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KNOWLEDGE MANAGEMENT IN COMMERCIAL BANKS- A STUDY OF THE PUNJAB NATIONAL BANK

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ABSTRACT:

The banking sector plays a crucial role in economic development of a nation. The banking system in India is significantly different from that of the other nations, because of the country's unique geographic, social and economic characteristics. Though the sector opened quite late in India compared to other developed nations like the US and UK, the profitability of the Indian banking sector is at par with that of the developed countries. As opposed to this ancient dictum, the present day banking has undergone a drastic change. The key drivers of this change are integration of financial markets across the globe, information and communication technology and knowledge. Professional knowledge of the banks has been increased only by adopting effective knowledge management strategies. The advent of the private sector and foreign banks are instrumental in providing more benefits and new service options to customers. The diffusion of technology is somewhat slow in public sector banks as compared to private banks and foreign banks. The main objective of the study is to analyse the Knowledge Management in banking sector with special reference to the Punjab National Bank. The study is mainly based on secondary data, which is collected from the annual report of Punjab National bank and journals and other database.



KEYWORDS: banking sector plays, social and economic characteristics.

INTRODUCTION:-

Banks and financial institutions rely on gathering, processing, analyzing and providing information in order to meet the needs of customers. Banks were among the earliest adopters of automated information processing technology. The visible benefits of IT in day-to-day banking in India are quite well known. There's "Anywhere Banking" through Core Banking Systems,

Anytime Banking through new 24/7/365 delivery channels such as Automated Teller Machines (ATMs), and Net and Mobile Banking. IT has enabled efficient, accurate and timely management of the increased transaction volume that comes with a larger customer base. The past few years saw us marking some major milestones in the Indian payment and settlement systems. The introduction of the Real Time Gross Settlement (RTGS) system has resulted in compliance with the Basle Core

principles for systematically important payment systems of the Bank for International Settlements.

Banks are using innovative approaches such as solar power and mobile technology based connectivity for branches. New technologies set off a process of change. IT is not yet a very comfortable choice for millions. Therefore, in order to encourage IT proliferation facilitation of a change in customer mindsets and attitudes is must. Consumer awareness is a major challenge.

Banks must also pass on the benefits of lower costs from technology – based products and services to their customers. In order to meet the customer expectations and face competitive challenges the entire existing technology component must be modernized. The investment in IT in banking sector shall achieve cost savings, energy efficiency. In order to serve as an instrument of state policy banking industry was subjected to various nationalization schemes in different phases (1955, 1969 and 1980). The main components of E-Banking or Electronic Delivery channel includes – Automatic Teller Machine (ATM), Electronic Data Interchange (EDI), Electronic Funds Transfer (EFT), Electronic Money Transfer (EMT), Internet Banking, Online Banking, Tele-banking, E-Cheque. Although the Indian banking system is not directly exposed to the sub-prime crisis, banking crisis, global financial crisis, our financial markets, equity markets, money markets, foreign exchange markets have all come under pressure mainly because of what has been called as the „Substitution effect“ of – 1) Drying up of overseas financing for Indian banks and Indian corporates, 2) constraints in raising funds in bearish domestic capital market, and 3) Decline in internal accruals of the corporate.

OBJECTIVES OF THE STUDY:

The broad objective of the study is to analyse the Knowledge Management in banking sector with special reference to the Punjab National Bank. Hence to arrive at this objective, the following specific objectives are framed and undertaken, they are:

- to study the extent, trend of knowledge management in banking sector in India to have a broader view of the progress of banking services in India.
- to examine the performance of PNB in the deployment of technology in knowledge management.
- to trace human resource management and knowledge management in PNB.
- to offer suggestions based on the study for more effective knowledge management in PNB.

SURVEY OF LITERATURE:

Ganesh Natarajan & Sandhya Sekhar edited the book “Knowledge Management, Enabling Business Growth foreword by Nitin Nohria” opines how technological and conceptual synergies can be deployed for conversion of knowledge into knowledge management in the organization context.

Ratnaja Gogula in his book “knowledge Management A new Dawn” considered knowledge creation and sharing are widely recognized as strategically important for organizations to gain competitive advantage, organizational learning and innovation.

Harish Chandra Chowdary in his work entitled “Knowledge Management for competitive advantage changes the world through knowledge” recognized knowledge as a central concern to organizations in order to provide source of value and sustain competitive advantage presented the review and current state of knowledge management in organizations.

Michel J.L. Pommier, Senior Advisor, Network Operations and Knowledge Sharing Program, The World Bank Group drawn from the lessons of experience for launching a broad knowledge management program in a global organization like the World Bank, considered eight pillars were instrumental to support the Bank’s initiative

Hafizi Muhamad Ali, Nor Hayati Ahmad, University Utara Malaysia highlighted the concept of KM and the importance of KM integration in the banking sector as a strategy for banks to maintain their competitive advantage.

Deepak Tandon in his article “Knowledge Management in Indian Banks” highlighted KM as a tool has strategic importance. Banks being an important pillar of service sector have a special place for KM. Also detailed about the various areas where KM can be suitably fit, the approach that needs to be taken to implement and nurture it and also the challenges that banks may face in sustaining the use of KM as a tool.

G. Srinivasan in his report on Currency & Finance of the Business Line newspaper on September“ 16, 2008, entitled “Banking on Big Change” considered the Indian Banking system seldom had it so good as today with the RBI – the custodian of Industry and the central bank proclaiming that “a

well calibrated and gradual approach to banking sector reforms led to the emergence of a strong and resilience banking system over the years.

Kai Mertins, Peter Heisig, Jens Vorbeck (Editors) Springer – Verlag, Berlin (2001) in their work of “Knowledge Management, Best Practices in Europe”, the results showed, that overall, knowledge management was understood neither as a technological term nor as an intangible asset.

DATA SOURCES AND METHODOLOGY:

The study is mainly based on secondary data. Besides, the researcher’s individual observation, discussion with bank officials and also with the customers of PNB helps in examining the knowledge management in PNB. The geographical area as sample for the present study is selected PNB branches in Bhiwani District office, Haryana. The secondary data has been extracted from the Annual Reports of PNB and journals and other database like Prowers, Ebsco business premier, Blackwell Synergy and Emerald. Analysis and interpretation in the present study is done on the information and data collected through secondary and primary sources.

STATEMENT OF THE PROBLEM AND HYPOTHESIS:

The purpose of the study is to examine knowledge management in banking sector, especially the technology management and human resource management based on the responses of Punjab National bank, Bhiwani District, Haryana. The Punjab national bank had been taking the lead in introducing Information and Communication Technology (ICT) policies and is now pursuing effectively and aggressively technology policy with the aim of achieving efficiency in operations. At this backdrop a study of Punjab national bank was undertaken for this Research work. The null hypotheses are:

- (i) H0: There is no significant difference between senior and junior level employees on the awareness of e-banking policies and plans.
- (ii) H0: There is no significant difference between senior and junior level employees on the knowledge of PC Banking.
- (iii) H0: There is no significant difference between senior and junior level employees on the knowledge of Bank Website
- (iv) H0: There is no significant difference between senior and junior level employees on their perception of customer knowledge on e-banking.
- (v) H0: There is no significant difference between senior and junior level employees regarding knowledge on transactional website.
- (vi) H0: There is no significant difference between senior and junior level employees on their options available to e-banking users.
- (vii) H0: There is no significant difference between senior and junior level employees on the knowledge of outsourcing.
- (viii) H0: There is no significant difference between senior and junior level employees on the knowledge of password procedure.
- (ix) H0: There is no significant difference between senior and junior level employees on corrective measures for fraudulent transactions.
- (x) H0: There is no significant difference between senior and junior level employees knowledge on online marketing practices.

Sampling Design:

The sample selection is as per purposeful sampling method. With a view to extract the information to assess technology and HRM in Knowledge Management of PNB questionnaire is served among different categories of employees viz., Managers, Cashier, Field officers, Computer operators, etc. Responses are obtained from the officials of PNB and with the application of statistical tools put into analysis and interpretation.

Analysis and Interpretation – Statistical Tools:

The information and data extracted from the sources mentioned earlier is thoroughly analysed for arriving meaningful conclusions. The data obtained from the survey is tabulated with appropriate categories. The Arithmetic mean, Averages and percentages are applied to the tabulated data for conducting Chi-square test for the testing of stated Hypothesis. Based on the insights of the analysis, suitable suggestions are made for more effective use of technology and HRM in knowledge management of PNB.

Scope of the Study:

The research work entitled “Knowledge Management in Commercial Banks - A Study of the Punjab National Bank” very comprehensive in nature. It is mainly confined to evaluate the knowledge management in banks, through a case study of the Punjab National Bank. As the knowledge management is very broad area, the present study mainly attempts to understand two key areas, technology and knowledge management, human resource management and knowledge management on the selected organization.

Limitations of the Study:

The study is subjected to certain limitations, which are mentioned below:

- Though there was apathy or indifference on the part of executives in supplying information the researcher had overcome through moral persuasion and intensive pestering.
- The study is extensively used the information available in secondary sources and responses revealed by PNB officials. So the limitations of that are equally applicable to the study.
- The study covers the period of five years, so the findings and conclusions relating to that period have been analysed and presented.

FINDINGS:

- In the knowledge era, the most powerful tool of any business organization is its knowledge from which sustainable competitive advantage can be derived. Knowledge management has become an important success factor for all most all organizations.
- Traditionally banks in India have claimed the strength of their networks based on the number of branches. The diffusion of technology is somewhat slow in public sector banks as compared to private sector banks and foreign banks. The media boom, IT developments changed the behaviour of consumers.
- There seems a huge potential for IT in future especially on differentiation in customer service, asset-liability management. As new technologies set off the change process, several challenges in the implementations of IT in knowledge management in banks shall come across.
- Punjab National Bank is the premier, largest commercial bank in the country, is well positioned to capture growth in India’s dynamic banking market and is seen as a macro- economic proxy for the Indian economy. PNB today is going through a momentous phase of its knowledge management through technology and HRM. The PNB is forging ahead with cutting edge technology and innovative practices and striving for achieving total customer experience.
- Opinion from senior and junior category employees has been obtained on the written policies and plans of e-banking practices of PNB reveals that all the respondents are aware of them. Whereas the knowledge on Email / Internet and Privacy policy is not possessed by 25% of the junior category employees.
- As regards bank website among senior and junior level employees reveals that all senior level employees having knowledge on the functioning of PNB website. About 50% of junior level employees are not aware of website review, 25% on the applications and 25% on firewall location of the PNB website.

- As regards the knowledge on transactional website, it can be understood that all the senior category employees and about 75% junior category employees are having the knowledge on insurance, brokerage, small business and trust services. About 50% of senior category employees and 75% of junior category employees are aware of doing commercial business transactions and aggregation services. All the respondents are aware of internet banking and bill payment services. No senior level employee is aware of portal services, and only 50% of junior category employees are aware of it.
- All the senior and junior category employees are aware of the fact that PNB is offering the web options viz., viewing account balances, transfer of funds between A/cs, bill payment, 24/7 service by e-mail, viewing of A/c. history, viewing of loan status and ordering cheques online. Whereas 50% of the junior as well as senior level employees are aware of that the bank is providing IRA & brokerage a/c. information access and SMS alerts through net banking. All the senior level executives and about 75% of junior level executives have the knowledge of cheque book reconciliation and issuing stop payment orders online.
- Although the concept of KM is well accepted, it can be observed that the usage of KM in SBI is not at full extent. Wider application of KM is still very much desired, especially in bank customer and customer-customer relationships to flourish greater knowledge sharing. Among various technologies used for KM in PNB, databases and web-sites are the most common types.
- KM contributes greatly to sustaining competitive advantage for PNB. However, a knowledge centric approach requires not only the necessary information technology, but also an environment conducive to knowledge creation and sharing.
- It seems that diffusion of internet banking, mobile banking, home and office banking will not be effected because an average customer is yet to have access to these services offered by PNB.
- There is a wide gap between software and hardware used in public sector banks vis-à-vis at international level. As PNB having international operations, it is like to adopt technology to arrive compatibility between Indian and international standards.
- Technology management impact as perceived by branch managers revealed that there were no complaints regarding timely payment of interest, balance enquiry. However, there were complaints for updating of passbook / statement of account, lack of employee's knowledge regarding various schemes etc.
- Challenges for PNB on HRM front include – (i) Training and competence of employees, (ii) Change of Mindset, (iii) Shortage of professionals and Challenges on Technology – (i) User friendly technology, (ii) Financial planning based CRM, (iii) Customer Service Support.
- It is identified that the PNB's infrastructure facilitate the interaction dynamics in such a way as to accommodate the time and space differentials of its human factor.
- PNB's information technology and Knowledge Management has not just made it easier for consumers to complete their transactions with a hitch, it has also enabled sophisticated product development resulted in market infrastructure and allowed reliable techniques for control of risks.
- During the last five years PNB has played a key role of Multi service platform in providing convenience for the consumer who can choose to either bank the traditional way through any of its branch or use ATMs or telephone and the internet to conduct transactions.
- It is identified that State Bank of India has automated its Human Resource Management System totally using SAP – HRMS software, Citizen Orientation Programme enlightened its employees by providing them a book called „My Contribution“ where he is given with space to show his contributions at work, to his family and to the society.

SUGGESTIONS:

- In order to have more effective knowledge management, PNB may initiate the following measures.

- Banks must be able to transform the benefits of reduced costs from technology based services to their customers as the entire institution of banking has been built on consumer trust. Proper alignment of IT and banking operations, IR and HRM, IT and organization structure is essential for realizing the benefits of KM implementation in banking. In this process security concerns have become critical, which requires the validations of transactions. PNB shall ably meet the challenges and continue to find better ways to put technology.
- In order to successfully implement KM measures in PNB, the value of knowledge must be recognized, especially by top management by improving internal process, customer services and products and by creating a good environment for employees.
- KM should be on capturing and understanding the knowledge about customers and their needs. KM in banks can sustain only when there is an inland or incentive scheme for the knowledge processors.
- It may be noted that the problems in effective KM process are mostly related to human behaviour aspects. Hence to activate KM process PNB has to focus knowledge wealth, free communication, participative management, innovative attitude and professionalism.
- There is lack of readily available service to the users on software related problems PNB may consider establishing more help centres for providing necessary guidance to branches.
- Some of the main stumbling blocks in the technology and KM in PNB have been Diversity of culture, geographical factors and large number of regional languages spoken in India, because so far only English Language Software is used for computerization, internet etc.
- It has been expressed by the majority of employees that technology and KM resulted in increased productivity whereas certain factors like constant reshuffling, lack of coordination for tedious and repetitive work, delays in up-gradation etc. limit their productivity. The management may consider these factors and devise appropriate strategies.
- It has been observed that even in fully computerized branches some activities like locker operation, Income tax forms generation are done manually till now. Feedback from the customers on this may help PNB to make feasible modification.
- PNB may formulate policy whereby all the employees are given computer training and some of the employees need to be given extensive training so that the minor problems can be sorted at the branch level immediately. It may consider recruiting technological savvy employees to enhance the customer service.
- As PNB is being geographically distributed, it is expected that the individual community members will have different preferences as to when and how to interact so it is suggested to the facilitators regarding the accommodating time and space differentials of its community members.
- It is suggested that the system must provide a profiling facility to develop a reference background for the participant as they develop any sense of body of knowledge by knowing from various interactions with individuals.
- This profiling should include includes personality types, background, desires and aspirations and special interests. Thus developed online profiles must be readily accessible to anyone that chooses to use them as a basis for better understanding, those they are interacting with.

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