



Human Resource Management and Practices in Indian Banks

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Abstract *The present study has been undertaken in view of the absence of systematic studied on the subject. Nationalization has changed the complexion and dimensions of Commercial Banking in India. It helped to hasten the pace of geographical and functional diversification. The new dimensions have placed the varying responsibilities on the shoulders of commercial banks such as expansion of branch offices to unbanked and remote rural areas on a massive scale so as to cover small scale sector, cottage and rural industries, self-employed persons, artisans, weaker sections of the society, small traders and other persons of small means. The study covers all the important areas of human resource development in banks. These areas include conceptual clarification about human resource and human resource development in banks, essentials of HRD, the sub-system of human resource development like performance appraisal, training, management development, career planning and development, organization development, participative management, quality circles etc. These primary areas of human resources development will be studied thoroughly to the maximum extent through the means of discussion, interviews, reports, accounts, observations etc.*

Key words: *dimension, conceptual, career planning.*

Introduction

Twenty –first century HR is emerging to uniquely combine activities and processes of human resource management (HRM), human resource development (HRD), and organizational development (OD), three fields that “grew up” distinct from each other. Contributing strategically to organizations demands that HRM, HRD and OD coordinate, partner and think innovatively about how they relate and how they do impacts people and organizations. The primary apprehension of the bank should be to bring in proper integration of human resource management strategies with the business strategies. Banking industry viewed from personnel angle has its peculiarities. It is a labour intensive industry and efficiency of employees has got a bearing on the quality of services offered. With the implementation of recommendations of

Pillai Committee a controversy was ranging among bankers whether or not Personnel Management is a specialized function. In the absence of scientific personnel practices being developed in the banking industry, a discontent workforce emerged which strengthened the trade union movement in banking industry.

The Indian Banking Industry has witnessed rapid changes during past two decades. The sector primarily consists of commercial and cooperative banks. The commercial banks include public sector banks, new and old private sector banks. Banking system in India is an important service sector of the economy and has developed itself into an effective instrument of socio-economic changes in consonance with national goals. The banking sector in India has been characterized by the predominance of



public sector banks. But in July 1993, as part of the banking sector reform process and a measure to induce competition in the banking sector. The RBI permitted entry to the private sector into the banking system. This resulted in emerging of a private sector Banks: These banks are collectively known as 'new' private sector banks. After nationalization of major Banks, their network has expanded geographically and diversified in complex and challenging areas. As private sector Banks has already entered into their business areas viz, Merchant banking, mutual funds, Credit cards etc. Now Public sector banks are also growing in size and entering into their areas too. It requires technical and managerial human power for future. The future need of the banking sector can only be met if present human resources are developed and utilized.

Review of Literature

Mr.Venkata highlighted in his research thesis, the importance of standard Human resource management system in the Indian Banking industry for survival and growth in the present competitive world. He further noted that, how designing the HR policy plays an important role in the development of the Indian Bank.

Mr. Joshi explained in his research thesis, the importance of Manpower planning in public sector banks. He explained that, banking is a service industry and for any expansion of its branches and banking services to attract and retain customer, banks must concentrate on proper man power planning.

Aravind studied in his research thesis, in detail about the human resource development in commercial banks, a case

study of a leading public sector bank SBI in Hyderabad Karnataka Area. He even analysed that the HRD practices in State Bank of India is standard and some changes required for strengthening the manpower of SBI. He also noted the role of employees union in HRD function of the Bank.

Ouchi in his work suggested that the success of the Japanese Organizations in comparison with the contemporary American Organizations was largely due to the adoption of Human Resource policies, which encouraged commitment and participation among employees and resulted towards innovative and flexible organizations, which finally led to the better performance. Hence, the wastage of Human Resource means wastage of money, which becomes a burden on an organization. Thus, the role of Human Resource Management emerged as to maximize employee commitment, flexibility, organizational integration, and to improve quality of the work. To overcome various impediment Researchers of different countries derived different models and had given various theories in relation to Human Resource Management and Human Resource Strategy.

Human resource development in Indian banking sector

To take up this industry to the heights of international excellence requires combination of new technologies, better processes of credit and risk appraisal, treasury management, product diversification, internal control, external regulations and human resources at the most. The main challenges faced by Banks in our country are the role played by financial instrumentation in different phases of business cycle, the emerging



compulsions of the new prudential norms and bench marking the Indian financial system against international standards and best practices. There is a need for introduction of new technology, skill building and intellectual capital formation. The most important need in this service industry is naturally the HRD. During the early phase of banking development in India after independence, opportunities for employment of the educated man-power were relatively limited. This sector was the preferred employer for the educated persons in the country in addition to civil services. In recent years, this position has changed dramatically. Certain rigidities have also developed in HRD within the banking system as this system is public sector. Its hierarchical structure gives preference to seniority over performance, and it is not the best environment for attracting the best talent from among the young. How well Challenges are met will mainly depend on the extent to which the bank"s leverage their primary assets i.e., HR in the context of the changing economic & business environment. It is expected that the Indian banking and finance system will be globally competitive. For this the market players will have to be financially strong and operationally efficient. Capital would be a key factor in building a successful institution. The banking and finance system will improve competitiveness through a process of consolidation, either through mergers and acquisitions through strategic alliances. Indian Banking system has played a crucial role in the socio-economic development of the country. The system is expected to continue to be sensitive to the growth and development needs of all the segments of the society. Besides practicing HR in different units it is also a mammoth task for the banks to face the

central and outer challenges. In different way the HR department sales, finance and manufacture the strategic over time to achieve its ultimate objectives. Monitoring as well as changing the strategy also permits the business to cope up with the current demand.

Earlier Studies Human resource development is a process through which employees in an organization are assisted to realize their full potential for their present and future jobs. It involves long term perspective which visualizes change through involvement and ownership of such change by the participants. HRD believes that individual in an organization have unlimited potential for growth and development and that their potential can be built through appropriate and systematic efforts. The abbreviation HRD denoting, "Human Resources development" is creation of western countries; they treat and deal human force as resource. Resources are explored, exploited and discarded after their use. Continuous use of resources make them weak and futile, they decay with time. However, human beings become wiser, stronger and grow from within each challenge problem encountered. Wisdom and strength in human beings appreciated with time but use of resource always make them weak, futile and depreciate. D.V. Ramana Murthy has discussed in this article on "Human Factor in Banks," the significance of human factor and trade unions in the banks. S.R. Varde in his paper on "Manpower Planning" at the level of an Indian commercial bank dealt with the aspects like basic structure of manpower planning, linkage of manpower plan to other plans, interrelationship of various manpower functions, objectives of manpower



planning in Indian commercial banks, anatomy of manpower plans and techniques of manpower planning. N.R. Seth discussed growth, functioning and progress of trade unions in Indian banks. P. Subba Rao, have discussed the role of counselling, performance counselling and action planning in his paper on "Bank Branch Manager as a Counsellor." T.V. Rao, in his book on "The HRD Machinery" explained HRD instruments, processes and outcomes, HRD Departments and their tasks, structuring the HRD function, qualities, and competence requirement of HRD managers, developing HRD managers, traps and temptations of HRD managers and HRD instruments". Balader R. Sharma in his study on "Human Resource Management in Banking Industry" studied managerial beliefs, work technology and organizational climate. P. Amsa in his paper "Organization culture base for effective HRM in Banks" studied HRD related areas in brief in addition to various issues related to human resource management. T.P. Raman "HRD in State Bank of India" explained the practice of HRD and various techniques of HRD in State Bank of India. His paper is mostly based on his work experience in the bank rather than a study. R. K. Agarwal. "HRD" in State Bank of Patiala" explained the objective and structure of HRD department, HRD climate and various techniques of HRD in the Bank.

The recent emphasis on human resource management, e.g. Storey (1992), Torrington and Tan Chee Haut (1994), suggests that not only is the management of labour being given more attention, but that the issues discussed are broader and more strategic as well as tactical (see also Wilkinson & Marchington, 1994). Miller

(borrowing from Porter (1995) defines strategic human resource management as those decisions and actions which concern the management of employees at all levels in the business and which are related to the implementation of strategies directed towards creating and sustaining competitive advantage. (1987, p.352) . Thus, unlike the traditional peripheral function of many personnel managers, the newer style of human resource managers attempts to: relate personnel practices to beliefs, to link each and every process of the recruitment, induction, training, appraisal rewarding of individuals to an overall set of articulated beliefs of organization" (Hunt, 1984, p.16) Krishna and Rao (1997) carried out a comprehensive empirical study Organizational and HRD Climate in BHEL: An Empirical Study, and found that HRD climate in the organization encouraged middle and senior managers to experiment with new methods and try out creative ideas. Sharma and Pooja Purang (2000) in their study Value Institutionalization and HRD Climate: A Case Study of a Navratna public sector organization, found a positive relationship between value institutionalization and HRD climate in a large public sector organization, meaning thereby that a better and more ethical environment of the organization shall lead to a better HRD climate for the organization.

HRM in Banks

The HRM practices in banks is gradually forging ahead. A majority of the banks have set up separate HRD Departments (HRDDs) within a decade of functioning, HRDDs in some banks have gained certain creditable achievements. The blanket criticism of the existing HRM functions as " Ornamental Appendages



cannot be justified. However, it is true that functioning in a majority of the banks is far from satisfactory. There are also cases of banks where the HRDD discharges personnel administrative functions of recruitment, placement, transfer, promotion and training. The functioning of the HRDD in certain other banks show a transition towards HRD functions. In these banks, along with training, certain other activities like manpower planning and performance appraisal have been introduced yet, a few other banks have made rapid strides as far as the introduction of new HRM activities and sub-systems, such as systematic induction, quality circles, staff meetings are concerned besides introducing these systems, some banks have also taken appreciable efforts in perfecting certain system like training and performance appraisal, Nevertheless, there is a widespread feeling in the banking industry that there are no sufficient pay offs from the HRM functions and the system at the operational level are relegated to the level of rituals. The linkages between HRD systems and other related such systems in HRM are also not apparent.

Human Resource Management in India

Human Resource Management in India dated back to 4th century B.C. to the period of Kautilya. According to Sharma Arthasastra gave a detailed discussion on staffing and Personnel Management embraced job description, qualification for jobs, selection procedures, executive development, incentive system, and performance evaluation. Akhilesh and Nagaraj mentioned in their study that prior to independence private owners dominated in Indian industrial scene, particularly characterized by an

autocratic leadership style. The issues related to employee relation were, handled as a fire-fighting strategy by management. After this period, number of developments started taking place such as formal recognition to worker"s unions and appointment of labour officers that brought changes in the personnel functions in India. In 1960"s, the personnel function raised concern about obtaining people, maintaining personnel records, administrative work, and enforcing discipline. Whereas in 1970"s, the personnel functions shifted towards greater organizational „efficiency“ and in 1980"s, onwards the focus was on terms and issues such as Human Resource Management and Human Resource Development.

Significance of the Study

The HRM is a growing concept. It has tremendous relevance to service sector like banking. Human input is the single largest input that goes in the banking industry. The level of efficiency/production of this input gets reflected in the quality of service offered by banks to its customers, as also in its ultimate growth, productivity and profitability. Hence, the banks today lay great stress on HRM functions.

Scope of the Study

There are very few empirical studies on Human Resource Management and whatever sporadic researcher have been conducted, they tend to be survey researcher dwelling at length, the perceptions of employees and are undertaken mostly by Human Resource Management staff of those companies very few researchers outside the corporate management have attempted to study the Human Resource Management variables . Unlike the previous studies,



the present is empirical study and hence, the focus is on the hitherto neglected Human Resources Management variables in the earlier studies, viz., Performance Appraisal system, Training system, Recruitment Process, Quality circles. Human Resources information systems and impact a focus on Human Resources Management, by an independent and outside management researcher and hence, devoid of any bias.

Objectives of the Study

- 1) To enquire into the HRD philosophy of banks.
- 2) To study the organizational and HRD climate in the banks.
- 3) To enquire into the practices of various HRD techniques, and
- 4) To study the outcomes of human resource development for the banks, individual employees.

Challenges Faced By Banking Industry

Here are the ten challenges that the HR function in India faces:

- 1) The first and foremost challenge that HR function in India faces is to convert the abundant population pool into useful human resource.
- 2) Training and development of human resource to match ever changing industry demands requires HR to develop new and innovative ideas that suit individual as well as industry criteria.
- 3) Employee motivation and satisfaction is another area of concern for the HR today. In order to reduce attrition, HR needs to realize that monetary needs are not the only drive for an individual and that a sense of belongingness must be imbibed in employees.

4) With the increase in number of job options available nowadays, the HR function of an organization must take care that they hire those people who believe in long-term commitment to the organization. The HR then must take up the challenge of retaining them by developing retention techniques like Holiday plans fun-at-work etc.

5) Because of cutthroat competition, HR in India also faces the task of building competitive advantage for the company over national and international competitors.

6) The growing importance that companies are nowadays giving to cost-cutting has posed HR with the challenge to minimize expenditure on HR not compromising on the productivity.

7) Since right-sizing has been a growing trend in Indian organization, the HR now faces the task of identifying and retaining the key employees of an organization and letting go those that do not suit its future requirements.

8) HR also faces the challenge of creating a balanced organization that originates from mergers and acquisitions. HR needs to assimilate those policies that are mutually agreeable to the companies being merged as well as profitable for the new organization.

9) Globalization poses HR with challenges such as expatriation and repatriation. HR needs to train employees that leave their nation for fulfilling a foreign assignment. It also needs to provide such employees with adequate moral support and assure them of job security on their return.

10) With multinational organizations on the rise, HR needs to focus on issues such as crosscultural training so that problems



that can arise because of differences in international professional values can be diminished.

Hiring the Right Person for the Right Job

In assessing whether the "right person" has been selected for the "right job", the most prominent theoretical concept that emerges is the concept of "fit". Different writers emphasize different types of fit. Sekiguchi (2004: 179) in a review of literature on person-environment fit discusses two types of fit that emerge as the most prominent types of fit: person job fit and person-organization fit. In pursuing person-job fit, companies seek to match the job holder's knowledge, skills and abilities to the requirements of the job. Companies can ascertain person-organization fit by focusing on how well the individual fits with the culture or values of the company and the individual's capacity to work well with other company employees. Banks have to plan for the following:

- A steady, carefully calibrated recruitment programme,
- As rapid technological changes transform business – continuous skill up-gradation.
- A new generation of the workforce working alongside an older generation as a team. Banking, it is a team work and these new situations require cultural adjustments and therefore, change management.

Training and Development

With drastic growth of banks it calls for efficient and well trained staff members to handle/deal with the consumer needs. Banks are shaping up as financial hub for

their clients to grow in size and well recognized in the world market. To pull consumers banks are offering traditional with advance services like SMS banking, ATM, internet banking, priority banking, demat. So we can say that it caters to the need of the bottom to the highest class of society providing something to everyone. Universal banks have become modern day"s supermarket extending almost every facility of banking under one roof.

Performance Management

Banking service is one sector where a great degree of attention is being paid to performance appraisal system. Several of the nationalized banks have changed their performance appraisal system or are in the process of changing them. In most of the banks that follows the traditional system, their officers are being assessed on the following characteristics:

- General Intelligence
- Job Knowledge
- Initiative and resourcefulness
- Supervision
- Business Capacity
- Ability to assess sound
- Business propositions
- Dependability
- Relationship with junior & senior colleagues
- Relationship with public
- Conduct, manners, Managerial ability
- Failures that attracted issue of warning by superiors.



Several of the banks also have self-appraisal as a part of performance appraisal, although mostly such self-appraisal is more of a communication of achievements. A fair, transparent and objective mechanism for performance management is a must for all banks because an effective Performance Management System is the key to talent management and succession planning. RBI is shortly going to introduce a new Performance Management System that will work on goal setting, potential appraisal of performers and developing a talent pipeline. With all these changes we are also going to face major challenges on the Talent Management front. In coming times, the work force will get complex and there will be a need to juggle a wide variety of people with varied needs and preferences, resulting in an array of relationships between the organization and those who work for it. Peter Drucker had, more than a decade ago, expressed the need for what he called "non-traditional" work relations: flexible schedules, contract arrangements, virtual teams, etc.

Some other HR practices and benefits given to employees:

Gratuity

HDFC Bank provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service.

Superannuation

Employees of the Bank, above a prescribed grade, are entitled to receive

retirement benefits under the Bank's Superannuation Fund. The Bank contributes a sum equivalent to 13% of the employee's eligible annual basic salary (15% for the Managing Director, Executive Directors and for certain eligible erstwhile Centurion Bank of Punjab („eCBoP") staff) to insurance companies, which administer the fund. The Bank has no liability for future superannuation fund benefits other than its contribution, and recognizes such contributions as an expense in the year incurred, as such contribution is in the nature of defined contribution.

Banks like Bank of Baroda are conducting Grooming and etiquettes programmes for front-line employees and also for employees selected for overseas posting in order to improve their service levels and qualitative interaction with customers and various stakeholders better. SEED (Self efficiency and effectiveness development) programme being run for frontline staff of the Bank in order to improve their service skills and servicing efficiency.

Punjab National Bank, in the light of the large scale human resources gaps that Bank is likely to face in the next few years need for Succession Policy has been felt. The Policy envisages mapping of the 'existing pool' against the 'future requirement' from the projected business figure to ensure that adequate number of officials are available in the pool and also to foresee the surplus / deficit in the pool for ascertaining the requirement of succession in a particular vertical. Bank has a three tier training set up comprising of Central Staff College (CSC) at Delhi at apex level catering to training needs of Top / Senior / Middle Management Grade officers, three Regional Staff Colleges (RSCs) located at



Belapur-Navi Mumbai, Lucknow and Panchkula for training needs of Senior / Middle / Junior Management officers as well as workman staff and seven Zonal Training Centres (ZTCs) at Dehradun, New Delhi, Jaipur, Kolkata, Kozhikode, Ludhiana and Patna looking after the training needs of Middle / Junior Management Grade officers & Workman Staff. IT Training Centre located at Faridabad caters to the training needs of officers exclusively in the areas of Information Technology.

Conclusion

To conclude, Organizations all over are rushing to implement the latest ideas on management, sometimes to the point of overuse. The major challenge now for banks as well as any other organization is therefore how to develop their social architecture that generates intellectual capital as the quintessential driver of change. Developing the individual or human capacity is an integral element of building capacity and, in fact, capacity building initiatives are now increasingly becoming almost an index of institutional quality. Taking the banking industry to the heights of excellence, especially in the face of the a forehead-detailed emerging realities, will require a combination of new technologies, better processes of credit and risk appraisal, treasury management, product diversification, internal control and external regulations and, not the least, human resources.

The forces of globalization, liberalization, advancements in technology and changing customer preferences have had major repercussions in the Banking Industry, necessitating the need for the effective Human Resource Strategies. Keeping in mind the main findings of the Study and for

effectiveness of Human Resource Practices, the following recommendations may be outlined. The Banking Industry has now entered in an era of postliberalization competitiveness requiring a fresh look at the management structure at the apex levels in terms of strategic intent to be reflected in well articulated organizational vision, mission, and objectives. Though Banking Organizations in the Private Sector including Foreign Banks have shown their inclination towards this aspect, the same has been, however missing, in The Bank of Baroda with the exception of some Banks like State Bank of India and Bank of Baroda. There is now a felt need towards bringing this change for sustained organizational performance. In specific, a bold initiative at the Banking Industry level, particularly for the Public Sector Banks, is required by way of setting up an empowered task force consisting of the representatives of the Government, Reserve Bank of India, Banking Sector management professionals, labour representatives and renowned management consultants to help bring about movement towards stratification of the Banking Sector in India. It has become an urgent need in the wake of progressive dilution of The Bank of Baroda equity requiring greater accountability. At the level of various Banks, there is an institutionalized setup in the form of well structured Human Resource Divisions in place of the erstwhile personnel departments to undertake various Human Resource Functions. Now, these Functional Departments have well established ways of working; but in terms of operational Human Resource functions they are circumscribed due to the existence of internal structures such as Banking Recruitment Board in The Bank of



Baroda and rigid bipartite wages and service conditions machinery at the Bank as well as at the industry level. The Banks, particularly HDFC, is however bringing in innovations in their marketing and customer relation strategies by way of formulating different products and technology based delivery systems. However, the emerging marketing orientation, though well conceived, has not been meshed with well thought-out Human Resource Practices in the backdrop of well structured Human Resource Strategies. Needless to emphasize that without such Human Resource Practices, Banking Organizations would not be able to deliver increasing expectations of globalized customers.

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