

## **HR Practices in Banking – A Review**

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### **Introduction**

Banking is a service industry which delivers its services across the counter to the ultimate customer. The activities of the banking industry are all about relationship. Hence, Human Resources (HR) assume a very important role in the banking industry for providing better services to the customer with a smile in order to cultivate and maintain long lasting relationship with their customers. Notwithstanding the level of technology, banking being a labour intensive service sector, can sustain its effectiveness and committed service only by giving importance to human resource management/ development; technology is only an aid to human effort and not a substitution there of. If technology is the equalizer, then the human capital shall be the differential in future.

The HR is the most important element for the progress of banking in India. Though technology can replace manual intervention, the thinking process is the exclusive preserve of human beings. With changing times and technology, banks would require employees with special skills in the areas of risk management, treasury, product development, customer relationship management and IT services. The technology can improve speed and quality of performance, but at the same time, it can also unleash the risk factor. It is a recognized fact that human resources occupy a unique and sensitive position in the banking sector; no meaningful change is possible without the involvement of their employees. Therefore, banks have come to terms with the significant changes to adapt themselves to new competitive environment. The adoption is now in organizing and preparing its human resources to the requirement of competitive banking.

The primary apprehension of the bank should be to bring in proper integration of human resource management strategies with the business strategies. It should foster cohesive team work and create commitment to improve the efficiency of its human capital. More than operational skills today is 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 a 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 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. Many literature surveys reveal that a paradigm shift is taking place in the role of the HR function in these organizations.

### **Review on HRD practices followed in banks**

HRD practices have been reviewed for this study as HRD practices implementation is a must in any sector for solving or overcoming politics in an organization.

HRD practices in the form of Performance Appraisal System, Potential Appraisal and Promotion, Training and Development, Career Planning and Development, Job Rotation, Employee Welfare and Reward System, Organization Development (OD), Quality of Work Life (QWL), Total Quality Management (TQM), Competency Mapping, Human Resource Information System (HRIS), Employee Participation in Management, Communication and counseling, Industrial Relations are required to be implemented in order to improve job satisfaction, Organizational commitment, job involvement in the banking industry and in order to ease Perception of Politics thereby to reduce burnout, anxiety, turnover intention and absenteeism.

Schneider and Bowen (1985) reported in a study of various banks that when the banks had sufficient emphasis on the development of people over performance of their tasks, customers reported receiving higher levels of service. Customer perceptions and attitudes were affected by what employees experienced.

Kumar and Vijayan (1994) looked at the OD efforts of Marico Organization that kept human processes at the center of business effort. They indicated the need to focus on team building and other collective processes, to meet the emerging challenges of change.

Neumann, et. al. (1989) conducted a meta-analysis examination of the effects from 126 studies that employed OD interventions to modify satisfaction and/or other attitudes, concluded that Organizational Development (OD) techniques had been used to achieve both Organizational and employee goals by improving Organizational effectiveness and productivity. He emphasized on employees welfare and the lessening of problems facing Organizations and their members.

Dandekar, Karnik, and Sathye (1994) conducted their study on the Maharashtra State Electricity Board, and stressed that the most important requirement for improvement in the

performance of these public sector undertakings was the development of Human Resources available in the Organizations.

Anantha Bhaskar P V (2004) focused his attention towards the need for HRD and emphasized on job description and job assignment, the changing banking environment and role of HRM. In addition, he focused on the role of HR department in providing appropriate incentives, rewards and remuneration to employees. He also highlighted the employee turnover and implementation of exit policy, performance appraisal system in banks and human resource risk.

Gargava C (1992) highlighted the critical role of HRD in the new economic order found the bases of HRD as to develop a work force with characteristics. HRD department would be required to re-orient itself to provide direct support to Organization in areas like training and development of individuals and groups, providing support to employees and families, continuous monitoring and updating personnel policies, extending HRD function to all managers and supervisors, and developing employee involvement.

Turan M S & Pradeep Gupta (2003) identified innovative HR practices in many professional forums enabling the Organization (a case study on Hindustan Lever Limited) to meet the demands in the wake of competitive pressures released by reforms, liberalization and globalization. Five strategic decision-making categories had been identified which are – resourcing, performance management, rewards, management development, and employee retention. The dimensions of performance management in terms of economic value added, customer value added, and employee value added had been identified.

Aruna Mankidy (2001-2002) made a detailed discussion about the need for world-class HR systems for banks. The growing concern for placing Indian banks on the international scene called for a serious endeavour to initiate world-class HR systems. This article had looked at

some benchmarked HR systems, while highlighting interdependency of the systems and processes.

Davinder Sharma (2003) found some of the strategies – successful Organization would have to spearhead the path of progress and ensure that they share the vision of the Organization, and made it widely known. The Organizations would have to ensure that the top management instill a sense of challenge and commitment with the Organization – ensure formal performance on an informal stage, make information widely shared and to build networks, promote healthy competition to enable Organization to function simultaneously.

Kohli S S (2002) correlated the HRM with corporate governance. He focused on three broad issues which need to be addressed through HR strategy, i.e., Optimizing staff levels and skills mix, building the right skills and work culture, and managing individual performance to achieve the goals of the bank. One area, which was lacking in the HR practice of banks, was that of rewards management. Given the industry-level decided pay and perk structure, public sector banks had little leeway in providing incentives for better performance. He concluded that the major challenge facing the Indian banking sector was related to management of human resources.

“An enterprise is made up of human binding together for mutual benefits and the enterprise is made or destroyed by the quality and behaviour of its people. What distinguishes an enterprise is its human resource having the ability to use knowledge of all kinds” (Terry G R and Granklin 1984)

Misra O P & Srivastava S K (1992) studied the leadership style which was one of the objectives of HRD and its effectiveness among the bank managers of Nationalized and Private Sector Banks and relationships between styles and effectiveness among 45 sample managers selected from Nationalized and Private Sector Banks.

Patel M K (2003) compared high performing nationalized bank with low performing nationalized banks in Gujarat State with the data collected from 100 employees. The major focus of an appraisal system was the development of individuals and improving the quality of work life which would ultimately result in achieving Organizational effectiveness. By and large, banks have come to recognize that HRD is more than a training program. The study concluded that low performing banks were required to take a serious look at the HRD variables and educate the employees. If these concepts were made clear and employees trained, to be retained, to accept future, challenging roles, the Organization had good potential for development.

Sangwan D S (2005) identified the important strategies of HRM in banks such as recruitment, performance appraisal, training, job security, promotion, reward, incentives, and morale. He also identified that, with the advent of liberalization in India, the corporate world had been confronted with two major challenges: foreign competition, and adjusting to the rapidly changing global business environment. This situation called for an Organizational transformation at the corporate level. In this process of transformation, human capital of an Organization could play a crucial role. Appropriate human resource strategies, policies, and practices were all required to achieve Organizational goals.

Sivaram Y G (2004) examined the behavioural framework which was built around the nine behavioural competencies, i.e. Communication, Initiative, Drive, Creativity, Self-confidence, Teamwork, Influence, Problem-solving and Interpersonal skills. “Managing people could be the most difficult of all problems, and for some, it could be the easiest of the jobs”. This statement was enough to suggest that HR played a key role in an Organization, and also that it had to be well managed.

## Conclusion

After reviewing the existing literature on HRM practices, the researchers have found that HRM practices get affected by external and internal factors and directly or indirectly affect other variables such as employee's attitude, employee employer relations, financial performance, employee productivity etc. and ultimately contribute to overall corporate performance. On the basis of the literature reviewed, a normative framework has been developed showing how HRM practices leads to overall corporate performance.

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