CHAPTER – I

INTRODUCTION

"Pressure is on us by the nature of the job. Performance releases pressure"

- J. T. Fisher
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Now a days, banks are slowly emerging as conglomerates of many segments, selling multiple products, going much beyond the traditional banking business\(^1\). Besides, the entire banking industry in India is currently facing problems of unprecedented changes in technology, increased competition and the need to provide high quality, yet cost-effective service continues to transform the industry\(^2\). Technological advances are expected to continue and demand for a highly skilled workforce in this industry is increasing day after day. In fact, this is the era of boundless business for banks in India. On one hand, bankers are trying to achieve maximum benefit from the advanced banking technology, which made them inevitably realize the importance of training and developing their human resources. On the other hand, customers are now extremely aware of the various banking opportunities available to them. They have high expectations and consequently their needs have taken a different shape. Thus the products designed by bankers, and also the services rendered by them have taken entirely a different approach. All these circumstances have brought about many changes in the way the banking business is conducted in India. Subsequently, the industry also felt the need for modifying the skill requirements of its human resources.
i) New Paradigm Shifts in Indian Banking Sector:

a) Changing Nature of Corporate Banking:

The corporate banking business has become increasingly competitive, with most banks targeting large corporate clients for loans and fee-based services. This has caused a fall in margins as well as non-fund business margins. Going forward, success will hinge on maximizing value from corporate relationships through a range of product offerings.

b) Retail Banking- Growth Potentialities:

Traditionally, the retail market has been overlooked as a Low Cost Deposits segment. However, structural changes in the last couple of years resulted in significant growth in retail lending business. Factors, which induce the focused growth of retail business, are changing lifestyles, strong economic growth prospects coupled with higher disposable income etc. contributing towards the changing demographics. Indian retail market is still miniscule and nascent compared to Asian peers, in terms of per capita usage of retail product offerings such as housing finance, credit cards, auto loans, consumer finance etc. Other factors like the mammoth size of the Indian market couple with an unexplored base for retail finance products and increasing propensity of the urban populace to take credit.

c) Competitive Edge with New Technology:

Technology has revolutionized the delivery chains for financial products and services with ATMs, Home Banking, Telephone banking, which have replaced banking only at branches. Operating on a strong
technology platform is increasingly becoming imperative for the launch of innovative products and services by banks in today's e-age.

d) Mergers and Acquisitions:

The domestic banking sector has witnessed mergers and acquisitions taking place both in public sector banks (owing to the need to support weak banks) and private sector banks (focused towards the need to expand). Apart from providing the private players an effective route to fortify their reach and presence in the sector, merger and acquisition trend may also intensify the proposed reduction in government shareholding in public sector banks and provide international banks an opportunity to expand business in India.

ii) Statement of the Problem:

The nature of employment relationships in the Indian banking industry has been constantly changing with regard to the ever-changing business strategies of its internal sectors. Thus, in these days Indian banks irrespective of the sector they are placed in have become completely restless because, from one direction they are aiming to retain their skilled human resources on the other hand devising new methods to attract the customers. Indian Banks are vigilant on these aspects because customer retention has become their chief concern in this highly competitive environment. Their survival depends on the retention of customers and this can be achieved once the banks retain their human resources. Banks have to recognize the essential truth that usually
customers like to continue their association because of the cordial relations maintained by their personnel. It is neither the bank nor its products continuously attract customers. Besides, currently Indian banks are modifying their procedures of work for economic and technological reasons. Job designs are reviewed to suit automation and changing characteristics of new groups of recruits. Undoubtedly, staff needs to learn new skills and knowledge unlike the past. In this backdrop, Indian banks have to be very cautious of the development of their human resources to survive and achieve excellent results.

It is also quite natural to interpret that customers and management realize mutual benefits owing to the commitment of the human resources in any industry. Banking industry is no exception in this regard. In fact, one should not forget that it is only due to the high degree of involvement and laborious tasks of the banking personnel this industry in India is flourishing and backing the national economy till date. Hence, it should be understood that banking job in the present age is not so elegant. It has become quite challenging and truly analogous to Indian Administrative Service (IAS) because of its arduous nature of duties and responsibilities. The bank job requires lot of day to day interaction with various categories of customers (public) and carries the responsibility of safeguarding their wealth. From this discussion, it can be understood that the survival of the Indian banks wholly depends on the human resources irrespective of the sector they are placed in. For their survival, banks must be responsive to the ever
changing and turbulent conditions in the industry. They are compelled to show a very great deal of concern on the development of their human resources. In this context, bankers have to place a high degree of importance on training and development of their personnel corresponding to the technological changes in the industry and increasing urge to retain their customers. What they need is a humanized approach towards the human resource development. Keeping in view of these circumstances, the researcher has taken up the present study, which involves a critical analysis of the prevailing HRD climates in the two selected organizations.

iii) Recent Trends in the Indian Banking Sector:

In fact, these trends form the basis for constantly changing business innovations and are expected to show a high degree of concern on the human resource development issues in the banking sector.

a) Entry of Private and Foreign Banks:

Based on the recommendations of Narasimham Committee (1991), Government of India has already started its process to gradually reduce its stake from public sector banks leading to partial privatization. The Government is also encouraging new private banks and foreign banks to establish their offices in India. Several non-banking financial institutions have already started their banking activities in India. Therefore, the commercial banks in India are facing tremendous challenges due to the entry of new private banks as well as foreign banks into the financial market of the country owing to the liberalized policies of the government.
These new private sector banks and foreign banks are handicapped by the lack of a strong branch network in comparison with the public sector banks in India. In the absence of such networks, the market place has seen the emergence of a lot of innovative services by these new players to increase their market share and reduce their cost of service-delivery through direct distribution, strategies of Non-Branch Delivery. All these new banks are using 'home banking' as a key 'pull' factor to wean customers away from the well-entrenched public sector banks³.

These new private banks and foreign banks are cash rich and they have adequate capital to run their business without any interruption. They have a different employment structure i.e. increasing the recruitment of officers and reducing clerical and subordinate staff to make the structure a highly skilled one. The combination of higher technology and higher skills have posted a higher turnover for these banks as they have been able to provide better customer support and have managed their assets well⁴. This has been a menace to the old generation banks in India. Of course, the success of any organization, whether public sector or private sector lies mainly on the way they handle their human resources.

Furthermore, the new private sector banks and foreign banks operating in India did make good use of Information Technology when compared to public sector banks, which hold around 75 percent of market share. The Indian public sector banks are moving towards the centralized databases and decentralized decision making processes. They possess enviable quality manpower. Awareness and appreciation of IT are very
much there. What is needed is a big push. "The technology change is something that cannot wait". Hence, it is clearly understood that technology is the first and obvious advantage of these new banks over the old generation banks in India. The public sector banks and old private sector banks use the obsolete technology, which is anyway not comparable with that of these new banks. However, in order to compete with these new banks, now the old generation banks are contemplating to modernize their branches. They are also providing new software and hardware for networking of their branches. Consequent to these modifications the existing old generation banks have to gear-up their workforce to properly utilize this newly introduced technology. Only facilitating a favorable Human Resource Development climate, which ultimately aims at developing the personnel to their maximum efficiency, can achieve this.

b) New Branch Strategy to Clinch New Business:

Largely increased business and customer base has necessitated banks to be ahead of their competitors to grab the opportunity. Hence, over the last three decades, there has been a phenomenal increase in the size, spread, and activities undertaken by banks in India. From approximately 8,000 bank branches in 1969, the number has now reached over 64,000. With the entry of new banks, there is intense competition for attracting and retaining the customers. As commented by a senior manager of Karur Vysya Bank, traditionally customers used to visit banks for their financial needs and now this situation has somewhat changed as
today banks are also knocking the doors of their valued customers to augment their business. Moreover, one of the leading private sector banks in the country 'ICICI bank' is also planning to open 400 new branches in the country.

c) Voluntary Retirement Scheme:

In an empirical study it was found that no specific sector of organizations has fully benefited from Voluntary Retirement Scheme. The study found that organizations that kept their scheme open for shorter period (e.g. one day to fifteen days) showed improvement and that offered VRS to younger and less experienced employees showed decline in their performance while those that offered to older employees had better chances of improving performance. Nevertheless, majority of these organizations has not been able to improve their performance after the implementation of VRS.

Even the All India Bank Employees Association (AIBEA) is of the view that top executives who had opted for VRS, has caused shortage of staff in the various customer-oriented services resulting in complete deterioration and an alarming increase in the existing workload. Several banks have become busy finalizing their new recruitment policy. The problem has taken such a gigantic shape that some experts feel that VRS has now become 'Vital Recruitment Scheme (V-R-S)'. State Bank of India had already given its recruitment notification against clerical vacancies of about 3600.
In fact, VRS could have balanced the skill profile with the employee categories (Officer: Clerical: Subordinate), which was earlier 27.6%: 50.22%: 22.2% in public sector banks. According to Indian Bankers Association, in the post VRS scenario the ratio changed to 25.4%: 51.0%: 23.6%, which means that along with clerical staff, the proportion of officers has gone down by 2.2 per cent. Due to post-VRS "Manpower Problem" public sector banks are planning to seek relaxation in the government guidelines on promotion policy in banks, because they are witnessing shortage of senior officers to manage key portfolios. Some banks are finding it increasingly difficult to find competent and qualified people for middle and senior management levels. Under the existing promotion norms, a person in the clerical grade takes a long time to get into the senior management level, however competent he may be.

Also, an empirical study found that there was no strong evidence that VRS actually contributes to the growth of the organization. It was further felt that the downsizing through VRS is not a simple task and this process of labor restructuring would not give the desired results unless it is properly thought over, carefully planned and judiciously implemented. Despite its failure, VRS is going to be introduced for a second time in public sector banks in India. For instance, after a gap of four years, SBI is ready to reintroduce the VRS with different features. Any employee could avail the scheme, as it would have nothing to do with age. People dissatisfied with the promotion system or even those who suspect that
they have reached a saturation point in their career could apply for this scheme.

d) Challenge of Retaining Employees:

The 7th Bank Educationists' Conference of Indian Institute of Banking and Finance (IIBF) on the theme 'Role of HR in Meeting Banking Challenges' was recently held at Hyderabad. In this Conference, K. Cherian Warghese, the CMD of Union Bank of India (who is also the president of IIBF) asserted that talented people would be in great demand and it might become difficult for the banks to retain them in an environment of open recruitment and competition. One of the major issues facing bankers was retaining those who possess specialized skills. He told that managing employees and financially rewarding them would require banks to reorient their management systems including HRD delivery in ways that lay emphasis both on human competence and responsibility. It was also held that banking Industry did not compare well with other industries in terms of upgrading skills of the workforce through training.

In the present study, the researcher observed that officers are moving out of their banks. Obviously, the reasons are interdependent. The first is that frequently officers are subjected to interstate transfers according to their service rules. Due to this nationwide mobility their children's education is ruined and hence they get deeply discouraged. A senior officer in SBI remarked that clerks are normally transferred to branches at a distance of 20 to 25 kilometers from their present place of working, mostly within the radius of 100 kilometers. But in case of this
The number of interstate transfers was 12. He spent more than one lakh rupees towards donations for his child's school education. Even then he is not sure of his child's progress because of frequent transfers. He is also of the view that children of clerical staff are becoming engineers and doctors and whereas the children of officers are mere graduates.

The second reason is that for domestic purposes, officers prefer to work within their native limits. They intend to escort their old aged parents and also have the desire of assisting other members of their family with regard to the education and marriage of the latter. To the notice of the researcher, an officer in KVB tendered his resignation to his present job and joined a local bank in order to avoid his interstate transfer. This kind of situation is prevalent more in case of officers who hail from middle class families.

The other reason is surely material gain. Officers some times move out of banks for the sake of advancement and getting financial benefits. For instance, one of the branch managers of KVB recently joined IDBI as Assistant General Manager. Whatever may be the reason, the turnover of personnel is a menace to the banking industry.

e) Overseas Business Operations:

The banking industry in India is gradually moving from a regime of "large number of small banks" to "small number of large banks". The new era is going to be one of consolidation around identified core competencies. Mergers and acquisitions in the banking sector are going to be the order of the day.
Of late, banks in India are resorting to mergers and acquisitions resulting in certain domestic amendments. When merger takes place, there is a possibility for power struggle among the trade unions of the two merging banks. In the process, it is likely that the interests of the members go unprotected. Obviously, this condition leads to poor working relations in accomplishing the objectives of the merged banks. Similarly, the personnel of the merged banks experience a new system of work in the post-merged scenario. Hence, they have to be trained in a shortest possible time to ensure better productivity than that in the pre-merged stage. This process would involve enormous training costs and strain to the staff14.

In a step towards globalizing their business, today some of the banks in India are contemplating to start their business abroad to further improve upon their financial position. According to the Chairman of SBI, “State Bank of India is in the process of acquiring a couple of overseas banks in the very near future and is working towards emerging as one of the top five banks in Asia and among the top-50 in the world”15. SBI is expanding its operations in the SAARC nations and the Middle East. Already, it had nearly 70 branches spread across 30 countries. In this context, the premier public sector bank in India should prepare some of its personnel to handle the expatriate assignments that originate due to its policy of acquisition and opening up of overseas branches owned by it. This situation prompts the need of pursuing a fair Human Resource Development Climate within the bank so as to enable the expatriates learn new skills to manage their assignments effectively.
f) Social Responsibility of Commercial Banks:

Public sector banks follow government and RBI guidelines in letter and spirit by having branches in rural areas that are very expensive to maintain and service. These branches also lend to farmers, rural artisans and people involved in allied activities. They service segments that are commercially unattainable but require banking most. Hence, social obligation is a key ingredient for the unsuccessful performance of public sector banks in India, more specifically in the rural areas. What they need is a level-playing field with private sector banks, technology and enhanced service orientation, not mergers.

In a research study on social responsibility of commercial banks it was found that ownership of banks in the form public and private sectors has influenced the attitudes and perceptions of bank managers; public sector being more tuned to play greater role in social responsibilities.

g) Outsourcing – A Controversy:

Recently under the instructions of the Reserve Bank of India, banks are turning to outsource the routine banking activities, posing a serious threat to the existing personnel working in the banks. Since, more number of working hours are required to tackle largely increased business, the Indian banks are resorting to outsource. They are also looking forward to reduce their hiring and training costs and thus approaching BPO companies to save their money and time under the directions of the Reserve Bank of India. However prudent it is to outsource in the viewpoint
of the management, banks are experiencing severe resistance from their personnel in this regard. Both officers' and employees' trade unions are agitating against the outsourcing policy of the management because the unions are afraid of employment crisis consequent to possible retrenchment in view of outsourcing. Trade unions also perceive that the confidentiality of the accounts of the customers as well as the credibility of the banking system would be affected due to outsourcing. According to them, outsourcing was dangerous since it gives rise to possibilities of fraud and manipulation of accounts.

h) Status of Human Resources in Public Sector Banks:

Stating that the traditional banking hours were not conforming to the current needs of the customers, State Bank of India is planning to extend the banking hours especially for the retail customers. In this front, SBI is planning to start 12-hour banking services by introducing '8AM to 8PM' banking facilities in select cities. However, SBI is facing some opposition from its employees who were not willing to put in the extra hours of work. In a study conducted in a bank, Prof. Rudrabasavaraj (2000) experienced the dialogue of a disgusted line officer that was responsible for a large clerical operation. In a quite frustrated mood this officer remarked that the bank looked like a factory with three shifts. He further felt that his bank later needs blue-collar employees rather than traditional bank types.
Due to these bad-working conditions bank personnel are convening strikes to express their grievances. These strikes are organized from time to time by the trade unions of banks to safeguard the interests of their members. Nowadays, strikes have become a common feature in the Indian banking industry. Recently a nationwide agitation was carried out by all employees and officers of Public Sector Banks under the aegis of the United Forum of Bank Unions, protesting against the proposed outsourcing and the freeze on recruitment. They also sought immediate settlement of demands like second option on pension, implementation of the compassionate appointment scheme and fresh recruitment. In fact the public sector banks in India had banned recruitment since 1990. This resulted in increased workload for the existing personnel. Even though over one Lakh personnel opted for Voluntary Retirement Scheme in the past five years, there is no fresh recruitment so far to fill the vacancies in the public sector banks.

Often it is argued that eighteenth century labor practices are in vogue in the nationalized banks of India, where the officers are forced to work 12-14 hours a day without the statutory weekly off. The working conditions of employees have also deteriorated due to the shortage of workforce and haphazard introduction of computer operations. There is no exemption for the personnel working in the private sector banks. More or less the same climate exists in the two sectors. Whatever may be the reasons, it is a fact that because of these poor and irregular working
conditions prevailing in both the sectors, the human resources are being negatively motivated. In fact, their morale is at high risk.

i) Wage Disparities in the Banking Sector:

It is frequently argued that the personnel working in the public sector banks in India were offered comparatively poor compensations than that of the new private sector banks. Even top positions have no exception in this regard. For instance, the total emoluments of the chairman of India's leading bank, State Bank of India, were Rs. 5.30 lakh in 2004-05. For the same year, the gross emoluments of ICICI Bank's CEO were Rs. 1.80 crore and the net pay over Rs. 1.30 crore. The net profits of the two banks were respectively Rs. 5,598 crore and Rs. 1,810 crore. Thus, for managing a banking business more than 3 times the size of its next competitor, the State Bank of India chief gets a small 4 per cent of what his counterpart earns! Such a huge difference cannot be seen in any other country. Incidentally, one of the managers in a private sector bank, aged 28, with five years' experience, had earned during 2004-05, gross and net emoluments of Rs. 56.29 lakh and Rs. 38.47 lakh respectively\(^2\). The old generation private sector banks also follow the same pay scales as in the case of public sector banks. Hence, it is evidently learned that the salary structure of public sector banks as well as private sector banks is too low when compared to new private sector banks in India.

However, in a major push to banking reforms in our country, the Government of India has recently announced a slew of HR autonomy incentives for the better performing banks. Differential pay structures,
lateral entry, contract employment and perhaps performance-linked pay as a sub-component of the compensation structure may turn out to be a potent talent management instrument in public sector banks too\textsuperscript{22}. It is also contended that the performance management system should be well designed and carefully implemented by these banks to safeguard this sanctioned autonomy. In this state of affairs, as long as banks facilitate congenial HRD climate they could preserve this freedom forever and thereby retain talented people.

j) Emergence of ‘Post Banks’ – A New Competitor Ahead:

Recently, Department of Posts of Andhra Pradesh Circle has started a new scheme called ‘Bank on Your Post Man’. According to this scheme, customers need not approach Post Offices to withdraw their money from their savings bank or fixed deposit accounts. If the customer follow a prescribed procedure as stipulated by the Department he can receive his money by hand through the postman at his residence. This is a threat to the banking industry because the post offices are widely spread across the nation and customers can be easily reached out from every nook. As a matter of fact the number of post offices is very high as compared to the number of bank branches of any bank in the country.

According to the Post Master General of Andhra Pradesh Circle, “Department of Posts has gained first position in deposit mobilization. There are 4,50,000 crores of rupees of deposits in Post Offices across the nation and State Bank of India stood only in second place with an accumulation of deposits of 2,50,000 crores of rupees\textsuperscript{23}. In this framework,
it is understood that the performance of banks in India is inferior to that of post offices in mobilizing deposits.

Furthermore, the union government is exploring the possibility of allowing post offices to undertake banking services. According to the Union Communications and Information Technology Minister for State Shilkil Ahmed, the Central Government of India is planning to convert all 'Post Offices' in India into 'Post Banks'. In addition to the routine postal tasks, Post Offices would perform full-fledged banking activities in a near future. Henceforth, Post Office in India will be renamed as 'Post Bank of India'. To fulfill this objective, the Union Government is going to amend the 1898 Postal Act. The Minister also disclosed that during the period of 'XI Five-Year Plan' some more post offices would be established to add strength to this phenomenon. Even now, the number of post offices in India is more than the number of all banks' branches put together. The Department of Posts very recently (16.6.2007) held discussions with the Reserve Bank of India and the Ministry of Finance to enter into the banking industry. Towards this objective the Department had decided to modernize 1,50,000 post offices in the country by spending 6,000 crores of rupees. As a matter of fact, the post offices currently have 18 crores of customers. This would be a big menace to the banking industry in India because in a near future the industry is going to face new competition.

k) Marching towards Rural Segment:

Recently in Hyderabad, Bankers' Conference 'Bancon 2006' was held on 4th and 5th of November with the objective of bringing persons
under banking services those who do not come under the same earlier. In this conference the Union Finance Minister Chidambaram disclosed that 51 per cent of farmers do not yet receive banking services. Due to this they are not becoming the partners of the development of the country. In another valedictory meeting held after this event, the Minister also revealed that 78 per cent of rural non-farming community had no access to banking. The Minister was of the opinion that banks have to encourage all sections of the people to take part in the development initiative. He advised banks to achieve this with the help of Self-Help Groups (SHG). The Minister also suggested banks to follow Post Offices and adopt villages and districts to improve their business and to play a vital role in integrated development. However, if this part of uncovered population is also added to the present customer base the business will become unmanageable by banks. Hence, more stress would be laid on Human Resource Development.

All the above-discussed trends pull the attention of the banking industry to vigorously concentrate on HRD. In the light of these alignments in the industry, it is mandatory for both the public sector and the private sector banks to provide opportunities for their personnel to continuously upgrade their skills and knowledge so as to familiarize with the constantly changing work procedures. In order to provide meritorious service to the customers, banks have to eventually strengthen and utilize the potential of their human resources to the fullest extent and provide directions for them to achieve this objective. This is possible only when a systematic Human
Resources Development Climate is facilitated in banks. In this backdrop, the present study is an attempt to investigate the extent of Human Resources Development Climate that exists in the Indian banking industry more specifically in old generation public sector and private sector banks of India.

iv) Role of Human Resources in Banking Sector:

To refer Oliver Sheldon, who saw modern organization as a sea of humanity, "no industry can be rendered efficient so long as the basic fact remains unrecognized, that is principally human. It is not a mass of machines and technical process but a body of men. It is not a complex of matter, but a complex of humanity. It fulfils its functions not by virtue of some interpersonal force, but by human energy. Its body is not an intricate maze of mechanical devices but a magnified nervous system." This basic philosophy was demonstrated well by the superior companies all over the world. They have succeeded in unleashing the potential of the individuals to the fullest extent possible.

Mc Gregor, an eminent psychologist, remarks that "many management would agree that the effectiveness of their organizations would be at least doubled if they could discover how to tap the unrealized potential present in their human resources." Moreover, human resource is the most important and highly valuable asset in any organization. Whilst all other assets depreciate over a period of time, people as an asset appreciate (cherish) over a period of time by acquiring new skills, latest techniques and gaining more and more knowledge. Peter Drucker aptly
puts it, "managers are fond of saying 'our greatest asset is people'\textsuperscript{28}. Hence, the longer a person has been with an organization, the greater is his value in terms of expertise and contribution. Thus, any organization's success is determined by the caliber of its human resource. Besides, among all other resources, human resources are capable of self-propulsion and value addition and are also responsible for the transformation of traditional economies into modern industrial economies. The phenomenal growth achieved by Japan, which is a small nation and poor in its natural resources, can be attributed to its rich human resources. It is wise to remember the words of Akio Morita, the founder of Sony Corporation. The forefather of this giant multi national company, once said, "there is no 'magic' in the success of Japanese companies in general and Sony in particular. The secret of their success is simply the way they treat their employees." Under Morita the whole process of recruitment, selection, training and development, performance appraisal, and rewards at Sony was built on the premise that employees were the most valuable part of the enterprise\textsuperscript{29}. Therefore, it can be stated that unless human resources are developed and kept satisfied from time to time, it is unlikely that any improvements can be made in terms of productivity, quality or customer service. Adam Curle pointed out that "some countries are backward because most of their people are underdeveloped\textsuperscript{30}. Thus, human resources have to be developed and properly organized in order to bring about economic development in any country.
Though the effective utilization of information technology in the banking industry has resulted in notable improvement in productivity it is usually held that the well being of the industry is a result of the combined efforts of its human resources. In view of the largely increased business, the bank personnel vigorously place their efforts to render service to the customers and ultimately delight them.

Human resources in banks acquire knowledge through training programs which are purposefully conducted by the management and play a crucial role in meeting the growing expectations and needs of the customers from time to time. Subsequently, they are also responsible for the smooth functioning of the banking business. Hence, it is understood that the human resources in the banking industry nowadays perform a 'dual role' in the accomplishment of banking objectives. On one hand, they spend lot of their energy for receiving training imparted by the management. On the other, they serve customers and dedicate themselves for smooth functioning of the business. Their importance to the banking industry is such that they are the middlemen who guide the customers to stay with the bank always. Obviously, the bank human resources honestly make the customer satisfied and stand by the success of the industry in all points of view. Unlike any other industry the bank personnel cope with the ever-changing work atmosphere and play crucial role in the survival of the banking industry.

The image of the bank and its overall effectiveness to a large extent depend upon the nature of its employees. Mixed with skills, cooperation
and hard work of employees are equally important factors of the banking system. It is only the attitude of the employees and their service that makes a difference from one bank to another. This can be achieved successfully through the effective implementation of Human Resource Development (HRD) Programs. The larger the implementation of HRD programs the higher would be the performance of employees. As Meier and Baldwin have said that, "development does not occur spontaneously as a natural consequence when economic conditions are in some sense 'right', a catalyst or agent is needed, and this requires people with the drive and vision"\textsuperscript{31}.

Efficient management of human resources is a crucial factor in determining the growth and prosperity of business enterprises\textsuperscript{32}. Furthermore, employees in any enterprise should not be viewed as static individuals. This is particularly true in case of the personnel working in the banking industry because they act as the active mediators between the management and the customers. In fact, customer retention is possible only with the outstanding efforts of the human resources. They are the caretakers of the customers, understand their needs, and fulfill them.

Also, both the quality and quantity of the human resources would be affected by such environmental factors as education, training and development. With the acquired knowledge and talent, employees can bring about new ideas and processes in order to promote overall efficiency of the organization and thereby accomplishing its predetermined objectives. Hence, it can be believed that, it is people who can make a
difference between organizations and who can have an ever-lasting impact on the survival and functioning of them. Failure to recognize this may cause immense loss not only to an individual enterprise but also to the whole economy. Therefore every organization should handle this dynamic human factor very carefully and banks are not excluded from this responsibility.

v) An Overview of the Theoretical Definitions

On the basis of the above stated perspectives, it would be rewarding to have a brief look at the theoretical background of various Human Resource aspects.

a) Concept of Human Resource:

Human Resource refers to the manpower employed in an organization, and it can be defined as the total knowledge, skills, creative abilities, talents and capabilities of the work force, as well as the values, attitudes, approaches and beliefs of individuals involved in the activities of an organization.  

b) Human Resource Management:

Human Resources Management (HRM) is the area of organizational life that focuses on effective management of human resource. It can be said that the HRM is the process of managing the employees of an organization with human consideration. It aims at managing people in such a way that they are able to give their best to the organization through maximum utilization of their skills. Individual growth,
satisfaction and development has to be paid due attention. HRM basically signifies "placing right man at right place and at right time".

c) Philosophy of Human Resource Development:

Human Resources Development (HRD) seeks to bring about overall development of personnel by enabling them to improve their knowledge, skill and behavior. It also helps them develop better awareness about their roles in the work situations and contributes to the process of integration of the personnel with organization. Also, HRD facilitates alignment of individual goals with organizational goals.

In essence, Human Resources Development is developing persons to their maximum potential and also simultaneously conserving their talent. HRD is conceived as catalyst for growth of individuals. Viewed in the context of changing economic and technological environment, the role of the HRD assumes critical importance for the growth and survival of many organizations. In particular, Human Resource Development programs can be crucial in gearing-up the work force to meet the challenge of competition and contribute by coping with changing situations, and further by developing the human capital through continuous education, training, sharpening skills, changing attitudes and motivating them to achieve higher targets.

According to Rao (1986) in the organizational context, HRD is a process by which the employees of an organization are helped in a continuous and planned way to;
i) acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles;

ii) develop their capabilities as individuals and discover and exploit their inner potentials for their own and/or organizational development purposes; and

iii) develop an organizational culture in which supervisor-subordinate relationship, teamwork and collaboration among sub-units are strong and contribute to the professional well being, motivation and pride of employees.

Biswaajeet states that Human Resource Development is a continuous process to ensure the development of employees' dynamism, effectiveness, competencies and motivation in a systematic and planned manner.\(^35\)

Garvan opines that "HRD seeks to embrace developments in workplace learning and focus on learning activities that are linked directly to goals at a work, individual and organizational level."\(^36\)

Magginson has defined HRD as "the total knowledge, skills, creative abilities, talents and aptitudes of an organization's work force as well as the values, attitudes and beliefs of individuals involved."\(^37\)

Udai Pareek reported three meanings attached to the concept of HRD. Firstly, persons working in organizations are regarded as a valuable resource implying that there is a need to invest time and effort in their development. Secondly, they are human resources, which mean that they have their own special characteristics and therefore, cannot be treated like
material resources. The approach focuses on the need to humanize organizational life and introduce human values in the organization and thirdly, the term human resource does not merely focus on employees as individuals, but also in other social realities, units and processes in the organization. These include the role of the job a person has in the organization; the dyadic unit (consisting of person and his supervisor); the various teams in which people work; inter team processes and the entity of the total organization.38

Based on application, the main functions of HRD are:

• Establishing and maintaining a healthy productive work culture.

• Improvement in work practices and better flexibility of work arrangements.

• Review of organization structure to adapt the changing needs.

• Training and development of employees to prepare for the new technologies.

• Improving the level of motivation in the organization.

• Attention to systems, rules and procedures with focus on results.39

Various HRD thinkers and professionals have designed the mechanisms of HRD, which are also referred as ‘Techniques of HRD’ or ‘Methods’ or ‘Instruments’ or ‘sub-systems’ which include:

- Performance and Potential Appraisal

- Career Planning and Development
vi) Why HRD in Banking Sector?

In the wake of deregulation, liberalization and globalization of the Indian economy, the banking industry is also getting gradually internationalized. The process of globalization has become irreversible and being intensified. In such an environment, Indian commercial banks have to equip themselves to meet the challenges of competition from within and from outside the country. And as they proceed to do this, they have to ensure that their human resources remain strong.

The following are the chief reasons for which banks are compelled to vigorously carry out Human Resource Development activities.

(i) Lack of capable managerial manpower and a greater need in the future increase of the competition for available talent.
(ii) The continued growth and development of business, coupled with increased complexities such as the problems of size, technology and competition, add further pressures.  

Also, banks have to modify their procedures and methods of work for economic and technological reasons. These far reaching changes in the banking scenario have thrown up a number of challenges in the operational areas as well as in development aspects of their human resource, forcing the banks to review their Human Resource Development policies and practices and redesign them to respond to the new demands. 

The following are the implications of these changes, especially on their interface with Human Resource Development functions:

i) A variety of new competencies at various levels are required. 

ii) A new work culture, for facilitating higher productivity. 

iii) An open system to create ideas, breakdown of hierarchies and recognition of individual. 

iv) Management of talent and rewards based on performance. 

v) Intensive management development to enhance the technical/professional competencies, keeping with the changing role of banks. 

vi) Develop the employee's skill to operate in a turbulent and dynamic environment and vision to be futuristic. 

It has been widely recognized that improving human skills through well-tailored HRD programs can enhance productivity. Thus, the efficiency and effectiveness of commercial banking will depend upon how best the
management has taken care of the development of their employees in these institutions.

The need for HRD in banking institutions is continuously growing because of the changes in economic policies of the country, changing job requirements of the industry, demand for multi-skilled human resources to cope with recent trends in restructuring jobs and organizations, threats from the foreign banks, technological outgrowth, etc. There are also high expectations of the society from the banking system, which cannot be met without the development of the integrity, efficiency and behavioral pattern of the personnel who are working in the banks. Besides, the clientele of banking is not only growing with large increase in population but also getting widely diversified.

Thus, HRD in the context of banking would mean not only the development of new knowledge and skills of the employees but also developing capabilities to meet the needs of both internal and external environment, attaining self-confidence and motivation for public service. HRD also aims at giving more and more thrust on the human resource to encourage creativity for the better customer service. HRD efforts in banks focus on building a strong character of honesty, integrity and truthfulness. Such efforts try to culminate in enhancing the banks' renewal capabilities through competitiveness, innovation and creativity.

Besides, HRD efforts crystallize the values that are goal supportive and contribution oriented. It emphasizes the functional style, ethos, culture
and work ethics, which are built around people, manifesting a concern, and is sensitive to the needs of the organization. The entire philosophy of developing an employee in banks rests on 'building a holistic person by framing his personality, character and way of life. Thus HRD system in banks has to act as an effective instrument to encourage employees, to show creativity, to reach for excellence and finally to render better customer service.

The objectives of HRD in banks can be listed as:

- creating a climate of openness and trust;
- building a collaborative culture whereby everyone is an important member of an effective team;
- preparing individuals for technological competence;
- psychological preparedness for willing to participate in change-implementation;
- promoting human capabilities and competencies in the organization;
- facilitating to build a strong character of honesty and integrity in performance;
- helping the individual to develop his potential, realize his power so that he will be able to achieve his self-goals while contributing to the success of organization;
- improving quality of work life;
vii) Evolution of HRD in Indian Banking Sector:

HRD department was started in the State Bank of Patiala in 1976 with an objective of developing systems for and harnessing the talents of people and to meet the challenging expectations of the community. In the early years the HRD activities were limited to training and survey feedback. During eighties the HRD department started playing an important role under the leadership of a Managing Director who strongly believed in HRD. The training system was streamlined, a job-rotation program was undertaken, team development was initiated in some branches, and a new performance appraisal system is being evolved. The bank also worked out a human resource information system, which was used for career planning and manpower planning. Periodic surveys of HRD climate are being conducted.

The HRD Department in Bank of Baroda was established in the year 1978 as a part of the personnel department. The need for a separate HRD department to look after manpower planning, training and performance appraisal was suggested by a consultant appointed by the Bank to suggest mechanisms to strengthen the Head Office. After its establishment the HRD department brought a participating process, a development-oriented appraisal system for officers. The Employee Performance Review System (EPRS) was finalized using top level committee and top management support. Self-review, performance reviews, identification of constraints, developmental decisions on the basis of self-appraisal and review are some of the components of the new
system. The HRD department also enriched the training function and prepared eventually a skill-inventory covering about 10,000 employees for various human resource decisions. In the first year of implementation of EPRS itself, the HRD department made 72 interventions towards development decisions. Officers were trained in the new system by arranging 65 seminars. The EPRS is reviewed periodically to make further improvements.

A decision to introduce HRD system in the State Bank Group was taken at a workshop by the Chairman of the SBI and the Managing Directors of the SBI and its associate banks. The management experts Udai Pareek and T.V. Rao from the Indian Institute of Management, Ahmedabad, addressed that workshop. Subsequently, the associate banks appointed HRD managers but could not make much headway except designing a new appraisal format common to all associate banks and conducting periodic surveys on motivational climate. It was only in 1979 when the SBI appointed a Chief General Manager, Personnel & HRD and a Chief Officer; HRD at the Central Office, the HRD started gaining momentum in the SBI. Simultaneously HRD departments were started and HRD managers were appointed in different circles of the SBI. The HRD efforts started by introducing a new development-oriented performance appraisal system. Given the size of the organization, with about 40,000 officers to be covered, introduction of the new appraisal system was based on adequate experimentation and orientation of all staff to the philosophy and objectives of the new system. After about 5 years of experimentation
and evolution, the bank formally introduced the new appraisal system in 1986. The HRD department of the SBI also started working simultaneously from 1979 on job-rotation, training, OD, career development, feedback, and counseling sub-systems.

HRD in the State Bank of India is a continuous process, movement and direction to enable every individual, realize and activate his potential, so as to contribute to the achievement of the bank's goals and derive satisfaction there from. Bank's focus of attention has been towards improving the quality and strength of its employees who alone can take the bank towards its avowed goal of growth with profit.

Being aware of the demands of the rapidly changing environment, the bank has been continuously striving to give new thrust and direction to equip its employees to meet the emerging challenges. In the field of HRD, the bank has been focusing attention on development of job knowledge, skills and appropriate attitudes of its employees. To cater its services, the bank is extensively carrying on the development-oriented activities.

viii) Significance of the Study:

In India managing a commercial bank is unique and challenging as compared to any other economic activity. Banking activities are highly regulated both by the social value systems and monetary considerations. It appears that the complexity of the task has increased manifold, making the management of banks more and more difficult and challenging in the years ahead, than over the past. The crucial factor in the management of
commercial banks is human resource development. It is very important for a bank to develop their personnel in order to cope with increasing and changing demands in banking. It has become inevitable for the banks to concentrate seriously on setting up systems for suitable human resource development.

The work force of tomorrow would be a more enlightened lot, functioning in a more educated environment. Continuous skill enhancement and regular training, apart from good compensation, will lead to better employee retention and motivation in a highly challenging and changing environment. HR systems in banks would need to undergo rapid changes in the manner of recruitment, motivation, and performance appraisal and compensation package43.

Hence, Human Resource Development assumes significance in view of the fast changing environments and need for the banking industry to adopt new technology in order to respond to these environmental changes. The vitality of human resource to banking industry depends upon the level of its development. Banking organizations should be dynamic, growth-oriented and fast changing to develop their human resource. It is needless to say that banks possessing competent human resource grow faster, can be dynamic and steer the hearts of the customers. Any banking organization that is interested in improving its services and effectiveness needs to develop its employee competencies to perform the tasks required to bring about such improvement.
Undoubtedly, the image of the bank and its overall effectiveness to a large extent depends upon the performance level of its personnel. It is only through the effective implementation of Human Resources Development programs; the performance of bank employees is increased. Irrespective of the sector they are placed in, their performance would correspond to the degree of the implementation of HRD activities.

The foregoing discussion makes it clear that the banks in India are unsettled and need to concentrate more on Human Resource Development activities to sustain themselves in the competitive, growing and ever changing business environment. Obviously, banks are facing adverse conditions both internally and externally, for which they are required to redefine and redesign their present HRD systems to overcome those situations with the help of their human resources. In this backdrop, an attempt is made to undertake a comprehensive investigation to review the HRD climates of the premier banks in the two basic sectors i.e. public and private sectors of the Indian banking sector.


8 Premilla D'Cruz, "The Micro-Level Impact of VRS in the Banking Sector", Project completed under the Kerala Regional Program on Local Level Development, Center for Development Studies, Trivandrum, 2005.


12 Special Correspondent, “Banks should focus on Employee Management”, The Hindu, November 29, 2005, p. 16.


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