

Developing Banking Industry through Human Capital Needs

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Abstract

The paper determines that human resource management (HRM) in banking sector must embrace strategic human resource planning programs with all banks strategy. This underlines the essential meaning of designing an effective recruitment policy with these strategies as formulation and implementation of active reward policy. Also, banks should include more active training and development for employees. Banking sector also is human capital intensive and plays a critical role for the banks in meeting their goals and offering services to its clients. Today, the fast progress of technology, globalization and "knowledge economy" progress principles are ruling.

This paper shows the impact of the development of employees' human capital on career success, viewed through different hierarchical positions in a particular sector in this case - banking industry.

Key words: HRM, banking industry, human capital, development.

Introduction

Like many other organized sectors, banking requires a multi layer manpower for its various requirements of professionals and support staff. The range may require reasonably educated security guards on the one end and a highly educated and trained professional as head of corporate finance at the other.

With liberalization of activities within the banking sector, for example, more emphasis on consumer and house finance and personal loans, etc. banking has turned itself into a more market-based business where banks have expanded their reach more to customers' door steps in a big way making banking more practical. This has further highlighted the need for proper deployment of man-power to run banks efficiently. For many years, HRM banks like other institutions have been handling this sensitive activity through respective personnel departments. This means human resources were managed like other physical assets e.g. pieces of furniture, calculators, equipment and appliances. Personnel departments were primarily engaged in approval of leaves, handling of staff loans, issuance of show cause, conducting disciplinary enquiries and termination from service. Recruitment was a routine function and was done in a mechanical way to hire people with specific educational background irrespective of their real value to the institution.

With the growing realization of proper HRM in the corporate sector, it has grown into an important activity. Now the head of HRM is an important member of the senior teams of any thriving business. Although the idea is new for many local businesses where entrepreneurs are at the beginning of the learning curve yet in reality the theme is getting support from the organized entrepreneurs. The banking sector has grown from a few institutions primarily involved in deposit acceptance and trade finance into a complex multi player markets where large number of commercial banks, financial institutions and specialized banks are operating with various products and activities. The banking has become a complex activity within the financial market linked directly and indirectly with an overall national growth and its impact as an integral part of regional segment of a global banking environment.

Almost every bank and financial institution is involved in various functions in a day's job and thus requires a highly effective team and appropriate manpower to run the show. Corporate goals are translated into viable realities and profits only with human element who play their due role in achieving the desired results.

Literature review

The literature in the field of human resource management is focusing on effectively managing human resources of organizations. This is the reason why managers of the organizations are interested in better knowing human resource practices for enhancing employee (Boselie et al. 2001; Den Hartog and Verburg 2004). According to these HRM practices, Teseema & Soeters (2006) have studied eight of them. These HRM practices which are in focus of analyzing are recruitment and selection, training, placement, compensation, employee evaluation, promotion, grievance procedure and pension or social security.

In some period of time Human Resource Management has been insignificant, but today it is with strategic importance for the business world (Schuler et al. 1993; Teagarden and Von Glinow 1997). Taking into account that each employee has to build his career and be successful on the labor market, its normaly to recognize the increasing interest in human resources for the success of the organization (Lado and Wilson 1994; Wright et al.1994). Stone (1998) remarks that „human resource management is either part of the problem or part of the solution in gaining the productive contribution of people”. Further, a career success is defined as a progress of a person with its activities. So, a career can have an employee in one company or more. Employee also plans his career. He is guided by certain attitudinal syndromes, needs values and talents (Schein, 1978).

Schuler and Jackson (1987, 1996) suggested a link between strategy of an organisation and the employee behaviours necessary to achieve it. They identified two strategy options representing alternative ways to compete in a particular market. These are cost minimisation and innovation. The model suggests appropriate employee strategies associated with each. For example, cost reduction strategies require repetitive, predictable behaviours; employees with a narrow skill range; and low levels of employee job involvement. By contrast, an innovative strategy requires a long-term focus; flexibility and change from employees; a tolerance of ambiguity and uncertainty; and high levels of job involvement from employees. Relevant HR policies appropriate to the chosen strategy would then need to be developed and implemented.

Banking industry and human resources

Banks stabilize the economy of nations around the world. These means that the bank employees have a big level of integrity when they are compared with the employees in other industries. So the result of banking success depends from the role of human capital thus making this role very important for analysis.

One of the very important steps in human resource departments in banking industry is when is uncovered financial history of the applicants. These means that the bank create safety environment for its clients, but in the same time for the existence of the bank as a whole. Human resources departments must design and monitor work processes to reduce opportunities for internal theft and collusion. HR policies separate cash receiving, storage, processing and disbursement, and record all activities via video surveillance. In the event that an employee attempts to steal from a bank, the HR department must handle the legal paperwork and administrative processes required by court proceedings. Human resource departments are very important for bank security as pay decisions. HR in banking industry make decisions for pay raises and promotions. HR departments in banking industry directly or not, make this industry highly competitive. Thus, creating a better and more diverse sets or portfolio of skills and knowledge is certainly the most important problem of every person with a specific vocational profile.

Human resource systems are basis for improving the quality of services in banking sector. Pfeffer (1994) said that having good human resource management means providing loyalty, commitment or willingness. This will lead to extra effort for the aims of the organizations. Human capital is the level of knowledge and skills that are recommended and characterized by one employee and thus determine its contribution to the productivity of an organization as well as the size of his earnings. The success of his career, in addition to objective criteria based on knowledge and values that make human capital, can be defined as a positive psychological feeling connected with the achievements at work. Thus, the success in his career initiated human capital can be divided into two groups, one - objective for career success relating to the level of income and realized the position in the hierarchy of the organization, and the other one - subjective success for career pertaining to satisfaction with the job.

The aim of the research refers to empirical confirmation the significance of human capital impact on the career success and fact that factors that influence on development of human capital influence on the career development, too. The research was conducted on the basis of questionnaire in banks and / or branches of banks operating in the Republic of Serbia and Republic of Macedonia. According to the questions in this questionnaire, the employees in the banking sector (474) have expressed their views on various aspects of human capital and their affect on career.

In banking sector, all employees are expected to be high performers. So, human resource practices are revisited, thus HRM is one of the banks functions that have experienced significant changes over the last few decades. The current position of HRM is connected with globally expansion of the business, technological innovations and competition that characterizes the environment where businesses operate today, as Macedonian and Serbian banking sector are no exception from this global development.

Research results and discussion

This study investigates the factors that influence on the development of human capital and their relative rankings depending on position of the employee in the organization (corporate culture, employee advancement and career success planning). Regarding the characteristics of the sample, the employees who participated in the survey were of different ages, genders and various positions in the organization or its sectors. In order to better understands the significance of the impact of human capital on the career success and the perception of employees about this issue, respondents were employees of various departments and sectors that in turn perform different types of jobs (from counter workers, clericals, field agents, top management).

Statistical analysis was based on the questionnaire and number of procedures which according to the authors are the best instrumentation of nonparametric tests for assessing the factors correlation between development of human capital, career success and position of employees in the organization.

When we are talking about linear regression which is applied to the analysis of data obtained from the survey, there are several important things that should be observed when interpreting the results on the significance of the factors that affect the development / level of human capital, the strength of their correlations and relationships with other variables. In this regression model, as the dependent variable was taken employment categories, which are explained previously, carried out the division of employees into three groups (ordinary officials, heads of certain functions within the bank's top management) (Radjenovic and Boshkov, 2017). Thus, the observation how the dependent variable is correlated with the independent variables in the regression model, which has four (corporate culture, career advancement, success in career planning and the actual salary).

The following tables of regression model, which in this case examined what impact on certain categories of employees have certain factors of development of human capital, are the most important when it comes to interpreting the results. The multiple correlation coefficient R, which shows a linear correlation between the original values of the dependent variable and the model predicted values of the dependent variable is 0.870, which indicates a very strong relationship. The coefficient of determination shows that over 60% of the variability category of employees can be explained by the regression model, or independent variables that belong to the human capital. The adjusted coefficient of determination (0.605) is very close, almost identical to the value of the ordinary coefficient of determination, due to the favorable ratio of independent variables and the total number of respondents - observations.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.870	.609	.605	.486	.609	145.801	5	468	.000	1.673

Source: Authors' results based on available data

As for the ANOVA procedure within the regression model it examines the validity of a regression model with the statistical population. This is about proving the hypothesis that: H0: R2 = 0 or H1: R2 ≠ 0

Based on the output results of the column Sig. = 0.000 conclusion is that the null hypothesis is rejected, and that the coefficient of determination is greater than 0 and which is established. This is to certify that the regression model explains a significant amount of variability in the dependent variable.

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	172.219	5	34.444	145.801	.000 ^a
1 Residual	110.559	468	.236		
Total	282.778	473			

Source: Authors' results based on available data

In the final table of coefficients observed standardized beta coefficients representing the height of the significance of the influence of some independent variables on the dependent variable. In fact, these coefficients are reduced independent variables on the same phenomenon, so that all independent variables treated in the same way with the same scale evaluation. Logically, some values of β coefficients are negative which is in the line with correlation coefficients from the results presented above. Regarding the factors affecting the level of human capital is slightly larger corporate culture takes precedence in relation to career advancement and success in career planning. The high value of the coefficient β for the current salary as an independent variable, that variable as the numerical predispositions and other specifics of these different factors of human capital, it is expected. This is due to the fact that the salary in some way and points out the differences in the hierarchy of an organization.

Coefficients ^a										
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
(Constant)	.232	.125		1.847	.065					
Corporative culture	.019	.062	.020	.304	.761	-.019	.014	.009	.196	5.098
Employee advancement	-.026	.039	-.028	-.664	.507	-.049	-.031	-.019	.475	2.104
Career success planning	-.006	.060	-.007	-.104	.917	-.018	-.005	-.003	.213	4.704
Educational Level (years)	.000	.010	-.003	-.080	.936	.514	-.004	-.002	.563	1.776
Current Salary	3.538E-5	.000	.781	20.290	.000	.780	.684	.586	.563	1.775

Source: Authors' results based on available data

The results indicate that the main development trend of the organization should be, in addition to other activities, the creation, development, sustainability and preservation of human capital at its disposal.

Planning of the career is very important because its role to enhance the realization of increased financial performance and financial inclusion in the banks. These plans for successful career must recognize the fact that the staff which is working in the bank has unique needs, wants and abilities. The other fact is that the employee in the banks will better do their work if that bank responds to their aspirations and needs. Further, if the banks give the bank staff its right opportunities, encouragement and guidance individuals can grow, change and seek new directions.

Conclusion

Banks human resource management should strive towards promotion of better relations between employees in order to create a friendly working environment. This leads to increased level of employees' engagement in the execution of banks job task functions hence contributing towards realization of increased banks financial performance.

Talking in this paper about the human capital together with all its accompanying elements, could be conclude that it is one important link in the business of specific organizations but also link that makes employees more productive and successful in their career paths. Only employees with a strong potential of their own human capital for career success can create a work atmosphere that brings results.

The paper determines that human resource management (HRM) in banking sector must embrace strategic human resource planning programs with all banks strategy. This underlines the essential meaning of designing an effective recruitment policy with these strategies as formulation and implementation of active reward policy. Also, banks should include more active training and development for employees.

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