



HUMAN RESOURCES (HR) PRACTICES IN BANKS

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Abstract

In India the banking industry is becoming more competitive than ever, private and public sector banking are competing each other to perform well. The executives of the bank are modifying their traditional human resource practice in order to innovate human resources practices to meet the challenges from other competitive banks. This paper tries to bring out those innovative and best human resources practices developed and found successful that made them more competitive in the present competitive banking environment in the various human resources areas where they want to gain competitive advantage over the rival banks in order to attract and retain the talents.



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Introduction

Twenty – first century HR is emerging to uniquely combine activities and processes of human resource management (HRM), human resource development (HRD), and organization 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.

During the early phase of banking development in India after independence, opportunities for employment of the educated manpower were relatively limited. Banks have to understand that

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 levels may sound farfetched at present.

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 mangers 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 Organisational and HRD Climate in BHEL: An Empirical Study, and found that HRD climate in the organisation 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 organisation, found a positive relationship between value institutionalization and HRD climate in a large public sector organisation, meaning thereby that a better and more ethical environment of the organization shall lead to a better HRD climate for the organisation.

Face of HR practices is today's scenario in Indian bank

HR in the context of the changing economic & business environments 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. The system is expected to continue to be

sensitive to the growth and development needs of all the segments of the society. Besides prating- HR in different units it is also a huge task for the banks to face the central and outer challenges. Monitoring as well as changing the strategy also permits the business to cope up with the current demand.

Challenges faced by the banks

1. The real challenges of this sector is the "Indian companies", how to transform into global corporations without losing the positive values and culture that they have developed.
2. However, the emergence of a core and peripheral workforce in many organization has presented new challenges for HR manager's public & private sector organizations are fast becoming diverse communities for core workers, flexibly employed casual and part-time workers, consultants contractors & business partners.
3. Certain rigidities have also developed in HRD within this banking system itself because this industry is largely in the public sector.
4. HR function in India faces is to convert the abundant population pool into useful human resource.
5. 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.
6. 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.
7. 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.
8. 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

Meeting HR Challenges (suggestions)

Following suggestions are very essential to adhere for effective Banking administration

1. HR functions to be linked to corporate goals
2. Shift from Industrial relations manger to business manager of commercial manager.
3. Team work is another important and essential soft skill that is necessary in the industry.
4. The HR Professionals have to introduce & improve the adaptability of their structure that will be able to absorb, draw and retain the best.
5. As people are primary asset, it is essential not only to invest in them. But also to ensure that the supporting element for this asset are such that it can provide the maximum value on a sustainable basis

Managing Human Resource

Considering the above HR Challenges which our Indian banking industry is facing, we can managing the human resources by proper planning like.

1. 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 type of fit

- A steady, carefully calibrated recruitment programme.
- As rapid technological changes transform business – continuous skill up gradation

2. 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 the issue such as training/ re-skilling of employees, performance measurement, promotion policy, transfer policy, talent management, communication, etc.

3. Training and development

With drastic growth the 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

- 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 stakeholder better

SEED (self efficiency and effectiveness development) programme being run for frontline staff of the bank in order to improve their service skill 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.

Performance Management

Banking service in 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 the most of the bank that follows the traditional system, their officers are being assessed on the following characteristic:

- General intelligence
- Job knowledge
- Initiative and resource fullness
- Supervision

- Business capacity
- Ability to assess sound
- Business propositions
- Dependability
- Relationship with junior & senior colleagues
- Relationship with public
- Conduct, manners, Managerial ability

HRD practices in banks

1. Staff Meetings

- (a) Staff meetings focus on overall development of the organizational members and aim to group synergy, team building and talent recognition.
- (b) All the branches or units of the banks conduct the staff meetings where the action plan for achieving the goals is drawn out.

2. Brain storming sessions

- (a) This technique helps in generation of the ideas and opinions, suggestions on relevant topic along with providing alternate solutions to the problem by simulative thinking of the employees
- (b) Corporate topics are selected for each quarter and brain storming sessions are conducted in administrative branches on the topic during every quarter

3. Study circles

- (a) The concepts of study circle aims at self development of employees by kindling the desire to acquire or update the information and experience
- (b) Group discussion / power point presentation / group discussion etc are arranged on topics of general interest by inviting experts in the field

4. Quality circles

- (a) This is time tested tool of Total Quality Management (TQM) which promotes team spirit cohesive quality work culture, commitment and involvement of employees

Case study

1 HR practice in ICICI Bank

Sources of recruitment: advertisements in newspapers or magazines, campus recruitment, job portals Consultancies or agencies, employee referral, walk in

Selection process

Aptitude test

Group discussions

Psychometric test

Interview

2 HR practice in Axis Bank

Initiate & institutionalize globally competitive HR practices

Create a performance drive culture and an exciting workplace

Create a pool of entrepreneurial managers and business leaders

Create a learning organization for employees

Octapace

HRD experts use the term OCTAPACE to express the important features of HRD climate.

The most important aspect of organizational culture is the value it practices. Eight values may be examined to develop the profile of an organizational culture that is called OCTAPACE It means

Openness, Confrontation, Trust, Authenticity, Proactively, Autonomy, Collaboration, And Experimenting

Some Other Hr Practices And Benefits Given To Employees

1. Gratuity

HDFC bank provides for gratuity to all employees. The benefit is in the form of lump sum payment to vested employees on resignation, retirement, death while in employment or on termination or employment upon completion of five years of service

2. Superannuation

Employees of the bank, above a prescribed grade are entitled to receive retirement benefits under the benefits under the Banks superannuation fund. The bank contributes a sum equivalent to 13% of the employees eligible annual basis salary (15 % for the Managing

Director, Executive Director and for certain eligible erstwhile Centurion Bank of Punjab (CBoP) 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.

3. Short term employee benefit.

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 recognised 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.

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 liberalisation 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:

- There should be a balanced compromise between organisational 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.
- While there must be rewards for performance, non-performance must be punished/ reprimanded. Promotions must be only on merit.
- There must be uniform, impartial and balanced “employee performance review system.” This system in fact needs a total review.
- Enthusiastic and pleasant behaviour of staff to the customer is necessary.
- There must be a clearly defined system of succession planning and career growth planning in banks.
- Attitudinal changes are required at the top level.
- Human resource Balance Sheet should accompany financial statements.
- 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.

Conclusion

In a nutshell it is felt that the HR Professional must focus on forces of globalization and liberalization for effective HR development. Hr functions must be linked to the goals of the organization the HR professional must focus on the primary assets human resources. It is essential not only to retain the best invest in them, but also to ensure that the supporting elements for this asset are such that it can provide the maximum value of HRD is to be regularly reviewed. Public Sector (banks) hierarchical structure which gives preference to serenity over performance, is not the best environment to attract the best talent from among the young, all the plans, policies and procedures related to human resources must be viewed at regular intervals of time for ensuring HRD. To conclude, Organisations 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 organisation 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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