Chapter No. 05:

Performance Appraisal System of HDFC bank.

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Introduction:

Indian banking has entered the new era of technology enabled and customer centric banking. The HRD managers as well as the employees, especially in the higher cadre, need to update their knowledge and skills constantly, and consciously. Technology is changing the world at a frightening speed. Therefore, the ongoing process of training and learning should not only be based on sound and proven theories and concepts, but also laced with practical aspects and implementation. Overall, the HRD enables the employees to make a long-term commitment to all the managerial values narrated above and to build a good employer-employee relationship. To become world-class banks, it is therefore clear that HDFC have to embrace and enthusiastically implement world-class HRD practices. With India emerging as a dominant knowledge power, it is only in the fitness of things that Indian Banks too should accord high value to human capital and take momentous steps forward to reach world class HR capital adequacy.

The employees always assess the management values, work culture, work practices and credibility of the organization. The Indian companies do have difficulties in getting the businesses and retain it for a long time. There are always ups and downs in the business. When there is no focus and in the absence of business plans, non-availability of the campaigns makes people to quickly move out of the organization. In the recent decades the Indian industry has changed its outlook. The employment scene has changed its appearance. The factors like skill sets, job satisfaction drive the employment and not just the money. The employer hence
faces the heat of continuous employee turnover. Continuous efforts are made by organizations to control the employee turnover rate as it directly affects the performance of the organization as many key people leave the organizations for various reasons at crucial points. This turnover is normally known as attrition.

With global economy the world has become a global village. As a consequence firms have become more aware of the need for having competent employees and developing distinguished competencies for every organization. Every well managed firm should have well defined roles and a list of competencies required for performing each role effectively. They prefer to build a core competency that will see them through crisis, if any. The choice is to develop the people because human resource is seen to be the most valuable resource any organization has. Organizations of the future will have to rely more on their competent employees than any other resource. It is a major factor that determines the success of an organization. Competencies are the inner tools for motivating employees, directing systems and processes and guiding business towards common goals that allow the organizations to increase their value. Competencies provide a common language and method that can integrate all the major HR functions and services like Recruitment, Training, Performance Management, Remuneration, Performance Appraisal, Career and Succession Planning and Integrated Human Resource Management System.

**Competency Mapping:**

Competencies are components of a job which are reflected in behaviour that is observable in a workplace. The common elements
most frequently mentioned are knowledge, skills, abilities, aptitudes, personal suitability behaviour and impact on performance at work. Competence’ means a skill and the standard of performance reached while competency refers to the behaviour by which it is achieved. The plural of each word, therefore gives two different meanings. Competences and competencies are not the same. Competences refer to the range of skills which are satisfactorily performed, while Competencies refer to the behaviour adopted in competent performance. Competencies are the characteristics of a manager.

Competency mapping is the process of identifying key competencies for a particular position in an organization. Once this process is complete, the map becomes an input for several other HR processes such as job-evaluation; recruitment; training and development; performance management; and succession planning. For competency mapping to be productive, the organization has to be clear about its business goals in the short as well as long-term and the capability-building imperatives for achieving these business goals. The process starts from as macro an endeavour as understanding the vision and mission of the organization and how that translates into specific, time-bound business goals. It then goes on to delineating the organization structure clearly, and identifying the various levels and positions, as well as the reporting relationships obtaining within that. For each position / level, the mapping exercise should outline the roles and responsibilities of the position; short-term goals to the extent that they are qualified; skill sets required for the job; and soft skill sets required for the job plus interaction with other units / personnel. Though there are
well-accepted guidelines and assessment tools such as psychometric tests, the assessor’s skill will play an important role in deciding when a gap calls for training and when it calls for redeployment competency mapping comes in very useful in the situations like candidate appraisal for recruitment; employee potential appraisal for promotion; training needs identification; performance diagnostics; and self-development initiatives.

Competencies are the inner tools for motivating employees, directing systems and processes and guiding business towards common goals that allow the organizations to increase their value. Competencies provide a common language and method that can integrate all the major HR functions and services like Recruitment, Training, Performance Management, Remuneration, Performance Appraisal, Career and Succession Planning and Integrated Human Resource Management System. The competency framework serves as the bedrock for all the HR applications. As a result of competency mapping, all the HR processes like talent induction, management development, appraisal and training yield much better results.

The employees of HDFC Bank have specific skill, ability and knowledge etc. to perform their job efficiently and efficiently. They possess decision making, power, and relationship building capacity, sound knowledge of the products etc. which help the bank for the progress in present and future mangers. Some of the employees have got success due to some critical incidence during their job. They faced challenges and accept changes but in a resistant manner so there should be well structured training
schedule for employees and bank’s development. Each of the specified roles should know their responsibilities and roles to enhance the credibility and profitability of the bank. Similarly, it has been proved that the competency mapping plays a vital role for the development of the employees as well as bank.

Training and Development:

Training and Development is an attempt to improve current or future employee performance by increasing an employee’s ability to perform through learning, usually by changing the employee’s attitude or increasing his or her skills and knowledge. Since the beginning of the twentieth century and especially after World War II, training programs have become widespread among organizations, involving more and more employees and also expanding in content. In India the banking industry becoming more competitive than ever, private and public sector banks are competing with each other to perform well. The executives of the bank are now in the position to modify their traditional human resources practice in to innovative human resources practices in order to meet the challenges from other competitive banks.

The purpose of training need assessment is to add value to an organization. Hence, evaluation measures the progress in achieving this goal by purposefully improving training programs and measuring their worth. The training programs are established by the needs assessment of training. A thorough needs assessment leads to effective and efficient training, which increases the likelihood that evaluation will demonstrate successful value added outcomes. In today’s complex and fast changing organizational
environment, developing human resources is of paramount importance and training has now become one of the important segments of Human Resource Development (HRD) process. That is why the efficiency of any organization depends directly on how well its employees are trained. Training motivates employees to work efficiently and it is widely accepted as a problem solving tool. The Human Resource Development department has to play a more proactive role in shaping the employees to fight out the challenges.

The banks not only have to make plans and policies and devise strategies, the actual functionaries have to show willingness, competence and effectiveness in executing the said policies and strategies. Both training and development are necessary for any organization. So it is evident that training and development forms an integral part of human resources development process and should be in unison. In banks, HRD departments have the advantages of not being excessively burdened with day-to-day problems of running the banks or ensuring profitability of individual transactions. They are in positions to take strategic and long term view of the competitive advantage of the human resources as well as identify areas of professional weaknesses to rectify well before any damage takes place in the organization. Training is the act of increasing knowledge and skill of an employee for doing a particular job. Training is the organized procedure by which people learn knowledge and or skills for a definite purpose.
Training Strategies Used in HDFC Banks:

Training program should be repeated at regular intervals for individuals to provide reinforcement of learning. At present the following types of programs is designed and conducted by the training centres.

1. Standard program on repetitive basis.
2. Role orientation courses in functional areas.
3. Special courses and seminars.
4. Sales training for supervisory and field personnel.

The first category should be attended by all employees at predetermined intervals. A course will also be given to all officers when they move from one level of job to another. When an officer is appointed as Branch, Divisional or Zonal Managers for the first time, he would be assigned to a program to help him understand the demands of his new role. This will also apply to persons who are appointed as Heads of a Department in Branch office. The second and third category of courses will be arranged regularly for officers as they enter into that function at the Divisional, Zonal of Central office level in case they have not attended a program in that function earlier. No officer should hold a post in functional area for more than six months unless he has attended a program in that function. The third categories of courses are special program depending on the specific requirements of the particular level or the group. The fourth categories of courses are meant for field staff-development officers and agents. Training at HDFC is based on up-gradation of competencies and skills. It is an integral part of their business strategy. Almost all employees have undergone training to enhance their technical skills or the softer behavioural
skills to be able to deliver the service standards that the company has set for itself. Besides the mandatory training that financial consultants have to undergo prior to being licensed, they have developed and implemented various training modules covering various aspects including product knowledge, selling skills, objection handling skills and so on. New training initiatives include Lead Management, rural housing and cross selling of financial products. Training programs on ‘Personal Effectiveness’, ‘Leadership excellence’ and ‘Art of Living’ are delivered by guest lecturers.

Training is necessity in the changing environment, planned and systematic training should be made compulsory in HDFC banks. It brings changes in behaviour, attitude at any age and helps in increasing the organizational performance. The organization should encourage more facilities during training and also off the job training, because it is one kind of encouragement to improve the interest towards the training and development program. By providing training, employers support the skill development of their employees. If the training is good then the employees will contribute their maximum for the achievement of the organizational objectives.

The result of the present study shown that the training practices in the HDFC are average and there is lot of scope for improvement. Researcher found that the training and effectiveness programs have a positive impact on the performance of both male and female employees but the results shows that it has a greater impact on the performance of male employees group. This can be
due to the reason that mostly female employees bear additional responsibilities towards their families. The researchers found that HDFC bank have their own training institute. However, there is a lack of needs assessment before training. HDFC should take necessary steps in such a way that employees should feel training is essential to enhance the productivity and customer satisfaction to meet the present challenges in India. The overall opinion about the training conducted by the HDFC among the employees is very good and effective, it is very much helpful to improve the individual career and the organization growth too and they are satisfied with the training process and method of teaching.

**Attrition:**

Attrition is the rate of shrinkage in size or a gradual, natural reduction in membership or personnel as through retirement, resignation or death. Working environment is the most important cause of attrition. Today’s Gen-Next employees expect a professional approach and an international style working environment. They expect a friendly and learning environment. Employees look for freedom, good treatment from the superiors, good encouragement, friendly approach from one and all, and good motivation. No doubt the jobs today bring lots of pressure and stress is high. The employees often switch jobs if there is too much pressure on performance or any work related pressure. It is quite common that employees are moved from one process to another. They take time to get adjusted with the new processes while few employees find it difficult to adjust and consequently leave. Monotony sets in very quickly and this is one of the main reasons for attrition. Job hopping is very common among youngsters who
look at jobs as being temporary. Another commonly looked option is to move to such other process where there is little or no pressure of sales and meeting service level agreements. The employees move out if there are strained relations with the superiors or with the subordinates or any slightest, discontent.

**Innovative Recruitment and Selection Practices of HDFC Bank:**

This factor includes all those innovative HR practices which aim at attracting maximum number of highly talented applicants and selecting the best to achieve competitiveness. The nine innovative HRM practices identified under this head have been explained below:

1. **Well Defined R&S:** One of the major innovative HRM practices under this head is that there is a well-defined ‘Recruitment and Selection’ (R&S) policy in the banks. Earlier, only a few banks had a pattern of recruiting people through employee referrals. But now a day, a pre-defined policy of hiring people is available in most of the banks.

2. **Selection of Professionals:** HDFC Banks have also started selecting professionally qualified personnel, e.g. MBAs, CAs, Agricultural officers etc. for different posts. Earlier, only HDFC banks were employing such professionals for their various departments. Moreover, need for giving special training for such employees has also been reduced to a certain level.
3. **Selection According to Service Attitude:** Banks are giving due weightage to the service attitude and competence in the selection procedure these days. This policy is being adopted by the HR department of the HDFC banks keeping in mind the fact that employees with positive service attitude will work more efficiently and increase the business ultimately.

4. **Holding on Policy:** One of the major problems that the bank employees were facing in earlier times was that if they left the organisation due to any work pressure or other reason, then they were not stopped or hold on by any employer. But now, even the regional or circle managers of the banks use a ‘Retention’ policy for the employees so that they may not leave the bank quickly.

5. **Availability of Bank Communities on Social Networking Sites:** Availability of bank communities on social networking sites is found to be another innovation in the recruitment process. Popularity of the social networking sites has forced all the sectors to have this facility enabling the members of the community to seek the necessary information and to be in touch with each other.

6. **Checking the Profile of Candidates on these Sites:** These days, most of the banks, especially private sector, have started using social networking sites for the purpose of recruitments. With the help of these communities, the HR department checks the candidate’s profile on social networking sites to decide the candidature for the job.
7. **Written Examination for R&S:** There is a policy of written examination in HDFC banks for selection of each level of employees. Earlier the employees were required to appear in the written examinations only at the entrance level. But now, the provisions have been changed and they have to take written tests for the higher levels and internal recruitment also. Moreover, now a day, HDFC banks have also started conducting written examination for checking the exact competence and psychology of the candidates.

8. **Result Oriented Policy of R&S:** In the present scenario, the HR department of banks has also started formulating a result oriented recruitment and selection policy for their banks. This policy helps them to keep only those employees who are increasing the bank’s profit and fire out or demote the other ones. Even the public sector banks also don’t give promotions to those whose past records in terms or branch business are very poor.

9. **Formal Induction of New Candidates:** There is a formal induction orientation and familiarization process so as to help new recruits understand the organisation. This also makes the starters to be comfortable with the work environment of the organisation. It also argued that without excellent induction, the execution of organizational strategy may vacillate.
Innovative Training and Development Practices of HDFC Bank:

This factor incorporates all such practices that generate tangible outcome and intangible results in terms of enhanced self-esteem, high morale, and satisfaction of employees due to acquisition of additional knowledge, skills, and abilities. Executive development practices have also been considered under this variable. Following are the seven innovative Training and Development practices found in the present study:

1. **Test of Trainees:** Use of written examination for selecting employees for training is one of the major innovations by the banks. This helps the employees to be free from any kind of biasness. HDFC Bank are organising such tests for higher level employees’ training too.

2. **Job Rotation:** There is also a provision of job rotation for giving the employees proper exposure of different departments. With job rotation, an employee is given an opportunity to perform different jobs, which enriches his skills, experience and ability to perform different jobs. In HDFC Bank, all employees are involved in the Job Rotation Schedule. In HDFC Bank, the staffs get rotated in every 6 months and the officers get rotated every 3 years.

3. **Customised Training:** Special and separate/customised training programs have also been designed for different levels of employees in the banks. HDFC bank is practising this practice for more than one and a half decades. Other banks are
also following this innovative HR practice. However, the implementation level might be low in their cases.

4. **Continuous Training Need Assessment:** In some of the banks, continuous training need assessment of employees by the HR department is also practised. With the help of continuous training need assessment, only those employees, who are actually in the need of the training, are sent for the training.

5. **Regular Training:** One of the major problems, which were earlier found in the banking sector, was that the training intervals were very high. Even the employees were trained only once in a decade or even in the entire job life. But now, innovations in HRM have called for the need for regular training for the bank employees too.

6. **Encouragement to Apply Training Learning:** Employees are also being encouraged to apply the techniques learnt in their training program. They are given a chance to apply the information acquired by them during the training practically so that they may not forget it ever.

7. **Arrangement of Special Projects:** To make the learning effective, some banks have the practice of selecting the staff for special project teams meant for bank’s effectiveness. Private sector banks like HDFC bank are sending their employees for special projects training so that they can acquire some specialised skills and knowledge.
Innovative Performance Management Practices of HDFC Bank:

Performance is defined as the record of outcomes produced on a specified job function or activity during a specified time period. Appraising is a general process of facilitating interpersonal relationship between employees and managers through performance related discussions. This category of HR practices includes the new practices related to goal achievement in an efficient manner, their appraisals and job assessments. HRM practices related to Performance Management were found which are:

1. **Formation of Performance Matrix:** The very common innovative HR practice of performance management has been that the performance matrix or some other competency mapping models being used for employee’s performance reviews. HDFC banks under the study are following this innovation in the performance management practices for a long time. This has enhanced the performance as well as the morale of their employees.

2. **Goal Review Based Appraisal:** The respondents under the study also disclosed that goal reviews and competency review systems, the two common methods, are being used for appraising the performance of employees. This helps to match the performance of the employees with the earlier set goals of the individuals and organisations.
3. **Appraisal on Fair Objective Data**: The objectives and fair data helps the employers to appraise the employees without any biasness and good performers are benefitted from this.

4. **360 Degree Performance Appraisal**: Another innovation is that they are reviewing the performance from multiple sources e.g. superiors, juniors, peers etc., i.e., 360 degree performance review system, which was not prevalent earlier, is being implemented in HDFC banks.

5. **Option to Challenge the Appraisal**: These days, the employees of HDFC banks have the power to challenge their appraisal done by the HR department or by their superiors, if they disagree on some issue. But for this, they need to represent to the higher levels with solid proofs and logics.

6. **Full Awareness of the Performance Appraisal Policy**: Moreover, there is a complete awareness of the Performance Appraisal policy of HR department among all the staff members so that they are well aware of what they have done and what they should not have done.

**Innovative Compensation Management Practices of HDFC Bank:**

Compensation is all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. An effective set of choices about compensation systems plays a major role in determining firm performance.
Explaination given below is related to the four innovations under this head found during the present study.

1. **Announcing Special Incentive to the Talented Employees:** Special incentives are given to talented employees to encourage better performance. Using incentive compensation to stimulate better performance and to provide promotion opportunities through an internal labour market increases satisfaction and self-actualization.

2. **Special Increments on Regular Basis:** One major innovative practice of compensation has been identified that is there has been a provision of special increments for better performance of the employees. This gives the employees an enough salary growth. It is also found that salary growth had a pronounced effect on turnover.

3. **Special Festival Advance:** The HR department has also started one new scheme of providing special festival advances to the bank employees on either discounted rates or without any interest so that they can fulfil their family requirements on the festivals without bearing any special burden. The HR personnel of these banks are of the view that, due to provision of this scheme, the employees are demanding fewer leaves in the festive season.

4. **Customised Perks:** In last couple of years, the perks have also been customised to the individual needs. This practice is gaining popularity in other Indian organisations too. HDFC Bank is also using this innovative HR practice.
Innovative Career Development Practices:

Those innovative HRM practices which include both organizational actions and individual efforts aimed at setting career goals, formulating and implementing strategies and monitoring the results are categorised under this head. These help the employees to groom themselves and manage their careers. It is identified career development itself as an ideal innovative HRM practice.11 Following are the five Career Development related innovations:

1. **Availability of Educational Opportunities at Workplace:** Education related opportunities are being provided at the work place for the career enhancement of the bank employees. This has increased their dedication towards work in their present organisations. HDFC bank is also providing opportunities to their employees to get enrolled to professional courses so as to enhance their skills as well as degrees. This boosts up their morale for work.

2. **Easy Approval to the Job Applications:** This study identified that one latest innovation in the career development of employees is that the applications sent for the career opportunities outside the bank are being approved by the HR department and regional managers quickly, which were either verbally denied by the top management or delayed for approval. But now a day, these applications are easily approved so that employees can think of their career development.
3. **Preference to Seniority in Promotions:** Seniority is given proper weightage in the promotion decisions in banking sector. Even transfers on promotions are also affected by the seniority. HDFC bank has a promotion provision to give favourable and closest transfer to the employees who are senior among others in the promotion process.

4. **Promoting on the Basis of Merit:** Banks are also organising written tests and interviews for the promotion process so that merit can be one of the criteria for promotions. A well-planned career development system along with internal advancement opportunities based on merit, results in high motivation among employees, which has an impact on firm performance.

5. **Providing Faster Promotions:** Fast track promotion process is also one common innovative practice identified in the study. Earlier the employees had to wait for years to get promotions. But these days, they get faster promotions, even in two to three years. This helps the employees to develop their career in their own bank and they don’t even think of leaving the bank for getting better opportunity outside in other banks or organisations.

**Innovative Employee Motivation Practices:**

The effectiveness of skilled employees will be limited if they are not motivated to perform their jobs. This factor of HR practices includes all those innovations relating to motivation of the employees through new ways. In the present investigation, eleven
innovative motivation practices have been identified. Accordingly, the employees can be motivated in the new ways:

1. **Using Music at Work Place:** Use of music at workplace, to improve the performance, is one major innovation found in the study. HDFC has introduced the concept of playing light music in its branches so that a calm and soothing environment can be provided to the employees as well as to the customers.

2. **Providing Day Care Centres:** There is an arrangement of day care centres in most of the surveyed banks for the children of employees, so that they have no difficulty in maintaining work life balance. In these day care centres, they can drop their children while they are at work. This won’t even divert their minds towards their family while working. Young mothers remain satisfied when their little ones are not far away from them.

3. **Work Autonomy:** In the last few years, greater work autonomy is also being provided to the bank employees. This helps them to work according to their best possible capability without any interference and they try to give their best. This is a kind of brain storming exercise through which the employers can get best out of the minds of their employees.

4. **Making Available ESOPs:** Availability of Employee Stock Option Plans is a practice which has been innovated in the banking sector for a last few years so that the employees feel
that they are also the owners of the banks. This feeling makes the employees more loyal to their organisation.

5. **Providing Loans at Discounted Rates:** Availability of loans and advances at discounted rates to all the employees is also another common innovative HRM practice leading to motivation of the employees. They can get loans on simple interest for getting vehicles, constructing a house or even educating their wards. This helps the employees financially and motivates them to increase their efficiency.

6. **Giving an Option of Flexible Working Hours:** Some of the banks are also providing flexible working hours to enhance the productivity of employees. Banking hours are generally common everywhere, but a few banks have started giving an option of flexible working hours in two different shifts so that the employees can work according to their comfort. HDFC bank is an example.

7. **Approving Leave Applications Easily:** These days, there is an easy availability of leave on demand in case of urgency which was the common HR issue among the bank employees. However, this practice prevails in a few banks only. Keeping in mind the benefits of this innovative practice, other banks have also started this practice for motivating and retaining their employees in their organisations.

8. **Organizing Stress Management Programs:** Arrangement of stress management programmes, art of
living classes, yoga sessions etc. are distinct innovations which have not been there in the banking system earlier. These practices are the best boosters and relaxers for the bank employees who are mostly under work pressure.

9. **Encouraging Team Building Attitude:** By encouraging team building attitude in the employees, the HR department of banks has started a new practice of motivating them. They work in teams and learn new skills. This increases their confidence and hence they feel more motivated.

10. **Giving Best Employee Awards:** Announcement of best employee awards was a common practice in the private sector banks, but these days, the public sector banks have also started the same practice to motivate their employees. A few banks have recently introduced the practice of writing the best employee’s name on the display board in the regional centres or even in the branches of their banks. Better-motivated employees lead to higher individual achievement and improved organizational performance.

11. **Arranging Family Get-togethers:** Family get-togethers have become so common in the banking sector that the employees working there feel closer to each other. These informal family get-togethers help them to be relaxed for some time. Even, a few of the respondents were of the view point that with the help of this innovation, they can live their social lives easily among their own colleagues.
Innovative Employee Security Practices:

The practices which make the employee feel highly secured in his present job are the best suited for this category. These practices when implemented through new ways may help an employee to feel most satisfied in his job. A total of seven Innovative Employee Security practices found in the present study were:

1. ** Provision of Sabbatical Leaves:** One innovative practice adopted by the HR department of the banks is that there is a provision of ‘sabbatical leaves’ (part time leave from organisation with 50% or less salary in case of crisis) for employees. This helps in reducing the employee turnover rate in the banks. Infosys started giving sabbatical leaves to its employees in India so that they may get job security. This was followed by HDFC bank.

2. **Sufficient Retirement Benefits:** Providing proper retirement benefits is another HR innovation revealed by the employees under the study. Unlike earlier days, now the employees get enough gratuities, pension and other retirement benefits which can secure their rest of the life after leaving the job.

3. **Option of Voluntary Retirement:** Another innovation explored under this study was that for last few years, VRS has also become common in banking sector. Now, the employees of the HDFC banks can also enjoy the benefits of this scheme if they need earlier retirements from their work. This doesn’t interrupt their other retirement benefits.
4. **Insurance of Dependents Banks:** also give the facility of dependent’s insurance which gives a sense of security in the minds of employees for their family too. This motivates them by satisfying their social as well as security needs.

5. **Job Security:** Earlier the bank employees were even asked to leave the bank in case of any default being made by the employees. But now, their genuine grounds are taken into notice and they are ensured for the job security. This gives surety to an employee that he would be the last one to be asked to leave the organisation if any financial problem arises.

6. **Full Support from the Regional or Central Office:** The HR department as well as the controlling office is supporting the employees on the genuine grounds. This full support from the top level enhances the feeling of security and motivation among the employees and they work harder. The emotional support from supervisors and self-esteem mitigated the impact of stressors on stress reactions, job satisfaction, commitment to the organization and intention to quit.

7. **Proper Grievances Procedures:** There is a provision of written as well as operational grievances procedures. The existence of the formal mechanism of dispute resolution reduces employees’ fear of being unfairly treated and increases their perception of equitable treatment resulting in a more dedicated workforce and better performance.
Recruitment Process at HDFC Bank Ltd.:

HDFC Bank is a young and dynamic bank, with a youthful and enthusiastic team determined to accomplish the vision of becoming a world-class Indian bank. The business philosophy is based on four core values - Customer Focus, Operational Excellence, Product Leadership and People. The bank believes that the ultimate identity and success of bank will reside in the exceptional quality of people and their extraordinary efforts. For this reason, the bank is committed to hiring, developing, motivating and retaining the best people in the industry.13

The bank’s mission is to be a ‘World Class Indian Bank’, benchmarking against international standards and best practices in terms of product offerings, technology, service levels, risk management and audit and compliance. The objective is to build sound customer franchises across distinct businesses so as to be a preferred provider of banking services for target retail and wholesale customer segments, and to achieve a healthy growth in profitability, consistent with the Bank's risk appetite. The bank is committed to do this while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance. The business strategy emphasizes - Increase market share in India’s expanding banking and financial services industry by following a disciplined growth strategy focusing on quality and not on quantity and delivering high quality customer service. Leverage our technology platform and open scalable systems to deliver more products to more customers and to control operating costs.
Recruitment and Selection Process:

Recruiting and selecting the right people is paramount to the success of the Bank and its ability to retain a workforce of the highest quality. This recruitment and selection policy sets out the procedure to ensure that the best people are recruited on merit and that the recruitment process is free from bias and discrimination. Following are the guiding principles for recruitment and on-boarding process of HDFC bank.

1. Attracting and recruiting the right people is one of the most important activities of the organization and is the responsibility to be owned by each and every employee of the organization.
2. Merit will be the single most important factor in selection process.
3. They will ensure a diversity, both gender and ethnicity by targeted candidate sourcing with the help of recruitment vendors and the referral program.
4. While skills and profile matching play an important role, they will hire people who are team players and have the right attitude most relevant to the culture of the organization. Attitude is as important as aptitude.
5. They believe in becoming a company of giants and emphasis is in hiring people who can grow bigger and better than they presently are.
6. They believe in providing their employee with fulfilling career paths. Towards this, they will post vacancies internally as a preferred option while evaluating external candidates.
7. They believe that each candidate interviewed irrespective of whether she/he is selected should become a friend of the organization. They treat all the candidates with the utmost respect. They will be open and fair in communication with them; this way they also enhance the brand image of the organization.

8. They will continuously assess, identify and cultivate strategic talent pools including those at the universities, management schools, and community forums to address their long term needs.

9. All recruitment activities shall be undertaken based on the hiring plan as approved by the Business Head, HR Head and the CEO. For each approved position, a hiring requisition will be required prior to initiation of any recruitment activity. If the hiring was not included in the planned budget, it will also require approval from the CEO based on a recommendation from the Head HR and the CFO.

10. Recruitment expense will be allocated to the concerned business unit, and expenditure should be budgeted and pre-approved by the business unit head and the HR Head.

11. The hiring manager along with the Human Resource Department would decide the channel / source to use based on the nature of the recruitment.

The following sources of recruitment may be considered:

**Internal Sources:**

- Whenever any vacancy arises, the possibility of fulfilling the requirement internally via reassignment and relocation, re-
allocation of the responsibilities or internal promotion will be explored by the hiring function along with the HR Department.

- Internal job postings to explore internal candidates.
- Employee Referrals – HDFC will encourage employees to refer suitable candidates for open positions.

**Other external sources include:**

- Recruitment agencies.
- External job postings.
- College / campus requirement.
- Requirement advertisements.

**Application Processing:**

HDFC will process all applications promptly and inform the applicant or source regarding the status of the application. HDFC will respond to all solicited applications within 5 working days of receiving the application.

**Interview Process:**

- All candidates are required to undergo a face to face interview with the interview panel before selection.
- Interviews may be conducted at a place at mutually convenient locations and time in an effort to maintain confidentiality of the hiring effort.
- One on one meeting shall be preferred as the interview format, however depending on the constraints panel interviews / telephone / video conference screening could be used.
• For recruitment at junior levels, job fairs, universities etc., where large volume of candidates, HDFC will use recruitment tests for purpose of short listing. The candidate may be tested on the basic aptitude, analytical skills or other skills required for the job of the candidates.

• The interview process will focus on the evaluating the candidates suitability in terms of the job description and fit within the organization.

• Each interviewer will complete the interview feedback form and submit it to HR. HR will compile the results from a various interviews and provide these to the line manager for the final decision.

Recruitment is essential to effective Human Resources Management. It is the heart of the whole HR systems in the organization. The effectiveness of many other HR activities, such as selection and training depends largely on the quality of new employees attracted through the recruitment the recruitment process. Policies should always be reviewed as these are affected by the changing environment. Management should get specific training on the process of recruitment to increase their awareness on the dangers of wrong placements. Effective recruitment is important in achieving high organizational performance and minimizing labor turnover. As of now HDFC Bank Ltd. has a team of effective human resource which is efficiently managing the organization at its best. Though the recruitment process adopted by the organization needs to be improved, challenges are ahead for the HR Department to recruit people after the effect of recession.
Employee benefits:

1. **Gratuity:** The HDFC bank provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days’ basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company makes annual contributions to fund administered by trustees and managed by insurance company for amounts notified by the said insurance company. The defined benefit plan are valued by an independent external actuary as at the balance sheet date using the projected unit credit method to determine the present value of defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognized in the statement of profit and loss.

2. **Provident fund:** All employees are entitled to receive benefits under the Provident Fund Act, 1952. The Company contributes an amount, on a monthly basis, at a determined rate *(currently 12% of employee’s basic salary)* to the Pension Scheme administered by the Regional Provident Fund Commissioner and the Company has no liability for future provident fund benefits other than its annual contribution. Since it is a defined contribution plan, the contributions are
accounted for on an accrual basis and recognized in the statement of profit and loss.

3. **Compensated absences:** The Company does not have a policy of encashment of unveiled leaves for its employees. Employees are permitted to carry forward leaves subject to a prescribed maximum day. The Company provides for compensated absences in accordance with AS 15 (revised 2005) Employee Benefits issued by Institute of Chartered Accountants of India (ICAI). The provision is based on an independent external actuarial valuation at the balance sheet date.

An efficient human resource practices of a bank is very important in the way of retaining compete employees, to improve their efficiency, to minimize human resource expenses, increasing profit of the bank and so on. Human resource practices relevant to recruitment, training, fixation and revision of salary, performance appraisal, promotion and transfer are very important aspects. Efficiency of employees will improve only when they are satisfied with human resource practices followed in their organization.

**References:**