Chapter No. 04:

A Brief Profile of HDFC Bank.

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Introduction:

HDFC Bank is one of India’s leading banking and financial services institutions. Its mission is to be a world-class Indian bank, and it provides a wide range of services in wholesale and retail banking; including commercial, investment, transactional and branch banking. HDFC Bank today has more than 3.25 million customers. On the wholesale services front, it is recognized as a leading provider of cash management and transactional banking solutions to corporate customers, mutual funds, stock exchange members and banks. Increasing revenue in the face of fierce competition HDFC Bank was among the first privatized banks to be set up in India after the liberalization of the Indian banking industry. Today it is among several banks vying for the customers who have not experienced the benefits of private banking. In a fiercely competitive market place, the bank knows that growing its bottom-line is dependent largely on increasing returns from existing customers, while adding new customers to its portfolio.

HDFC Bank:

The HDFC Bank was incorporated on August 1994 by the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995. The Housing Development Finance Corporation (HDFC) was amongst the first to receive an in principle approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. HDFC Bank is headquartered in Mumbai. The Bank at present has an enviable
network of over 1,416 branches spread over 550 cities across India. All branches are linked on an online real-time basis. Customers in over 500 locations are also serviced through Telephone Banking. The Bank also has a network of about over 3,382 networked ATMs across these cities.²

The promoter of the HDFC was incepted in 1977 is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, a strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

The shares are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. The Bank's American Depository Shares (ADS) are listed on the New York Stock Exchange (NYSE) under the symbol 'HDB' and the Bank's Global Depository Receipts (GDRs) are listed on Luxembourg Stock Exchange. On May 23, 2008, the amalgamation of Centurion Bank of Punjab with HDFC Bank was formally approved by Reserve Bank of India to complete the statutory and regulatory approval process. The amalgamation added significant value to HDFC Bank in terms of increased branch network, geographic reach, and customer base, and a bigger pool of skilled manpower.³
Table No. 4.01:
Progress of HDFC Bank during the year 2013 to 2015.

<table>
<thead>
<tr>
<th>Sr.</th>
<th>Year</th>
<th>No. of Branches</th>
<th>No. of ATMs</th>
<th>No. of Cities</th>
<th>No. of Debit Cards issued (In Lakh)</th>
<th>No. of Credit Cards Issued (In Lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2013</td>
<td>3,062</td>
<td>10,743</td>
<td>1,845</td>
<td>157.6</td>
<td>64.2</td>
</tr>
<tr>
<td>2</td>
<td>2014</td>
<td>3,403</td>
<td>11,256</td>
<td>2,171</td>
<td>174.2</td>
<td>51.4</td>
</tr>
<tr>
<td>3</td>
<td>2015</td>
<td>4,014</td>
<td>11,766</td>
<td>2,464</td>
<td>216.3</td>
<td>59.7</td>
</tr>
</tbody>
</table>

Source: [http://www.hdfcbank.com](http://www.hdfcbank.com)

Above Table No. 4.01 highlights the progress of HDFC bank in terms of No. of Branches, No. of ATMs, No. of Cities covers, No. of Debit and Credit cards issued during the year 2013 to 2015. In the year 2013 there were 3,062 branches of HDFC bank in the year 2013 were increased up to 4,014; during the same period the ATM of HDFC bank were increased up to 11,766 from 10,743, in the year 2013. HDFC bank opened branches in 1,845 cities is also expanded up to 2,464 cities; during the same period No. of debit cards were also increased from 157.6 lakh to 216.3 lakh and No. of Credit cards issued by the bank in the year 2013 was 64.2 lakh is decreased up 59.7 lakh in the year 2015.

**Capital Structure:**

As on 31st March, 2015 the authorized share capital of the Bank is Rs. 550 crore. The paid-up share capital of the Bank as on the said date is Rs. 501,29,90,634/- (equity shares of Rs. 2/- each). The HDFC Group holds 21.67 per cent of the Bank's equity and about 18.87 per cent of the equity is held by the ADS / GDR Depositories (in respect of the bank's American Depository Shares...
(ADS) and Global Depository Receipts (GDR) Issues). 32.57 per cent of the equity is held by Foreign Institutional Investors (FIIs) and the Bank has 4,41,457 shareholders. The shares are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. The Bank's American Depository Shares (ADS) are listed on the New York Stock Exchange (NYSE) under the symbol 'HDB' and the Bank's Global Depository Receipts (GDRs) are listed on Luxembourg Stock Exchange.4

**Business Focus:**

HDFC Bank’s mission is to be a World Class Indian Bank. The objective is to build sound customer franchises across distinct businesses so as to be the preferred provider of banking services for target retail and wholesale customer segments, and to achieve healthy growth in profitability, consistent with the bank’s risk appetite. The bank is committed to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance. HDFC Bank’s business philosophy is based on five core values: Operational Excellence, Customer Focus, Product Leadership, People and Sustainability.

**Distribution Network:**

HDFC Bank is headquartered in Mumbai. As of March 31, 2015, the Bank’s distribution network was at 4,014 branches in 2,464 cities. All branches are linked on an online real-time basis. Customers across India are also serviced through multiple delivery channels such as Phone Banking, Net Banking, Mobile Banking and SMS based banking. The Bank’s expansion plans take into account the need to have a presence in all major industrial and
commercial centers, where its corporate customers are located, as well as the need to build a strong retail customer base for both deposits and loan products. Being a clearing / settlement bank to various leading stock exchanges, the bank has branches in centers where the NSE / BSE have a strong and active member base. The Bank also has a network of 11,766 ATMs across India. HDFC Bank’s ATM network can be accessed by all domestic and international Visa, MasterCard, Visa Electron / Maestro, Plus / Cirrus and American Express Credit / Charge cardholders.

**HDFC Bank Management:**

The Composition of the Board of Directors of the Bank is governed by the Companies Act, 1956, the Banking Regulation Act, 1949 and the listing requirements of the Indian Stock Exchanges where securities issued by the Bank are listed. The Board has strength of 12 Directors. The Bank has five independent directors and seven non-independent directors. The Board consists of eminent persons with considerable professional expertise and experience in banking, finance, agriculture, small scale industries and other related fields. The Managing Director, *Mr. Aditya Puri*, has been a professional banker for over 25 years and before joining HDFC Bank in 1994 was heading Citibank's operations in Malaysia.

The Bank's Board of Directors is composed of eminent individuals with a wealth of experience in public policy, administration, industry and commercial banking. Senior executives representing HDFC are also on the Board. Senior banking professionals with substantial experience in India and
abroad head various businesses and functions and report to the Managing Director. Given the professional expertise of the management team and the overall focus on recruiting and retaining the best talent in the industry, the bank believes that its people are a significant competitive strength.

Chart No. 4.01:
HDFC Bank Management.

Source: http://www.managementparadise.com
HDFC Bank Technology:

Innovations in information and communication technology are perceived to be the important factor for productivity and growth. The relationship between IT and Banking is fundamentally high. Because of which expected to reduce costs, increase volumes and facilitate customized products. Public sector must adopt the technology adoption in order to compete with private and public sector banks retention of the customers can be made through adoption of new technology like ATM, telephone banking, on-line bill payment and Internet banking.5

HDFC Bank operates in a highly automated environment in terms of information technology and communication systems. All the bank’s branches have online connectivity, which enables the bank to offer speedy funds transfer facilities to its customers. Multi-branch access is also provided to retail customers through the branch network and Automated Teller Machines (ATMs). The Bank has made substantial efforts and investments in acquiring the best technology available internationally, to build the infrastructure for a world class bank. In terms of core banking software, the Corporate Banking business is supported by Flexcube, while the Retail Banking business by Finware, both from i-flex Solutions Ltd. The systems are open, scaleable and web-enabled. The Bank has prioritized its engagement in technology and the internet as one of its key goals and has already made significant progress in web-enabling its core businesses. In each of its businesses, the Bank has succeeded in leveraging its market position, expertise and technology to create a competitive advantage and build market share.
Business Profile of HDFC Bank:

HDFC Bank caters to a wide range of banking services covering commercial and investment banking on the wholesale side and transactional / branch banking on the retail side. The bank has the following three key business segments:

1. Wholesale Banking:
   The Bank’s target market is primarily large, blue-chip manufacturing companies in the Indian corporate sector and to a lesser extent, small and mid-sized corporates and agri-based businesses. For these customers, the Bank provides a wide range of commercial and transactional banking services, including working capital finance, trade services, transactional services, cash management, etc. The bank is also a leading provider of structured solutions, which combine cash management services with vendor and distributor finance for facilitating superior supply chain management for its corporate customers. Based on its superior product delivery / service levels and strong customer orientation, the Bank has made significant inroads into the banking consortia of a number of leading Indian corporates including multinationals, companies from the domestic business houses and prime public sector companies. It is recognized as a leading provider of cash management and transactional banking solutions to corporate customers, mutual funds, stock exchange members and banks.
2. **Treasury:**

Within this business, the bank has three main product areas - Foreign Exchange and Derivatives, Local Currency Money Market and Debt Securities, and Equities. With the liberalization of the financial markets in India, corporates need more sophisticated risk management information, advice and product structures. These and fine pricing on various treasury products are provided through the bank’s Treasury team. To comply with statutory reserve requirements, the bank is required to hold 25 per cent of its deposits in government securities. The Treasury business is responsible for managing the returns and market risk on this investment portfolio.

3. **Retail Banking:**

The objective of the Retail Bank is to provide its target market customers a full range of financial products and banking services, giving the customer a one-stop window for all his/her banking requirements. The products are backed by world-class service and delivered to customers through the growing branch network, as well as through alternative delivery channels like ATMs, Phone Banking, Net Banking and Mobile Banking.

The HDFC Bank Preferred program for high net worth individuals, the HDFC Bank plus and the Investment Advisory Services programs have been designed keeping in mind needs of customers who seek distinct financial solutions, information and advice on various investment avenues. The Bank also has
a wide array of retail loan products including Auto Loans, Loans against marketable securities, Personal Loans and Loans for Two-wheelers. It is also a leading provider of Depository Participant (DP) services for retail customers, providing customers the facility to hold their investments in electronic form.

HDFC Bank was the first bank in India to launch an International Debit Card in association with VISA (VISA Electron) and issues the MasterCard Maestro debit card as well. The Bank launched its credit card business in late 2001. By March 2015, the bank had a total card base (debit and credit cards) of over 25 million. The Bank is also one of the leading players in the merchant acquiring business with over 2.35 Lakh Point-of-sale (POS) terminals for debit / credit cards acceptance at merchant establishments. The Bank is well positioned as a leader in various net based B2C opportunities including a wide range of internet banking services for Fixed Deposits, Loans, Bill Payments, etc.

**Business Strategy of HDFC Bank:**

Business Strategy of HDFC Bank Emphasis the Following-

1. Leverage technology platform and open scalable systems to deliver more products to more customers and to control operating costs.
2. Develop innovative products and services that attract targeted customers and address inefficiencies in the Indian financial sector.
3. Continue to develop products and services that reduce the cost of funds.

4. Focus on high earnings growth with low volatility.

Credit Rating:

HDFC Bank has its deposit programmes rated by two rating agencies - Credit Analysis & Research Limited (CARE) and Fitch Ratings India Private Limited. The bank's Fixed Deposit programme has been rated 'CARE AAA (FD) by CARE, which represents instruments considered to be the best quality, carrying negligible investment risk. CARE has also rated the bank's Certificate of Deposit (CD) programme "PR 1+" which represents superior capacity for repayment of short term promissory obligations. Fitch Ratings India Pvt. Ltd. has assigned the "AAA (ind)" rating to the bank's deposit programme, with the outlook on the rating as stable. This rating indicates highest credit quality where protection factors are very high. HDFC Bank also has its long term unsecured, subordinated (Tier II) Bonds of Rs.4 billion rated by CARE and Fitch Ratings India Private Limited. CARE has assigned the rating of "CARE AAA" for the Tier II Bonds while Fitch Ratings India Pvt. Ltd. has assigned the rating "AAA (ind)" with the outlook on the rating as stable. In each of the cases referred to above, the ratings awarded were the highest assigned by the rating agency for those instruments. 

Awards Received by HDFC Bank:

HDFC Bank began operations in 1995 with a simple mission: to be a ‘World-class Indian Bank’. Over the years, the Bank has received recognition and awards from several leading
organizations and publications, both domestic and international. Some important awards that the Bank won in 2015 are:

**Awards Received by HDFC Bank**

<table>
<thead>
<tr>
<th>IMA Managing India Awards 2015</th>
<th>Business Leader of the Year - Aditya Puri</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barron's</td>
<td>World's 30 Best CEOs – Mr Aditya Puri</td>
</tr>
<tr>
<td>Finance Asia poll on Asia's Best Companies 2015</td>
<td>Best Managed Public Company. India' Best CEO- Aditya Puri. Best Corporate Governance.</td>
</tr>
<tr>
<td>J. P Morgan Quality Recognition Award</td>
<td>Best in class straight through processing rates</td>
</tr>
</tbody>
</table>

**Attrition Strategy of HDFC Bank:**

It is becoming increasingly important for companies to ensure they have the right people in the place to guide future business success, so company is using following strategies:

1. **Transparent work culture:** HDFC is using the programme called *Sparsh* which provide the work place where employees are able to use their full potential.

2. **Quality of work:** The basic objective of HDFC is to improve working conditions for the employees and increasing organizational effectiveness and for that company is running the programme which called *Shikhar*. 
3. **Communication between employer and employees:**
   HDFC is using the *Umang* programme which will be using full to properly communicate with their employees.

4. **Manage employees’ turnover:** The strategy used by HDFC is they always balance the employee turnover by reducing the rate of attrition.

   There are two main impacts of attrition i.e. Direct and Indirect. A high attrition indicates that failure on company’s ability to set effective HR priorities. New hires need to be constantly added, further the cost in training, getting them aligned with culture – all a challenge and attrition bring decrease in productivity.

**Marketing Initiatives Taking By the Bank:**

HDFC Bank is possibly the only bank in India, and one of the very few in Asia, to have embarked on a data-led marketing analytics campaigns initiative, using marketing automation technology provided by *Unica*. Unica has been recognized by *Gartner* as the leading player in this field. Through this tool, they have been able to intelligently use the 4-5 terabytes of customer data available in its warehouse. Bank have set up a team to conduct marketing campaigns in a scientific manner using customer data, usage patterns, preferences, life cycle, etc. the Bank also conducts event-based marketing. These initiatives also complement their media-based marketing as well as on-the-ground marketing activities, which remain important in the bigger scheme of things. However, the marketing analytics initiative enables them to
measure the efficacy of the campaigns, testing every campaign every step of the way, experimenting with creative, messages, media, etc. There are learning that can immediately be absorbed and incorporated in the next campaigns, and these campaigns in a way provide them with information about customer choices and preferences that can be used for mass media communication, making those more effective. Media vehicles used for send their massage to reach their target customers. HDFC Bank has been predominantly using direct mailers, e-mails, and SMS for communicating their massage to their targeted audience as they are the most cost-effective routes of addressing our core target audiences with maximum degree of customization possible

**Digital Banking Initiatives:**

The bank has been at the forefront of technology adoption for two decades. The bank has been early adopters of contemporary and futuristic technology, bringing out solutions which enhance the customer’s experience of banking and dealing with the bank and providing world class convenience. After consolidating of leadership position across various business lines, as the bank took the next step towards becoming a world class customer centric organisation, the bank invested early in data warehouse and data analytics platform for offering straight through banking and payment services and need based marketing of products and services. In that direction, the bank decided to develop full scale capabilities of a Full Service Digital Bank, which combines all its efforts using technology around various touch points in the bank offering a complete customer life cycle based approach to
engagement and service. Towards this, the key themes that the bank is following for Digital Banking are as follows:  

- **Customer convenience**: making all interactions seamless, straight through and enriched.
- **Customer engagement**: by converting channels into full service platforms that help the customer in the complete life cycle from acquisition to onboarding to servicing to cross sell/upsell and extending to relationship management.
- **Comprehensive**: by allowing the customer to deal with the Bank on the channel of their choice offering all possible transactions, recommendations (through analytics) and forms/sales capabilities on an end to end basis.
- **Innovation**: by introducing new cutting edge innovation based solutions which will enrich and enhance the customer experience.
- **Secure Banking**: Continued and enhanced security while accessing banking services especially from mobile devices by providing multi-layer security to tokenisation device mapping, identity security etc.

**Future Plans of HDFC Bank:**

HDFC has always been market-oriented and dynamic with respect to resource mobilization as well as its lending programme. This renders it more than capable to meet the new challenges that have emerged. Over the years, HDFC has developed a vast client base of borrowers, depositors, shareholders and agents, and it hopes to capitalize on this loyal and satisfied client base for future growth. HDFC has developed a network of institutions through
partnerships with some of the best institutions in the world, for providing specialized financial services. Each institution is being finetuned for a specific market, while offering the entire HDFC customer base the highest standards of quality in product design, facilities and services. Times bank merger will give HDFC Bank a greater reach in terms of an expanded network, which will touch 107 branches and an increased customer base. The bank has also invested 26 per cent each in the equity of computer age management services and ACSYS system software India as strategic investment. While computer age is a well-established player in the distribution of a range of mutual fund products, ACSYS is into developing software that caters to distributors of financial products and mutual funds.

**HRM in HDFC Bank:**

The HR department at HDFC Bank has 54 people, including the trainers. The HR department is present in Mumbai, Chennai, Delhi, Ahmedabad, Kolkata, Bangalore, Hyderabad, Chandigarh, Pune and Lucknow. All people here in HR are MBAs, except for those handling HR operations. The most important thing in HR is to hold the confidence of people. Talent retention is a challenge today. Another challenge is managing expectations of youngsters, who are looking for fast tracking their career and want exposure quickly, they may not be lured by money alone, but the profile that they work for. HDFC Bank gives ample opportunity to those who seek job rotation. If the company has a new opening, it is being advertised internally. The company’s philosophy is that it is better to lose a person to another department than to another bank. The company’s performance management system is its ‘signature’
system. The senior HR managers feel proud to say that they personally know most of the people across various levels in the organization. They constantly help people move internally and assist them to make a better career with the bank. Infact, the HR department is proud to admit that the company has one of the lowest rates of attrition. Middle management onwards the company’s salaries are good. Women have been rising up the ranks in the bank. At the junior level, over 33 per cent of the workforce in consumer and retail banking comprises of women. In the senior levels, it is about 12 per cent and in the top management, it is about 6 to 9 per cent. Over the years HDFC was very cost conscious. Today the company has foreign tours, parties at national and regional levels, award nights and outings to motivate and encourage its employees. As an organization HDFC bank had constantly emphasized on celebrating its hard earned success.

The bank believes in empowering its employees and constantly takes various measures to achieve this. The Human Resources agenda of the bank aims to create a team of empowered employees-oriented for the realization of bank's vision. During its life span, the key human resource issues that were addressed related to learning and skill development, management of performance, ensuring an enhanced work-life balance and attrition management. The employee engagement initiatives of the bank are focused on providing opportunities to staff to seek as operational roles through internal job postings and periodic job rotations, making the compensation structure more competitive, streamlining the performance-linked rewards and incentives, and generally sending a clear message of meritocracy.
Employee Development Performance:

Management is one of the most critical dimensions pertaining to the management of human resources and the organisation has a comprehensive Performance Management System (PMS) to assess performance. The PMS helps differentiate between the various categories of performance. Higher rewards of the higher level of performance have been a fundamental philosophy of the bank. Apart from rewards, the PMS also allows for identification of training and development needs for employees. Employee development and growth is realized through an array of functional and behavioral programs that the bank conducts throughout the year as well as on the job training. Further the Bank lays emphasis in rotating key talent for professional development and growth and building a leadership pipeline for the future.

Table No. 4.02 highlight the data showing the importance of human factor in HDFC Bank. Various indicators showing the growth of the bank relating to its human resources have been discussed in terms of branch network, staff strength, business per employee, profit per employee, deposits per employee, advances per employee, cost per employee and establishment expenses per employee over the period of study.
Table No. 4.02:

Indicators showing the Growth of HDFC Bank during 2002-03 to 2011-12. (Rs. In Crores)

<table>
<thead>
<tr>
<th>Sr.</th>
<th>Year</th>
<th>Business per Employee</th>
<th>Profit per Employee</th>
<th>Staff Strength (No.)</th>
<th>Number of Branches</th>
<th>Deposits per Employee</th>
<th>Advances per Employee</th>
<th>Cost per Employee</th>
<th>Est. Exp. Per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2002-03</td>
<td>8.65</td>
<td>10.09</td>
<td>4791</td>
<td>231</td>
<td>4.67</td>
<td>2.45</td>
<td>0.12</td>
<td>152</td>
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<tr>
<td>2</td>
<td>2003-04</td>
<td>8.66</td>
<td>9.39</td>
<td>5673</td>
<td>312</td>
<td>5.36</td>
<td>3.12</td>
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<td>204</td>
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<tr>
<td>3</td>
<td>2004-05</td>
<td>8.06</td>
<td>8.80</td>
<td>9030</td>
<td>467</td>
<td>4.02</td>
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<tr>
<td>4</td>
<td>2005-06</td>
<td>7.58</td>
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<td>0.11</td>
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<td>5</td>
<td>2006-07</td>
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<td>6</td>
<td>2007-08</td>
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<tr>
<td>7</td>
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<tr>
<td>8</td>
<td>2009-10</td>
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<td>1726</td>
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<td>0.11</td>
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<tr>
<td>9</td>
<td>2010-11</td>
<td>6.53</td>
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<td>55752</td>
<td>1986</td>
<td>3.74</td>
<td>2.86</td>
<td>0.12</td>
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<tr>
<td>10</td>
<td>2011-12</td>
<td>6.54</td>
<td>8.12</td>
<td>66076</td>
<td>2544</td>
<td>3.73</td>
<td>2.95</td>
<td>0.13</td>
<td>3400</td>
</tr>
</tbody>
</table>

Source: Data compiled from Annual Publications of IBA, Mumbai.

1. **Business per Employee:** The table reveals that till 2003-04 business per employee has increased continuously, but after 2003-04 a fluctuating trend has been observed. It fluctuated between Rs.4.46 crore in 2008-09 and 8.66 crore in 2003-04. It may have been due to the factors such as employees”
inefficiency, competitor’s better business strategies, quality of products, schemes and services offered, etc.

2. **Profits per Employee:** The profits per employee have also not been good over the period under study. These have decreased with the passage of time. The profits per employee decreased regularly from Rs. 10.09 crore in 2002-03 to Rs. 4.18 crore in 2008-09 reflecting inefficiency of 126 employees. However, profits per employee showed an increase in 2011-12 with the figure at Rs. 8.12 crore.

3. **Staff Strength:** There has been a tremendous growth in the strength of employees over the period of ten years which is an indication of bank’s overall growth and expansion of business. The staff strength increased from 4791 in 2002-03 to 66,076 in 2011-12.

4. **Expansion of Branch Network:** There has been an increase in branch network of the bank over the study period. In 2002-03, there were 231 branches only which increased to 1413 in 2008-09, and further to 2544 branches in the year 2012 showing a compound average growth rate of 24.37 per cent. It shows large market coverage of HDFC Bank over the period of study.

5. **Deposits and Advances per Employee:** The deposits and advances per employee have been quite fluctuating during the study period. The deposits per employee were to the tune of Rs.4.67 crore in 2003 which reduced to Rs.2.66 crore in 2007-
08, and again increased to Rs.3.73 crore in the year 2012. Similarly, the advances per employee were Rs.2.45 crore in 2002-03 which declined to Rs. 1.69 crore in 2007-08, and again rose to Rs.2.95 crore in the year 2011-12. Negative CAGR of -2.02 for the deposit per employee and lower compound average growth rate of 1.70 for advances per employee show that the bank failed to achieve its business targets.

6. **Cost per Employee:** Data regarding cost per employee depicts stability or control on cost (per employee) over the period of study in view of prevailing inflationary trends in the Indian economy. Cost per employee was Rs. 0.11 crore in 2002-03 which increased to Rs.0.13 crore in 2012, reflecting a compound average growth rate of 0.73 per cent over the period under study.

7. **Establishment Expenses per Employee:** Increase in the establishment expenses over the period of study exhibits the adoption of better HR policies in the bank, because such expenses include expenditure incurred on employees while dealing with the banking operations. In 2002-03, expenses per employee were recorded at Rs.1.52 crore which increased to Rs.3.39 crore in 2012 with a CAGR of 32.65 per cent.

**Human Resource Management Policies and Practices:**

HDFC Bank uses a comprehensive human resources policy framework to respond to changing human resources requirements. Rapid growth in a burgeoning new market should be the cause for celebration, unless the organization that’s growing can't keep up
with the demands of an expanding workforce or simplify the management of multiple databases. HDFC Bank began its expansion into the retail market in 1995 and has added thousands of new customers each day and managed dramatic increases in its retail loan portfolio. The bank faced the challenges that came with rapid success. HDFC Bank has established itself as a leader in eliminating the inefficiency traditionally associated with resource planning and management, and bank management knew just what to do. Due to significant growth in the number of its employees over the past few years, the bank could no longer handle its human capital management. In addition, the management well understood that high growth rates might have jeopardized its capacities and servicing quality, while tension about relative compensation levels between the sales personnel in the branch and operations could have threatened HDFC Bank's culture. The bank has also implemented Oracle Human Resources applications so that human resource planning and tracking could be handled more efficiently. The bank had already compiled large amounts of data about its employees, but it lacked a workable way to store other kinds of information, such as data about family members and career paths at HDFC Bank. The 128 bank can now capture everything, which gives senior management better data for performance evaluations and helps them do better career planning.

The solution also allows the bank to compensate on the basis of performance and provide targeted career development, which raises credibility with employees and helps the bank attract and retain top candidates. HDFC Bank has also implemented Oracle's applications for human resources analysis and reporting.
across the enterprise, providing management with the ability to drill down into performance and cost on an exceedingly granular level. This gave the bank the flexibility to tailor-made employee record keeping while maintaining regular compliance with labour laws. In addition to the automation of actions such as warnings, e-mail notifications, and vacation hour balances gives the bank a complete profile for each employee. The existing comprehensive reporting capabilities save a lot of staff time and allow the bank to handle profiles, skill sets, and training and integrate them with the payroll system.

Training and Development:

The HDFC Bank has regularly been focusing on the training of its employees, both on the job as well as through training programmes conducted by internal and external faculty. The bank lists and recognizes its human resources as one of its stated core values. The Bank has built a strong training infrastructure, which seeks to upgrade skill levels across grades and functions through a combination of in-house and external programmes. The flagship in-house programmes include the Induction Programmes for new entrants and Credit and Foreign Exchange Programmes for building up a pool of specialists in the respective domains.

External programmes encompass value-added programmes on Team Building and Leadership, Organizational Development, Management Development Programmes, People Management Programmes; all conducted by premier institutes like the IIMs, Administrative Staff College of India (ASCI) and ISB Hyderabad. Senior functionaries have also been deputed overseas to attend
specialized programmes intended to keep them updated on developments in the world economy. The bank also has a comprehensive e-learning module conceptualized and developed in house and administered through the intranet. Keeping pace with the growth in the diversity of products on the one hand and manpower on the other, the training man-day shave increased from 57,317 in 2008-09 to 65,378 during the year 2009-10, registering a growth of 14 per cent over the years.9

**Human Resource Development:**

The Corporation recognises that training and continuous up-gradation of skill sets are essential to ensure a high calibre workforce. During the year, new recruits participated in an induction programme at the Centre in Lonavla. Other in-house training programmes were conducted on subjects like Know Your Customer, Credit Fraud Risk and Mitigation, Disbursement Processes, Rural Housing and Appraisal Techniques for Customers from the Unorganised Sector. Training was also imparted in specialised fields of legal and credit risk management. Staff members were nominated for a variety of external training programmes in India and overseas.

**HRM Policy Statement:**

The bank believes that employees are most valuable asset. HDFC bank makes an effort to develop the abilities and productivity of staff. They encourage a work culture, foster relationship with them at every level in the organization and make them to express their views and share their ideas to bring about improvements in the organization towards the achievement of the
A Study of Performance Appraisal Practices as a Tool to Improve Employee Efficiencies in Private Sector Banks - A Case Study Of HDFC Banks.

Chapter No. 04: A Brief Profile of HDFC Bank.

common goal described in vision and mission statements. The employees take pride in their work as they are given due respect, and by being empathetic and sensitive to each other’s needs. The bank could make every endeavor to foster a productive culture throughout the Bank. The Bank is a team focused organization that is characterized by Collaborative relationships; Approachable and open communications; Courteous, efficient and effective services; and Flexibility and fairness.

**Responsibilities of HR Department:**

HR Department is responsible for;

1. Regular review and development of human resource management practices;
2. Periodic review of the work priorities to determine skill requirements needed to meet the Bank’s strategic plan;
3. determination of an organizational structure that will facilitate and improve teamwork; and
4. Appointment and promotion of staff on merit and to ensure that treatment of all employees is fair and equitable.

**Managers are responsible for:**

1. Providing development opportunities for staff that relate to performance in order to achieve organizational and individual needs;
2. Agreed performance standards for staff and assistance with the achievement of identified goals;
3. Regular review and improve where necessary, human resource structures and processes in line with Board
directions. This will facilitate best practice, work flexibility and the ability to adapt quickly to changing needs;
4. Constructive feedback with an aim to improve work practices and relationships; and
5. Establishment and encouragement of team development

**Employees are responsible for:**
1. Incorporation of the principles of this policy into their work practices and to make themselves personally accountable for implementing the human resource values framework;
2. Use of initiative in relation to their own personal development;
3. Utilization of their individual strengths in improvement of work practices;
4. Achievement of organizational goals through participation in the development plans, policies and procedures;
5. Adherence to all policies, procedures, agreed code of conduct and standards; and
6. Assistance in the prevention of discrimination and the promotion of equal opportunities when interacting with other employees.

**Staff Welfare:**

Over the past few years, the Bank implemented many Staff Welfare Schemes with an objective to meet the aspirations of the employees. Significant among them was the scheme for payment of financial assistance to the employees having mentally retarded children. The limit for interest-free festival advance facility being offered to the employees was increased substantially. The Bank
also recognized the efforts made by its staff towards excelling in areas of their personal interest. A program has been initiated for grooming officers in the senior management who are due to retire after 2020, so that they can assume leadership roles in the Bank.

**Provident Fund Scheme:**

The Bank operates a Provident Fund scheme and all the eligible employees are entitled to receive benefits under the Bank’s Provident Fund scheme. The Bank contributes monthly at the determined rate (*currently 10 per cent of an employee’s basic pay plus eligible allowance*). These contributions are remitted to a trust established for this purpose and are charged to Profit and Loss Account every year.

**Gratuity:**

The HDFC Bank provides gratuity to all its employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, death while in Officers

**Pay Scales:**

*The different types of pay scales of HDFC bank employees are displays in Table No.*
Table No. 4.03:
Pay Scales of HDFC Bank Employee.

<table>
<thead>
<tr>
<th>Sr.</th>
<th>Grade</th>
<th>Pay Scale (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Scale-I</td>
<td>14500-600-18700-700-20100-800-257001</td>
</tr>
<tr>
<td>2</td>
<td>Scale- II</td>
<td>19400-700-20100-800-28100</td>
</tr>
<tr>
<td>3</td>
<td>Scale-III</td>
<td>25700-800-29700-900-31500</td>
</tr>
<tr>
<td>4</td>
<td>Scale- IV</td>
<td>30600-900-34200-1000-36200</td>
</tr>
<tr>
<td>5</td>
<td>Scale- V</td>
<td>36200-1000-38200-1100-40400</td>
</tr>
<tr>
<td>6</td>
<td>Scale- VI</td>
<td>42000-1200-46800</td>
</tr>
<tr>
<td>7</td>
<td>Scale-VII</td>
<td>46800-1300-52000</td>
</tr>
<tr>
<td>8</td>
<td>Clerical</td>
<td>7200-400-8400-500-9900-600-12300-700</td>
</tr>
<tr>
<td></td>
<td>Staff</td>
<td>17200-1300-18500-800-19300</td>
</tr>
<tr>
<td>9</td>
<td>Subordinate</td>
<td>5850-200-6650-250-7900-300-9100-350</td>
</tr>
<tr>
<td></td>
<td>Staff</td>
<td>10150-400-11350</td>
</tr>
</tbody>
</table>

**Superannuation:**

The Bank employees, above a prescribed grade, are entitled to receive retirement benefits under the Bank’s Superannuation Fund. The Bank contributes a sum equivalent to 13 per cent of the employee’s eligible annual basic salary to the insurance companies which administer the fund. There is no outstanding liability for future employee’s superannuation fund benefits other than its contribution, and the bank recognises such contributions as an expense in the year incurred, as such contributions are in the nature of defined contributions.
Pension:

The bank makes provisions for pension to all eligible employees. The benefits are given in the form of monthly payments as per rules and regular payments to vested employees on retirement, on death while in employment, or on termination of employment. Vesting occurs at different stages as per rules.

Other Benefits:

In HDFC Bank, the undiscounted amount of short-term employee benefits, such as medical benefits, casual leave, etc. which are expected to be paid in exchange for the services rendered by employees are recognised during the period when the employee renders the service.

Rewards and Recognition:

Rewards and Recognition play a key role to attract, retain and engage employees. The bank has a comprehensive Compensation Policy that has been articulated in line with the Reserve Bank of India’s guidelines. Performance management forms the basis of the Banks reward philosophy. The Bank is committed to ensure that employees are competitively positioned vis-à-vis market with respect to both fixed as well as variable pay. The Bank also grants employee stock options to a certain segment of the employee population in order to align employee efforts to the creation of shareholder value. Apart from the standard compensation your Bank also has a well institutionalized recognition program called ‘Star Award’ to recognize the contribution of employees on an on-going basis.
Particulars of Employees:

The Bank had 76,286 employees as on March 31, 2015. 224 employees employed throughout the year were in receipt of remuneration of more than Rs. 60 lacs per annum and 20 employees employed for part of the year were in receipt of remuneration of more than Rs. 5 lacs per month.

Table No. 4.04:

% of Number of years of Experience.

<table>
<thead>
<tr>
<th>Sr.</th>
<th>No. of Years</th>
<th>% of employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Up to 1 year.</td>
<td>14</td>
</tr>
<tr>
<td>2</td>
<td>1 to 4 years.</td>
<td>39</td>
</tr>
<tr>
<td>3</td>
<td>5 to 9 years.</td>
<td>30</td>
</tr>
<tr>
<td>4</td>
<td>10 to 19 years.</td>
<td>16</td>
</tr>
<tr>
<td>5</td>
<td>20 years or above</td>
<td>01</td>
</tr>
</tbody>
</table>

It is concluded from the Table No. 4.04 that 14 per cent employees of HDFC bank having less than 1 year experience; followed by 39 per cent employees were having experience of 1 to 4 years; 30 per cent employees working experience was 5 to 9 years; 16 per cent employees were having experience of 10 to 19 years and only 1 per cent employees were working since more than 20 years at HDFC Bank.

Financial Highlights of HDFC Bank:

For the year ended March 31, 2015, the Bank earned total income of Rs. 57,466.3 crores. Net revenues (net interest income plus other income) for the year ended March 31, 2015 were Rs.
31,392.0 crores, up by 18.9 per cent over Rs. 26,402.3 crores for the year ended March 31, 2014. For the year ended March 31, 2015, the net interest margin remained stable at 4.4 per cent. Cost to income ratio was at 44.6 per cent for the year ended March 31, 2015, as against 45.6 per cent for the previous year. The Bank’s net profit for year ended March 31, 2015 was Rs. 10,215.9 crores, up 20.5 per cent, over the year ended March 31, 2014. The consolidated net profit of the Bank increased by 22.2 per cent to Rs. 10,688.9 crores for the year ended March 31, 2015. The financial highlights of HDFC bank during the year 2009-10 to 2013-14 shows in the following table.

Table No. 4.05:
Financial Highlights of HDFC Bank (Rs. Crores)

<table>
<thead>
<tr>
<th>Sr.</th>
<th>Particulars</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total Revenue</td>
<td>97.62</td>
<td>178.85</td>
<td>431.13</td>
<td>963.19</td>
<td>1,688.27</td>
</tr>
<tr>
<td>2</td>
<td>Profit before tax</td>
<td>12.32</td>
<td>24.32</td>
<td>70.65</td>
<td>150.13</td>
<td>318.07</td>
</tr>
<tr>
<td>3</td>
<td>Profit after tax</td>
<td>9.92</td>
<td>15.81</td>
<td>51.11</td>
<td>102.45</td>
<td>209.24</td>
</tr>
<tr>
<td>4</td>
<td>Receivables under financing</td>
<td>533.55</td>
<td>1,262.52</td>
<td>3,964.13</td>
<td>8,203.67</td>
<td>13,387.78</td>
</tr>
<tr>
<td>5</td>
<td>Shareholders fund.</td>
<td>102.04</td>
<td>719.27</td>
<td>770.78</td>
<td>873.53</td>
<td>1,628.50</td>
</tr>
<tr>
<td>6</td>
<td>Borrowings</td>
<td>456.11</td>
<td>668.46</td>
<td>3,150.47</td>
<td>7,153.51</td>
<td>11,075.00</td>
</tr>
<tr>
<td>7</td>
<td>Earnings per share</td>
<td>0.94</td>
<td>0.88</td>
<td>1.25</td>
<td>2.49</td>
<td>4.32</td>
</tr>
<tr>
<td>8</td>
<td>Book value per share</td>
<td>9.72</td>
<td>17.53</td>
<td>18.77</td>
<td>21.27</td>
<td>33.61</td>
</tr>
</tbody>
</table>

References:


6. https://www.hdfcbank.com


9. www.hdfcbank.com