

# Chapter 18

## Preparing Graduates for the Indian Banking Industry

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### **ABSTRACT**

*Banking has come to occupy a vital position in a nation's economy. In today's world, banking is a business which not only deals with borrowing, lending, and remittance of funds but it is important for forecasting economic growth. As a result of knowledge explosion besides other factors, in the last two decades banks in India have witnessed a transition from traditional banking to modern technology driven banking. Exposure to competition has made these banks re-engineer and re-structure their processes, systems, and product line. Indian industry and Indian exports are greatly dependent on the banking sector which in turn, has to achieve the highest international standards. Introduction of innovative delivery channels at par in the banking by all types of banks have opened new challenges to the bankers and the banking industry. At present there is need for techno-bankers.*

### **INTRODUCTION**

The IT revolution had a great impact in the Indian banking system. The use of computers had led to introduction of online banking in India. The use of the modern innovation and computeriza-

tion of the banking sector of India has increased many folds after the economic liberalization of 1991 as the country's banking sector has been exposed to the world's market. All this mean that we need to prepare not only qualified people for banking sector but also knowledge workers with

DOI: 10.4018/978-1-4666-2845-8.ch018

professional approach. The chapter takes the issue of preparing our graduates from universities for banking sector taking into consideration the fact that many of them are unemployable and not trained for non academic work.

## **HISTORICAL SKETCH OF BANKING SYSTEM IN INDIA**

Banks are the backbone of a country's economy which is truer for a developing country like India. Banks in India are not only strong but are one of the fastest growing sectors in the country.

Pre Independence banking system of India originated in the last decades of the 18th century. The story of banking starts from Bank of Hindustan established in 1779 and it was first bank at Calcutta under European management. In 1786 The General Bank of India was started. Both of the Banks are now defunct. Since the Calcutta was the most active trading port in India, mainly due to the trade of the Britisher's, it became a banking centre. Three Presidency banks were setup under charter from the British East India Company—Bank of Calcutta, Bank of Bombay and Bank of Madras. These worked as quasi central bank in India for many years. The Bank of Calcutta established in 1806 immediately became Bank of Bengal. In 1921 these three banks merged with each other and Imperial Bank of India got birth. It's today's State Bank of India. The name was changed after India's independence in 1955. So State Bank of India is the oldest Bank of India. However the first Indian Commercial Bank which was wholly owned and managed by Indians was Central Bank of India which was established in 1911. So this bank is called India's First truly Swadeshi bank ([www.gktoday.in/brief-history-of-banking-in-india](http://www.gktoday.in/brief-history-of-banking-in-india)).

The banking sector reforms started immediately after the independence. These reforms were basically aimed at improving the confidence level of the public as most banks were not trusted by the

majority of the people. In late nineties and early twenties risk based concept came into existence in banking and generated the need for risk management professionals.

## **HUMAN CAPITAL DEVELOPMENT HISTORY FOR INDIAN BANKING INDUSTRY**

The Human Resource field in the Banking Industry is considered as one of the process of discovery and transformation. The field of Human Resource can be described as emergent and dynamic within the cultural business aspect in a Banking Industry. The success of today's banking business will sparsely depends on the human resources of the organization, in which plays a crucial role in providing the services needed. The evolution of banking system in India affected the human resource practices, recruitment and selection practices, and training system. It is very important that the details of human resource are discussed along with the employees, to build their own career planning, perceptions and development. The primary strength of the industry is the human resource that is why the efforts to develop the skills and management are the main subject placed before the human resource. A major challenge for many banks will be to develop the special competencies and skills for credit appraisal and risk management. Putting the information technology is a key contributed in human resource development. Therefore, the HR model of the future will require professionals to be both driving and anticipating change, understanding the complexities of the new business environment and forces shaping it.

Gelade and Ivery (2003) examined relationships between human resource management (HRM), work climate, and organizational performance in the branch network of a retail bank. Significant correlations were found between work climate, human resource practices, and business performance. The results showed that the corre-

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