

Human Resource Management and Practices in Indian Banks

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Abstract

Effective management of human resources play a vital role in sound management of banks as human resource management is a central sub system of modern management system. This truism is well recognized by even market economies of USA, UK, and France etc. Management of human resources, adaptation to any kind of change and effective functioning of banks are possible only when human resources are developed. Thus, HRD facilitated for all round development of banks in addition to allowing them to be dynamic and responsive to the environmental changes. The study on Human Resource Development in Banks, under present economic scenario in the country is essential to understand bank's present HRD philosophy, practice and outcome with a view to offer suggestions for formulation of right philosophy and practice of HRD in Banks. 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.

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1. 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. It should faster cohesive team work and create commitment to improve the efficiency of its human capital. More than operational skills today are banking call for these ‘soft skills’ to attend the needs and requirement of the customers at the counter.

Banks have to understand that the capital and technology-considered to be the most important pillars of banking are replicable, but not human capital, which needs to be viewed as a valuable resource for the achievement of competitive advantage. The long-term vision for India's banking system is to transform itself from being a domestic one to the global level may sound far-fetched at present.

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.

1.2. 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 in his paper on “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. In his paper on “HRD” in State Bank of Patiala” explained the objective and structure of HRD department, HRD climate and various techniques of HRD in the Bank. This paper also suffers from the same limitations of the T.P. Raman’s paper.

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.

2. 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, groups and the society at large in both private as well as public sector banks.

In the fulfilment of these objectives, a close study is made on all important areas of human resource development in banks. The position prior to nationalization is also studied with a view to appraise the changes better.

3. Research Methodology

It was very difficult to appreciate and understand the human resources development unless recourse is made to the interview method. Interviews and discussions organized with the selected representatives of management of various Commercial Banks, Staff Training Colleges, Indian Institute of Banker, Bombay; National Institute of Bank Management, Pune; Indian Bank Association, Bombay; Banking Service Recruitment Boards, Trade Unions and with employees of various commercial banks. A separate questionnaire prepared for this purpose to draw upon their rich personal opinions, experiences etc, which cannot find a place in the reports and records. Interviews conducted with the trainees who underwent training and management development programme, their superior, subordinates and peers in order to ascertain the impact of these programmes on job performance and behaviour. Another method adopted for this study is the collection of secondary data from various public

sector banks and private sector banks. Various appropriate statistical techniques employed for analyzing the data. The statistical analysis and data supplemented by the information collected through interviews and personal observation so as to derive effective and meaningful conclusions. The data and information collected from various sources. Factual data collected from the annual reports of the banks; staff training colleges, house magazines and other records of the banks, reports and other records of the trade unions. The study warrants a number of trips to the head office, regional offices, branch offices and staff training colleges of respondent Public Sector Banks and Private Sector Banks and National Institute of Bank Management, Pune; Indian Institute of Bankers, Bombay; and Indian Banks' Association, Bombay. During these visits, libraries of all banks and various banking institutions used to go through a number of relevant reports and books. In order to study the face of HR practice in today's scenario in Indian Banks we need to know the challenges which our banking industry is facing.

4. 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 merges 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 cross-cultural training so that problems that can arise because of differences in international professional values can be diminished.

5. Meeting HR Challenges

The banking sector has been growing at a very fast pace in India not only in the terms of its size but also in terms of the services being provided. With banks reaching the remote areas in the country one can anticipate positive things like financial aid to farmers and increased financial awareness. Howev-

er, with the increase in size and activities of banks, the number of banks in private sectors has also increased thereby posing challenges like cost-efficiency, technological advancement, and credibility related issues. The task before the HR is to develop strategies that help banks in gaining competitive advantage and encourage innovation in its products and services.

5.1. Managing Human Resource

Considering the above HR challenges which our Indian banking industry is facing, we can manage the human resources by proper Planning like

- Hiring the right person for the right job
- Retaining and Developing
- Managing people/ conducting exit interviews

5.2. 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.

5.3. Retaining and Developing Employees

We may be able to get the most suited people for our work but then the challenge is to retain these people and to develop them. There are several dimensions to this issue such as training/ re-skilling of employees, performance measurement, promotion policy, transfer policy, talent management, communication, etc. In this study some of them for discussion:

5.4. 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.

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.

In 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.

5.6. 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.

Short Term Employee Benefits

In State Bank of India the undiscounted amount of short-term employee benefits, such as medical benefits, casual leave etc. which are expected to be paid in exchange for the services rendered by employees are recognized during the period when the employee renders the service.

The Bank operates a Provident Fund scheme. All eligible employees are entitled to receive benefits under the Bank's Provident Fund scheme. The Bank contributes monthly at determined rate (currently 10% of employee's basic pay plus eligible allowance). These contributions are remitted to a trust established for this purpose and are charged to Profit and Loss Account. The Bank provides for pension to all eligible employees. The benefit is in the form of monthly payments as per rules and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules.

6. Suggestions

The banking sector has grown from a few institutions primarily involved in deposit acceptance and trade finance into a complex multi player markets where large number of commercial banks, financial institutions and specialized banks are operating with various product activities. Like many other organized sectors, banking requires multi layer manpower for its various requirements of professionals and support staff. The range may require reasonably educated security guards on the one hand and a highly educated and trained professional as head of corporate finance. With liberalization of activities within the banking sector, for example, more emphasis on consumer and house finance and personal loans, etc Banking has turned itself into a more market based business where banks have expanded their reach more to customer's door step in a big way making banking more practical. This has further highlighted the need for proper development of man power to run banks efficiently. Smart banks have realized this need and have taken steps to keep their workforce motivated through proper encouragement like man of the month award, repeat get-together, conferences, sports events, dinners, company sponsored travel, reunions.etc.

In spite of all these facilitations there still exist several lacunas in the HRM practices in banking industry. Some of the specific suggestions based on survey of literature as well as the group discussions and survey are given here under:

- 1) There should be a balanced compromise between organizational need and individual need. Total insensitiveness to individual preference gives rise to frustration at some point of time, which as a consequence has a real damaging effect on the organisational growth itself.
- 2) While there must be rewards for performance, non-performance must be punished/ reprimanded. Promotions must be only on merit.
- 3) There must be uniform, impartial and balanced "employee performance review system." This system in fact needs a total review.
- 4) Enthusiastic and pleasant behaviour of staff to the customer is necessary.
- 5) There must be a clearly defined system of succession planning and career growth planning in banks.
- 6) Attitudinal changes are required at the top level.
- 7) Human resource Balance Sheet should accompany financial statements.
- 8) In order to become HRD conscious, the Public Sector Banks should allow independent functioning of HRD section, where the top person should be himself a good successful banker, a real HRD person free from any biases.

- 9) More openness, transparency in personal matters, high value of human dignity, people oriented management system, creating belongingness and trust, two-way communication.
- 10) Banks should have a system, whereby the training needs of an employee are identified and are duly fulfilled at every stage of career growth.
- 11) Have special R & D wings in HRD Department for ongoing in house & external research development, review and implementation of HRD policies.
- 12) There should be award schemes administered by prestigious organizations and Govt. agencies for best HRD policies & Practices amongst Public Sector Banks.etc

7. 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.

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