



## ACHIEVING SUSTAINABLE DEVELOPMENT THROUGH BANKS AND HR CHALLENGES IN ITS WAY

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### Abstract

The Service sector of any country serves as backbone for its economy and banking industry is one of its major parts. Not only this, banking sector has also emerged as the largest and fastest-growing sectors in the economy through its wider coverage of branches and profit. Therefore banking sector can contribute a lot to the sustainable development of the economy by the way of economic profitability, social responsible investment and promoting environment sustainability which is known as Sustainable Banking. The adoption of sustainable banking not only enhances the image of the bank but also contributes to society, protects the environment and makes the overall growth sustainable. The idea of acting and investing in sustainable way is also the surest way to long term profitability of banks. But when it comes to achieving sustainable growth for themselves and contributing in sustainable development of the economy, Indian banks are far behind in comparison to their global peers because of many challenges which they are facing. One of major among these challenges is the challenge relating to efficient use and management of Human Resources (HR). As an effective management of human resources can play a vital role in sound management of banks. This paper is an attempt to study the role of banking sector in achieving sustainable development for the country, HR challenges in this context and how Human Resource Development (HRD) practices can prove to be a solution to all these challenges.

**Keywords:** Banking Sector, Sustainable Banking, Sustainable Development, Human Resources (HR), Human Resource Development (HRD).

### Introduction

Financial stability is one the major factors for accelerating the rapid development of any country and an effective, efficient and disciplined banking system can play an important and active role in achieving economic and sustainable development. Sustainable development refers to achieving economic growth and Development in such a manner that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development). The banking sector has a significant role to play in our future sustainability as it is one of the cornerstone industries of the economy. Banks can do so by adopting sustainable banking policy in which banks not only benefits their customers, employees and shareholders but also pays attention to social responsible financing by lending to priority sector, financing Self Help Groups (SHG) of weaker section and by providing the facility of no frill accounts and promoting environment sustainability by refusing to lend to businesses and industries that does not follows the environmental guidelines of the government, by reducing energy use, by investing and lending renewable and low carbon energy producers, manufacturers of energy saving material and equipment etc.

But there are many challenges before Indian Banks including challenges relating to human resources in adopting sustainable banking policy and Human Resource Development (HRD) can prove a solution to all these sustainable growth challenges as HRD is basically a process through which employees in an organisation are assisted to realise their full potential for performing their present and future jobs, so that they can become capable of achieving their individual as well as organizational goals. The concept of HRD deals with improvement of human quality in general and development of human skills, standards, comprehensions and applications in any organisations in particular.

### Review of Literature

T. Rajesh and A. S. Dileep (2014) in their study on “Role of banks in sustainable economic development through green banking”, says that green initiatives by banks involves internal environment management, environmental financing/product ecology, environmental disclosure, and reporting, formulating and adopting principles and promoting other stakeholders. They also state that since banks are one of the important professional institutions that interact with masses so they are able to adopt green activities within their organisation and influence their customers to come about the environment. U. Sahitya, V. Lalwani and P. Bedi (2014) in their study on the theme “Sustainability in Indian Banking Industry” have attempted to understand and appreciate the importance of green initiatives for the attainment of goals of sustainable banking and determine the various attempts that have been made by the top public and private sector banks in India in the said direction. The study reveals that the banking sector has become extremely conscious of the need to adopt sustainable banking by going green.



In the study entitled, “Green Banking: As Initiative for Sustainable Development”, Ravi Meena (2013) state that The banking sector can play an intermediary role between economic development and environmental protection, for promoting environmentally sustainable and socially responsible investment, banking of this kind can be known as “Green Banking”. The study concludes that for sustainable banking, Indian bank should adopt green banking as a business model without any further delay. In an other study entitled “Indian Banking Sector towards a sustainable growth: A Paradigm Shift”, by Namita Kapoor, Ruchika kaura and Akanksha Khanna (2013), have found that Indian banks in comparison of their global peers, have largely been slow in responding to sustainability concerns and issues despite of their exposure to associated risks and the opportunities create new business avenues, specially public sector banks are ill prepared as far as sustainability issues are concerned. The study suggest that Training and development of relevant skills of bank employees and a paradigm shift in Human Resource management system approach is required to synthesise sustainable issues.

K.K. Paposa and S.S. Paposa (2013) in their paper on “HRD Practices for Sustainable Growth with Special Reference to Indian Service Sector” through the reference of Hudson report (2008), has stated that critical HR challenges in Indian Banking Sector are hiring right staff, retaining talent, cutting staff, staff development, salary inflation, external threats and the other challenges are Changing working conditions, re-skilling, compensation etc. Coping with the massive technology adoption programme- change management from employees’ as well as customers perspective. K. A. Goyal and V. Joshi (2012) in their study on “Indian Banking Industry: Challenges And Opportunities”, have also listed Human Resource Management system as one of the major challenges before banks in India which need to be tackle to get sustainable competitive edge over the intense competition from national and global banks. P. Jyothi and Sree Jyothi (2009) in their study on “HR Issues and Challenges in Indian Banking Sector” have attempted to identify the HR challenges in the Indian Banking Sector context. They have found that major challenges faced by banks is to protect falling margins due to the effect of competition and integration of technological up gradation in general way of functioning of banks. They conclude that banks requires enhanced skills, new knowledge and behavioural adjustments and all this is possible with the help of efficient Human Resource Management system.

The literature review shows that though on one hand there are many studies on topics such as the role of banking sector in sustainable development through green banking, sustainability in Indian banking industry and on Challenges of HR issues in Indian Banks etc. On the other hand there is a research gap on the topic of challenges before banks regarding HR in achieving sustainable growth and how an effective Human Resource Development (HRD) practices can help banking sector in India in contributing to overall sustainable development of the economy. Therefore this paper is an attempt to study that how HRD initiatives can help banks in India in achieving sustainable growth and what are the challenges before HRD System.

### **Objectives of the Study**

The present study is done with the main objective of how Human Resource Development (HRD) practices can help banking Sector in India in contributing to Sustainable Development of the economy. In order to accomplish this main objective following sub objectives are also set out-

- To study the Role of Banking Sector in Sustainable Development of the Economy.
- To know challenges before banks in regarding human resources which hindrance the sustainable growth objective.
- To know how HRD practices can help banks in solving HR challenges and adopting their sustainable development approach.

### **The Role of Banking Sector in Sustainable Development**

In Indian Economy, the banking sector can play an important role in achieving overall sustainable development by adopting Sustainable Banking as banks have a larger socio-economic impact on the society through its wider coverage of branches providing various financial products and services. Sustainable banking is a term according to which the commercial activities of a bank should not only benefit its employees and its shareholders but also its customers and the broader economy simultaneously minimising or preventing any undue effect on society and the environment. It also says that where possible banks should also take initiatives to improve society and the environment. Many initiatives such as Corporate Social Responsibility (CSR), Corporate Responsibility (CR), Corporate Citizenship and Environment and Social Governance (ESG) etc. are included in Sustainability approach. Sustainability banking includes the triple bottom line of financial or economical, societal and environmental dimension.

- **Economical Dimension:** Financial or economical dimension is the most important aspect of sustainability concept says that a bank must provide its various services to its customer properly and responsibly. In addition this it should also provide good working conditions to its employees and profitable returns to its customers. Banks can contribute to overall economic growth of the economy by considering this dimension.

- **Societal Dimension:** This aspect of the sustainability approach requires that a bank through its activities should take positive initiatives steps in providing employment, emphasizing on priority sector lending, helping weaker section of the society by voluntarily lending and charitable giving etc. And bank's activities should not have any negative impact on any section of the society. When it comes to this context, banks have taken up the challenge of social responsible financing up to some extent, by lending to priority sector, financing Self Help Groups (SHG) of weaker section and by providing the facility of no frill accounts etc.
- **Environmental Dimension:** In environmental approach of sustainability banking says that activities of a bank should not have or at least have minimum negative impact on the environment and climate also. In fact in some cases they may try to reverse any damage cause already to environment by taking green initiatives. The banks can do so by not sponsoring loan to any project or industries which is harmful to environment or who is not following the respective environmental guidelines of the government. They can respond to climate change by reducing energy use to minimise emission of carbon dioxide and other greenhouse gases also by investing and lending renewable and low carbon energy producers, manufacturers of energy saving material and equipment, traditional carbon intensive industries and in companies involve in waste and water control.

### HR Challenges in Banking Sector for Sustainable Development

Human Resources are the main ground on which growth and success of any organization stands and without efficient, skilled and well managed human resources any type of growth and development of any organisation can't even be imagined. Therefore, it becomes necessary for each bank to ensure maximum utilisation of each employee capacity, productivity linked incentives, providing opportunities and the right environment for the growth and infusion of fresh talent. But, literature on the issue of achieving sustainable development through Banking sector shows that there are many HR challenges before banks such as hiring right staff, retaining talent, cutting staff, staff development, salary inflation, external threats and the other challenges are changing working conditions, re-skilling, compensation etc. which are a hindrance in attaining sustainable growth. The main HR challenges are listed below-

- **Challenge of Hiring Right Human Resources:** Human resources are considered as the most important components of all the factor of production as without efficient and skilled employees any organization could not run and assessing whether the right person has been selected for the right job is the most prominent challenge before an organization, Therefore, the first and foremost challenge for banks in attaining sustainable growth is recruiting the right persons for the right job. Because until and unless right human resources are hired according to the needs of any organization, its growth can't even be imagine.
- **Problem of Unskilled and Inefficient Human Resources:** Inefficient and unskilled employees are big hurdle for banks to achieve a high growth rate especially in the case of public sector banks.
- **Human Resources Development Requirement Challenges:** In present era of rapid technological and other advancements, it always needed to update and develop human resources according to need of the time. But in public sector banks in India, there is a lack of such development programmes in adequate number.
- **Lack of good working Climate:** There is lack of proper of cooperation, employee growth, better communication channel, and an overall employee favourable climate.
- **Lack of motivation:** Employee satisfaction and motivation is another area of concern for the HR today. HR needs to realize that monetary needs are not the only drive for an individual and that a sense of belongingness must be imbibed in employees.
- **Challenge of Retaining Employees:** With the increase in number of job options available nowadays, there is an evident shift of more talented and efficient employees from banking sector to other sector mainly because of its less attractive compensation system.
- **Other Challenges:** Some other challenges for sustainable development relating to the human resources dimension are lack of proper awareness among staff regarding sustainable banking, changing working conditions, re-skilling, unsatisfactory compensation and benefit system and lack of proper mechanism for handling grievances of employees etc.

### HRD Practices as an Initiative for Sustainable Development

After analysing the HR challenges which are obstacle for banking sector in achieving sustainable growth, it is evident that all these challenges can be well tackle by adopting an effective and efficient Human resource Development System. HRD strives towards comprehensive human resource development based on current requirements and capabilities and future potential of each employee. The various HRD practices that can be adopted are-

- **Selecting the right person for the right job:** It refers to the entire process of attracting, selecting and appointing suitable and efficient candidates for any particular post within any organisation. Therefore if a bank adopts a

recruitment and selection process of hiring employees according to its own specific requirement then the challenge of right person for the right job can be achieved for attaining the sustainable growth.

- **Retaining and Developing employees through Training and Development:** An organization may be able to get the most suited people for our work but then the challenge is to retain these people and to develop them to their fullest potential. So, Training and development becomes the vital part in managing human resources. In this process training is given to employees for the specific task to which they have been assigned. Training is the act of increasing the knowledge and skills of an employee for performing a particular job. Training enables an employee to do his present job more efficiently and prepare himself for a higher level job. Therefore through proper training programmes employees can be trained and made aware about sustainable banking.
- **Performance Management:** Banking sector is one of the most important part of service sector where a great degree of attention is needed to be paid to performance appraisal system. Performance Appraisal is a systematic approach for evaluating individual performance of employees against the beset objectives of the job and the organisation and identifying strengths and opportunities for improvement so that the performance of employees can remain in continuous evaluation and check.
- **Executive Development:** The problem of knowledge updating and developing human resources according to need of the time can be solved through executive development programmes. As it is a planned, systematic and continuous process of learning and growth intended to make behavioural change in employees by cultivating their mental abilities and inherent qualities through the acquisition, understanding and use of new knowledge, insights and skills.
- **Quality Circles:** It is a participative management technique in which a group of workers is formed usually under the guidance of a supervisor or an elected member to solve a quality or performance related problem and present their solution to management for improving the performance of the organization.
- **HRD Climate:** Building a climate of proper of cooperation, employee growth, better communication channel, and an overall employee favourable climate is a task that can be done through adopting Human Resource Development climate. HRD climate can be defined as the perception of employees about the development environment of their organisation. This can include a number of qualities such as importance given to human resources, openness of communication, encouragement given to experiments and risk taking, feedback given to employees regarding their strengths and weaknesses, a climate of trust, faith in employee's capabilities, climate cooperation between employees, team spirit and favourable personnel policies and practices.
- **Compensation System:** Compensation and Benefits system includes the development, implementation and maintenance of a competitive and equitable compensation system. It includes both monetary and non-monetary benefits. A well structured and updated compensation system enables the banks to attract, recruit, motivate and retain highly qualified people.
- **Grievance Handling System:** A grievance is any dissatisfaction or feeling of injustice having connection with employment situation of any employee which is brought to the attention of management. It is also any dissatisfaction that adversely affects organizational relations and productivity. The grievance handling procedure is the method by which a grievance is filed and carried through different steps to an ultimate decision. It facilitates the communication between employees and management and enables workers and employees to complain regarding problems related to employment in an effort to solve it.

### Limitations of the Study

This study is only confined to how HRD practices can handle HR Challenges in banking sector for achieving sustainable development for the economy. It is beyond the scope of this paper to identify other areas where banks might be failing to achieve sustainability objectives and what steps they might take to remedy any such failures or what other emerging sustainability issues that banks are likely to face. This study is not intended to cover entire sustainability banking issue.

### Conclusion

After studying the role of banking sector in sustainable development of the economy and challenges before banks in regarding human resources which hindrance the sustainable growth objective, it can be concluded that Human Resource Development can certainly tackle HR challenges in the banking sector in an effective way through its various practices which will surely lead to achievement of organizational objectives, employee's satisfaction and sustainable growth and development for the economy in the long term.

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