

Challenges and Winning Strategies at the Entry Level Jobs in Banking and Financial Services Industry

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ABSTRACT

The concept of VUCA puts a responsibility on the social scientists to put things in perspective of society and policy makers. VUCA environment is situational and calls for effective planning to deal with. As it is known that even the best of the plans are prone to failure. In a globalised world where the concept of central planning is losing its stronghold and giving way to impersonal market forces to chart out the economic framework of the society. It is not the strongest of species that survive, nor the most intelligent but the ones most responsive to change. Charles Darwin

Introduction

Ever since the dawn of human civilization we are aware about the relentless effort made by human beings to build up a better society. The concept of “Demos” mooted by “Cleisthenes” in the ancient Greek civilization where people’s participation was seen as a rational way to deal with issues confronting the society. In Plato’s monumental work “The Republic” we see the prescriptions offered to mankind to pave way in forming an organised society with its will and imagination. The philosopher laid a huge emphasis on the idea of accumulation of knowledge which is a key to progress of humans. It is said that Chinese national character has been formed on the principles based on the gospels of Lao-Tzu

(propounded the faith Taoism) and Kun-Fu-zu (the founder of the faith Confucius). There is long list of men as such whose sermons of wisdom have continued to serve mankind through ages. It is inherent of man’s nature to seek refuge in safety and comfort zones in order to tide over time fraught with challenges. The myriad challenges confronted by human-being across ages have been either at a collective or personal level. The collective challenges confronted during times have been thrown by human beings in form of a war or some natural calamity. The forms of society witnessed by mankind vary from the nomadic form of life during the early age to a feudal form of society in the mediaeval age and modern day’s democratic pattern.

The feudal society was marked by evils of serfdom and conscription of peasant armies. Post industrial revolution there has been a dramatic transformation of pattern of life in the society. The initial phase of industrialisation describes the ascent of the capitalists and apathy of labours. The latter had no access to any privileges and was subjected to work under inhuman conditions. In early days of industrialisation labour unions were despised as “unholy combinations”. Democracy, communism and socialism were the reply to evil ingredients of capitalism at its nascent stage. The above line may seemingly say that the three patterns of society aided with fast paced advancement of science have offered solutions to alleviate the problems of the human society. The statement would push us all to think deep about its veracity. The contemporary era i.e. (19th & 20th century) has numerous laudable achievements to its credit. The unprecedented progress of science in the two centuries has put human life into a different orbit. The entire world has shrunk into a small village. The quality of man to man interactions has acquired a new dimension. The concern towards to environment which poses a threat to the existence of the planet has transcended national boundaries and is shared by all. Notwithstanding the petty differences existing at the moment which in all likelihood will iron out in due course of time. In the vast tapestry of human history which is marked by countless catastrophes inflicted on mankind, human induced and

influenced miseries are dominant. Capitalist economy is seen in its new avatar is characterised by highly regimented form of functioning. The numerous economic activities undertaken by mankind for its livelihood are aimed to alleviate the standard of living. In the era of globalisation is giving tough time to all nationalist ideologies. The existing nation states are finding it tough to resist the influx to market centric approach emanating from the developed capitalist nations. The entire world order is based on the Washington consensus. The impersonal market forces have taken over the protected turf in almost spheres of economic activity. The protection was granted to bridge the gaps in between the have and have-not's present in the society in almost all the poor and the developing countries. History provides us with enough evidence to conclude that such disparities are giving's of profoundly scornful hegemonistic and imperialist policies pursued by the industrialised nations of yesteryears. The deep rooted poverty and deprivation still remains a distinct feature of almost all societies in the developing and poor world. In spite the remarkable progress displayed by the developing nations in terms of material progress the issue of deprivation and equitable distribution of resources and wealth has posed a stiff challenge to the peaceful continuation of the present societal order. De-controlled regime has claimed to empower people to enable them make their choices (political & economic). The result has not been very satisfactory as the

miseries inflicting the society continue to grow unchecked. The miseries are seen in the form of poverty, violence, diseases, and inaccessibility to the basic elements of need, gender biasness and many.

Evolution of VUCA in the present world economic order.

Management pundits have mooted the concept of VUCA to describe challenges confronting the human society. Volatility, Uncertainty, Complexity and Ambiguity is present in all spheres of human life. It will be of worth to understand the concept VUCA by relating it to some real life situation. The fast paced life has made living comfortable than before but there is break-neck competition in all spheres of life. Choices have become difficult and all forms of economic activities have become fleeting in their nature. In such type of a dynamic social order and fleeting environment acclimatising with the incessant changes is becoming profoundly challenging. Each scenario brings with it new set of challenges and the people are expected to respond favourably to the challenges. Inability to adapt in the new scenario leads to displacement of the subjects involved in the change. Change is an inevitable phenomenon which has occurred in our society over the ages making human beings inalienable to any change. The debatable part in this is the frequency of the change. One can draw an analogy with the frequently arriving electronic gadgets which is flooding the market in the present time. It leaves a

customer to think hard whether the choice made by him is correct as because the most recent gadget acquired by him go out of vogue in a little time. The concept of VUCA was mooted by the American Military College. It drew ideas from the lives of soldiers who were fighting in distant lands (Iraq and Afghanistan) to protect their nation's interest in the pretext of curbing global terrorism. Each soldier operating had to go through harrowing times.

Globalisation advocates for a minimalist state and the idea of VUCA has become ubiquitous in today's corporate world. The pace of technological change has become rapid in the previous century ending in the year 1950. The same has resulted into shortening of the product cycles. The vast investment that goes into developing of a product is to be recovered now in a shorter time-period. This demands creation of new market outlets and optimisation of sales in the existing markets (siddhar). This type of trade is not applicable to tangible goods but in the services trade too. Services trade as a proportion of gross value world trade has overwhelmed trade in goods in the past few decades. One of the forms of service trade is commercial presence. In this mode the seller sets up service outlets in the buyer's country. e.g. a foreign owned insurance company setting up its branch in India. (Increase of FDI in insurance sector to 49% would see such cases). In the current world order every country tries to woo foreign capital from the developed countries. It is considered as the most

potent tool for economic prosperity in the developing and lower developed nations. The earlier economic policy which abetted protection for domestic industries has resulted into inefficiency, mis-utilisation of scarce resources. Any effort to continue with such outmoded economic policy may wipe out a nation from the world's economic map. The free trade policy is based on the economic principle of comparative and absolute advantage. It has definitely resulted into enhancement of global GNP along with efficient utilisation of world's scarce resources. However as highlighted in the previous section the rise in global prosperity has not been accompanied with its equitable and just distribution. The labour intensive industries in DC's and the LDC's have been affected significantly. The hi-tech industries are more capital intensive resulted loss of jobs. Even though new vistas of employment have opened but the advantages of those have not been received by the displaced labour. The true story on the ground is much different than what economic theories on positives of free trade suggest. An analogy can be drawn from the development in the banking industry. The advent of computerisation has resulted into reduction of manpower in the Indian Banks through VRS schemes. The banking service recruitment board was disbanded in 2005. Though the move is viable from an economic point of view but the shortage of staff is felt in the Indian Banks (Rana). The rising NPAs in Indian PSU Banks are attributed to shortage of manpower (Kulkarni).

A synopsis of growth of BFSI in India

Banking and Finance industry has witnessed massive transition in the liberalised regime. The transformation is visible in all spheres of activities in the domain of BFSI. Working on a platform made on newly framed policy which is in sharp contrast to the once of pursued in the highly controlled regime in the pre-liberalisation regime. The private sector insurance companies have increased from 4 in 2001 to 23 in 2013. The number of Asset management companies has increased to 44 by the year 2013, though the penetration has not been very significant. The weighted average population covered by a commercial bank branch improved to 13,400 in 2010 from 15,500 in 2005. (RBI discussion paper 2010). The following statistics in the last decade exhibit the volume of growth of the banking business in India. Growth of Deposits, credit-offtake and ATM are few good proxies to the growing banking business in India. The customer base and profitability of the firms have in the BFSI has also witnessed significant growth.

Source RBI

As evident from the above to statistics that the growing banking Industry has provided a remarkable scope of employment. Retail banking been the key to growth of these banks. Wholesale banking's growth has a higher correlation with the economic growth than the former and treasury operations. In the segment of Retail banking is believed to be the most

| | DEPOSIT in bn\$ | CREDIT OFF-TAKE bn\$ | ATM's |
|--------|-----------------|----------------------|----------|
| FY-06 | 489 | 352 | 17,000 |
| FY-14 | 1312 | 1029 | 1,46,000 |
| GROWTH | 168% | 192% | 759% |
| CAGR | 13.13% | 14.37% | 30.94 |

| SBI | FY03-04 | FY-13-14 | CoVAR |
|--------------------------|----------|-----------|-------|
| NET PROFIT | 4305 cr | 10,891 cr | 40% |
| Profit per employee | 207 lacs | 485lacs | 36% |
| Source-SBI Annual Report | | | |
| ICICI | FY09-10 | FY-13-14 | CoVAR |
| NET PROFIT | 4025 cr | 9,810 cr | 34% |
| Profit per employee | NA | NA | NA |

| Total Employment In BFSI-2013 | COUNT | % wise |
|-------------------------------|--------------|--------|
| Banking | 11-1200000 | 25-30 |
| Insurance | 2-3,00,000 | 4-5 |
| NBFC | 25-30,000 | 0-1 |
| Mutual Funds | 15-20,000 | 0-1 |
| Financial Intermediaries | 25-30,00,000 | 65-70 |
| TOTAL | 40-50,00,000 | |

labour intensive. The retail banking has employed 7% of total workforce of the country in the banking and has been the fastest growing segment in the banking business (Ojha, 2012).. The private banks and the insurance companies adopt a recruitment style unlike their PSU counterparts. Both in Banking and insurance there has been massive recruitment at an entry level. In the case of private sector firms who are not known to observe any reservation policy while recruitment. The recruitments are mostly through campus interviews, referrals, walk-ins or through consultants. Study of the discussion paper on entry of new private sector in 2010-11 reflects on some very important facts. It states the importance of deepening of banking services for distribution of banking services and financial products which falls under the purview of retail banking. Retail Banking is fast emerging as a preferred choice

among job seekers and has turned into a major employer. Banks have also tied up with major institutions / universities to run certificate course on banking thus increasing the available talent pool. The size of the growing Indian market and its integration with the global economy make global expansion a critical priority for major Indian Banks. It is being predicted that India could become the third largest banking hub by 2040.

Concept of VUCA Applied with Respect to the Challenges Faced by the Entry Level Jobs in Banking & Finance Industry in India

There is a generic belief that prosperity and growth of any industry or sector is conferred on the employees of the industry. The software boom in the mid 90's is a testimony to the claim. Indian banks are expanding across the globe like never before. Indian private sector banks are doubling their manpower every year - this explosive growth is not just confined to the big metros but has also shifted to tier II and tier III Indian cities. Today, 15-20% attrition among the employees is true of most banking institutions. To tackle this many banks have resorted to various plans like stock options, performance bonus etc.-where employees perform then there are ample rewards for everyone. Based on the Khandelwal committee recommendations wage structure incentive oriented and link with performance for the public sector banks a policy which the private sector banks have

adopted well. The public sector banks have not shown much enthusiasm to respond to the recommendation. From the opinions posted by employees in an informal forum the rationality in setting of targets has been challenged. An unprecedented business from a certain source in particular year push up the bar to be achieved in the next year. Moreover every branch in any area has to go through atypical business cycle. When a branch operates initially in a particular area it grows, before it stagnates and plummets. In the last two phases it is immensely difficult to maintain the growth rate making the target to be achieved very stiff. The brunt of such stiff targets across all products and services is understood to be borne by the employees at the entry level. The pressure to perform being intense leads to high level of attrition. The age bracket of employees in the segment is (25-35) who are at the beginning of their professional journey. The pressure to perform induces the employees to resort to mis-selling of financial products. The cobra post operation to expose on such practices by private sector banks has been an eye-opener (ET, March 2013). The fear of losing job and unable to find any new has new one has a huge psychological effect on the employees of the segment which befall on their entire family. The trouble is magnified if the candidate is the sole bread-winner for the family with a burden to shoulder many obligations. The employee in such situation finds oneself in a quagmire. Work-related stress and

mental fatigue – mainly blamed on expectations of better performance, deadlines and competition – is taking a toll on Indian employees in sectors like construction, banking, media, shipping and small-scale industries (ASSOCHAM). The study also states that job in the banking sector has become highly stressful and the top and the middle level position are the most affected .The Volatility of markets turns out to be a major impeding factor in growth of financial products based on the market movement. In the case on Insurance industry the Sale of unit linked insurance policies saw massive growth in the period 2005-08. The sale declined after the stock market fell in 2008. The growth (2001-2010, CAGR was 31%, while 2010-12 was 2% only, Source -KPMG). The Mutual fund industry has also had a tough time in this phase the CAGR of AUM of Mutual Funds was mere 3.2% for FY-2010-13 (Source-KPMG)

Other Jobs

Employees of a public and private were interviewed to find their responses to the VUCA situation in which they function. The employees were from two new generation retail banks (one PSU and a Private sector) and a private sector insurance company.

Most of the employees from the retail banks had a job profile of sourcing new accounts for the branch (savings and current account), selling insurances and mutual funds, Portfolio management schemes, Private equity, selling gold coins on festive occasions etc.

For employees of the insurance companies it was selling of insurance schemes through intermediaries (Individual & Institutional).

The difficulties have been bracketed as operational difficulties and perceived emotional challenges.

Operational difficulties:

Operational difficulties captures the difficulties which the employee come across while discharging their responsibilities.

Observations

- a) Most of the employees in the both banks felt that the non-assured returns from products based on market return did not find favour of customers.
- b) Most employees in both banks rue on the fact they were given no referrals or leads to source new accounts. They had to seek referrals from their own source or from the set of customers whose accounts were opened by them.
- c) Both groups claimed that the targets assigned to them were moderately tough.
- d) Both groups claimed that they were given no credit to source any no-frill account.
- e) Both groups claimed that it is difficult to make people to investing into products which are less liquid .(Making it difficult to sell life –

insurance schemes of companies having banca-assurance with a particular bank and also close-ended schemes of mutual funds)

- f) Most employees in the private sector banks were either tight-lipped or agreed to the fact that people still repose more faith on a PSU bank vis-à-vis a private sector bank.(Makes it difficult to open new accounts)
- g) Most employees in the private sector banks agreed to the fact the edge which the new –generation banks have over their PSU counterpart is contracting with the latter modifying its modus-operandi.
- h) Most employees in the private sector banks agreed to the fact the edge which the new –generation banks have over their PSU counterpart is contracting with the latter modifying its modus-operandi.
- i) Most employees in both the banks felt that in an urban centre it becoming difficult to source new accounts. (Density of customer per branch has improved,12,000 for India)
- j) Both the groups agree to the fact people find little difference now being offered by various banks. There is hardly any novel approach to pursue a customer to open a new account and little incentive for a customer to shift his account from his existing bank.

Emotional Challenges

Most of the employees interviewed are in the age group of 25-35. They are mostly graduates and have received their formal education in English. Most of them have studied in a school in an urban or a semi-urban location. The above features have enhanced their chances of getting employment. The aspiration level of the candidates also goes up before the sign over the dotted lines in their job-contract. The employees had to go through the common ordeal in the context of their job.

- a) Most of the employees were concerned about the sustainability of their job. However the concern was not acute for the employees of the PSU bank.
- b) Most of the candidates working in the private banks received threats to lose their job. The same was not seen in case of the PSU bank.
- c) All the candidates (PSU and Private) were worried about their financial insecurity.
- d) Most candidates shared about their urge to join a job in some govt or Semi govt. enterprise.
- e) Most of employees agreed to the point that unstable nature of their job had an impact on morale of their family members.
- f) All the employees agreed on the point that the demanding nature of their jobs leaves with them too little time to improve on their skill set and pursue their interest.

- g) Majority of the respondents expressed their doubt to have a long term career in their present job.

The unsustainability of jobs along is a major challenge (Selvlke, Hellgren and Naswal). It is an emerging social problem. A firm can optimise profit by reducing cost or by increasing revenue. In the neo-world order technological prowess defines economic progress. This is the reason for having growth which is not accompanied with enough creation of jobs. Income inequality and jobless growth will head the top 10 trends in 2014 (World economic forum). India is likely to see huge missing jobs by 2020. The number has been put at 16.7 million (Economic survey -2013). The survey reveals that between 2005 and 2010 one million jobs have been created for almost 60 million new entrants. The declining share of agriculture to 53 percent from 57 percent in total employment has resulted into 15 million workers crowding into towns and cities for their livelihood. The boom in the construction activities aided to absorb this splurge of labour. However construction sector as known to be highly volatile could never offer any sustainable job opportunity. The advent of new technology has resulted into progress of capital intensive industry. The labour absorption rate in such industries is very low. Better known as FIRE (Finance, Insurance and Real estate) driven economies which are better placed to absorb an educated labour force. However the upheavals in financial markets globally have a deep impact on

the domestic financial market. As it is known well that the jobs in FIRE economy is no less volatile than the ones related to the construction activities. The above line can be substantiated from the loss of jobs of computer engineers all over the world when IT industry faced a slowdown (Sikdar). Economic and social cost of being jobless is enormous. Apart from loss of output the other hazards of idleness are loss of skills, loss of self-respect, lowering of morale, family disintegration and social political unrest. At an individual level there is evidence based on research that there is commensurate rise in suicide, homicide, cardiovascular rate mortality and mental illness (Mathew, 2014).

Winning strategies

Policy measures suggest promotion of manufacturing and services as prescription to curb this menace. Promotion of SMEs in manufacturing is seen as a potent solution to address the issue of rising unemployment. In the BFSI segment the people starting their own enterprise as financial advisor is being seen as a great opportunity in an emerging economy. With deregulation in the financial market the quantum of financial products has increased manifold. Growth of income will be accompanied by growth of savings. The money has appropriated across myriad financial products. In the BFSI segment distribution of financial products is source of biggest source of employment. In the new scenario this profession is going to gain recognition and respect. The low level of financial literacy in India provides an

ideal ground to build up a career in this profession. Unfortunately the definition of financial literacy is only limited to possession of a bank account. In fact the definition of financial literacy is much more. In a regime of free movement of capital from savers to borrowers through numerous financial instruments makes choice very difficult. The withdrawal from the committed pension has left investors to look for market based financial instruments to cater to their financial needs at various stages of life. The role of a qualified financial advisor comes into play at this juncture. FPSB (Financial Planning Standards board of India) a private–public enterprise is playing a lead role in this area. There is a crying need to establish professional Financial Planning standards, inculcate financial literacy, and create suitable redressal mechanism for the investors in India, so that not only they can make responsible use of credit & money but can make informed financial decision that affect their family and future. Leading personal financial services establishments all over the world have been concerned about these issues as well: as this not only impacts the businesses of the corporations but also the credibility of the institutions - as it is largely a function of the professionalism demonstrated by its associates vis-à-vis their investors. Globally many leading personal financial services firms are coming together and attempting to professionalize the business of Financial Planning, and setting standards in the discipline. Currently in

over 24 countries over 200 leading financial firms have joined hands towards this objective. In India – Financial Planning Standards Board India has been set up to achieve the same. FPSB India is currently promoted by 50 leading Financial Services Organizations from the industry.

Conclusion

The need of the hour to address to the menace of volatility in the job market is to look towards building an entrepreneurial culture. For people working in the BFSI practising as an individual financial advisor provides a perfect setting to have a sustainable profession. As the concept in new for India which had long history of administered financial regime penetration of market based financial products are very low. The penetration of Insurance (life and non-life) which is measured as percentage of insurance premium to GDP is as low as 3.96% whereas the density of Insurance which the ratio of total premium to total population is 53.20\$. The growth has been lower than nations GDP in the same period (IRDA report 2014). Similarly, for mutual fund industry the AUM/GDP growth ration is also low. The proportion is 6.99% for

the entire country, and if the first decile of areas is excluded the ration drops to 1.82% (Chakraborty et .al, 2013).The above can be the reason for unholy ventures like the Ponzi schemes to flourish and dupe the gullible investors. Many sates in India have been affected by such ignoble ventures. Apart from lax regulation low level of financial literacy is believed to be the key factor behind such a catastrophe. The job of qualified financial financial professional is enormous and multipurpose. Apart from being source of livelihood it is also an act of philanthropy. It would not be an exaggeration to say that it is just a beginning and the best of the profession is yet to be seen.

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