



## RESEARCH PAPERS IN ECONOMICS AND FINANCE

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# Current trends of development of HR Management in the bank sphere of the Russian Federation

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### ABSTRACT

The article presents a short retrospective journey into the history of formation and further development of a banking system on the example of the banking sphere of the Russian Federation. Thus, a significant role in the formation of competitiveness of credit organisations represents a „human” component of bank work. The author considers questions of management by human resources as one of the primary functions of management in the banking sphere. It is specified that the basis of the management concept of the personnel structure of an organisation is the increasing role of workers, knowledge of their motivational installations, ability of their organisation and direction according to the tasks which the organisation faces. A block diagram of an operational office, which is the lowest link of any credit organisation, is provided and analysed. Categories of employees working in a credit organisation, with the description of their primary functions are presented. The article also contains illustrative material in the form of the following schemes and charts: a general scheme of a credit organization, a volume chart of a ratio of professional categories in the conditions of activity specialization in one of regional offices, flat charts of the age structure of the personnel of credit organizations of the Russian Federation and a percentage ratio of workers with higher education. Finally, the author presents formation of perspective directions of highly skilled personnel potential for ensuring the guaranteed achievement of positive results.

**Keywords:** HR management, categories of bank employees, „front-office”, „back-office”, HR bank audit.

## 1. Introduction

Prospects of economic development of any state are inseparably linked with the human factor. Competence, knowledge of business and a feeling of the new are the defining qualities of modern workers, defining their potential and an internal resource of innovative development. Among the works of the experts studying personal features, of greatest popularity are the scientific works of Atkinson J., Becker Gary S., Mulligan C.B., Sala-i-Martin X., Mincer J., Schultz T., Daffi D., Egorov S., Bruking E. Korchagin Yu.I., Kravchenko A.I., Andrew S. Grove, Sakalas A., Liepe Z. Doktorovich A. Vanin E.V., Schetin V. [Sakalas, 2011, World Economic Forum, 2013, Mincer, 1994]. Scientific research

of the above authors reflects diverse and versatile approaches to studying business and innovative activity, however, questions of formation of personal potential in the banking sphere are insufficiently considered. This circumstance has also defined the purpose of this work.

Considering the issue of the banking business, it should be noted that on the territory of Russia, there were no private banks before the 1860s. The birthday of the banking system of Russia is considered to be the creation of the national loan bank (in fact, a state pawnshop) in 1733. The first commercial banks emerged in Russia during the era of Great reforms of Emperor Alexander II. Thus, in 1860 the National Bank of Russia was opened by the national commercial bank, and right after this an inten-

sive process of creation of various commercial and public banks began. By 1914, in Russia the following two-level banking system was created:

- 1) the National Bank and several specialised state banks,
- 2) Public city and land banks as well as private banks.

By 1926, the number of commercial banks grew to 61, and the share of the State Bank in the credits decreased from 66% to 48%. However, in 1927 commercial banks passed under the management of the National Bank and were liquidated as independent credit institutions. The division of banks into a central bank and national banks took place in 1987. The creation of commercial banks began in Russia since 1988 [Korchagin 2008]. For comparison, in Great Britain, the Bank of England was founded in 1694, due to the need to regulate the activity of the already created system of private banks. Furthermore, only in 1844, the monopoly of the Bank of England was proclaimed. Now, about 1000 commercial credit institutions function in the Russian Federation according to the statistical bulletin of the Bank of Russia [Statistical bulletin of the Russian Bank No. 1 (272), 2016] of 1 January 2016, and formation of the market relations in Russia in many respects functions depending on the successful work of commercial banks and level of development of HR of management in these banks. The purpose of this work is research on the crucial tendencies of development of HR management on the example to the banking sphere of the Russian Federation. Now, about 1000 commercial credit institutions function in the Russian Federation according to the statistical bulletin of the Bank of Russia [№ 1 (272), 2016] on 01.01.2016 and formation of the market relations in Russia in many respects function depends on successful work of commercial banks. and a level of development of HR of management in these banks.

## 2. Methodology and discussion

Management in the banking sphere is characterized by the management expertise in strategic analysis, planning, policy development and management functions, quality of planning, management of human resources, ect. A significant role in the formation of the competitiveness of credit institutions is played by a "human" component of banking work. A bank wins and succeeds if it not only is accurately organised but also has competent, devoted and disciplined personnel capable of being reconstructed and retrained quickly. Manage-

ment of human resources represents one of the functions of banking management aiming at such an essential resource of the company as people. Management of personnel structure of foreign and Russian banks is based on same platform. [Jarmochowicz 2008, Kaimierczyk 2014, Kvilinskyi 2012, Pająk 2012, Lyashenko V. 2017]. Training of qualified personnel and successful formation of a team of managers is the key to success of any financial enterprise. The basis of the management concept of the personnel structure of an organisation is made now by the increasing role of the identity of the worker, knowledge of its motivational installations, ability to form them and to direct according to the tasks facing the organisation [Shpilina 2014]. Creation of a specific internal atmosphere when all personnel are interested in the achievement of a common goal, development and prosperity of the organisation is a guarantee of productive activity and functioning of the bank. To form development directions of improving the internal atmosphere and increasing the competitiveness of the bank, first of all, it is necessary to analyse its structure. The analysis of functions and block diagrams of regional financial organizations [VTB bank 2008, the Annual report of bank of Russia 2014], using the existing methods of formation of interrelations between the flow of various information [Vodolazska 2008, 2009], allowed to develop a block diagram of operational office, which is the lowest link credit institution (figure 1)

By the order No. 1794-U of February 21, 2007, the Bank of Russia granted the right to credit institutions to open a new type of internal structural division – an operational office. The office can carry out everything or a part of banking operations provided by the license of the Central Bank for the monetary institution (branch) which created it. The divisions which are outside the territory of the establishment of the Bank of Russia, which controls the activity of credit institutions (branches), have some restrictions on the implementation of operations.

It is possible to mark out the following categories of employees working in a credit institution. First of all, there are operational workers who are obliged to advise any entering client even if they are only potential. They are one of the structural units of a credit institution forming the general image and functional perception of establishment in general. They process documents on credit and deposit operations, channelise for decision-making by natural and legal entities within cash and non-cash flows. The framework of competence of an operational worker includes knowledge of the product

line, the ability to competently offer services and to remain loyal to the client during the period of communication. The head of this link is obliged to distribute responsibilities competently between workers so that there are no queues, as well as to solve a serious problem of redistribution of employees to cover most convenient to clients working hours of a credit institution (evenings and days off) without violating the labour law. For cashiers, the functionality of development of banking institutions has practically not changed: they still either give out or accept cash. Only the equipment set is changed which is allowing to automate recalculation and identification of note.

The issuance of credit is a more difficult operation on parameters of responsibility and risks. At present, the structure of an ordinary bank division cannot incorporate loan officers, but at the same time is successful in performing operations of issuing loans, for example, to natural persons. It is possible when the system is built as follows: operators, having found out the needs of the client, fill in a questionnaire with personal information, and the decision is made in a higher division, in which credit workers analyse the received inquiries and draw conclusions.

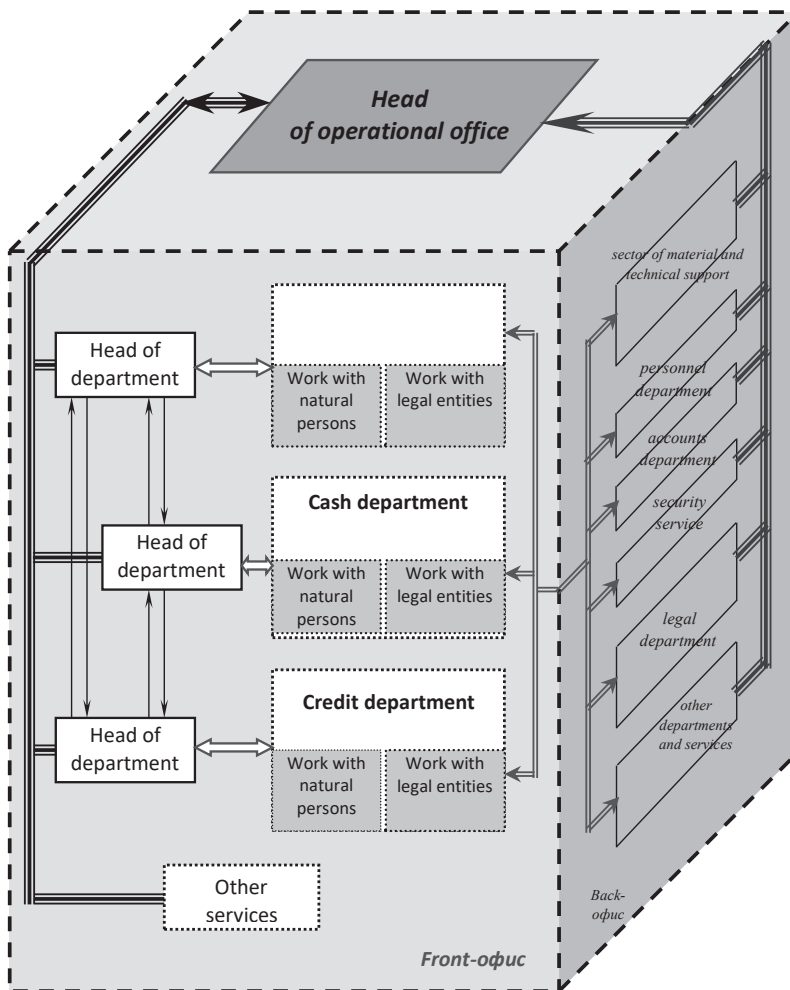


Figure 1. Block diagram of the operational office of a credit institution  
Source: own work

Another matter is the issuance of credit to legal entities. There, depending on the sum, term and interest rate, particular business and analytical projects allowing to estimate the degree of risk are quite often done. In this case, as a rule, there is a personal contact between the credit worker with the client's representative. The above-described bank structure represents the so-called "front-office" making direct contact with the clients of the bank. However, an integral part of any process is also the "back-office" – in particular, security service which provides data processing the entering flow of clients, cutting out those obviously unreliable; department of material and technical support which is responsible for technical provision of all departments and sectors; collection services which can be both own and hired, as well as some other services and divisions. These structural units are most often outside the operational office and advise remotely. The leader of the presented structure is a head of the operational office. He coordinates the activity of the structural divisions, appoints, if necessary, heads of lower link who are motivated on the performance of planned targets. Such structural divisions as operational office unite around service branch by location. The functions of this branch are personal work, accounts department, document flow and technical maintenance by sys-

tem administrators of software and equipment. Branches have a separate balance, a separate correspondent account in the office of the Central Bank, submit regulatory reporting in the Central Bank, IFNS and other fiscal bodies. The head of the branch of a credit institution has competences to make decisions within the network, though in some banking systems heads of operational offices are equated to them.

The structure of management concentrates on the head office which is characterised, first of all, by the existence of the departments which are responsible for offering strategic planning of all networks and also for the directions of development and tactical solutions of the current tasks. Within the head structure, as a rule, there are divisions which are responsible for marketing and advancing a brand on the banking market of the country. Additionally, a crucial separate link providing activity of all structure is the management of automation which is engaged in development, introduction and service of new software products, with continually raising requirements to quality and speed of data processing.

The principal governing body – the Board of the bank, consists of owners, principal shareholders or their plenipotentiaries. They gather on a periodic basis, and they are just engaged in the adoption of strategic decisions, as well

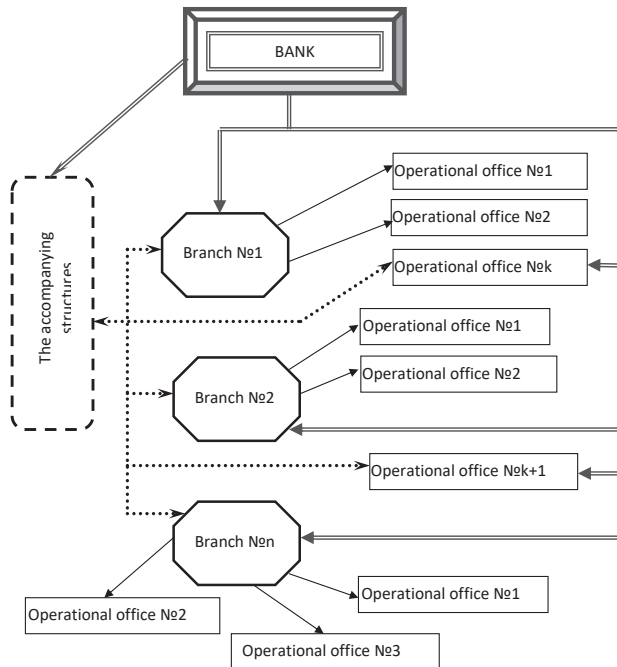


Figure 2. General scheme of a credit institution

Source: own work

as appointment of top managers. The general scheme of the credit institution given in figure 2 is made on the basis of research of network models of enterprise management [Vodolazskaya, 2009].

A rational approach to efficiency assessment of human resources is one of the essential tasks of HR management of credit institutions. The general assessment should be divided into quantitative and qualitative indicators. Quantitative indices enable estimating the level of prevalence of certain professional qualities of the personnel. The quantitative assessment of employees is more objective. These are such methods as the method of ranks, mark system and graphic reception of assessment. Qualitative methods of assessment are valid in the case when it is difficult to measure the required parameters of the quantitative assessment of workers. Procedures of quality standard of personnel mean work of experts as external (invited experts, experts of the branch, consulting companies), and internal (top management, experts of different levels and linear heads). In this case, as a rule, what is measured is the level of compliance of individual workers to the profile of their positions or a reference set of characteristics, and also by specific criteria and competencies.

The results of assessment give information for the management of the company and the HR manager concerning the professional condition of the personnel structure and also about the need to take measures to correction of this state by hiring, selection, training, retraining and other actions. [Shpilina 2014, Vodolazskaya, 2011].

The main objectives of assessment are:

1. Increase in the objectivity of procedures of selection and arrangement of personnel;
2. Definition of compliance of employees to the requirements of their positions;
3. Preparation of development programs of employees,
4. Planning of career development,
5. Identification of the most prospective employees.

The most bank workers (up to 90%) can be ranked despite the positions they hold as technical specialists with accurately regulated performing functions [VTB Bank 2008]. Moreover, only a small part of workers (no more than 10%) are given creative, analytical functions. The high demand of "mechanical" work is caused by a rigid hierarchy and orderliness of financial operations and procedures, need of protection of information which is contained in

them, and eventually – the nature of monetary relations. Figure 3 presents the ratio of professional categories in the conditions of specialisation of activity in one of the regional offices.

The age structure of distribution of bank employees is illustrated by the scheme in figure 4.

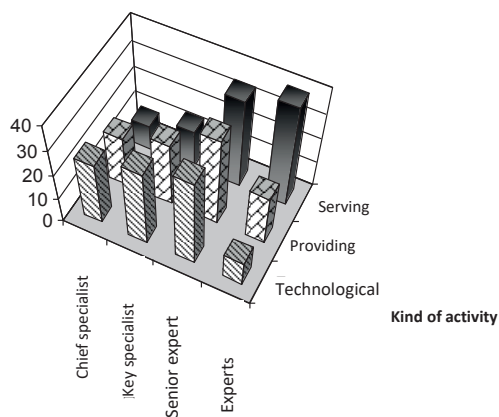


Figure 3. The ratio of professional categories in the conditions of specialisation of activity in one of regional offices  
Source: own work

As of January 1, 2015 [The Annual report of 2015] the number of positions of heads and specialists of credit institutions increased by 0.8%, the indicator of their completeness amounted to 96.5%. More than a half of workers (56.1%) were aged from 30 to 50 years old, with experience in the system of the Bank of Russia of more than 15 years. The number of workers up to 30 years increased by 0.8 percentage points and made 11.2% of the total of heads and experts. The share of workers with retirement age decreased by 0.6 percentage points – to 10.7%.

Modern conditions impose new, stricter requirements to the structure, professional knowledge and abilities of workers, to the volume and pithiness of the resolved issues. Considering high dynamics of modern reforms of activities and structural optimization of credit institutions, HR service solves a problem of maintenance of competences level and knowledge of employees according to the growing production requirements which rely on the basic knowledge gained in higher educational institutions [Vodolazskaya 2012, 2013]. In recent years the share of workers with higher education continually increases (figure 5). A rather high rate creates a positive picture of the educational level of personnel [Bondareva 2016, Vodolazskaya 2016, 2017, Lavrov, 2015].

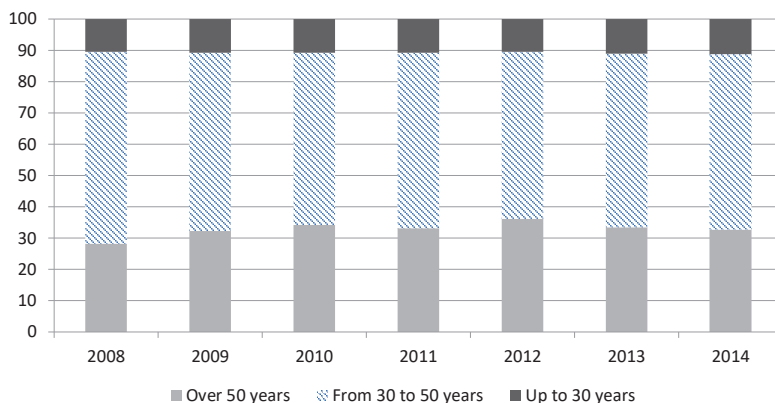


Figure 4. Age structure of personnel of credit institutions of the Russian Federation  
Source: *The Annual report of 2015*

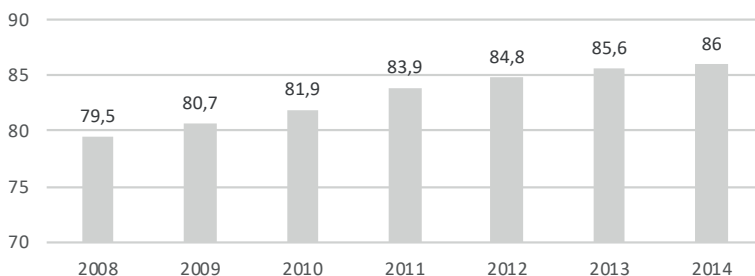


Figure 5. A share of workers with higher education  
Source: *The Annual report of 2015*

For optimisation of the current and prospective need for personnel, it is necessary to use scientific methods (mathematical statistics, recognition of images, psychoanalysis). The audit of human resources of a bank has to begin with total efficiency assessment of the activity of permanent members of staff. One of the ways to solve this problem is formation of own knowledge centres as well as strengthening and development personnel's capacity of the company, creation of high-performance collectives, the highest effects of activity of the organisation.

The approximate range of services of a bank training centre can be the following [Krasovskaya, 2009, Vodolazskaya, 2012]:

- implementation of such forms of professional development as courses, seminars, training, including foreign language and computer preparation. A relevant contract is concluded with each worker and in case of its violation penalties apply,
- definition (together with heads of divisions of the bank) the necessary volume of the required

knowledge and forms of the current training of employees,

- regular assessment of professional qualities of workers, level of its qualification, compliance of the available knowledge and skills of duty regulations,
- instructing in newly applied bank technologies,
- information support for employees.

### 3. Conclusion

The analysis of personnel policy in the banking sphere of the Russian Federation makes it possible to draw the following conclusions:

- positive dynamics of the number of employees due to development of a system of operational offices with a high degree of the remote solution of questions is noted,
- the tendency of an increasing number of workers in the age group from 30 to 50 years old is observed and a decrease of labor fluctuations in this group,



- the overwhelming number of workers have higher education that allows fulfilling official requirements concerning the level of necessary knowledge and skills by each group of professions of a bank and structuring positions,
- creation of own knowledge centres in credit institutions will allow meeting high requirements for the resource, including information support of activity for employees,
- formation of highly skilled personnel potential provides a guaranteed achievement of the planned results.

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