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MANAGEMENT OF HUMAN CAPITAL IN BANKING SECTOR

Dr. T. NARAYANA MURTY
Professor in Management Studies
Nimra College of Engg & Tech,
Ibrahimpatnam- 521456, Vijayawada, Andhra Pradesh,

ABSTRACT

In India, the banking industry has entered several new activities in the areas of merchant banking, leasing housing finance, venture capital and financial services in general. The banking scenario worldwide is now undergoing a rapid diversification and technological change and Indian banking is not an exception with the changing policy of the Government of India in the areas of industrial, trade and exchange rate policies. The study has concentrated on the major elements of Human and their impact on Public and Private Sector Banks in India. Human Capital Management lays emphasis on investing in employees to help them achieve competitive advantage and nourish themselves with efficiency and growth in order to increase their commitment, dedication and passion for the organization they work.

Key Words: Human Capital, Banking Technology, Human Resources.

1. INTRODUCTION

In the early days the main banking function of the goldsmiths was to keep in custody other people's money and lending a part of it. Gradually, these functions were extended, and others were added. As a result, the dependence of commerce upon banking has become so great that in the modern money economy, the cessation, even for a day or two, of the banker's activities would completely paralyze the economic life of a nation. In 1969 The Indian Government Nationalized all the major banks that it did not own already and these have remained under Government ownership. They are run under a structure known as Public Sector undertakings. They operate as commercial banks. The Indian Banking sector is made up of Public sector banks, The State Banks which have been joined since 1990's, the private sector Banks and a number of foreign banks. Banking is a huge industry that comprises of large Number of Employees. Human Resource is the foundation of Banking Industry. Human Resource Management enhances Banking services provided and performance efficiency of banks. Human Capital Management is essential for an effective management of any organization in this era of Globalization and Modernization. It is very necessary to study the new concepts and techniques in People management. People Management is of primary importance always. Investment in Human Capital is necessary for any nation to reap the benefits from information technology. Implementing Human Capital Management in Banks is planting stronger roots for future financial success in the country. Implementing Human Capital Management in Banks in India is a necessity.

2. NEED OF THE STUDY

This study has concentrated on the major components or elements of Human Capital revealed in literature and their impact on Public and Private Sector Banks in India. The consolidated list of Human Capital items identified, are studied in light of Human Capital Management. This study seeks to find out or explore the impact of implementing these elements in managing Human Capital. In order to develop and sustain employees, organizations have to invest in their employees. Human Capital Management lays emphasis on investing in employees to help them achieve competitive advantage and nourish themselves with efficiency and growth in order to increase their commitment, dedication and passion for the organization they work. This study aims to assess the outcome of Human Capital Management and identify measures to gauge the extent of returns from investing in Human Capital. Hence the researcher has made an attempt to study the Human Capital Management in Banks in India.

3. REVIEW OF LITERATURE

(Gurhan et al, 2010) Investigated the direct and interactive effects of organizational support and Human Capital on the innovative performance of companies. As for the role of Human Capital (HC), it is found to be an important driver of innovative performance. ***(Olalekan et al, 2012)*** The study established a strong positive relationship between the variables, management styles and organizational productivity. Based on the findings, it is recommended that companies should discourage employees' alienation from work process and encourage their involvement through participatory managerial style. Organizational productivity depends largely on Human Capital Management. ***(Sujata Priyambada Dash et al, 2012)*** Human Capital is a new discipline not only for human resource department but also to the financial investment analysts as well as to the accountants. It is not a buzzword but a future demand. Human Capital Management is a system approach to people management. HCM is aligned with the corporate strategic plans and manages internal and external customers. Today's HR concentrates on employees and not enough on the broader workforce and issues that impact the enterprises success. HCM increases the scope to include all of the sources of Human Capital, wherever they reside in the Human Capital value chain ***(Armstrong et al, 2012)*** Human Capital Management is the process of recruiting, managing, assessing, developing and maintaining an organizations most important value i.e. Its People. Human Capital Management is concerned with obtaining, analysing and reporting on data which informs the direction of value-adding people management, investment and operational decisions at corporate level. ***(Marusnik 2012:173)*** Justification for investment in Human Capital is very simply represented by Marusnik in the following statement: "Given the fact that each person is an individual with his/her own specificities, human resources represent the only irreplaceable source of any organization. Their training and development of their knowledge, skills and competencies also increase the organizational ability to create a new value that is confirmed by the market and that ensures long-term competitiveness".

4. PROBLEM OF THE STUDY

There is various research studies conducted in regards to Human Capital Management in the International level. In India, in the recent times there are numerous conferences, seminars conducted and researches done on Human Capital Management. It is very important to study the management of banks in order to improvise for its development. There are numerous studies which have researched on Human Resource Management and development of banks but Human Capital has not been dealt so far. This study will provide literature for each of these HC Items as elements in the management of Human Capital. Fundamentally, this research aims to bring out the importance and significance of Human Capital Management in Private and public sector banks in India.

5. OBJECTIVES OF STUDY

1. To study the factors responsible for Human Capital Management in Banking Sector

2. To make suggestions for improvement of Human Capital Management for effective functioning of Public and Private Banks in India.

6. METHODOLOGY AND SAMPLING OF THE STUDY

The study is based on the primary as well as secondary data. The secondary data were collected from Books, Journals, periodicals, websites and bank manuals, files and records. The study depends mainly on the primary data collected through a well-framed and pre-tested structured questionnaire to elicit the well-considered opinions of the respondents. The Purposive Sampling technique was adopted to obtain the responses from the employees of both Public and Private Sector Banks. The researcher has obtained the responses from 25 percent of the branch offices of Public and Private Sector Banks rationally in Chennai City. There are 10 Public Sector Banks and 10 Private Sector Banks are considered as the sample domain. A total of 411 questionnaires have been distributed and out of which 193 from Public Sector Banks (PSB) and 218 from Private Sector Banks (PRSB) have been used for the present study.

7. DISCUSSIONS AND RESULTS:

CLASSIFICATION OF EMPLOYEES BASED ON THE HUMAN CAPITAL MANAGEMENT FACTORS

In this section the perception differences of employees working in public sector and private sector banks in Chennai based on Human Capital Management are identified through k-means cluster analysis. It classifies the sample units into heterogeneous groups and their nature of heterogeneity is anatomically analysed. The total average scores of the twenty factors of Human Capital Management classify the sample unit in the following way.

Table 1.1: Final Cluster Centers

	Cluster		
	1	**2**	**3**
Employee Benefit	4.47	2.75	3.32
Entrepreneurial Spirit	4.21	1.00	3.58
Job Rotation	4.58	1.33	3.41
Training Participation	4.33	1.00	3.26
Employee Training	4.49	1.00	3.92
Skills Competencies	4.65	1.33	3.27
Intellectual Skills	3.44	1.00	2.89
HC Statistics	4.61	4.20	3.87
Leadership Practices	4.25	1.00	3.79
Educational Qualification	4.92	2.00	3.79
Employee Turnover	4.43	1.00	3.01
Number of Employees	3.95	1.67	2.89
Employee Value	4.77	2.50	2.98
Employee Recruitment Policy	3.78	1.00	3.70
Employee Compensation	3.85	1.00	2.70
Employee Incentives Program	3.92	1.67	2.23
Employee Safety and Health	4.28	1.00	3.14
Career Opportunity	4.56	1.00	3.41
Community Activities	4.73	1.00	3.40
Training Institute	4.43	1.67	3.44

Table 1.2 : **Number of Cases in each Cluster**

Cluster	Dynamic Employees	224.000	54.5%
	Improved seekers	90.000	21.9%
	Mechanical Employees	97.000	23.6%
Valid		411.000	100%

In first cluster comprises of 224 employees (54.5%) strongly agreed that Human Capital Management implemented by the banks in Chennai is well supported and helps in availing more benefits from the management, develops Entrepreneurial Spirit by accepting the creative work and individual ideas of the employees, opportunity to learn entire process in banks, the top officials support the employees participation in training and best training is provided for the staffs. It is further analysed that the employees working in banks strongly agree that adopting Human Capital Management strategies in banks helps in recognizing their updated skills and competencies, increase scope for performance appraisals, encouragement to go for higher learning, monitors the Employee Turnover effectively and they are respected for the work they perform and not based on designations, insurance for the employees' health and safety is made by the banks, encouragement is given for helping the community around, and various Training Institute are established for providing effective training for the employees. Therefore these employees expressing strong acceptance for implementing Human Capital Management in their banks are called as **"Dynamic Employees"** In second cluster comprises of 90 employees (21.9%) disagreed in their banks adopting Human Capital Management strategies as they express that they are not able to avail more benefits, status in job, given less opportunities, ineffective training, unrecognition of skills, employees views are not considered at time of decision making, Leadership Practices is poor, education qualification is not considered, addition workloads are more, value of the employees is not respected, recruitment policy is not as per recruitment policy, compensations are not sanctioned in time, Incentive Programmes is not as per standardized benchmarks, health and safety for life of employees is not insured properly, lack of career developments, social events are less concentrated. Therefore this category of employees disagreed toward Human Capital Management strategies adopted in the banks are called as **"Improved seekers"** The third cluster comprises of 97 employees (23.6%) moderately agreed that implementing Human Capital Management strategies in their banks provides them moderate benefits , accounts them for producing high quality work, moderate opportunity are given in job, training, pursuing higher education, career development and involving in social events. It is further found that the employees disagree that Human Capital Management in banks lack in identifying employees skills and in rewarding and awarding for high intellectual capital, more work load, employees' values is work in not recognized, employees are not motivated to grow and their compensations sanctioning is delayed, there also prevails lack of Incentive Programmes. Therefore these employees expect for more development in Human Capital Management and are called as **"Mechanical Employees".**

8. FINDINGS OF THE STUDY

1. It is inferred that maximum of the male employees 77.6% are working in banks in Chennai and 37% of the employees working in banks are middle aged grouped people between 41 years to 50 years. Most of the employees working in banks are educated and among them 64.5% are graduates holding a middle level designation (67.6%).

2. The analysis revealed that most of the employees working in banks prefer private sector banks due to more benefits, 46.7% of the employees working in banks have their total service less than five years in their present branch, 45.3% of the employees have less than five years' service with the same designation and 68.9% of the employees have their total years of service working in Banks for more than 15 years**.**

3. It is inferred that private sector banks give more opportunity to learn, and share their work responsibilities among their co-workers and the supervisors working in these banks support the employees' participation in training programs by taking innovative steps to make the training interesting.

4. It is found that in private sector banks, more focus is given to Employee Training, and higher officials recognize their employees' skills and competencies motivating employees to update their skills constantly.

5. Rewards and awards are given to employees with high intellectual capital and assessing the organisational management capacity for supporting current and future Human Capital is often practiced in private sector banks.

6. The dynamic employees 54.5% strongly agreed that Human Capital Management practiced in banks in Chennai is overall beneficial to the employees and the organization.

7. 23.6% of mechanical employees moderately agreed that practicing Human Capital Management in their banks provides them overall moderate benefits. Gender of the bank employees do not affect the practice of Human Capital Management, whereas age of the employees has a deep association with Human Capital Management.

8. Educational Qualification of the employees working in banks does not affect the perception of Human Capital Management whereas there is association with designation of the bank employees and the type of bank the employee works for.

There is an association between the years of service in the present branch, present designation and total years of service and the practices of Human Capital Management.

9. The employees having post graduate qualification strongly agreed towards Human Capital Management practices in Employee Benefit, Job Rotation, Employee Training Participation, Employee Training, Skill Competencies, HC Statistics, Educational Qualification, Employee Value, Employee Safety and Health, Career Opportunity, Community Activities, Training Institute.

10. The rigorous practices of HCM through skill enhancement, improving leadership qualities, elevating the career of the employees, offering compensation and job security make them to acquire latest technological advancement in the banking sector.

9. SUGGESTIONS OF THE STUDY

1. There is a need for banks to take more measures by enhancing the Human Capital Management practices as the scores are still low.

2. The Human Capital Management should outline the related strategy throughout the banking organization and explain its importance into the overall banking strategy and objectives.

3. The importance of employees and Human Capital Management to the future performance of the banks should be acknowledged and explained.

4. A Human Capital Management strategy should be developed in consultation with employees, and this process, along with the results and subsequent inputs into the strategy development should be specified clearly.

5. An overall strategy, individual policies in Human Capital Management should be described and preferably made available on the banks website.

6. A collective and equal enthusiasm must be created among all the executives to practice HCM and they might be told the significance of HCM practices as the long term process to accrue maximum benefits.

7. The HCM should organize classes, debates, panel discussions etc. to create a view among the executives that HCM is an integrated system for everyone in an organization.

8. The top management should invest more on strengthening the HCM practices among all level executives.

9. The efforts must be made by the HCM to restructure all the existing human resource elements to generate sense of responsibility among all the executives.

10. Concerted efforts must be made by all the executives of public sector and private banks to restructure Human Capital programs and implementing them effectively. Much more focus and emphasize on identifying and developing employees' hidden potential for the own and organizational betterment in the present competitive industrial and economic scenario.

10. CONCLUSIONS

The study sought to determine the Human Capital Management practices adopted by the banking industry and it is found that this practice generally has a positive influence on performance of the banks. The Banks need to be producing more integrated accounts of how Human Capital Management strategy involves the overall banking performance, strategies used for managing their employees to gain their highest potential and the potential benefits of effective management. Human Capital Management communicates more effectively a clear positive message to employees that they are valued and their contribution is important to the success of the banks performance and their contribution helps to achieve the targets fixed for the banks. Training and recruiting are the important practices in determining the strength of Human Capital Management. HCM strategy examines the issues that are central for Human resources to continue to support the department's success and set a new direction.

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