of banking in general and retail banking in particular.

Articles in different Journals, Business / Financial Papers covering the different facets of retail banking across the globe and India and also Annual Reports of public and private sector banks in India.

1.3 STATEMENT OF THE PROBLEM

In the present competitive scenario, the role of retailing is increasing rapidly with the entry of global players. Many Indian companies strongly keeping their aim on entering in retail industry. With increasing globalization, firms are entering a dynamic world of international business that is marked by liberalization of economic policies in a large number of emerging economies like India. To face the challenge of increasing competition that has resulted from liberalization, Indian organizations have initiated adoption of innovative human resource management practices both critically and constructively to foster creativity and innovation among employees. The huge opportunities in organized retailing encouraging the Banking companies to enter in retail banking industry. The last 2 decades has witnessed the tremendous potential for organized retailing. The growing needs of retail Banking can be matched up with the aggressive human resource practices. The present retail organizations which are performing organized retailing are facing huge challenges in procuring and retaining and maintaining qualitative human resources. Hence, an attempt was made to analyze the various human resource practices followed in select retailers in organized retailing.

1.4 RESEARCH OBJECTIVES

- The major objective of this study is to study the human resource management practices pursued in the organized retailing. The study covers the retailer wise employee satisfaction on the various HRM practices employed in the retail Banking Institution and Outlets.
- Further, the study is also aimed at studying the various problems and challenges ahead for HR managers in the implementation of HRM practices in selected organized retail outlets.

1.5 RESEARCH METHODOLOGY

The present research paper is an empirical one. The survey for the present research is conducted through primary data with the help of a questionnaire surveyed to employees of select organized financial retailers Company. The sample taken for the study consisted of 100 which include daily wage workers (agents) and employees from the select retail banking situated in Moradabad city.

And also taking secondary data with the help of journal, article and websites.

1.6 ANALYSIS AND DISCUSSION

The research survey is conducted in order to analyze the various Human Resource Management (HRM) practices adopted in the select organized retailers. For the purpose of studying the HR practices implemented and to evaluate, the following organized retailers are selected.

Table:1 A). ORGANIZED RETAILERS SELECTED FOR THE STUDY

S.NO.	Name of the organized Retailer	Company Name	Places	District	Sample Size
1	Reliance Capital	Reliance Industries Limited	Delhi road	Moradabad	40
2	BNP Paribas	BNP Paribas (Bank of the West)	Civil Lines	Moradabad	25
3	State Bank of India	State Bank of India	Kath Road	Moradabad	10
4	Reliance Fresh	Reliance Industries Limited	Kath Road	Moradabad	25
Total					100

Source: Field Survey

Table: 2 B). EMPHASIS ON EMPLOYEES SHARE ON DIFFERENT ASPECTS

Name of the retailer	Share of Part Timers	Specialty Tellers	Typical New Hire	Extra Selection Test	Incentives Based Pay	Hours Orientation Period	%in employee Involvement
Reliance Capital	20%	18%	Graduate	NO	Yes	12	61-80%
BNP Paribas	12%	10%	Graduate	No	Yes	10	21-40%
State Bank of India	NA	16%	Graduate	Yes	Yes	10	21-40%
Reliance Fresh	22%	26%	Under Graduate & Graduate	No	yes	12	41-60%

NOTE • Share of part-timers refers to the percentage of employees work fewer than 5 hours a week.

- Specialty tellers (Bankers) refer to the percentage of tellers that perform only a subset of teller tasks during a typical shift.
- Typical new hire gives the highest education level of the typical new employee
- Extra selection test refers to the use of additional selection procedures beyond background reviews, skills tests and personal interviews.
- Incentive-based variable pay refers to the presence of any incentive pay program other than standard merit pay.
- Orientation period refers to the hours a new employee spends in training before beginning work.
- % of Employee Involvement refers to the percentage of employees involved in group problem-solving, quality circles, or other similar activity.

From the above table, it is evident that Reliance Fresh is on top in terms of share of part timers, i.e., the percentage of employees work fewer than 5 hours a week. Again Reliance Fresh is leading in terms of specialty tellers, i.e., the percentage of tellers that perform only a subset of teller tasks during a typical shift. And SBI Bank on Retailing showed that the education level for its employees begin with graduation which is least educational qualification compared to the employees of other retail outlets and banking companies , as the employees highest education level starting from Graduation and whereas the Reliance Fresh is achieved new hire.. And also

SBI Retailing is engaging the employees through Extra Selection Test. whereas other retail outlets are not concentrating on extra selection test while recruiting the employees. And from the survey, it was found that all the retail outlets are adopting incentive based pay to its employees. When it comes to Orientation period, Reliance Fresh is making the employees to get accustomed to the work activities. Finally, the employee's involvement statistics clearly showing that the employees of Spencer have more commitment towards problem solving and other activities.

1.7 PROBLEMS & CHALLENGES AHEAD:

Human resources people are the backbone of any company and the success of retail business depends a lot upon the kind of human resource strategies it is following and how people are managed. Because of increasing competition between organized retailers, the retail industry is facing the challenges and hurdles from different areas. From the survey on select organized retailers, the following observations were made.

1. HIGH ATTRITION: Employee retention and motivation of staff has become the major concern for HR department in the organized retailing sector. Because of the strenuous schedules and tasks involved in the retail industry, it becomes imperative for HR staff to take good care of their employees who form the building blocks of their retail chain. The undercurrents among the employees regarding company policies are many and they must be felt from time to time to sustain the quality crowd and reduce the attrition rate. From the report of Retailer, it is found that the attrition rates are comparatively high when it comes to the retail industry in India. The attrition rate in the Indian retail industry is 30-35 percent. The main reasons found to be the typical nature of job where a particular employee of an organized retail company need to work on his feet the whole day and the job is reaction intensive and the business is mainly transactional.

2. TRAINING FOR COMPETITION: The need for efficient trained sales team is of great importance in the organized retailing at present. For every retail organization, the secret behind the success of their business is to keep the list of their loyal consumers interact. The need for a well designed HR practices are greatly needed for proper training to the newly recruited people to the retail organization. Providing training to the sales staff plays a significant role in every business operation. Nowadays, the organized retailers are looking at a sales training company to help the sales staff gain more proficiency and expertise in their respective field.

3. OBSERVATIONS FOUND IN TRAINING SESSIONS OF SELECT ORGANIZED RETAILERS: From the field based survey, it was found that the organized retailers at Warangal District, apart from using the services of outsourcing firms to train its sales people, they are also using some of the innovative new training techniques to the staff. The techniques which are observed during the survey are:

a). STRESSING UPON BENEFITS OF ADVERTISING: The HR managers and trainers are emphasizing upon making the sales people to think and act innovatively in designing the retail out let and as well as attracting the customers through innovative promotional strategies. The trainers are focusing on making the staff to effectively use advertising as a tool to enhance sales, promote growth, and attract new consumers.

b). COUNTING THE CUSTOMERS: In this, the retail firms and the trainers are making the staff of the retail organization to increase the customer relationship management. Through effective training, the trainers are working on highlighting the components of marketing strategies which the sales people should perform activities of promotion, product development, relationship management, distribution and pricing. The trainers are making the retail staff which include sales staff and supporting staff to identify the firm's marketing goals, and are explaining about how the goals can be achieved.

4. ONLINE TRAINING: The trainers of HR department are showing the visuals of well-designed and successfully running retail organization's outlets to the employees in order to make them to realize the importance of the design of retail outlet. Apart from that, from the survey it was also realized that the trainers are focusing on online training which include web based support to enhance the abilities of the staff of the retail outlets.

5. HIGH LABOUR COSTS AND COMPLEX NATURE OF LABOUR LAWS: Because of the increasing competition and the complex nature of the work, the retail outlets are facing the problems of labour costs. Apart from that, various labour laws are giving restrictions to the HR department to achieve desired objectives of the retail organizations. From the survey, it was found that the HR department is facing with the problems like lengthy leisure hours and frequent absenteeism of the employees to the duties. Even, it was found that the existing labour laws in India forbid employment of staff on a contractual basis that makes it difficult to manage employee schedule. Especially, when retail organizations are performing 365- day operation, the problems in encouraging and motivating the employees to perform well is a tough challenge for the HR department.

1.8 FINDINGS & SUGGESTIONS

The human resource management practices are vital for the development of any business or sector. The HRM practices have inevitable dependence on the organized retailers. From the study it was found that, right from new hire to orientation period, there are many differences in the implementation of HR practices in the selected organized retailers. The satisfaction levels of various performance appraisal measures adopted in the selected retail outlets showed that the employees are not only favoured to the incentive plan but also the healthy environment and close relations between the peers are playing vital role for their performance. Further, the supervisor has the key role in taking initiative in the implementation of performance appraisal at the select organized retail outlets. The employee facilities in the select organized retail outlets found to be not satisfactory to the employees of the retail outlets. The HR department is facing the challenges which include high attrition rate, absenteeism, and implementation of innovative practices in the retail outlets. Hence, from the study, it was found that the HR management practices in the select retail outlets are still in the initial stages of development. The employee facilities and proper performance appraisal measures will always encourage the employees to achieve the best. Hence, the retail outlets should decide and implement proper HR practices in order to retain and develop the work force who are the assets for the development of organizations. The government should also need to bring revision of existing labour laws and should provide flexibility in working hours and should encourage with its laws that can bring conducive environment.

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