

DEVELOPMENTS IN HR PRACTICES IN INDIAN BANKING SECTOR

Shantashri R. Haridas *.

Dr. Meena R. Chandawarkar **.

**M.Com, Research Scholar, Karnataka State Women's University, Bijapur
shantashri90@gmail.com*

***M.Com, Ph.D, Vice Chancellor, Karnataka State Women's University, Bijapur*

ABSTRACT

Banking was a thriving industry in ancient India. Initially, the industrial houses started banks with a view to generate funds for productive activities and offered considerable security, liquidity and fair returns to the depositors. Banking continued to be a traditional industry till 1969. With nationalization, banks ceased to be funding agencies only for industrial sector and became a vivacious instrument of social change more statistical data are available in support of the preposition that there is a phenomenal growth of banking industry. Today various developments have been taken place in Indian Banking Sector. In Earlier days, the banks were concentrating only on their business expansion. But are today they are also focusing on Human Resource Management by concentrating on Employees Development and Encouragement and Motivation. This article enlightened the banking activity which thrives on the strength of people power". People are the direct factors of productivity of its services and people are its sole consumers".

Key Words: Talent Management, HRM Practices, Training and Development (T&D), Performance Appraisal System (PAS), Recruitment and Selection Process, HRD (Human Resource Development).....

Introduction:

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. Unfortunately personnel happened to be the most neglected aspect of banks management. The typical working of banks as such does not require any professional training not and here is an industry where it is strongly believed that everyone can do anything and as one knows no body does much to the prosperity of the organization. In a sheltered environment like this, the need for professionalization of bank management was never felt personnel happened to be managed by a non-expert and usually by a mediocre officer who could not otherwise prosper on banking operations. With the implementation of recommendations of Pillai Committee a controversy was ranging among bankers whether or not Personnel Management is a specialized function.

The HRM practices in banks are gradually developing slowly. A majority of the banks have set up separate HRD Departments (HRDDs). HRDDs in some banks have gained certain creditable achievements. 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 shows 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.

Literature Review:

1. **“HRM 2000” by P.Subbarao**, a compendium, presented the various developments in the HRM in a comprehensive form. It is also attempted to look into the current trends in Human Resource Function with a view to outline the future development that are likely to take place in the years ahead. It also discussed in a lucid manner the topics such as job analysis, job evaluation, employee benefits, recruitment and selection, line staff conflicts, social responsibility policies along with other current topics such as organizational culture and climate, organizational politics, organizational effectiveness, follower ship, participative management, dual career problems, quality of work life, quality circles and organizational development.

2. “Emerging Issues in Human Resources Management by Pramod Verma, a volume, attempted to present state-of-the-art explanations and experiences on the emerging issues in managing human resources in various organizations.

Objective of the Study:

1. To know the HRM Practices in Indian Banks.
2. To study recent Developments in HRM Practices in banks.
3. To know the future scope for developments in Banks.

Statement of the Problem:

Banking is now a part of the service industry. Number of players in markets are increasing Day by day, thereby signifying more intense competition. The new economic environment has posed new challenges and opportunities for the banks. In contrast to the largely service based competition that banks have witnessed, the competition is now manifesting itself in the form of technology based competition and price based competition as well. The advent of new technologically well-equipped, structurally lean and capital strong banks creates some difference in the markets in terms of the range and the cost of services offered as also the speed and efficiency with which customer expectations are met. To survive in an intensely competitive market, banks must measure up in terms of efficiency.

Significance of the Study:

HRM initiatives have to be taken by Indian Banks. Banks have to Train their employee’s in terms of knowledge and skills. Attitudes have to be changed to equip them to meet the increasing client expectations. Realizing the importance of customer oriented corporate culture add continuous up gradation of skill of their manpower in ensuring growth and maintaining its pre-eminent position, the banks heralded in redesigning the HRM area. It is a considerable study had yet to be made on the HRM aspects of banks as only in the last decade, several HRM systems have been evolved and experimented and also on future scope for developments in HRM aspects specifically in Indian Banks. HRM is an area in which banking industry needs considerable change in the basic premises for human resource management and development. Hence, the present study has been undertaken.

Methodology:

The present study basically depends on Secondary Data, and information has been collected from various sources like business newspapers, journals, magazines, and publications etc.

Limitations of the Study:

Study has been primarily concentrated on recent developments in HRM Practices in the Indian Banks consisting of Public and Private Sector Banks and Regional Rural Banks in general.

Human Resource Management Practices in Indian Banks:

Every Banks needs to select their Personnel where they are specifically facing problems. They are:

1. Planning
2. Acquiring the right people
3. Retaining/ Developing the people
4. Managing people separation / exit

Planning:

Before acquiring the people banks need to plan for acquiring. In Public Sector Banks, this planning will be based on Proportion of retirements in banks. But in Private Sector banks will not consider these Criteria. They will consider the need for technological advancements and their need to capture market attention. So Private sector Banks will plan to competitive workforce who has enough intellectual skills. Now a day's Banks are ready to handle the new bunch of employees who will be culturally so different from their superiors of the post nationalization era? It all begins with having a manpower plan. How many banks can claim to have a proper manpower plan that captures the type of people it requires, the level at which they are required, clearly defined roles for everyone, etc. Manpower plans should follow a lifecycle approach, that is, from the time of recruitment of an employee to his retirement.

While planning people requirement in every bank it is very important to develop “employer brand”, that is, reputation as an employer to attract, engage and retain talented candidates and employees, It means employer must create image in the society so that talented Candidates will be automatically attracted towards banks and they apply for job. Sometimes People apply for Public Sector Banks because of Job safety. But people will go for Private sector Banks only when they are providing better pay with Better services. Generally Banks will 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 will be working alongside an older generation as a team. Banking, in my opinion is a team work and this new situation will require cultural adjustments and therefore, change management.

Acquiring the Right People:

This step involves Job Analysis and Recruitment and Selection.

Job Analysis: Job analysis involves collecting information about the characteristics of a job using one of several methods: observation, interviewing, questionnaires, or more specialized job analysis methods such as position or functional analysis. Job Analysis Basically involves Analysing the job in detail that what the job entails, and what kind of people the firm should hire for the job.

This involves the following:

1. Collecting information about the actual work to be done by employee.
2. Type of employee behavior for carryout that job.
3. Information about machine, tools, and equipments required to carry out specific job.
4. Information about Job Performance Standards.
5. Information about the Physical working condition for the job.
6. Knowledge and skill required to carry out specific job.

Recruitment and Selection: Public Sector Banks follows systematic procedure in recruitment and selection activities. For Recruitment and Selection these banks follows some standard most of the cases. The practiced arrangement for selection and recruitment is the corporate decide what positions will have to fill and how to fill the immediate as well as future requirements. This total procedure is designed to cover all positions from bottom to top level.

Indian Public Sector Banks use both methods of recruitment i.e., internal and external markets. Usually, for clerical and officer posts, external market is used through advertising etc. On the other hand, the managerial/executive positions are filled up through promotions and transfers i.e., for higher positions the internal market is usually relied upon. In some of the PSBs in India, the practice of recruiting specialists such as technical employees, management trainees etc. directly from the reputed institutions through campus interviews have been started. Some banks are also utilizing the services of consultants and employment on contract basis. In Private sector banks like Axis Bank, HDFC Bank, YES Bank will undertake Recruitment and selection in the form of Campus selection, Academic Interface Programs (AAIP) (aimed towards building long-term

partnership with Institutions to offer youngsters an understanding about the Financial Services industry and offer career opportunities. Here's an opportunity to match your ambition, so go ahead and explore the various AAIP programs.)

Recruitment and Selection involves candidates sourcing, application processing, Interview process, pre-employment check, probation policy.

Retaining and Developing the People:HRD is one of the major functional area in HRM. Continuing education and training programmes are essential considerations to enrich their careers and excel their development. Banking activities and knowledge is ever changing. In order to cope up with these changes and to develop employee's careers all banks established their own training institute. Those institutes organized different types of training and development programmes based on the employees need. Those needs are identified by need assessment activities.

Training is more in PSBs because the training system in the banking industry has a strong structural base, and has capabilities to handle training in large numbers. The system has also developed several innovative activities in the training area such as on-location training, manager to messenger programmes. Further the PSBs have a good support to training efforts from apex level training institutions such as National Institute of Bank Management (NIBM), Bankers Training College (BTC), and College of Agricultural Banking (CAB). The IPSBs have more than three hundred individual bank level training colleges and training centers.

Training is given emphasis by all banks, although not much systematic training need analysis is carried out. The training colleges conduct training programmes for relatively junior level bank staff. For most of the senior level training, banks depend on external agencies, especially foreign training organizations. Training establishments of some of the bigger banks complain of under utilization.

In Private Sector banks special Training are provided to the employees based on their needs. **Skill based Training** is provided to employees. In HDFC Bank, this training is provided HDFC Bank tied up with Hope Foundation for providing skill based training in computers, life skills and retail management courses to **100 youth in Kolar district, Karnataka**. 47% successful placements have already been made possible through various industry tie ups.

Vocational training for the youth This is provided together with National Bank of Jammu & Kashmir (NBJK), HDFC Bank will provide vocational training to 510 youth, creating opportunities for providing jobs in Jharkhand District. So far 173 youth have been trained, out of which 100 have been successfully placed through different industry tie ups. The remaining 337 youth will be trained in the next 3 months.

Performance Appraisal:

Performance appraisal is the systematic, periodic and an impartial rating of the employee's excellence in matters pertaining to his present job and of his potentialities for a better job. (Edwin B. Flipp). Public Sector Banks in India give more attention towards performance appraisal in the organizations. Performance appraisal based on quality of output, potential of the employee within the organization etc. need to be incorporated across all grade, cadres and levels. This will not only ensure maximizing productivity, but also go a long way in motivating star performers aligning with the long-term mission and vision of banks.

Compensation:

In general, the compensation in Public Sector banks is mostly based on seniority or work experience. The Indian public sector banks should reward their professionally qualified employees by scale up-gradation and special increments besides motivating and encouraging them to acquire new knowledge. Common pay structures based on number of years of service with the bank put in etc need to be phased out in a planned manner.

Managing people separation / exit

Except maybe a last few years, so far most of the people leaving us were due to retirements.

Things will change, unless we are doing all the other things properly, people will also leave us for other opportunities, there are going to be plenty of them are not only from competitor banks and financial sector but also from outside the financial sector. Introduced a system of exit interviews to determine why people are leaving our organization whether there are any inherent system/ structure failures? Have we not been able to empower the people enough? We should not try to block their exit but, as a part of the manpower planning process, should be able to identify substitutes who can step in and ensure non-disruption of important functions, in the event of the exit of a key person. The place of an experienced person could always be filled in through lateral recruitment of a person with matching skills/ experience. Employees who retires from Job, Bank will provide either Lump sum or Pension. VRS system, Medical Benefits, Educational Aid etc...

Future scope for Developments:

During the 2010 to 2020 decade, Nationalized Banks are at the cusp of a unique opportunity – with people retiring in lakhs making it a “retirement decade”, it is the best time to transform the HR processes and implement some new age concepts. This kind of opportunity to transform HR processes is once-in-a-lifetime window which, if properly utilized, could help our banks take giant strides. On the other hand, those who miss the bus would lag behind.

Table: Staff expenses (Payments to and Provisions for employees) of Public Sector Banks versus Private Sector Banks

Year	Public Sector Banks		Private Sector Banks	
	Staff	Cost per employee (Rupees)	Staff	Cost per employee (Rupees)
1998–99	8,83,648	1,67,940	60,777	1,69,307
2002–03	7,57,251	2,70,426	59,374	3,54,532
2003–04	7,52,627	2,97,903	81,120	3,17,308
2006–07	7,28,878	3,81,449	1,37,284	3,83,439
2007–08	7,15,408	4,00,611	1,58,823	4,47,920
2008–09	7,31,524	4,72,493	1,76,339	4,83,501
2009–10	7,39,646	5,55,874	1,82,520	5,16,491
2013-14	7,57,535	7,15,914	2,18,679	5,63,154

The above table suggests that Public Sector Banks are no longer the major employment provider in the financial market and also that their per employee expenses have gone above that of Private Sector Banks. The staff strength of Public Sector Banks has gone down between 1998–99 and 2013-14 but that of Private Sector Banks have gone up significantly. The per employee expenses of Public Sector Banks have gone above that of Private Sector Banks and today, is more than 150% higher than that of Private Sector Banks. This is despite the fact that pension expenses of

PSU Banks are not fully reflected in their staff expenses. One thing is, thus, loud and clear – the competitive advantage in terms of staff costs that we always thought the Public Sector Banks had is no longer there. The absence of the cost advantage coupled with the problem of lower productivity underscore the critical need for urgent HR transformation in Public Sector Banks. Hence, time has come for us to pay attention to this critical aspect on which our ability to compete finally hinges on. We can no longer postpone this issue.

Conclusion:

Banking system in India is standing at an important cross road. There are critical choices to be made and initiatives to be taken. The time is ripe for leaving the old baggage and taking bold measures. These measures would determine the future path for Indian banking Sector and whether PSB would continue to retain their position of pre-eminence in the banking space or would they yield to the pressure from their peers in the private sector. Considering the importance that banks have in the nation building process, the choices made now could have a bearing on the economic future of the country and on the lives of crores of our fellow countrymen, many of whom are yet to be touched by the formal financial system. We must succeed. Still some more developments need to be undertaken in Indian Banks to improve HRM Practices. For this they qualified and skilled and talented work force to do this.

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