



HR Management in Commercial Banks in India

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ABSTRACT

Indian Banking industry must evolve a human resource management system on a scientific basis and adopt human resource development policies that fit the needs of the industry. The Indian Banking industry must be managed by banking professionals in order to be competitive and to grab the fruits of the sector in the international market. This paper studies a review of human resources management practices in the banking sector in India particularly in Public Sector Banks with consideration of five important indicators of banking sector such as job analysis, recruitment and selection, training and development, performance appraisal and compensation. As a result, the suggestions will support proper implementation of HRM practices in public sector banks.

Keeping in view of HRM practices in public sector banks, it is understood that the HRM did not have direct role in business development but was more concerned with centralized recruitment to staff. In this context, the review of the

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Introduction

At present, Indian banking sector is facing wide variety of opportunities and the bright future scenario. The changing economic scenario, represented by rapid process of globalization has brought out all the nations of the world together, without geographical boundaries for trade and commerce but with great amount of employment opportunities for individuals. Due to rapid advancement in information technology and telecommunication in the recent years, the banking industry has been undergoing rapid changes, reflecting a number of ongoing reform processes. However, there are certain problems in the Indian Banking system, which require great attention. Some of the major problems are:

- Continuous accumulation of morass, which hampers the profitability of the banks.
- Accumulation of Non-Performing Assets (NPAs), which threatens capital adequacy and continuous stability of banks.
- Some of the public sector banks are facing heavy over staffing, which reduces productivity of the banks.

Above all these require a drastic change in the recruitment, training, placement and promotion policies of the banks. Thus, the main concern is how to remove legacies of the past and meet the demands and challenges of the new era.

Human Resources Management Practices

Human resources management practices play a very vital role in achieving the organization's goals and maintain the competitive advantage. HRM practices refer to organizational activities directed at managing the pool of human resource and ensuring that the resources are employed towards the fulfillment of organizational goals (Schuler & Jackson 1987). Human resource management practices is the management of people within the internal environment of organizations, comprises the activities, policies, and practices involved in planning, obtaining, developing, utilizing, evaluating, maintaining, and retaining the appropriate numbers and skill mix of employees to achieve the organization's objectives (Appelbaum 2001). Presently organizations are competing through implementing the unique HRM practices and due to the globalization organizations adopt the most up-to-date HRM practices in order to accomplish the organizational goals. Best HRM practices are advantageous for both employee and employer; it plays an important role in constructive growth of the or-

which were followed by any public sector bank.

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. Organizations sometimes use a combination of job analysis methods (Hawthorne, 2004; Mathis & Jackson, 1997). All the Banking authorities reported that they follow a combination of several methods for job analysis of the employee.

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.

Training and Development

HRD as 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 employees' 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 IPSBs 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 IPSBs 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.

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.

Indian Commercial Banking System

The Indian Commercial Banking System includes the scheduled commercial banks and the regional rural banks which operate in rural areas. The present composition of Indian commercial banking system can be classified as:

(A) Public Sector Banks:

- SBI (State Bank of India and its 7 Associate Banks)
- 19 Nationalized Banks
- RRB's (Regional Rural Banks, sponsored by Public Sector Banks)

These banks function under the top monetary authority, viz., Reserve Bank of India. The names of these banks are as follows:

Public sector commercial banks are (a) State Bank of India and its seven Associates Banks (1)State Bank of Bikaner and Jaipur (2)State Bank of Hyderabad (3)State Bank of Indore (4)State Bank of Mysore (5)State Bank of Patiala (6)State Bank of Saurashtra (7)State Bank of Travancore (b) Nationalized Banks are (Out of 20 Banks, one Bank 'New Bank of India' merged with Punjab National Bank in 1992-93 resulting into 19 Nationalized Banks) (1)Allahabad Banks (2)Andhra Bank (3)Bank of Baroda (4)Bank of India (5)Bank of Maharashtra (6)Canara Bank (7) Central Bank of India (8)Corporation Bank (9)Dena Bank (10)Indian Bank (11)Indian Overseas Bank (12)Oriental Bank of Commerce (13) Punjab and Sind Bank (14)Punjab National Bank (15)Syndicate Bank (16)UCO Bank (17)Union Bank of India (18)United Bank of India (19) Vijaya Bank (c) Regional Rural Banks

(B) Private Sector Banks:

- Old private sector banks (21 in number)
- New private sector banks (9 in number)
- Foreign banks working in India (27 Banks)

New private sector banks are (1)Bank of Punjab Ltd. (2)Centurion Bank Ltd. (3)Global Trust Bank Ltd. (4)HDFC Bank Ltd. (5)ICICI Bank Ltd. (6)IDBI Bank Ltd. (7)Indusind Bank Ltd. (8)Kotak Mahindra Bank Ltd. (9)UTI Bank Ltd.

Foreign Bank Working in India are (1)ABN Amro Bank N.V. (2)Abu Dhabi Commercial Bank Ltd. (3)American Express Bank Ltd. (4)Arab Bangladesh Bank Ltd. (5)Bank International Indonesia (6)Bank of America NA (7)Bank of Bahrain and Kuwait BSC (8)Barclays Bank PLC (9)BNP

Paribas (10)Calyon Bank Citibank N.A. (11)Deutsche Bank AG (12)ING Bank N.V. (13)JP Morgan Chase Bank (14)Krung Thai Bank Public Company Ltd. (15)Marshreg Bank PSC (16)MIZUHO Corporate Bank Ltd. (17)Oman International Bank SAOG (18)Societe Generale (19)Sonal Bank (20)Standard Chartered Bank (21)State Bank of Mauritius (22)Sumitomo Mitsui Banking Corporation (23)The Bank of Nova (24)Scotia (25)The Bank of Tokyo Mitsubishi Ltd. (26)The Development Bank of Singapore Ltd. (27)The Hong-Kong and Shanghai BKG Corpo. Ltd.

Suggestions

On the basis of review of this study the following suggestions are made for better HRM practice in the Public sector banks in India:

- In the recruitment and selection process of employees, the banks should give priority to the candidates who has graduate and above degrees in Information Technology, experience, skills, competencies etc. It is also suggested that institutional training should provide effective skills to employee. Employees should be motivated to utilize the material and libraries so that competency gap would be reduced.
- It is necessary for restructuring of salary to motivate employees in particularly in public sector banks.
- To develop human resources, the bank should undertake different human resource development programmes including continuing education and training, IT-orientation, career development, etc.
- Banks can send bright employees to abroad on fellowship/scholarship for higher studies and learn new technology in order to attain competence at global level.
- Banks should organize seminars, workshops, conferences, different short courses, and training programmes on financial matters, current issues, software up gradation on regular basis that would definitely help to develop knowledgeable manpower, create awareness and change mental attitudes among the professionals.
- All banks should allocate sufficient budget and sends competent employees to international conferences and seminars to prepare them for the competitive knowledge global market.
- Human Resource Department is essential to empower the department or divisions for handling different issues in HRM in banks. The divisions should be incorporated with well-organized human resource information systems and modern information technology facilities.
- Public sector banks should frequently invite staff for suggestions and their active participation in meetings in order to encourage and staff satisfaction.
- 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. It is to better to utilize of bigger banks training institutions even for senior level instead of depending on external agencies or foreign organizations.
- It is suggested that employee potential should be evaluated based on objective assessment but not on favoritism. Transparency in evaluation and promotion policy also suggested.

Conclusion:

The success of banks largely depends on the intellectual development of the employees. Along with intellectual development of the knowledge worker, technical infrastructures of the bank must be ensured to enhance the effectiveness of the employee and the bank. The Public sector banks have to take initiation to modify in their HRM policies and practices, in order to compete with private/foreign banks in present scenario. Bank should decentralize their HR activities in all branches and develop strong HR policies. Authority and responsibility should be properly distributed to all HR managers. Bank should give some significant power and role to HR director in order to empower the HR departments. This will help to recruit and maintain skilled, knowledgeable and well performed workforce to meet current and future organizational as well as individual needs. Henceforth, the public sector banks in India have to utilize many opportunities to meet certain challenges under the changed scenario. Considering the present dynamic global business environment, the present paper mainly fo-

cused on the existing system in banking sector in India, public sector banks need to pursue more rationalized HRM practices.

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