

# HUMAN RESOURCE MANAGEMENT IN PUBLIC SECTOR BANKS

Dr. A. Uttama Durga Devi<sup>1</sup>

Santosh Jhavar<sup>2</sup>

## Abstract

*Human Resource Management is one of the most essential factors for survival in the competitive world. Human Resource Development (HRD) is the process of increasing the capacity of human resources through the development. HRD is something that everyone does. Individuals do it as they work to develop themselves; managers do it as they work to support others' development and the Human Resource Development staff does it, as they create the overall development tools for an organisation. Thus, it is a process of adding value to individuals, teams and the organisation as a human system. Human Resource Management (HRM) has long been overlooked in the corporate sector in the country where a small section, comprising mostly the multi-national companies was practicing the same. With the growing realization of proper HRM in the corporate sector, it has grown into an important activity. Now the head of HRM is an important member of the senior teams of any thriving business. 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 products and activities. Banking jobs being apparently lucrative for many attract a large number of candidates against advertised vacancies in media creating a large data base management problem. This has been facilitated by specialized hiring agencies who may take up the job of hiring in case of large number of vacancies.*

**Key words:** Human Resource Management, Corporate Sector, Business, Banking Sector, Hiring Agencies and Vacancies.

## Introduction

Human Resource Development refers to empowering people and enabling them to use their power for development of the organisation to which they belong, and society at large. It refers to developing pro-activity and capacity to embrace larger issues. Considering the vital importance of human resource, they are now being treated as assets which are most precious for the survival of an organisation. New values are being added. With human resource being a part of an organisation, HRS is a subsystem of larger system i.e. an organisation and Human Resource Development is the center of HRS and most vital for the organisational advancement. Human Resource Development includes both the development of the people and development of an organisation.

Bankers in India are well acquainted with different types of challenges. Be it deposits mobilization in the good old days of plain vanilla banking or balancing different kinds of risk factors and maximizing returns on funds developed in a globalised business environment – they have been there and done that. The Indian Banking Industry has successfully waded through the turbulent period of global financial crisis, especially when the 'too-big-to-fail' financial institutions world-over have collapsed like a pack of cards. Ever since the Indian economy opened its doors to globalization, the country's banks have witnessed a smooth transition from traditional

banking to the present complex banking. The challenges that appeared quite impossible to overcome back then now seem to be insignificant today. The Indian Banks have in fact taken them in good stride and emerged out of their cocoons over the past two decades.

## Demand for manpower

From early 1990s to 2011, the business handled by the Indian public sector banks (PSBs) has grown manifold. Their customer base has also increased during this period. The diversified business activities, after setting-in of the liberalization era, have enlarged the scope of work for PSBs and their staff. And given that they are currently shouldering major responsibility in government's ambitious financial inclusion programme, they are going to need enough manpower. They also need additional manpower to support their aggressive branch expansion plans in the immediate future.

Since banks during this phase were still in the process of implementing various technological solutions replacing human intervention in all frontline business processes, the impact of this exodus was not really felt.

## Strategy for recruitment

The good thing is most of the Indian banks have started taking this manpower crunch seriously. They have already started tapping the local market with large scale talent

<sup>1</sup>. Associate Professor, Department of Commerce, Ch.S.D.St. Theresa's College for Women, Eluru, Andhra Pradesh.

<sup>2</sup>. Assistant Professor, Department of Commerce, Ch.S.D.St. Theresa's College for Women, Eluru, Andhra Pradesh.

hunting programmes. As per one estimate, Indian PSBs would require approximately 4 lac employees over the next two years. Quite a few PSBs have even outsourced their recruitment activities since they lack the infrastructure required for conducting tests and evaluating candidates. Very recently, all PSBs joined hands under the aegis of Indian Banks' Association (IBA) and approached the Institute of Banking Personnel Selection (IBPS) with a proposal to conduct a common entrance examination for recruitment banking personnel. The IBPS has come out with its notification for conducting such test and the number of applicants is expected to cross the likely mark of 1 crore.

Earlier most of the PSBs were seen to be approaching reputed educational institutes to identify suitable candidates for recruitment. However, the recent trend of PSBs conducting campus interviews to spot talent has swept all across the country. A major PSB like Bank of Baroda has swept all across the country. A major PSB like Bank of Baroda has reportedly entered into collaboration with a reputed educational institute at Manipal to conduct a specialized course on banking with financial assistance and job assurance to select students.

#### **Need to arrest attrition**

For a large number of unemployed youth of the country, a banking jobs is still a lucrative career opportunity. Compared to the market pay structure for non-supervisory jobs in the private sector, banks apparently pay good salaries and perquisites to the new entrants in the clerical cadres. Even the salary earned by a junior officer in a PSB is quite competitive and comparable with that paid by most of the employers in India. Hence, the Human Resources Management (HRM) practitioners in PSBs are comfortably placed when it comes to attracting talent. But, the most question of today is whether the efforts of recruiting talent alone would suffice to immediately bridge the widening gap between manpower requirement and availability.

#### **Cost of recruitment:**

While it is easier for PSBs to recruit people as and when they need them, their HRM practitioners need to acknowledge the cost attached to the recruitment process. Although this cost is likely to reduce once the IBPS conducts a common entrance examination for all banks, it still may remain sizable in case of repeated recruitment drives in a year and can adversely affect bank's profits. The new recruits also need to undergo various induction and training programmes and have some gestation period before they can really start contributing to organisational goals. Loading the cost of such induction and training to the initial cost of

recruitment, every individual selected in a bank initially becomes a "high cost centre" with a longer pay-back period to recover these costs.

#### **Handing Financial Inclusion**

Today, PSBs have good branch network in remote rural centres. With the current emphasis on financial inclusion, these banks are expected to further expand their reach in rural areas. The nature of job role at such centres itself calls for specialized skills and talent with ability to freely mingle with the local population. It's no use recruiting graduates and MBAs from high ranking educational institutions and posting them at rural centres. Most of such employees find themselves in an odd situation and tend to 'pass time' till they are recalled to urban or metro centres. One of the ideas discussed at BanCon 2010 organized by Central Bank of India related to spotting local talent in schools at 10<sup>th</sup> and 12<sup>th</sup> level, training them for a period of say three years under rural banking programme and offering them jobs in banks exclusively to handle rural banking.

Many banks prefer to recruit talent from highly reputed educational institutions. graduates from such reputed institutions generally command high value in terms of pay packages as well as organisational hierarchy. However, a very few of them tend to stick to their jobs for a longer period. But banks have to realize that if they are able to retain talent drawn from highly reputed B-schools for a period of three to four years and get the best out of them in specialized areas like treasury, merchant banking or human resources management, then there is no reason to complain.

#### **Reviewing organisational structure**

In today's corporate HR scenario, the organisational structure and reporting relationship forms the basis for job satisfaction. The current broad-based organisational structure with vertical reporting relationship in PSBs was created to meet the needs during the days of the plain vanilla banking. However, with the increasing complexities of business decision-making, the role of specialists knowledge and they generally consider themselves as a separate class by itself. A specialist in the organisation may feel reluctant to report to a generalist as far as his specialized functions are concerned. The reporting relationship of specialists working under a generalist boss had reportedly created a feeling humiliation in the specialists recruited by a leading nationalized bank in higher grade/scales.

It is therefore high time for the PSBs to take a re-look at their organisational structure, reporting relationships and compensation packages meant for various line and specialized functionaries and attempt to make a more flat structure at the senior level so as to provide better

opportunities and a fast-track career path for the employees with specialized skills and higher experience.

### **Role of recruitment and training**

While systematic manpower planning and recruitment processes are vital for better HR management, training and grooming process should aim at identifying suitable talent. At the same time it should avoid intake of overqualified persons, to fit into the skill set requirements of various job positions. Its high time PSBs realized that though people with much higher intelligence, qualification and capabilities than what are called for are easily available in the job market, it would be rather difficult to retain them with the organisation for a longer term due to the 'pull factors' talked about earlier. Focusing on right qualities and talent that is required should be the priority in recruitment process. PSBs can offer better positions with higher remuneration to talented candidates during lateral recruitment; but avoid intake of such talent at a lower level which does not warrant for very high skills.

Training process in PSBs needs to be overhauled and redesigned not only in terms of the contents but also in terms of delivery. Classroom training is important for the candidates to appreciate various aspects of their job requirement. However, the rules of teamwork can be better explained through delivery processes like management games and case studies for developing solutions to various hypothetical situations in a group. One of the multinationals in India takes their trainee engineers for an outing at company's cost for a day at the end of their week-long induction training and involves them in various games developed systematically to teach them the importance of teamwork.

### **Employee friendly HR policies**

Human resources are the most valuable assets possessing intelligence for using other assets for achieving the goals set in an organisation. Human beings are quite different from the dead stock – they have feelings, they can express their joy and sorrow, they are able to think independently and argue their points of belief with others. While it may not be feasible for any organisation to take care of every individual's mindset, the overall HR policies and their implementation needs to be transparent and should appear to be the same for every employee. An employee starts judging the organisation at his entry. Employees tend to develop a sense of dissatisfaction if they are posted at an inconvenient location. In many PSBs, the policy adopted is to accommodate their employees posted at inconvenient locations by transferring them to their choice postings replacing them with the new entrants.

Similarly, today there is a need for HR functionaries in PSBs to realize that they too are service providers for other employees in the organisation. It is very important to ensure that all employees are satisfied and happy so that they develop a positive mindset towards customer needs. The time taken by controlling offices in processing various requests from their employees such as leaves, medical aid/reimbursement, loans and advances, etc is critical to ensure employee satisfaction and for setting up an example of quick disposal of office matters. In one of the banks, in late 70s, newly recruited officers were advised to report to training centre and claim the travelling expenses at the time of reporting.

Payments against such claims were made within minutes and that was quoted as example of prompt customer service during their induction training which the officers remembered all throughout their career. The HR functionaries need to set such examples before the employees at the branches.

### **Differentiating between performers and non-performers**

The service conditions in all PSBs are uniform and governed by the officers' service regulations in case of officers and the bi-partite settlements in case of award staff. Both these settlements are reached between the parties at the level of Indian Banks' Association and are finalized with the prior approval of the Government of India. Hence individual banks hardly have any further choice in providing monetary benefits in remuneration to their employees. However, providing group incentives to operational units for achieving very high business targets is open to all PSBs. Such amount of incentive is to be used by the employees for the benefit of their families too. Providing benefits to employees under welfare schemes is another route for providing incentives to them. Funding of group activities like sports, cultural events, picnics, etc arranged by employees at various centres would also develop a sense of teamwork and belongingness amongst them.

At-per treatment to individual performers and non-performers is a major factor for discontent within the employees of PSBs. Giving performance-based incentives to individuals would be a welcome move to overcome such discontent. In this era, Dr Khandelwal's Committee has made some sweeping recommendations which need to be studied and discussed with all stakeholders. It is high time now that even the employees' organisations acknowledge the need to reward the performers.

Table – 1 : Trends in Bank Group Wise Number of Employees 2006 to 2013

Bank Group Wise	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2010-13	CAGR (%)
Nationalized Banks	473725	473179	466400	462926	473041	471727	494520	507694	0.87
SBI and Associates	270	255699	242029	268598	266605	283375	279809	293965	1.04
Public Sector Banks	608	728878	708429	731524	739646	755102	774329	801659	0.93
Old Private Sector Banks	744333	48667	48700	51341	55052	55380	62589	66208	3.28
New Private Sector Banks	51138	88617	110123	142237	133280	162573	185695	203733	16.66
Private Sector Banks	59367	137284	158823	193578	188332	217953	248284	269941	11.81
Foreign Banks	22117	28426	33969	29582	28012	28041	25907	25384	1.74
Scheduled Commercial Banks	876955	894588	901221	954684	955990	1001096	1048520	1096984	2.84

**Sources:** Report on Trend and Progress of Banking, RBI publications (various issues)

It is observed from Table 5 that the rate of distribution of employees in new private sector banks is high as compared to any other bank group. The trend of number of employees during the study period of highly volatile. In case of nationalized banks it is observed that there was a decrease in number of employees in the year 2007 when it is compared to 2006 then again there was increase in number of employees in 2008 as compared to 2008. From the year 2010 to 2013 there was continuous increasing trend. In case of SBI and Associates there was a continuous decrease in the year 2004 and 2008 as compared to the base year then there was a marginal increase in the year 2009 but again in 2010 it decreased. In the year 2011 the number of employees increased but again in the year 2012 the analysis showed a decreasing trend and it again picked up in the year 2013. Public sector banks also showed the same trend as SBI and Associates till 2009.

#### Challenges faced by Banking Industry:

Here are the ten challenges that the HR function in India faces:

- The first and foremost challenge that HR function in India faces is to convert the abundant population pool into useful human resource.
- 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.
- 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.
- 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.
- Because of cutthroat competition, HR in India also faces the task of building competitive advantage for the company over national and international competitors.

#### Suggestions:

In spite of all these facilitations there still exist several lacunas in the HRM practices in banking industry. Some specific suggestions based on survey of literature as well as the group discussions and surveys 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.
- Attitudinal changes are required at the top level.



- Human Resource Balance Sheet should accompany financial statements.
- Banks should have a system, whereby the training needs of an employee are identified and are duly fulfilled at every stage of career growth.
- There should be award schemes administered by prestigious organisations and Govt. agencies for best HRD policies and practices amongst public sector banks etc.

### Conclusion:

The present young generation does not believe in sticking to one job all throughout their career. In fact many of them believe that job hopping provides better opportunities in terms of monetary benefits and career progression. The Indian industry has begun feeling the heat of talent shortage and high attrition, and banks are no exception to this. It is widely believed that manpower intake on a large scale would tackle this issue in PSBs over a period of time.

Smart banks have realized this need and have taken steps to keep their work force motivated through proper encouragement like man of the month awards, repeat get-togethers, conferences, sports events, dinners, company sponsored travel, reunions etc. This is the way employees create a feeling of belongingness.

However, the cost of recruiting and training manpower in banks is quite high and the current rate of attrition would

build pressures on their bottom lines. It is high time for PSBs to moot over various ways to reduce attrition from the new entrants. With this end in view, PSBs need to relook their HR management and evolve suitable policies to achieve the distinction of an ideal employer.

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