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**Introduction:**

Organizations are run and steered by people. It is through people that goals are set and objectives realized. The performance of an organization is thus dependent upon the sum total of the performance of its members. The performance of an employee is his resultant behavior on task which can be observed and evaluated. Performance can be measured by some combination of ‘quantity’, ‘quality’ and ‘cost’.\(^1\) Performance Appraisal system provides management an opportunity to recall as well as feedback to people as to how they are doing so that they can correct their mistake and acquire new skill. Behavior is individual activity where outcomes of behavior are the way in which the behaving individual environment is somehow different as a result of his or her behavior. It is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development. Performance Appraisal has many facets. It is an exercise in observation and judgment, it is a feedback process, and it is an organizational interventions. It is a measurement process as well as an intensely emotional process. While it is fairly easy to prescribe how the process should work, description of how it actually works in practice are rather discouraging.

The primary worry of the bank should be to bring in proper assimilation of human resource management strategies with the business strategies. It should faster consistent team work and create commitment to improve the efficiency of its human capital. More than operational skills today are banking call for these ‘*soft skills*’ to attend the needs and requirement of the customers at the
counter. Banks have to understand that the capital and technology-considered to be the most important pillars of banking are repetitive, but not human resource capital, which needs to be viewed as a valuable resource for the achievement of distinctive advantage and efficiency. The long-term vision for India’s banking system is to transform itself from being a domestic one to the global level may sound improbable at present. To take up this industry to the heights of international excellence requires combination of new technologies, better processes of credit and risk appraisal, treasury management, product diversification, internal control, external regulations and human resources at the most.²

**Personnel Management:**

Personnel refer to the employees working in an organisation. They represent the manpower which is an important asset of a business unit. Employees are the real supporters of a business unit and they contribute substantially for the stability and prosperity of a business unit. Employees have various problems relating to payment, promotions, transfers, working conditions, welfare facilities, training and so on. All such problems are treated as personnel problems. These problems come within the scope of personnel management which is one important area of total business management. Naturally, a separate department called 'Personnel Department' is created in every organisation. It looks after the personnel problems. The manager in charge of this department is called personnel manager. He has to perform various functions which are responsible in nature and also delicate. He needs tact and imagination while dealing with personnel
problems. He also needs active support of the top management for dealing with personnel problems effectively.

A personnel manager must be a specialist in organisation. In addition, he should be an expert in the personnel administration with knowledge of relevant Labour laws, procedures and so on. A personnel manager needs sound academic qualifications, communication skill, broad social outlook, sympathy and consideration for employees. Knowledge of subjects like philosophy, logic, sociology and ethics is also useful while discharging his duties and responsibilities. He needs a keen sense of social justice and also rights and interest of employees at work. A personnel manager also needs other qualities which are normally required by a successful manager. In short, personnel management deals with the people working in an organisation. It studies and solves their problems in order to create an efficient, loyal and cooperative labour force for the benefit of a business enterprise. Personnel management deals with ‘personnel’ of the organisation. It is concerned primarily with the manpower resource inputs.

**Importance of Human Resource in Management:**

Human resource is most important resource in management and needs to be used efficiently. This is because success, stability and growth of an organisation depend on its ability in acquiring, utilizing and developing the human resources for the benefit of the organisation. In the final analysis, it is the people who produce promising results and generate a climate conductive to the growth and development of an organisation. HR is a highly productive corporate asset and the overall performance of companies and
corporations depends upon the extent to which it is effectively developed and utilised. It is the most delicate factor of production and need not be treated merely as a commodity to be bought and used in factories.

According to Peter Drucker, "The function of management is to manage managers, workers and work". The importance of manpower in business management is now universally accepted. Employees have a capacity to grow and develop, if suitable opportunities are offered. They give positive response to monetary and non-monetary incentives, training opportunities, favorable work environment and motivation. According to Pigors and Myers, "Good management means getting effective results with people". This suggests the importance of human resource.

Human resource is certainly important even in this age of extensive use of computer technology. This is because machine cannot be used as a substitute for human brain which has capacity to think, assess and react. It is correct to say that ‘man is a power rather than man has a power’. Progressive / professional managements invest huge funds on training and development of human resource and this suggests the importance of human resource and its contribution in industrial and economic development. Professionally managed companies in India such as Larsen and Toubro Ltd, TELCO, Reliance, etc., give special importance and good attention to HRD. Shri Dhirubhai Ambani was said that "Our People are assets; you can never show them on a balance sheet. These motivated and well-trained people are the backbone of our business. The team is young in spirit, conscious of
its responsibilities and committed to building world class assets for the country".5

**Employee Training:**

Training is next to selection. A worker selected / appointed in an organisation needs proper training. This enables him to perform the job correctly and also with efficiency. Similarly, a manager needs training for promotion and for his self-improvement. Employees are given training immediately after appointment and thereafter from time to time. Training is used as a tool / technique for management development. It is used for the development of human resource working in an organisation. In fact, training is the watchword of present dynamic business world.

Training means giving information, knowledge and education in order to develop technical skills, social skills and administrative skills among the employees. According to Edwin Flippo, training is "the act of increasing the knowledge and skill of an employee for doing a particular job." Training is necessary due to technological changes rapidly taking place in the industrial field. It is also essential along with the introduction of new techniques, new methods and so on. It is necessary for developing overall personality of employees and also for developing positive attitude towards fellow employees, job and organisation where he is working. Training of employees is the responsibility of the management / employer. Expenditure on such training is an investment for manpower development and gives good dividend in the long run. Employees should take the benefit of training facilities provided for raising their efficiency and also for self-
development. Training need not be treated as a punishment but an opportunity to learn, to grow and to develop for jobs at the higher levels.\textsuperscript{6}

Training for promotion is given after the promotion but before joining the post at the higher level. The purpose is to enable an employee to adjust with the work assignment at the higher level. The purpose of refresher training is to update the professional skills, information and experience of persons occupying important executive positions. Training for managerial development is given to managers so as to raise their efficiency and thereby to enable them to accept higher positions. An institution has to make provision for providing all types of training.

**Importance of Human Resource Management in Banks:**

Human Resource Management is important for banks because banking is a service industry. Management of people and management of risk are two key challenges facing by the banks. How you manage the people and how you manage the risks determines the success in the banking industry. Efficient risk management may not be possible without efficient and skilled manpower. Banking has been and will always be a People’s Business.\textsuperscript{7} Though pricing is important, there may be other valid reasons why people select and stay with a particular bank. Banks must try to distinguish themselves by creating their own niches or images, especially in transparent situations with a high level of competitiveness. In coming times, the very survival of the banks would depend on customer satisfaction. Those who do not meet the customer expectations will find survival difficult. Banks must
articulate and emphasize the core values to attract and retain certain customer segments. Values such as sound, reliable, innovative, international, close, socially responsible, Indian, etc. need to be emphasized through concrete actions on the ground and it would be the bank’s human resource that would deliver this.

**Strong Training System in Banks:**

The success and failure of any organization is dependent upon the quality and performance of its people. This is the demand of today’s business also. Banking is a service industry. Thus the success and failure in its case more depends upon its human resources. The strategic human resource management is vital in the cut-throat competition. The old proverb survival of fittest is a universal truth for all times and at all places. Having the right person at the right place at the right time is the basic object of successful human resource policy. Any organisation is a successful as its people. An organization can grow if its people also grow and vice-versa. It is commonly accepted truth that in our country, we use only 10 – 20 per cent of our potentiality. In India there is no dearth of talent but extremely poor utilization of human resources. To make people grow and realize their full productivity, a big push is needed to unleash their potential. This requires banks to frame a strategy.

Excellent performance does not just come a happen. In an organization, few people are naturally excellent; the organization must improve the majority who performs at less than optimum level to achieve competitive levels of productivity. Here comes the role of top management. With the help of improved productivity
through better management practices is the key to maintaining one’s competitive edge. This involves more than training. Build people to build the organization and to build the business is an accepted truth. Human Resource is the most and valuable assets of an organization which never deprecates. Investment in Human Resource or employee leads to success of the organization. Keeping employees skill updated, enhance productivity, continuous upgradation of skills and knowledge of employee competition/challenge, job security, innovation, to face emerging challenge as a result of technology advancement, to face a cut throat competition and to have a competitive edge, the need of today is to place training and development at the heart of a business strategy so as to enable the organization to build its competence as a domestic and international player.⁹

Training is thus to be used as the most effective tool in bringing the necessary change in the most vital factor of production. The training system should be proactive and should have the foresight the changed environment in future so as to convey a positive massage to the staff that their future is safe if one interested to unlearn and re-learn. The training of Banking or computerization with proper guidance may turn the disguised talent into a precious asset of the bank. The biggest achievement in the area of human resource management has been the development of strong training system in banks. In eighties, when new non-adoption of any specific typology of either the human resource management strategy or the business strategy leaves no scope for a fit between these two strategies.
Performance Appraisal:

Performance appraisal may be defined as an evaluation made by the employer or the top management. The purpose of implementing or carrying out performance appraisal activity is to judge the overall performance of the employees in the organization. It is by means of this activity that the aspects, whether the employee has essentially required skills, knowledge and attitude to perform the current tasks or the assignments to be given in the future, are to be determined periodically. Moreover, it is through the process the capacity of the employees to grow and develop in course of time is to be assessed. In this way, performance appraisal programme provides factual information to be used as a basis to make differentiation between efficient and inefficient employees in the business organization.

Performance appraisal activity to be carried out smoothly in a business organization, various methods that lead to make inferences and predictions, are adopted that, in turn, would be useful to bring a conclusive evidence to the overall performance of the employees. And the sole purpose of any method is to make observation thoroughly about the performance of the employees and other related factors so as to let them know where they stand and advise them how they need to improve their performance. They are also to be notified for their weak areas in which they need to put extra efforts to achieve a satisfactory level of performance or for which they are to be trained. The process of performance appraisal also includes determining promotion for those who deserve and the transfer in case it is to benefit both, the employee as well as the organization. It is necessary for a business
organization to carry out the activity of performance appraisal periodically as it entails twofold beneficial effect. To a business it does help to grow strengthening total organizational competencies and creating effectiveness and efficiency. To the employees, making them realize their full potential, it becomes a source to motivate them to do their jobs in the best way.

**History and Origin of Performance Appraisal:**

The history of performance appraisal is quite brief. Its roots in the early 20th century can be traced to Taylor's pioneering Time and Motion studies. But this is not very helpful, for the same may be said about almost everything in the field of modern human resources management. As a distinct and formal management procedure used in the evaluation of work performance, appraisal really dates from the time of the Second World War - not more than 60 years ago. Yet in a broader sense, the practice of appraisal is a very ancient art. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily. The human inclination to judge can create serious motivational, ethical and legal problems in the workplace. Without a structured appraisal system, there is little chance of ensuring that the judgements made will be lawful, fair, defensible and accurate.

Performance appraisal systems began as simple methods of income justification. That is, appraisal was used to decide whether or not the salary or wage of an individual employee was justified. The process was firmly linked to material outcomes. If an
employee's performance was found to be less than ideal, a cut in pay would follow. On the other hand, if their performance was better than the supervisor expected, a pay rise was in order. Little consideration, if any, was given to the developmental possibilities of appraisal. If was felt that a cut in pay, or a rise, should provide the only required impetus for an employee to either improve or continue to perform well.

Sometimes this basic system succeeded in getting the results that were intended; but more often than not, it failed. For example, early motivational researchers were aware that different people with roughly equal work abilities could be paid the same amount of money and yet have quite different levels of motivation and performance. These observations were confirmed in empirical studies. Pay rates were important, but they were not the only element that had an impact on employee performance. It was found that other issues, such as morale and self-esteem, could also have a major influence. As a result, the traditional emphasis on reward outcomes was progressively rejected. In the 1950s in the United States, the potential usefulness of appraisal as tool for motivation and development was gradually recognized. The general model of performance appraisal, as it is known today, began from that time.12

**Performance Appraisal in Personnel Management:**

The principal purpose of acquiring human resources in any organization is to aid in the actualization of the organizational objectives. However, productivity targets vary from reality or actual performance because of ranges of variables - Environment,
Human technology, Organizational and so on. The task of management is on these variables which have constituted themselves as obstacles to productivity in opportunities for productivity. Hence herald a tedious task of personnel managers in any organization. Certain fundamental question needs to be asked. How do we acknowledge deviation? What should we focus on as fundamental in our assessment? When should we appraisal and how frequently should it be done? Is there any correlation between performance appraisal and productivity? How do we appraise employee’s performance maximum productivity? These and many more questions keep on begging for attention and or solution, most personnel foundation are contingent upon performance appraisal. Performance appraisal helps to evaluate training needs, determine the equitability of compensation package, serve as basic of executive the maintenance and separating functions etc. yet the veritable positives of performance appraisal in personnel management function is being riddled or abused.

**Importance of Performance Appraisal:**

The main advantages or importance of performance appraisal are:

1. **Performance Feedback:** Most employees are very interested in knowing how well they are doing at present and how they can do better in a future. They want this information to improve their performance in order to get promotions and merit pay. Proper performance feedback can
improve the employee's future performance. It also gives him satisfaction and motivation.

2. **Employee Training and Development Decisions:** Performance Appraisal information is used to find out whether an employee requires additional training and development. Deficiencies in performance may be due to inadequate knowledge or skills. Performance appraisal helps a manager to find out whether he needs additional training for improving his current job performance. Similarly, if the performance appraisal results show that he can perform well in a higher position, then he is given training for the higher level position.

3. **Validation of Selection Process:** Performance appraisal is a means of validating both internal and external sources. Organisations spend a lot of time and money for recruiting and selecting employees. Various tools used in the selection process are application blanks, interviews, psychological tests, etc. These tools are used to predict the candidate's performance on the job. A proper performance appraisal finds out the validity of the various selection tools and so the company can follow suitable steps for selecting employees in future.

4. **Promotions:** Performance appraisal is a way of finding out which employee should be given a promotion. Past appraisals, together with other background data, will enable management to select proper persons for promotion.
5. **Transfers:** Performance appraisal is also useful for taking transfer decisions. Transfers often involve changes in job responsibilities, and it is important to find out the employees who can take these responsibilities. Such identification of employees who can be transferred is possible through the performance appraisal.

6. **Layoff Decisions:** Performance appraisal is a good way of taking layoff decisions. Employees may be asked to lay-off, if the need arises. The weakest performers are the first to be laid off. If there is no performance appraisal, then there are chances that the best men in the department may be laid off.

7. **Compensation Decisions:** Performance appraisal can be used to compensate the employees by increasing their pay and other incentives. This is truer in the case of managerial jobs and also in the case of employees in non-unionized organisations. The better performances are rewarded with merit pay.

8. **Human Resource Planning (HRP):** The appraisal process helps in human resource planning. Accurate and current appraisal data regarding certain employees helps the management in talking decisions for future employment. Without the knowledge of who is capable of being promoted, demoted, transferred, laid off or terminated, management cannot make employment plans for the future.
9. **Career Development:** Performance appraisal also enables managers to coach and counsel employees in their career development.

**Use of Performance Appraisal Information:**

Use of performance appraisal information is important for employee feedback and decisions to be made by the human resources department. The performance appraisal information can be used for developmental and administrative purposes. As the institution does not have any separate human resources department the information is used mainly by the supervisors of the employees, the top level management and the project management. Performance appraisal information of the employees are used for the following purposes:\[14\]

- **Performance Improvement:** The supervisor of an employee communicates the performance review results of that employee and gives advice to improve his performance in future.

- **Placement Decisions:** Depending on the performance evaluation information the promotions and transfers take place. These decisions are taken by the top level management along with the project directors.

- **Career Planning and Development:** Based on the information from performance evaluation the top level management tries to find out the potential employees who can improve the overall performance of the organisation.
• **Identifying Job Design Errors:** After conducting the evaluation it is found whether the problem is with the employee or with the job designing. If the employees fail to accomplish the tasks due to the error in job designing then the jobs are redesigned to perform to enhance its effectiveness.

**Methods of Performance Appraisal:**

Performance appraisal methods can be categorized into four groups. These are category rating method, comparative method, and narrative method.

1. **Category Rating Method:** Although there are different types of methods under category rating, uses graphic rating scale for some jobs. Graphic rating scale allows evaluator to mark an employee’s performance on a continuum. Through this method performance is evaluated based on the predetermined performance criteria. These criteria are determined from the job description. With the help of graphic rating scale the appraisers evaluate the individual employees by comparing actual performance with the performance standards.

2. **Comparative Method:** With comparative ranking method, the supervisors compare the performance of one employee with others. Ranking technique is used to list the employees from highest to lowest in performance. Usually this method is applied to evaluate the employees who have the same types of job responsibilities and duties. Sometimes
it is also used to evaluate the employees who work in the same project.

3. Narrative Method: Narrative method provides the evaluators with opportunity for providing written appraisal information. Field review is widely used for the evaluation of project employees. The Project Administration Officer and sometimes the donor representatives visit the project work-area and collect data from Project Coordinator and project employees and prepare reports on employee performance. Besides, sometimes the supervisors use essay technique to describe each an employee’s performance.

The Essentials of an Effective Performance System:

Performance system should be correlated with the organization’s philosophies and mission, cover assessment of performance as well as potential for development, look after the needs of both the individual and the organization, help create a clean environment, rewards linked to achievements, generate information for personnel development and career planning, suggesting appropriate person task matching etc.

- **Documentation**: Means continuous noting and documenting the performance. It also helps the evaluators to give a proof and the basis of their ratings.

- **Standards/ Goals**: The standards set should be clear, easy to understand, achievable, motivating, time bound and measurable.
• **Practical and simple format:** The appraisal format should be simple, clear, fair and objective. Long and complicated formats are time consuming, difficult to understand, and do not elicit much useful information.

Performance appraisal system helps to promote better understanding of an employee’s role and clarity about his or her functions, give a better understanding of personal strengths and weaknesses in relation to expected roles and functions, identify development needs of an employee, establish common ground between the employee and the supervisor, increase communication, provide an employee with the opportunity for self-reflection and individual goal setting, help an employee internalize the culture, norms and values of the organization. This helps develop an identity with and commitment to the organization and prepares an employee for higher-level positions in the hierarchy and also assist in a variety of personnel decisions.

**Validating and Refining Organizational Action or Banks Action:**

Employee selection, training and just about any cultural or management practice such as the introduction of a new pruning method or an incentive pay program may be evaluated in part by obtaining worker performance data. The evaluation or appraisal may provide ideas for refining established practices or instituting new ones. For instance, appraisal data may show that a firm supervisor has had a number of interpersonal conflicts with other managers and employees. Some options include:
1. Paying more attention to interpersonal skills when selecting new supervisors,
2. Encouraging present supervisors to attend communication or conflict management classes at the local community college,
3. Providing the supervisor one-on-one counselling,
4. Plan for long-term staffing and worker development,
5. Give pay raises or other rewards,
6. Set up an employee counselling session,
7. Institute discipline or discharge procedures.

For validation purposes, it is easier to evaluate performance data when large numbers of workers are involved such as in banks. Useful performance data may still be collected when employees are evaluated singly, but it may take years to obtain significant data trends.

**Personnel Practices in the Banking Industry:**

Banking industry viewed from personnel angle has its peculiarities. It is a labour intensive industry and efficiency of employees has got a bearing on the quality of services offered. This being the case, it should have been natural that professionalization of personnel management should have gained better priority but unfortunately personnel management should have gained better priority but unfortunately personnel happened to be the most neglected aspect of banks management. The typical working of banks as such does not require any professional and here is an industry where it is strongly believed that everyone can do anything and as one knows no body does much to the prosperity of
the organization. This aspect is further accentuated by the fact that banks operate in a seller’s market with total absence of an element of competition and the prices of deposits accepted is determined by the banks.

In a sheltered environment like this, the need for professionalization of bank management was never felt personnel happened to be managed by a non-expert and usually by a mediocre officer who could not otherwise prosper on banking operations. With the implementation of recommendations of Pillai Committee a controversy was ranging among bankers whether or not Personnel Management is a specialized function. In the absence of scientific personnel practices being developed in the banking industry, a discontent workforce emerged which strengthened the trade union movement in banking industry.15

**HRM in Banks:**

The HRM practices in banks are gradually forging ahead. A majority of the banks have set up separate HRD Departments within a decade of functioning; HRDDS in some banks have gained certain creditable achievements. The blanket criticism of the existing HRM functions as ‘Ornamental Appendages’ cannot be justified. However, it is true that functioning in a majority of the banks is far from satisfactory. There are also cases of banks where the HRDD discharges personnel administrative functions of recruitment, placement, transfer, promotion and training. The functioning of the HRDD in certain other banks shows a transition towards HRD functions. In these banks, along with training, certain other activities like manpower planning and performance
appraisal have been introduced yet, a few other banks have made rapid strides as far as the introduction of new HRM activities and sub-systems, such as systematic induction, quality circles, staff meetings are concerned besides introducing these systems, some banks have also taken appreciable efforts in perfecting certain system like training and performance appraisal, Nevertheless, there is a widespread feeling in the banking industry that there are no sufficient pay offs from the HRM functions and the system at the operational level are relegated to the level of rituals. The linkages between HRD systems and other related such systems in HRM are also not apparent.

**HRD Activities in Banks:**

Banks in India find themselves in a piquant situation dealing with strong competitive markets and fast changing technologies. In response, their strategies focus on improving the organizational flexibility. Human Resources are regarded as a key to competitiveness. The role of HRD professionals is changing from trainer to consultant. Their strategic role makes HRD inseparable from business; their practical role is to provide learning opportunities for employees. The execution of HRD activities in banks is a shared responsibility of HRD professionals, managers and employees. Indian Banks have to develop the workforce capable of taking up the challenges thrown by the new economic environment. To tackle this challenging situation, both Indian academics, and practitioners have advocated the adoption of the concept of HRD.
The adoption of professionalized HRD practices in India is a recent phenomenon, but has gained the momentum in the past ten years. Banks are now looking up to HRD departments for innovative approaches and solutions to improve the productivity and quality of work life, while adequately coping with an environment changed with high uncertainty and intense global competition. Changing workforce demographics, competing in global economy, eliminating the skills gap, need for life-long learning and organizational learning are some of the challenges that HRD facing in Banks.

Banking is a service industry which delivers its services across the counter to the ultimate customer. The activities of banking industry are all about ‘relationship’. Hence, Human Resources assume a very important role in banking industry for providing better services to the customer with a smile in order to cultivate and maintain long lasting relationship with their customers. Notwithstanding the level of technology, banking being a labour intensive service sector, can sustain its effectiveness and committed service only by giving importance to human resource development; technology is only an aid to human effort and not a substitution there of. If technology is the equalizer, then the human capital shall be the differential in future.

The HR is the most important element for the progress of banking in India. Though technology can replace manual intervention, the thinking process is the exclusive. The technology can improve speed and quality of performance, but at the same time, it can also unleash the risk factor. It is a recognized fact that
human resources occupy a unique and sensitive position in banking sector; no meaningful change is possible without the involvement of their employees. Therefore, banks have come to terms with the significant changes to adapt themselves to new competitive environment. The adoption is now in organizing and preparing its human resources to the requirement of competitive banking.

**Performance Appraisal Systems in Indian Banks:**

Banking services is one sector where a great degree of attention is being paid to Performance Appraisal Systems (PAS). Several of the public sector banks (PSBs) have changed their PAS or are in the process of changing them. State Bank of India has recently adopted an open system of appraisal. Its associate banks are likely to follow the same after detailed experiences of State Bank of India are available. Several banks also have self-appraisal as a part of performance appraisal, although mostly such self-appraisal is more of communication of achievements.

Looking into this, Allahabad Bank has introduced a system that aims in helping officers to identify their strengths and weaknesses and encourage improvement of performance on the job. Indian Overseas Bank has a system in which a branch manager gives a self-appraisal on business growth, customer service, internal administration and training requirements in great detail. Union Bank of India has an appraisal system in which the reporting officer is required to assess each of his appraisee officers on technical skills, human skills and conceptual skills. All these are defined for different categories of roles and the assessment has to
be made on a five-point scale. Corporation Bank, UCO Bank, Central Bank of India, Dena Bank and Bank of Baroda has introduced similar self-appraisal formats. Punjab National Bank has, primarily, a development-oriented appraisal form. There are ten different formats available for ten different categories of employees. The bank started the system with a self-appraisal by the appraise.17

The Significance of Prominent Leadership and HR Practices in Banking Sector:

Most banks consider ‘Leadership’ as key to long term success of their organizations. They also consider this as a major area of concern in the current context. Weaknesses in developing leaders lie in the existing processes of appraisal, nebulous training and grooming and skewed exposures. The methodology used by most of the banks in developing senior and top management is through sporadic and adhoc exposure to different kinds of management development programs. Multiple exposures to similar kind of programs do not necessarily add value.

There is absence of a well-knit and comprehensive strategy to develop people to take up strategic positions in senior and top management. Further, in most of the banks there is no strategic frame work for identifying and grooming leaders. Secondly, the success of today’s Banking business will sparsely depend on the human resources of the organization at all levels. Organization should have its processes that it empowers and exploits the skills and attitudes of employees in this changing environment. HRD acquires more importance in service organization like Banks where
Human Resource plays a crucial role. The creative abilities, capabilities and knowledge of Human Resource are significant of service organization, where the very nature of functioning needs all these qualities of employees.18

The aspect of HRD also assumes importance in present day conditions in Banks where there is severe competition among them also as the spectrum of functions of these organizations are widening. The Banks in particular are entering into various innovative areas of services of their customers. This enlargement of jobs needs enhancement of capabilities and potentialities of employees. Improved performance of Bank through enhanced capabilities of its employees leads to the improved social image of the Bank. This in turn satisfies social needs of employees. So, need of proactive leadership and HR environment in bank employees are to be given a chance to develop their capabilities like skills and knowledge through various means like career planning and growth, training, works itself etc. Enhance of capabilities leads to better performance of the job.

Human resource development in the Banking industry is a process by which the employees of the Bank are helped in a continuous planned way to acquire or sharpen capabilities enquired to perform various functions associated with their present or expected future roles; develop their general capabilities and discover and exploit their own inner potentials for organizational development purposes; and develop the culture in which supervisor-subordinate relationships, team work and collaboration among sub-units are strong and contribute to the
professional wellbeing, motivation, and pride of employees. HRD is important because it refers to all those educational, training and developmental activities conducted by an organization to improve human performance. It is a broad term, which includes all activities designed to get employees to work more effectively within a given organization.

**Training and Development in Banks:**

- **Training:** The aim of any training programme is to provide instruction and experience to new employees to help them reach the required level of performance in their jobs quickly and economically. For the existing staff, training will help develop capabilities to improve their performance in their present jobs, to learn new technologies or procedures, and to prepare them to take on increased and higher responsibilities in the future.

- **Development:** Employee Development Programs are designed to meet specific objectives, which contribute to both employee and organizational effectiveness. There are several steps in the process of management development. These includes reviewing organizational objectives, evaluating the organization's current management resources, determining individual needs, designing and implementing development programs and evaluating the effectiveness of these programs and measuring the impact of training on participants quality of work life.
In Banks, there is a need for the continuous training and development of the staff in the areas of customer care services on operational aspects and behavioral aspects of the business. How are the needs identified? The training needs are assessed through task analysis and performance analysis, which can be conducted through surveys, or from the information furnished by the heads of the departments, customer complaints, even from the reports on 360 degree feedback systems. In case of a large banks, there are two ways of conducting training programmes – through an established department having a full time HRD functionary who oversees all the training and development functions of the Banks or through an external trainers coordinated by the HRD department These days Banks have recognized the need for training and re-training their staff, in order to develop a competitive edge over their competitors in delivering high quality services to the customers. Traditionally, banks have recruited young personnel, and their initial training was either long apprenticeship or on-the-job or formal training in basic routine operations. Aspirants to management position were encouraged to qualify professionally by reading for associate-ship of the Institute of Bankers or an equivalent qualification. It was argued that banking requires exercise of sound training and development programmes for their employees.

There is enough evidence to show that employees who were trained on a regular basis are the ones who provide a higher quality services to the customers. To develop an integrated and proactive training and development strategy there is requirement of coherent corporate culture rather than ad-hoc programs.\footnote{In a}
service oriented industry such as banking, people are among the most important assets and a bank must efficiently manage its employees during every phase of employment in this competitive arena. Public sector banks undertake training and development programmes for their employees to increase their efficiency. Banks provide training programmes to enhance their knowledge and skills to satisfy the customers. Growth of banking sector in India is the result of skilled manpower which is the outcome of training and development.

**Challenges in Banking Sector:**

The main challenges faced by Banks in our country are the role played by financial instrumentation in different phases of business cycle, the emerging compulsions of the new prudential norms and benchmarking the Indian financial system against international standards and best practices. There is a need for introduction of new technology, skill building and intellectual capital formation. The most important need in this service industry is naturally the Human Resource during the early phase of banking development in India after independence; opportunities for employment of the educated manpower were relatively limited. This sector was the preferred employer for the educated persons in the country in addition to civil services. In recent years, this position has changed dramatically. Certain complexities have also developed in HRD within the banking system as this system is public sector. Its hierarchical structure gives preference to seniority over performance, and it is not the best environment for attracting the best talent from among the young. How well Challenges are met will mainly depend on the extent to which the
bank’s leverage their primary assets i.e., HR in the context of the changing economic and business environment. Many literature surveys reveal that a standard shift is taking place in the role of the HR function in these organizations. There is a real danger of the function itself being outsourced in most organization. The danger comes through the following shifts:

- The line manager has become increasingly competent even to handle the matters.
- The government is seriously thinking of privatization and this leads to a government-protected system, to an environment where it has to be contended with market forces and large corporations with significant brand equity and also follow vastly different HR strategies and practices.
- Technology is eliminating routine paper activities.
- Virtual organizations are coming up.

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

1. The first and foremost challenge that HR function in India faces is to convert the abundant population pool into useful human resource.
2. Training and development of human resource to match ever changing industry demands requires. HR to develop new and innovative ideas that suit individual as well as industry criteria.
3. Employee motivation and satisfaction is another area of concern for the HR today. In order to reduce attrition, HR needs to realize that monetary needs are not the only drive
for an individual and that a sense of belongingness must be imbibed in employees.

4. With the increase in number of job options available now-a-days, the HR function of an organization must take care that they hire those people who believe in long-term commitment to the organization. The HR then must take up the challenge of retaining them by developing retention techniques like holiday plans fun-at-work etc.

5. Because of cut-throat competition, HR in India also faces the task of building competitive advantage for the company over national and international competitors.

6. The growing importance that companies are nowadays giving to cost-cutting has posed HR with the challenge to minimize expenditure on HR not compromising on the productivity.

7. Since right-sizing has been a growing trend in Indian organization, the HR now faces the task of identifying and retaining the key employees of an organization and letting go those that do not suit its future requirements.

8. HR also faces the challenge of creating a balanced organization that originates from mergers and acquisitions. HR needs to assimilate those policies that are mutually agreeable to the companies being merges as well as profitable for the new organization.

9. Globalization poses HR with challenges such as expatriation and repatriation. HR needs to train employees that leave their nation for fulfilling a foreign assignment. It also needs to provide such employees with adequate moral support and assure them of job security on their return.
10. With multinational organizations on the rise, HR needs to focus on issues such as cross-cultural training so that problems that can arise because of differences in international professional values can be diminished.

**Effective Performance Appraisal in a Bank:**

During effective Performance appraisal in banking sectors following steps should kept in the mind:

1. Select what performance data to collect.
2. Determine who conducts the appraisal.
3. Decide on a rating philosophy.
4. Overcome rating deficiencies.
5. Create a rating instrument.
6. Deliver useful information to employees.

The Performance Appraisal or review is essentially an opportunity for the individual and those concerned with their performance in the bank, most usually their line manager to get together to engage in a dialogue about the individual’s performance, development and the support required from the manager. It should not be a top down process or an opportunity for one person to ask questions and the other to reply. It should be a free flowing conversation in which a range of views are exchanged.

**Remedial Measures to be to Improve Employee Performance in Banks:**

1. **Staff Meetings:** Staff Meeting aims at group synergy, team building, open culture, family feeling and talent recognition which individually and cumulatively benefit the organizations. Goals / Targets set for the Bank is discussed in
the monthly staff meetings conducted at all branches and action plan is drawn in achieving them. The forum is being effectively utilized for harmonious functioning of all the branches and administrative units through greater involvement and collective contribution of all staff members.

2. **Brain Storming Sessions:** This is a technique for generating ideas and suggestions on topics of relevance and also to provide alternate solutions to problems by simulative thinking and imaginative power of cross section of employees. Corporate topics are selected for each quarter and BSS are conducted in administrative offices on the topic during every quarter. Worthy implement able suggestions emanated are circulated for necessary action.

3. **Study Circle:** Concept of study circle aims at self-development of employees by kindling the desire to acquire knowledge, information and experience. Guest lecturers, Power Point Presentation, Group Discussions, etc are arranged on topics of general interest by inviting experts in the field. Study circle meeting are conducted once in two months in administrative offices and once in a quarter in braches.

4. **Quality Circles:** It is a time tested tool of Total Quality Management (TQM) which promotes team spirit, cohesive quality work culture, commitment and involvement of employees.
Critical Motivational Issues in Private Sector Banking:

Human resource management in private sector banks is more sensitive, personalized and cannot be managed through a set of predefined techniques. The HRM performance link that has been demonstrated in the western hemisphere also exists in the Indian context. Five critical motivational issues in banking today are:\(^{21}\)

1. Performance management,
2. Equal pay demands for comparable worth,
3. Training and development,
4. How to best motivate individuals, and
5. Providing competitive compensation beyond the bounds of one’s own industry.

This study focused on Performance Appraisal Practices, HR practices and organizational effectiveness. The result of this study indicates significant relation of employee productivity with human resource practices including motivation, selection, training and development, promotion and incentives. Effective organization depends on having the right system of HR policies and practices in place to recruit, select, motivate, training and development, promote or send away employees. In private sector banks employee productivity is highly dependent on high motivating environment in the bank. Banks are among the many organizations experimenting with alternative reward and benefit programs, including several innovative compensation plans.
References:


17. Pallavee Shrivastava and Usha Kiran Rai (2012) - Performance Appraisal Practices In Indian Banks Integral


