

A Study on HR Challenges Facing by BFSI Sector

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Abstract

BFSI sector is important sector of India economy. BFSI stands for banking, financial services and insurance. This sector helps to provide wide range of financial services and products to customers. Without this sector's effective performance, no other sector in the economy perform effectively. BFSI sector represent the major portion of the India economy. For the smooth running of this sector, there are many departments which work for improving the efficiency of this sector. HR is one of important segment in BFSI sector. Without the effective performance and activities of HR, the sector can't work effectively and satisfy customers. But HR also faces challenges in BFSI sector. The paper is an attempt to HR challenges in BFSI sector. Many challenges are identified through the study and examination of previous studies. Paper will also put light on various suggestions and strategies to dilute these HR challenges in BFSI sector.

Keywords: : *BFSI Sector, Human Resource, Indian Economy, Strategies.*

Introduction

BFSI sector is related to financial services and products. It comprises banks, insurance companies and financial services provider companies. The services of BFSI in banking terms includes core banking services, investment banking services, retail banking services and corporate banking services etc. Apart from banking services, the financial services include mutual funds, payment gateways, stock broking etc. Insurance services include both general insurance and life insurance services (www.bfsissc.com).

The mission of BFSI is to upgrade the services and skills which meet international and global standards. For the better and smooth running of BFSI there is a council for BFSI organisations which bring the leading organisations into a platform and make strategies and plans for the whole industry. The BFSI council upgrade the skills through maintaining standards and upliftment of products and services.

In year 2020, BFSI is valued at Rs. 81 trillion and by the 2025 it is assumed as the third largest sector (www.mbarendevvous.com).

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RBI and other authorised authorities are working for the betterment of this particular sector. Many positive steps are taken by RBI for restoring the unbanked areas into banked areas, amendment bills for banking sector are passed and new licenses are issued to the new players in the banking sector.

BFSI sector in India is growing due to new and updated technology, new services and products, networking, better distribution strategies and increased awareness among customers towards financial products (www.rsm.global). There is huge reform in BFSI sector from past 15 years and expected to more new reforms in coming years as it grows tremendously. Healthy and stable policies of RBI will grow this sector and improve the Indian banking system (www.ibef.org).

Where BFSI sector is growing at rapid pace there also it faces many challenges in terms of customers, policies, management, strategies, unpredictable condition and people working in the BFSI sector. BFSI sector also face huge challenge in the area of HR. HR is important aspect in any organisation which deals with the employees and employees related affairs. Without skilled and competent human resources in an organisation there will be no growth and success of organisation. Although in today's time technology play great role but only technology can't play all roles. To run the technology and to measure the output there is a need of human resources in the organisation.

In any organisation satisfaction of human resources is very much important because success of the organisation is depending upon the manpower working there. For employees and employee related affairs there is a separate segment in the organisation called as human resource department. Human resource department is responsible for managing, hiring, selecting, and providing compensation

to employees.

In these whole activities of human resource department sometimes they face many challenges. This paper is an attempt to explore all such HR challenges in BFSI. In common HR face many challenges like managing the talent, selection, recruitment, compensation, workforce planning, managing employee skills and competencies, incentives, performance appraisals, leadership planning, succession planning etc.

2. Literature Review

Human Resource Management is one of the important aspects of every organisation. It is responsible for all the affairs related to employees and human resources in the organisation. As in BFSI it has great importance like in the other sectors. In India, banking sector hired huge amount of employees and workforce (Shukla, 2014). Likewise insurance sector also hired ample amount of workforce (Kundu and Malhan, 2009). HR plays a great role in all these sectors. Development of human resources is the main aim of every human resource (Kumar, 2016). According to research the wellbeing of employees in any organisation is totally depend on human resource department. Because this is one of the department which takes care and handle all the grievances related to employees.

As BFSI sector is one sector which is extremely important for all other sectors because every other sector needs finance to manage the affairs. This sector works efficiently only when they have able and efferent employees to work (Latha and Rao, 2019). Able and efficient employee's works in the organisation only when they are satisfied in the organisation (Yadav, 2014), so providing satisfaction and

taking care of workforce is the main work of HR department.

HRM practices are evolving in BFSI sector from past few times when its importance is recognised by various organisations (Ramakrishna and Rao, 2017). Apart from this, working in BFSI sector, HR faces many challenges while working in this particular sector (Shukla, 2014; Kundu and Malhan, 2009; Kumar, 2016). Many researchers put light on the challenges faced by HR in BFSI sector. Although technology plays a great role in the working of BFSI sector in automatic processes but there is need of employees to run the technology. Technology alone cannot work until human being gives instructions what to work. As human resources are the extreme impotent for every organisation to work. So managing them and satisfy them is a big task for human resource department. Human resource department face many challenges in managing the workforce of any sector.

Many studies reveal that the major challenge facing by HR in BFSI sector is long term retention and survival of employees in the organisation (Shukla, 2014; Shah and Tyagi, 2017; Kamath, Kohli & et. al, 2003; Balagam and Fariduddin, 2008; Bhat, 2013). This is very serious problem seen especially in banking and insurance sector where employees do not work for long period of time. They just leave the organisation after few months of experience in the job. So employee's job satisfaction is another HR problem in BFSI sector. Due to huge work load and regular dealing with the customer sometimes it is difficult for employee to handle the situation. When employee is not able to handle the job then employee job satisfaction arise (Anita, 2012; Chandan, 2017).

Some studies revealed that another HR

challenge of BFSI is non proper staffing and promotion of the staff (Balagam and Fariduddin, 2008). Sometimes due to improper staffing practices employees are not given with right job and it is very difficult for employee to handle position and the whole organisation suffers. Another HR challenge is giving proper trainings and education to employees (Mathivanan, 2013; Jha and Mishra, 2015; Mellacheruvu and Krishnamacharyulu, 2008; Bhatnagar, 2014; Jyoti, 2017; Singh and Sood, 2017; Dubey and Gupta; 2019). It is one of the real challenges of HR to judge the competency and skill of employee and provide them trainings for the subject matter which is required for them to perform the job (Kundu and Malhan, 2007).

HR also faces challenge to maintain the proper satisfaction of employee due to job because sometimes employee complaints about their improper work life balance (Goyal and Babel, 2015). When employee is not able to maintain balance between job and work then employee is not able to perform the job up to the mark. Sometimes due to mergers of the businesses and companies HR face big challenge because now they have to choose the employees for new company and rest for them they need to give resignation letter (Okur, Dilbaz and Seker, 2014; Gomes, Angwin, Peter and Mellahi; 2015).

Some researchers also put light on performance appraisal as HR challenge. Because sometimes in organisation there are no individual performance goals so measuring performance without the goals is difficulty and at the time of performance appraisals HR face challenge (Mellacheruvu and Krishnamacharyulu, 2008; Sekhar, Sudhir and Suhashini, 2014; Singh and Sood, 2017; Dubey and Gupta; 2019). As there should be

transparency is performance appraisals but due to no proper standard in the organisation HR face challenges.

Another challenge identified by researchers is effective compensation. HR faces huge challenge in forming effective compensation because every time performance and compensation do not link. Equality problems and compensation dissatisfaction of employees creates big challenge for HR (Shukla, 2014; Kujur and Shah, 2016).

Another study investigate the HR challenge is bringing diversity in the organisation and handle them in an effective way (Kundu and Malhan, 2009; Kumar, 2016). Diversity in organisation is very much important because now day's organisations with good diversity considered very good. Diversity in the organisation have several advantages like different ways to do a ways come up in the organisation, shows the respect towards every sections of society etc. It has been also found by a study that HR faces challenges like maintain proper employee culture (Kundu and Malhan, 2009).

2.1 Research Gaps

HR plays a great role in BFSI sector but HR is facing many challenges in BFSI sector. The study is conducted to explore the maximum challenges facing by BFSI sector. No doubt all other previous studies are done on this particular topic but they all the restricted to few challenges. No previous study taken more than all the challenges facing by HR in BFSI. In this study many challenges are identified by the researcher. Another gap in the previous studies are that previous studies are restricted to only one or two aspects of BFSI like they took only banking or insurance sector. But this study will put light on the all over challenges facing by BFSI.

3. Research Objectives

The research objectives of the particular study are mentioned below:

- To explore in detail the various HR challenges in BFSI sector.
- To provide the solutions to HR challenges facing by BFSI sector.
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4. Research Methodology

The study is basically qualitative type of study. For this particular study exploratory research design is used. Data taken for the study is totally through interview method (via. Telephone and Face to Face) and through authenticated sources of internet. Various published research reports and published research journals are studied for this study. In this study, data is collected through non probability sampling method and sample size is 20 HR managers, taken from banking, financial services sector and insurance sector collectively. Based on the opinions and challenges faced by them the study is based. These HR managers are taken from various states from India. For more related information internet, authenticated reports and journal reports are used.

5. Results & Discussion

Following are the HR challenges in BFSI identified through this study:

- i. Staffing and Promotion of Employees
- ii. Proper Talent Management
- iii. Performance Appraisals
- iv. Incentives and Compensation
- v. Employee Retention and High Employee Turnover
- vi. Succession Planning and Leadership Gap
- vii. Training and Education to Employees
- viii. Recruitment & Selection
- ix. Workforce Diversity and its Management
- x. Employee Counselling
- xi. Employee Satisfaction
- xii. Creating Learning and Attractive Culture of Organisation
- xiii. Employee Work Life Balance
- xiv. Meet Expectations of Employees
- xv. HR Policies

i. Staffing and Promotion of Employees: In BFSI sector, staffing of employees is done on the basis of vacancies and not on the basis of right for of person for the job. Especially in banking sector this type of tradition is follows.

Promotion in BFSI sector should be according to the work completion or performance of employee and not on the basis of number of years a serves to particular position. There should be transparency in promotion policy so that other employees cannot make their personal judgements.

ii. Proper Talent Management: Managing the good talent in today's time is very difficult. Sometimes organisation acquire the good talent from market place but not able to manage properly. Due to mismatch is skill set talent management is difficult to manage. It is also a challenge in front to HR to develop talent of employees in the organisation so that employee's goals cab ne met with the organisational goals.

iii. Performance Appraisals: Transparent performance appraisal system in an organization is very essential and every employee demands it. In BFSI sector

- performance appraisals should be linked to compensation and it should be one of the tools to measure performance. But in India performance appraisals are not used effectively.
- iv. Incentives and Compensation: In BFSI forming compensation according to the performance of employees is difficult. As compensation rates are fixed through government norms. Compensation formation by HR sometimes dissatisfies the employees and employee's feels inequality in organization and get demotivated.
 - v. Employee Retention and High Employee Turnover: Employee retention in the organization for long term is big challenge for HR in today's time. Employee frequently leaves the organization if they feel they are not satisfied. In this case the money invested by organization for the training and development of employees get wasted.
 - vi. Succession Planning and Leadership Gap: Leaders are the key people in any organization. When any key people leave the organization then it is very difficult to bridge the gap for which an organization feels in between the time period when second key person joins the same position. At that time HR face huge challenge. Finding the bright talent from the market for top position is very difficult.
 - vii. Training and Education to Employees: In any organization HR is unable to assess the accurate training needs to employees. There is no such measure which can help the HR for assessing the education and trainings needs. Although HR conducts trainings for employees but when employee leaves the organization so all training investment go to waste.
 - viii. Recruitment & Selection: Recruiting and selecting the appropriate employees who are best fit for job is another challenge for HR in today's time in BFSI. Selection of candidate is such a difficult task for HR as sometimes whatever HR watches is not exist in reality. Sometimes due to high pressure to fill the job position wrong candidate may get selected.
 - ix. Workforce Diversity and its Management: Workforce diversity bringing in the organization is a huge challenge in front of HR. Due to increasing importance of diversity in today's time and compulsion of organizational policies to have diversity in organization, sometimes difficult for HR. No doubt HR gets success in bringing diversity in the organization but its management is very difficult for HR. People with different backgrounds, ages, thoughts etc. have different expectations from the organization which are reality hard to entertain individually.
 - x. Employee Counselling: Attending employees individually and listening their complaints is a big task. Employee approach the HR when he finds no path to the problem so to counsel the employee and to convince the employee for particular matter is a hard task. Sometimes it is difficult to understand employee and their solutions to the problem.
 - xi. Employee Satisfaction: Many researchers prove that if the employee is satisfied from the job only then an employee is able to perform job effectively. So it is a challenge for HR to provide job satisfaction to every employee. Specially in banking sector job, insurance sector and financial services where employees have to deal directly with the customer, employee job

satisfaction is little bit hard.

- xii. **Creating Learning and Attractive Culture of Organisation:** As HR is responsible for all the affairs related to employees so employees demand personal growth with job through learning and growing culture of the organization. Every time fulfilling employee's goals with organizational goals is challenge for HR.
- xiii. **Employee Work Life Balance:** Work life Balance plays a great role in employee's life. When employee lives unbalanced work life then he is not able to fulfill job requirements and personal life requirements. Unbalanced work life creates disturbance in employee's life. When job performance is not up to the mark then HR needs to enter into the matter and solve the conflict.
- xiv. **Meet Expectations of Employees:** Every employee has several expectations from the organization. Every time looking fulfilling those expectation is difficult for the HR. So sometimes this dissatisfied employee and employee leave the organization.
- xv. **HR Policies:** Forming favorable HR policies which should fulfill the needs of organization as well as employees is a challenge for organization. In BFSI where employee job is very important because finance is involved of the customer, needs huge care of customer's expectations also. Framing leave policies, medical policy, incentives and policy related to compensation etc. is also a challenge because organizational needs are different from employee needs.

6. Suggestions to Dilute these HR Challenges in BFSI Sector

Based on the challenges faced by BFSI following suggestions and recommendations are provided to dilute these hr challenges in BFSI sector:

- To compete over these challenges HR needs to win over the technology so as to compete with the competitor and attract more employees which will not leave the organisation for long period of time.
- To meet the employee expectations, HR needs to make proper plans for every work and then strictly execute that plan into practice. This will definitely ensure the orderly growth of employees as well as organisation.
- To win over all the challenges HR needs to be more active so as to do market research and find out that how competitor firms are dealing with all such problems.
- To retain the employees for long term in the organisation, HR needs to conduct internal survey of employee's complaints. Common employee complaints can be sought out by changing the policy which is more suitable to employees and organisation.

7. Conclusion

Challenges are present in every sector, every organisation and every industry. But HR needs to cope up with all these challenges so as to ensure the development of organisation and employees. No doubt HR faces lots of challenges in BFSI but there is a need to dilute these challenges. These challenges only can be diluted to some extent but never be deleted fully from the organisation. Due to the increasing awareness of financial services and banking services, customers are attracted more towards this sector. Hence, there is need of pre planning all the things in advance and HR also needs to be proactive to welcome all

these challenges. To ensure the growth of organisation with all such challenges, HR polices must be linked to the organisational polices.

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