CHAPTER II
REVIEW OF THE LITERATURE

Review of the literature on the Development of Human Resources in India, Importance of HRD in Organization, Need of HRD, Goals of HRD and Organizational Effectiveness is presented in this chapter.

2.1 AN OVERVIEW

Among all the resources (physical, financial and people) available at the disposal of managers and leaders, human resources play a very pivotal and significant role in achieving organisational goals and objectives. Managing and developing this crucial resource is also the most complex and challenging function in any organisation. Thus, human capital has been recognized as the organisations’ lifeblood which needs to be developed continuously to keep pace with the developments in all other areas of today’s dynamic work environment. Modern HRD professionals have taken this responsibility of helping people and continuously improving their performance and thereby improving organisational performance.

Resource Development is a process involving training, learning, and development of employees of an organisation for attaining the missionary objectives of an organisation. HRD has emerged as a distinct area of concern in organisations for effectively coping with business risks, challenges and changes in the environmental context, the need for adjustments in tune with rapid changes in technology and to meet the changing expectations of the employees. Today, there are high expectations from HRD as it represents worldview that takes a positive view of people and their potential. It also attempts to foster a climate conducive to growth and development. (Deb 2006) 

2.2 NATURE, CONCEPT AND DEFINITIONS OF HUMAN RESOURCE DEVELOPMENT

The conceptual basis for HRD is very diverse. Traditionally HRD has derived its conceptual focus from three broad areas: organisation theory, special systems thinking,
economics, and psychology. HRD is still in search of conceptual base in order to develop the knowledge and theory to be recognized as a legitimate field of study (Garavan, Thomas N et al 1999).

HRD is mainly concerned with developing the skill, knowledge, and competencies of people and it is people-oriented concept. The concept of HRD is not yet well conceived by various authors. They have defined the term from their approach as it is of recent origin and still is in the conceptualizing stage. It is an understanding of the term i.e., new or rather was new (Nadler). HRD is not training and development. However, many personnel managers and organisations view HRD as synonymous with training and development. Many organisations in the country rechristened their training departments as HRD departments.

In 1970, Leonard Nadler published his neo-classic book ‘Developing Human Resources’, in which he coined the term ‘Human Resource Development’, in short HRD. The term HRD provided a conceptual umbrella under which the field began to unify, using the three-fold notion of training, education, and development. HRD provided purpose and direction for the continued growth of the field: organized learning to provide the possibility of performance change. It further identified a core discipline from which a field of study could develop adult learning in the workplace.

The word Human Resource Development can be broken up as under:


‘Human Resource’ refers to the talents and energies of people, which are available to an organisation as potential contributors to the creation, and realization of the organisation’s mission, vision, values, and goals.

‘Development’ refers to a process of active learning from experience, leading to systematic and purposeful development of the whole person: body, mind, and spirit. Development combines the concepts of development (change and growth) and training (learning specific skills).

Thus, Human Resource Development is an integrated use of training, organisational development, and career development efforts to improve individual, group and organisational effectiveness.

Thus, HRD is a set of inter-related activities, by which human potentialities are assessed, selectively upgraded, and appropriately deployed for achievement of envisioned goals, which foster human dignity.
Economist, social scientists, industrialists, managers, and other academicians have defined HRD in different ways from different angles. In general, HRD may be defined as activities and processes undertaken to promote the intellectual, moral, psychological, cultural, social, and economic development of the individual, so as to help him to achieve his highest human potential as resource for the community. (Abraham S J 1988).

“Human Resource Development is the process of increasing the capacity of the human resource through development. It is thus a process of adding value to individuals, teams or an organisation as a human system”.

(The American Society for Training and Development)

“Human Resource Development is equipping people with relevant skills to have a healthy and satisfying life”

(The South Pacific Commission: 2001)

“Human Resource Development is any process or activity that, either initially or over the long term, has the potential to develop work based knowledge, expertise, productivity and satisfaction, whether for personal or group/team gain, or for the benefit of an organisation, community, nation, or ultimately the whole of humanity”.

(McLean and McLean: 2001)

“Human Resource Development is a process or processes of organized capability and competency based learning experiences undertaken by employees within a specified period of time to bring about individual and organisational performance improvement and to enhance national economic, cultural, and social growth”.

(Lynbam and Cunningham: 2004)

To appreciate the importance of HRD, it is necessary to understand the HRD concept which it is multi-dimensional. Human resources are energies, skills, talent, and knowledge of people, which potentially can and should be applied to the production of goods and services (Gupta, Das A K 1990). HRD may be defined as development of people by providing the right environment where the individual may grow to his fullest structure and realizes his fullest potentialities. In economic terms, it means accumulation of human capital and its effective utilization for the development of economy. In political terms, HRD prepares people for active participation in the political process. From the social and cultural point of view, the development of human resources enriches life (Verma M M 1988).
HRD is a development-oriented planning effort in the personnel area, which is concerned with the development of human resources in the organisation for improving the existing capabilities and acquiring new capabilities for achievement of the corporate and individual goals (Sankar C S 1984). 8

Megginson defined HRD as “the total knowledge, skills, creative abilities, talents, and aptitudes of an organisation’s work force as well as the values, attitudes and beliefs of the individuals involved” (Megginson C L 1974). 9

HRD is not a mere theoretical concept. It is a professional innovation necessitated by the exigencies of the widely varying situations, fuelled by human idealism, supported by a growing knowledge about human systems, and chiselled by the pioneering practitioners with zeal and zest. Hence, the development of human resources requires a developmental climate, which is characterized by the presence of the values of Openness, Confrontation, Trust, Authenticity, Pro-activity, Autonomy, and Collaboration (OCTAPAC). Apart from this OCTAPAC culture, (Pareek, Udai and T V Rao 1981) 10 a general supportive atmosphere is necessary which includes commitment of top management and line management, good personnel policies and positive attitudes towards development.

The essence of HRD is that employees are valued assets and that their value should be increased by a systematic and coherent approach to invest in their training and development. It is amplified by Tapomoy Deb in his book ‘HRD Theory and Practice’ as shown in figure 2.1.

| People | T | Policy |
| Training | R | Procedure |
| Performance | U | Systems |
|              | S |          |

Fig. 2.1: Essence of HRD

The model that predominated early, back in the 1960s, was Leonard Nadler’s Model. As such, the management would be able to attract, retain, and develop human resources to meet urgent, present and future needs of the organisation and at the same time provide scope for individual job satisfaction, which may lead to the development of effective groups in various spheres and finally the development of an organisation. Thus, the main gist of HRD concept is the development of persons to their maximum potential
2.3 REVIEW OF THE LITERATURE

2.3.1 Development of HRD in India

It was 25 years ago that our country witnessed the emergence of a new HRD culture in our country with Prof. Udai Pareek and Prof. T.V. Rao heading the movement. What started as a “Review Exercise of the Performance Appraisal System” for L&T by two consultants, Prof. Udai Pareek and Prof. T.V. Rao from the Indian Institute of Management, Ahmedabad (IIMA), resulted in the development of a new function – The HRD Function. (www.tvrls.com)

In the early seventies, this company, in association with IIMA reviewed all aspects of its operations. In 1974, the consultants studied the organisation and prepared a new integrated system called Human Resource Development (HRD) System. This was probably the first of its kind in India. The new system clearly established the linkages between the various personnel related aspects such as performance appraisal, employee counselling, potential appraisal, training, etc. Prof. Pareek and Prof. Rao presented an approach paper to the top management on the new ideas and this was accepted.

Based on the recommendations of the approach paper, a very high level role was formulated at the board level to give a greater thrust to the new system. A separate HRD department was created. A high level internal team headed by a General Manager monitored the progress of implementation of the new system initially, which was subsequently handed over to the HRD department.

The HRD system has since then been reviewed from time to time and improvements made, retaining the basic philosophy. The original consultancy reports of Dr. Udai Pareek and Dr. T.V. Rao have sown the seeds for this new function and new profession. Their pioneering work has lead the establishment of HRD departments in the State Bank of India and its Associates, and Bharat Earth Movers Limited in Bangalore in 1976 and 1978. The first HRD workshop to discuss HRD concepts and issues was held at IIMA in 1979. Several chapters of the book, which was later, published by Oxford & IBH as “Designing and Managing Human Resource Systems” were distributed in this workshop. This workshop was the beginning of spreading the HRD message.

In subsequent years beginning with 1980 a series of workshops were held to develop HRD facilitators both at IIMA and in the Indian Society for Applied Behavioural Sciences (ISABS). IIMA workshops focused on the conceptual parts and
ISABS on experimental part. As HRD started growing, Larsen & Toubro instituted a HRD Chair Professorship at XLRI, Jamshedpur. Dr. T.V. Rao moved to XLRI as L&T Professor in 1983 to set up the center for HRD.

During 1980’s, due to new technology and other environmental changes, Human Resource Development (HRD) became a major issue. The two professional bodies – IIPM and NILM – were merged to form National Institute of Personnel Management (NIPM) at Kolkata. Several institutions such as NIPM, XLRI, Shri Ram Centre for Industrial Relations and Human Resources, National HRD Network, Indian Society for Training and Development are assisting the growth of HR function through education, training and research. A Ministry of Human Resource Development has been created in the Central Government.

Subsequently a National Seminar was organized in Bombay during February 1985 jointly by XLRI center for HRD and the HRD department of Larsen & Toubro. The National HRD Network was conceived during this seminar. The first HRD Newsletter was started consequent to this seminar by the Centre for HRD for XLRI and was sponsored by L&T. The National HRD Network took shape and became a large body with about 20 chapters in the subsequent five-year period.

The National HRD Network was nurtured by IIMA and XLRI on one hand and by the corporate sector on the other. The National HRD Network later gave birth to the Academy of Human Resources Development. This is the first family tree of HRD in India.

2.4 IMPORTANCE OF HRD IN ORGANISATIONS

HRD assumes greater significance in view of the fast changing organisational environments and need of the organisations to adopt new techniques in order to respond to the environmental changes. The changing environmental factors include: (Rao, Subba P, Narayana N and Gangappa K 1998)\textsuperscript{13}

- Unprecedented increase in competition within and outside the country consequent upon the announcement and implementation of economic liberalization.
- Changing trends towards HRM and complexities involved in it.

Human potential interest in every employee is vast; it can be further enhanced by various practices like training, job-rotation, performance appraisal, organisation action, etc. The importance of HRD is clearly explained by Tapomoy Deb as shown in the figure 2.2.
HRD ultimately leads to higher productivity, lower costs, and successful growth in the organisation. Organisations which make their people grow continuously, grow and succeed more.

Economic, Technical, and Social trends have created acute problems and challenges for business and industry and consequently focused on HRD as a key element in coping with these problems. The importance of HRD as a catalytic agent of growth has been increasingly recognized which makes necessary organisational effort to help the managers in adapting to the emerging changes of the environment (Nadler, 1984). There are many studies, which show that HRD has direct linkages to productivity and organisational performance.

**Huselid (1995)** in his study of 3452 firms representing all kinds of industries found that good HR practices were associated with increase in sales, market value, and profits.

**Huselid and Becker (1997)** found that a qualitative improvement in HR system index was associated with an increase in shareholder wealth of $41,000 per employee.

**Bilmes *et al.* (1997)** found in their study of a diverse group of 248 companies in Germany that there was a strong link between investing in employees and the stock market performance of the corporation. Companies that tied up workers at the core of their strategies produced higher long-term returns than those who did not.
Webbourne and Andrews (1996)\textsuperscript{19} studied the survival rate of 136 non-financial companies that initiated public offering in the United States (US) stock market in 1998. Their study revealed that with the other factors, such as the size and nature of profits controlled, the Human Resource Scale was significantly related to profitability and survival.

Pfeffer (1998)\textsuperscript{20} after scanning a number of studies spanning different organisations operating in various service industries provides evidence for a positive relationship between employee attitudes, HR practices, customer service and satisfaction, and profits.

Schneider and Bowen (1985)\textsuperscript{21} reported in a study of various banks that when the banks had sufficient emphasis on the development of people over performance of their tasks, customers reported receiving higher levels of service. Customer perceptions and attitudes were affected by what employees experienced.

Schneider (1991)\textsuperscript{22} observed that organisation practices both service related and Human Resources related seemed to provide clues to customers to evaluate banks’ service.

Delery and Doty (1996)\textsuperscript{23} in a study of nearly 200 banks found that differences in HR practices accounted for large differences in financial performance.

Abraham (1989)\textsuperscript{24} surveyed the HRD practices of 68 Indian organisations and measured various elements of the HRD profile of these organisations including performance management practices, training, career planning, promotions, rewards etc., and the HRD climate.

Abraham (1989)\textsuperscript{25} constructed an index of growth of the company profitability as a measure of organisational performance. He found that the perception of the HRD climate of the company was more important than the HRD practice itself. His study also indicates that HRD culture is a powerful intervening variable in translating HRD practices into profit.

Yurko (1982)\textsuperscript{26} when examining the problems and opportunities of a Mining Machinery division (Pittsburg, Pennsylvania) with more than 2500 employees, finds that the HRD programs in the organisation respond to the problems and opportunities caused by the organisation’s growth, technological advancements and the productivity challenge faced by it.
Crego and Kazemek (1983) opined that the joint venture of Laventhol and Horwath with Consult Ltd., a leader in the Human Resources Consulting field, provided its clients with services in organisation development, productivity improvement, management/technical services and training in the current Human Resources revolution.

Saikai (1997) while discussing the present status of HRD in the state public sector enterprises in Assam, stressed that HRD was the key to achieve organisational goals of public enterprises in the country, and effective utilization of Human Resource is one of the important factors for the growth of any organisation.

Parker (1994) examined the role of some HR instruments in building an internal customer forum and made the key point that internal and external customer satisfaction was interrelated.

Kumar and Vijayan (1994) looked at the OD efforts of Marico Organisation that kept human processes at the center of business effort. They indicated the need to focus on team building and other collective processes to meet the emerging challenges of change.

Likhite (1994) dealt with the Mafatlal experience in using HRD interventions to improve the quality of their products and services.

Ames and Heide (1991) studied on different firms in US and Japan, and suggested that firms would need to improve these internal organisations to remain competitive. They pointed out variables that were felt to be critical for Organizational Effectiveness (OE) as task design, workflow, and people, where the proactive firm that established the climate for teamwork would prosper in the future.

Neuman et al. (1989) conducted a meta-analysis examination of the effects from 126 studies that employed Organizational Development interventions to modify satisfaction and/or other attitudes, concluded that OD techniques had been used to achieve both organisational and employee goals by improving organisational effectiveness and productivity. He emphasized on employees welfare and the lessening of problems facing organisations and their members.

Roback (1989) analyzed some of the major research perspectives existing in the public sector HRM and HRD environment, and confirmed the key links between individual learning and organisational effectiveness.
Vittal (1994) observed the man to man interface of the service sector where service consisted almost exclusively of interaction between human beings, the role of HRD becomes virtually synonymous with improvement in services.

Dandekar, Karnik and Sathye (1994) conducted their study on the Maharashtra State Electricity Board, and stressed that the most important requirement for improvement in the performance of these public sector undertakings was the development of Human Resources available in the organisations.

Rajpal (1994) was had his experience at Hewlett Packard found the shift from technology driven or product driven to being market driven and the role of HRD in making tremendous gained in productivity and efficiency for the organisation.

HRD activities should be an integral part of successful management and the top management should place its key emphasis on the HRD function for successful management of the organisation by way of integrating the HRD function with the management’s overall plans and objectives. Any organisation that is serious about increasing productivity and profitability, must carefully integrate the HRD function with the overall plan and objectives. (Madison, Tirrell, John A and Cowell 1981)  

2.5 THE NEED FOR HRD

Every organisation which aspires to be dynamic and growth-oriented and to succeed in a fast changing environment needs HRD. Organisations can become dynamic and grow only when employee capabilities are continuously sharpened, and used. The need for HRD arises out of the development objectives of the organisation. Organisational planning and forecast provide the predetermined objectives which when development-oriented, specify the need, and establish the parameters of developments. It has already become an established fact that no organisation can grow and strive without the growth and development of its people. Also “in view of the fast developing changes, the HRD must be viewed as the total system interrelated and interacting with other systems at work – the manufacturing, the financial, the distribution with which a business system functions”. (Srivastav S S 1987)

Anantha Bhaskar P V (2004) focused his attention towards the need for HRD and emphasized on job description and job assignment, the changing banking environment and role of HRM. In addition, he focused on the role of HR department in providing appropriate incentives, rewards and remuneration to employees. He also highlighted the employee turnover and implementation of exit policy, performance appraisal system in banks and human resource risk.
Harsh V Trehan & Papori T (2003) examined the effect of globalization and the strategic role by HR concepts in HR related to recruiting and retaining and recharging existing human resource, training and development, job analysis etc. They concluded that in the fast paced globally competitive business scenario, efforts to heighten productivity and profitability would never end.

Jane A Boorman (2003) identified the tools, techniques and approaches for the development of HR. He discussed at length HR development imperatives, making HR development acceptable, HRD Idealism and Pragmatism and application of HR development initiatives. The author was of the opinion that the challenge for the organisation is to introduce a range of new innovative HR development programs.

Gargava C (1992) highlighted the critical role of HRD in the new economic order found the bases of HRD as to develop a work force with characteristics. HRD department would be required to re-orient itself to provide direct support to organisation in the areas like training and development of individuals and groups, providing support to employees and families, continuous monitoring and updating personnel policies, extending HRD function to all managers and supervisors, and developing employee involvement.

John Sullivan (2003) focused on E-HR, i.e. there were no file cabinets, and a few waste baskets, not a paper “form” to be found, and all transactions were now electronic. The author highlighted some of the issues related to E-HR i.e. E-COMP (Electronic Total Compensation), Online Performance Monitoring, E-Recruiting, E-College Recruiting, E-Remote Assessment, and E-Employee Relations.

Turan M S & Pradeep Gupta (2003) identified innovative HR practices in many professional forums enabling the organisation (a case study on Hindustan Lever Limited) to meet the demands in the wake of competitive pressures released by reforms, liberalization and globalization. Five strategic decision-making categories had been identified which are – resourcing, performance management, rewards, management development, and employee retention. The dimensions of performance management in terms of economic value added, customer value added, and employee value added had been identified.

Anil K Khandelwal (1989) emphasized the need for HRD in Banks. Neglect of HRD function was likely to destroy the fabric of banking itself and erode its credibility because banks are in the business of ‘Human Resources Development’ – Development of human resources of the society through bank finance, unlike
manufacturing organisations which develop/produce products. HRD therefore, was not merely a moral compulsion for bank management but a business necessity. The case studies of the four banks provide valuable learning in the matter of designing and implementing HRD in large system like banks. The experience of these banks threw a number of uses relating to implementation of HRD having implications on the role of top management, the processes in top management, structural issues such as linkages of HRD with personnel, and role of line managers.

Kohli S S (2002) correlated the HRM with corporate governance. He focused on three broad issues which need to be addressed through HR strategy i.e. optimizing staff levels and skills mix, building the right skills and work culture, and managing individual performance to achieve the goals of the bank. One area, which was lacking in the HR practice of banks, was that of rewards management. Given the industry-level decided pay and perk structure, public sector banks had little leeway in providing incentives for better performance. He concluded that the major challenge facing the Indian banking sector was related to management of human resources.

Chopra P K & Sameer Sharma (2003) attempted to make a comparison between the use of human beings versus their use as machines and in other words, their mechanical use. They concluded that in the dawn of a new era, intellectual capital could rightly be called an intangible asset as they held the view that human beings were the prime creators and users of knowledge, their management would always be a challenge.

Banambar Sahoo (2003) emphasized the new knowledge and skills that were required to manage the new challenges due to deregulation, globalization, IT revolution, and introduction of prudential norms and international standards of the banking practices in the Indian banking industry. Re-skilling focused on the basic competencies needed in a new or redesigned job and addresses advanced-level technical skills. It helped banks in redirecting their human resources to address skill imbalances or projected skill shortages resulting from internal and external factors.

Anil K Khandelwal (2005) highlighted the roadmap for HR reforms in PSBs in India. To become world-class banks, it was therefore clear that PSBs had to embrace and enthusiastically implement world-class HR practices. India emerging as a dominant knowledge power, it was only in the fitness of things that Indian PSBs too accorded high value to human capital and take momentous steps forward to reach world class HR capital adequacy.

Riyaz Rainaye (2003) examined the HRD practices in SBI. Globalisation, Liberalisation, transnational invasion together implied that all business including
banking had to face a stiff competitive environment and the key to win lay in the sublime development of human resources calling for pro-active HRD policy and practice. He made an in-depth study of HRD in SBI. The focus was on the emergence of formal HRD structure, including manpower planning, training, performance appraisal, organisation development, job rotation, role analysis, quality circles, career systems, potential appraisal, employee welfare, and Human Resource Information System.

Aruna Mankidy (2001-2002) made a detailed discussion about the need for world-class HR systems for banks. The growing concern for placing Indian banks on international scene called for a serious endeavour to initiate world-class HR systems. This article had looked at some benchmarked HR systems, while highlighting interdependency of the systems and processes.

Davinder Sharma (2003) found some of the strategies – successful organisation would have to spearhead the path of progress and ensure that they share the vision of the organisation, and made it widely known. The organisations would have to ensure that the top management instil a sense of challenge and commitment with the organisation – ensure formal performance on an informal stage, make information widely shared and to build networks, promote healthy competition to enable organisation to function simultaneously.

2.6 OBJECTIVES/GOALS OF HRD

"An enterprise is made up of human binding together for mutual benefits and the enterprise is made or destroyed by the quality and behaviour of its people. What distinguishes an enterprise is its human resource having the ability to use knowledge of all kinds" (Terry G R and Granklin 1984). The prime objective of HRD is to facilitate an organisational environment wherein people come first and everything else comes next. The objectives of HRD as enunciated by Tapomoy Deb are shown in the figure 2.3.

![Objectives of HRD Diagram]

Fig. 2.3: HRD Objectives (Deb, 2006)
HRD aims at raising the productive potentialities of manpower resources in any organisation thereby accomplishing the organisation’s objectives “to improve output, productivity and efficiency of the organisation by utilizing people’s mind as well as their hands” (Clatt, F.Veugh and Bernard Asbell 1975).

The real strength of the country lies in the development of the human mind and body (Gandhi, Rajeev 1986). Employees need to have a variety of competencies – knowledge, skills, and attitudes in technical, human relations, and conceptual areas – to perform different tasks or functions. HRD aims at identifying competency gaps of employees and train them to perform present roles effectively and create conditions to help employees’ bridge these gaps through development (Pattanayak, Biswajeet 2003).

Krishnamurthy K V (2003) focused on the importance of HRD in PSBs. He emphasized the need for intellectual capital of banks. Value addition, product development, customer support and marketing were required with superior managerial skills.

Sambasiva Rao N (2005) focused on the importance of HRM, emerging changes in HR practices in Banks, recruitment and selection, training and development, promotion, industrial relations, and effective HRM policy. He described HRD – a key component in HRM, was a conscious proactive arrangement by employers seeking to capacitate employees to give their maximum to the organisation and to fully use their potential to develop themselves.

Behera K C (2006) dealt with the importance of Human Resources finding a place in the Balance Sheet and clearly explained the reasons for taking HR as assets in the balance sheet and different approaches to Human Capital Valuation. The author concluded emphasizing on HR i.e. it was purely a non-financial asset that found so far no place in the balance sheet. The size and constituent of balance sheet totally depended upon the effort and the quality of Human Resource.

Chachadi A H (2003) examined the vision of identifying a mission, clarification of goals and objectives as well as purpose of organisation, which would in ultimate analysis, stand off as guiding stars. An attempt was made to briefly analyze the environment faced by banks in India in which context they had to evolve an appropriate work culture.

Das S C (2003) identified some of the areas, which needed to be given proper thrust in revitalizing the workforce to encounter the challenges and bring about the desired improvements in the system. They were cultivating leadership traits, creating an
organisational vision, building an organisational culture, creating conducive work environment, identifying talents, system of reward and punishment and recruitment and staff re-orientation policy. He concluded that the HRD departments in the banks had to play a far greater role in transforming the mind-set and attitude of the banking people for taking the change in their stride.

Jim Stewart (2005) established a connection between the concepts of “Learning Organization” and “Human Resources Development”. He found HRD research developing the potential to lead in fundamentally changing the nature of organisation, management, and work. He concluded that the concept of human resource development and that of the learning organisation had much in common.

Misra O P & Srivastava S K (1992) studied the leadership style which was one of the objectives of HRD and its effectiveness among the bank managers of Nationalized and Private Sector Banks and relationships between styles and effectiveness among 45 sample managers selected from Nationalized and Private Sector Banks.

Being the conscience keeper for the organisation, HRD plays a pivotal role in making the employees adhere to ethical behaviour in business through training, motivation, and education (Deb, 2006).

2.7 KEY PROBLEMS IN THE AREA OF HRD

Traditionally, HR Departments of banks have been engaged in maintenance and administrative functions. Linkage between integration of HR and business vision/strategy has been weak. There has been no general management orientation to HR functions in as much as HR is perceived and is possibly permitted to remain as a stand-alone function. In other words, HR is not organically aligned with emerging business realities and is considered as an additional strain on the business managers’ responsibility. (Khandelwal, Anil K 2004)

In many areas of banking functions like Credit, Recovery, International Banking, Forex, Investments, HR is an area, which has not received similar treatment. Resultantly, the philosophy and mission of HR and enunciation of HR policies in many banks continue to be the areas yet to catch up the attention of the top management.

Human Resource Development has become important in banks due to the following reasons:

- Voluntary Retirement Scheme.
- Improper deployment of Staff.
• Expansion of Branches.
• Substantial increase in business at specified centers.
• Closure/Merger of branches and administrative offices during recent past.
• Regional imbalance/unequal VRS.
• Restrictions on transfer of clerical staff.
• Inter-zone transfer policy of officers up to specified scale in various banks.
• Uneven Promotions.
• Computerization/Installation of ATMs/Networking/Core Banking Solution. (Jain, 2004) 68

2.8 THE CHANGING LANDSCAPE OF INDIAN BANKING

Indian Banking sector has been one of the key national sectors to embrace the philosophy, the pace, and the content of changes in the wider market place, both in India and abroad. Issues around size, strength, and soundness are beginning to dominate the life of Indian bankers. ‘Prudence in banking practices’ continues to remain at the top of bankers’ corporate agenda. Issues of channel profitability, product profitability, and customer profitability are all beginning to exert their pressures on the working of banks. Competition, both within and without, thanks to the economic liberalization policies of the Government, is no more a scaring term. It has instead become a key driver for pursuing ambitious plans for Balance Sheet expansion, business and customer accreditation, innovations of new products and services, expansion of delivery channels and maximizing shareholder value (Khandelwal, 2004). 69

The Financial Services and Banking Industry in India are witnessing significant changes. Liberalisation has contributed to the entry and growth of private sector banks and foreign banks and thereby created a greater sense of competitiveness among the nationalised banks in the country. The maturing of the industry has also witnessed the commoditisation of banks products and services, leading to greater focus on differentiation through sales, delivery, and customer service. These changes have their own implication for HRD in banks.

The link between employee satisfaction and customer satisfaction is understood. New private sector and foreign banks and the managements are conscious of employee satisfaction, measuring it periodically. Strategic management provides a conducive work
environment to employees so as to ensure that they do things right for customer and their low tolerance for errors in the given increased competition.

Another change that will be noticed is the measurement of capability of human resources. It will get measured by gains in productivity, efficiency, innovations, rather than man-days/man-hours worked or available (Mukerjee, 2004).

2.9 HRD IN BANKS

Financial systems worldwide are undergoing structural transformation. Technological innovation, deregulation of financial services at the national level, external financial liberalization, and organisational changes in the corporate world are some of the global factors driving the transformation.

A major structural change in our financial systems is the infusion of competition. Within the banking systems, there is a heightened competition with the introduction of new generation of private sector banks. Despite the preponderant share of domestic banks in banking activity in India, foreign banks have been a source of competition, at least potentially, given their use of sophisticated technology, risk monitoring analysis and exposure management.

In financial systems worldwide, today buzzwords are competition, consolidation, and stability. The real challenge today is to restore the banking sector to its days of glory. Here comes the importance of HRD. Banks need to make HRD as a strategic partner in this initiative.

The greatest management challenge for the banks in India today is to make optimum use of human resources. In the face of all the rhetoric about technology, human resources remain the most valuable assets for banks. The critical aspect of managing human resources is to achieve proper synthesis of human skills and effort with technological change. The quality of human resource becomes decisive feature in the success of the banks.

Human capital holds an utmost significance in service industry like banks. New ways of banking requires new competencies. The existing skills are hopelessly out-dated. Now the intellectual capital of banks will come into play. Banks need to take into account the individual needs of the customers. Employees need to install a spirit of enterprise and a change that calls for shedding of bureaucratic approaches and imbibing professionalism. The biggest challenge in man-management would be to create exit routes for staff who are incapable or unwilling to walk that extra mile to imbibe these skills.
The cardinal principle of HRD is to consider each employee as a human being who has needs, aspirations, and expectations, which he wants to be fulfilled by his association with the organisation. Management must therefore, provide adequate opportunities for the human resource to satisfy their needs and expectations and create an environment conducive to good human relations in the organisation. It must also recognize the right of expression of the workers and give them adequate opportunity to have a say in the management of affairs directly affecting their lives. Thus, management of HR encompasses not only employment, training, compensation, appraisal, and maintenance, but also achieving good human relations, which are a prerequisite to attainment of higher quality and productivity. (Singh, 2004)

2.10 IMPORTANCE OF HR IN BANKING

Human resources play a vital role in organisational effectiveness. No matter how sophisticated and modern the business activities of an organisation are, it will be extremely difficult to sustain its growth and effectiveness unless human resources are complementary to its operations. This is all the more important in a service industry like banking, where a continuous improvement in service is a must to meet the rising expectation of the customer. With a positive frame of mind and marketing orientation, an employee will be in a position to anticipate customer needs and accordingly satisfy the same (Banerjee, 2004).

The success of any organisation depends on the quality of its human resources. Studies in the growth pattern of advanced countries have shown that improvements in the quality and utilization of human resources have been a major factor in accelerating pace of economic growth. It is the effectiveness of human system; therefore, that differentiates successful, dynamic, and progressive organisations from others (Mathur M L 1993).

HRD is an important area, which no organisation with long-term objectives can afford to ignore or take it lightly in case it wants to achieve the standards of excellence. Proper development of human resources is all the more relevant in result oriented organisations like banks which are not only service organisations but are also considered wheels of social change for improvement of general standards of prosperity of the society along with public accountability (Hukku V N 1993).

Banking is a service industry and human resources are their most valuable assets. Commercial banks in India are highly human resource intensive. “Human resource development in a Bank may be thought of as moulding and developing the knowledge, skills, creative abilities, talents, attitudes, values, aptitudes and the liking of the
employees so as to match them with the job and the bank requirements”. HRD holds a philosophy that “every human being has immense inherent potentials and is basically willing to contribute his best, and he gets best of satisfaction in doing so”. The objective of HRD is “to create conditions wherein every one in the organisation can realize his potential and feels like contributing his best willingly” (Das G S 1993).

2.11 HRD APPROACHES IN BANKS

The HRD approaches assume relatively greater importance in banking industry for several reasons. It is essentially an industry in which considerations of personalized customer service are paramount. In fact, rendering of efficient customer services depends on the quality, work attitude, and performance of the employees. Secondly, following recent growth and diversification of the banking industry, it has to consider adoption of appropriate changes in work technology, particularly by way of computer and mechanization of important banking practices. Thirdly, being an industry, which provides wide-range of services, both financial and non-financial, it requires appropriate training programmes to develop requisite type of professional skills among its employees. Lastly, with emphasis on a vision for the future, banks have to adopt long-term planning and performance budgeting as an effective tool of management (Shekhawat G S 1993).

2.12 HRD PRACTICES / MECHANISMS / SUB-SYSTEMS

The goal of any HRD system is primarily to develop enabling capabilities of individuals, teams, and the entire organisation. To achieve this goal, HRD systems, may use several process mechanisms or sub-systems such as performance appraisal, potential appraisal, feedback and performance counselling, career planning, training, job rotation, organisation development, rewards, employee welfare and quality of work life and human resource information system. All these practices are linked with corporate plans. These practices are designed on the basis of the belief that human resources are most important assets in the organization and they can be developed and increased to an unlimited extent (Khandelwal, 1988).

Many instruments can be used to facilitate HRD. These instruments may be called sub-systems, practices, methods, or mechanisms. Each of these practices focuses on some particular aspect of HRD. To have a comprehensive HRD, many of these practices may be needed to be used simultaneously. Any systematic or formal way of facilitating competency, motivation, and climate development could be considered as HRD instrument. The most frequently used HRD practices/instruments are:
1. Performance Appraisal System.
2. Potential Appraisal.
3. Career Planning and Development.
4. Training and Development.
5. Job Rotation.
7. Organisational Development (OD).
8. Quality of Work Life (QWL).
10. Employee Participation in Management.

Many HRD mechanisms are available to develop the competencies of employees and improve the overall organisational climate.

**Parthasarathi B R (2006)** examined the role of HR Manager and managing Human Resources and his main theme on the enduring growth of a bank; HR managers should resolve various issues to retain good and efficient workers. He identified some of the HRM issues in Banks such as recruitment of suitable staff, training, retaining good and efficient workers by rewarding them, proper career advancement, family welfare measures, and keeping the staff fully aware of the latest happenings. He concluded that once an organisation was fully geared up the way it should be with regard to its Human Resource – not only would it enable the organisation to reach greater heights in its performance, but also make it fully prepared to face any challenges even during troubled times and get along with them successfully.

**Patel M K (2003)** compared high performing nationalized bank with low performing nationalized banks in Gujarat State with the data collected from 100 employees. The major focus of an appraisal system was development of individuals and improving the quality of work life which would ultimately result in achieving organisational effectiveness. Banks have come to recognize that HRD is more than a training program. The study concluded that low performing banks were required to take a serious look at the HRD variables and educate the employees. If these concepts were made clear and employees trained, to be retained, to accept future challenging roles, the organisation had good potential for development.

**Leeamornsiri & Joseph Nantawut (2005)** conducted a study to investigate the perceptions of Human Resource professional in five Thai banks about the HRD
competencies and programs used during the merger and acquisition process. Twenty-six HR professional who were currently working in five Thai banks that had undergone mergers and acquisitions in the past five years responded to this study.

There was a significant finding regarding the relative importance of HRD competencies in the four stages of the merger and acquisition process. One significant finding was related to the human resource professionals’ ability to perform HRD competencies during the integration and post-merger and acquisition stages. A significant relationship was found between the level of importance and human resource professionals’ ability to perform HRD competencies in the four stages of merger and acquisition process.

Shete N B (1998) examined the present status of the staff working with the rural branches, their postings, agricultural field officers and customer services. His observations and suggestions were:

- The staff for rural branches should be young and energetic.
- In considering the criteria of selection of staff to post in rural branches, weightage to marital status, family obligations, schooling of children, rural background, etc., should be taken into account.
- Voluntary offer to work in rural areas should also be included as one of the criteria.
- To sustain the motivational level of people posted in rural areas with all the infrastructure constraints, some incentives, compensatory schemes have to be worked out.
- Contributions of the rural branch staff to rural development should be given special weightage in the performance appraisal system.

Sangwan D S (2005) identified the important strategies of HRM in banks such as recruitment, performance appraisal, training, job security, promotion, reward, incentives, and morale. He also identified that with the advent of liberalization in India, the corporate world had been confronted with two major challenges: foreign competition, and adjusting to the rapidly changing global business environment. This situation called for an organisational transformation at the corporate level. In this process of transformation, human capital of an organisation could play a crucial role. Appropriate Human Resource strategies, policies, and practices were all required to achieve organisational goals.
Pradeep Mukerjee (2004) explored the changes taking place in the management of human resources in banks. He highlighted some of the issues relating to recruitment, performance management, reward process and career management. A whole new world had opened up in this area. There was a significant shift in the way banks manage the people dimension. Management of human resources was the main key in a dynamic and competitive market place.

Alok Kumar Banerjee (2004) highlighted certain critical HR issues in the banking sector in respect of a large scale survey conducted by NIBM on the opinion of bank employees from 15 public sector banks in all regions of India covering about 7000 employees both officers and clerks from about 1500 branches. The author identified three types of work force to suit the present day environment i.e. core worker, peripheral worker, and out worker. However, the major emphasis was to be laid on the development of the Core workers by ensuring life long security through retraining, using, engaging and assisting them in the development of their career path.

Paras Mal Jain (2004) emphasized the following aspects in respect of HRM in banks such as HRM dimensions of intellectual abilities and learning, problems of HRM, functions of HRD department, HRM and personality traits, handling of stressed employees, importance of training and technology in HRM and managerial values. His observations are:

- The success of a bank depends on profitability.
- The profitability depends upon its products and marketing policy.
- Marketing of products depends upon improved customer service.
- Best or improved customer service depends on human resources.

Patel M K & Bhuvana K Iyer (2004) dealt with HRD general practices in drugs and pharmaceutical industry based on the primary data collected from 125 respondents in 8 pharmaceutical companies in Gujarat State in India. They presented a good picture indicating that good amount of importance was given to human resources both at the policy level and practice level. They concluded that human resources were treated as extremely important resources in the organisation.

Sharan A K & Anirudha Behera focused on a typical ‘Tripod’ of complex variable, delineating it in terms of technology, management systems, and leadership. It was a compatible combination of technology, management systems, and leadership that produced the desirable results for any system. It was always the simultaneous attempt of
all the three legs of the ‘Tripod’ that would fetch distinction for an organisation. They reiterated that banks require learning managers in place of learned managers, since the environmental changes are too fast. Upgradation of skills at all levels was the need of the hour.

Rajan N (1998) highlighted some of the issues:

- Why HRD assumes top priority in banking industry?
- What are the critical areas requiring HRD in the context of present situation?
- What are the suggestion/strategies for transforming the skill of HR for ushering in a sound and strong banking?

Against this backdrop, an attempt has been made with the following objectives:

- To identify the new areas for HRD intervention and
- To suggest some measures to use HRD as a powerful tool for effecting sound banking.

The author identified the critical areas where banks should concentrate.

Manoj Sharma (2005) attempted to conceptually examine the new challenges facing banks in the management of human resources. The author clearly discussed the following i.e. the knowledge worker, customer service and empowerment, organisational structure, team synergy, communication, merger and acquisition, competency mapping and technological aspects. He concluded as follows: “A radical change in the HRM best practices that enable the function to become a partner in strategy execution may not be easy, atleast for public sector banks, in the foreseeable future. Organisational learning can be enhanced through investments made in training. In addition, performance feedback mechanisms and measures will have to be looked into. A reward system that establishes a meritocracy will have to be put in place. The delivery systems in banks will have to be technologically driven, which will present business opportunities in terms of customer retention, costs, productivity, and quality. So technologically driven and bank wide CRM processes can no longer be ignored”.

Ramola K S & Sharma S K (2005) explored the new trends in HRM in banks. They focused on recruitment of manpower, importance of training in banks, computerization of banking services, reward, punishment, HRM policies, and strategies. The authors offered some of the following suggestions to enable Indian banking industry, to have effective management in future successfully, through HRM:
• To reap the full benefits of human resources, the HRM policy should be thoroughly positive, motivating, and transparent.

• It is necessary to establish the required infrastructure for an effective HRM that leads to higher economic growth rate.

• The HRM policy must be merit based which may focus on multi skilling and cross training.

• The HRM strategy for 21st century should be bold in conception, encourage risk taking with huge urge for success.

They concluded that “Human beings are like raw materials and they are moulded into valuable assets when they are trained properly to increase their knowledge and skills”.

Alexander Ardichvili & Alexander Gasparishvili (2001) 91 examined the issues and problems faced by the human resource development (HRD) system in the Russian banking industry, and identified future trends for the development of this system.

Eugenia Petridou & Niki Glaveli (2003) 92 focused on the chain reaction in the Greek banking industry in a challenging financial environment. Changes in the external environment had reshaped the banking industry environment. Responding to that, Greek banks were adopting new strategies towards organisational development and realize that success required adjustments to their HRD effort.

Charumathi B (1994) 93 analyzed the HRD practices in Indian Bank and Indian Overseas Bank in Public Sector and Lakshmi Vilas and Karur Vysya Bank in Private Sector. She found that HRD tasks relating to supporting of unions and associations were adequately performed in both group of banks. She also found that all efforts had to be continuously made by banks to develop an overall HRD culture and climate at all levels.

Baldev R Sharma (1987) 94 covered the theoretical background of the concept of HRM, identified components of HRM as applicable to banking industry, presented some research findings of HRD in the Indian Banking Industry and concluded with a brief discussion of the implications of research findings for future action aimed at improving HRM in banks.

Sharma R D and Sh.Ashok Dogra (1987) 95 focused on various HRD steps taken by Jammu Rural Bank. They examined the basic policies of the bank about its HRD with special reference to training and development programmes and drew the inference for evolving sound programmes of HRD in rural banks in the country.
Rao M G (1993) threw light on the complexities of managing human beings in the present day organisations. The various aspects of HRM in relation to small scale units operating in industrial estates had been presented initially, followed by theoretical presentation in HRD, different aspects of training, organisational development, and employee participation. The effects of training and employee developmental activities had also been put to close examination. He also attempted to find how the employee-related activities flourished in various other sectors like urban government, co-operatives, informal sector, and small sector.

Subbarao P (1992) presented the various developments in the HRM in a comprehensive form. He also attempted to look into the current trends in the HR function with a view to outline the future development that were likely to take place in the years ahead. He also discussed in a lucid manner the topics such as job analysis, job evaluation, employee benefits, recruitment and selection, line staff conflicts, social responsibility policies along with other current topics such as organisational culture and climate, organisational politics, organisational effectiveness, followership, participative management, dual career problems, quality of work life, quality circles and organisational development.

Sasmita Palo (2002) examined the role of HR professionals and various HRM practices undertaken in IT companies - five leading IT companies in India were selected for the purpose. The study concluded that all the IT companies in India were high organic structures having flexible network of multi-talented people performing multi-talented tasks. Such companies treated their employees as the most valuable corporate assets. In a nutshell, the HR professionals in IT companies needed to be business partners, facilitators of change process, multilingual, cultural and generalists with multiple specialities.

Srinivas R Kandula (2003) observed that even though the objectives of HRM were the same across the organisations, they differed in their approaches and practices in attaining these objectives. The general business environment of Private Sectors could be classified into two – first one as organisations operating in stiff domestic and global competition and second one is limited to domestic competition. These differences within public and private sector made them differ in their practices and approaches of HRM. In a tautological sense, private organisations in high competition and limited competition might not be the same in their practice of HRM and so was the case with public sector, which was in monopolistic form from that of open competition.
Nair M R R and Rao T V (1990) focused on chief executives’ views and experiences on HRD. They also dealt with the HRD philosophy, importance, macro level issues, expectations of line managers and workers from HRD, role of HRD managers, dimensions of developing HRD facilitators and programmes.


Rao T V (1990) explained HRD instruments, processes and outcomes, HRD departments and their tasks, structuring the HRD function, qualities, and competence requirements of HRD managers, developing HRD managers, traps and temptations of HRD managers and HRD instruments.

Rao T V (1991) started with a conceptual framework on development, integrated HRD and ended with an account of the research in HRD. He also focused on HRD instruments like performance appraisal, potential appraisal, counseling, training and rewards and implementation of the same in different organisations. He also dealt with HRD in government systems, primarily focused on educational system.

Ravishankar S and Mishra R K (1985) provided an understanding of the system of HRM rather than merely the activities assigned to those who provided various personnel services for effective public enterprise management. They also gave a balanced and comprehensive grasp of the concept, problem, approaches and strategies of HRM.


Sanrupt Misra (1992) dealt with the perspectives of HR and education, recruitment, selection, induction and placement, training and development of teaching personnel, their motivation and integration, job satisfaction and performance appraisal and grievance handling.

Gangadhar Rao M & Subbarao P (1986) presented an integrated approach to HRM in the Indian Railways. They also provided a comprehensive coverage of various aspects such as development and utilization of manpower, emoluments – structure and trends, employee benefits and services, employees’ organisations,
organisational conflicts, consultation and co-operation and operational efficiency during the planning era.

**Bansal M P (1991)** did a pioneering study in the area of HRM taking SAIL for study. He clearly explained the concepts, processes, and scope of HRD in general and in public sector undertakings in India in particular. He also portrayed the components of HRD like organisational development, training and development, performance appraisal, career advancement as they are practiced in SAIL. He also suggested a manpower-forecasting model besides offering some significant suggestions.

**Santrupt Misra (1992)** dealt with theoretical perspectives of human resources and education, recruitment, selection, induction and placement, training and development of teaching personnel, their motivation, integration and job satisfaction, performance appraisal, career development, discipline and grievance handling.

**Singh U B (1992)** attempted to grasp the intricacies of HRD with twofold facets, i.e., training as ‘tool of improvement of specific skills of the non-managers’ and ‘development of the managers’. He analytically discussed the ways to convert the traditional personnel functions to the development mechanisms. He urged upon the need for HRD even before the selection of the personnel. He also focused on selection and placement, training and development, developing jobs, organisational development, performance appraisal, potential appraisal and rewards, counseling and feedback, workers’ affairs and industrial relations in UPTRON Group, an upcoming public sector enterprise in U.P. and attempted to prepare a base for other organisations to march forward and introduce the HRD system successfully.

**Anil K.Khandelwal (1988)** presented a comprehensive guide on HRD in banks, containing case studies of HRD work in some banks and HRD experiences, experiments and innovations. He encompassed the entire discipline of HRD, viz., HRD concept, and framework; managerial roles in HRD, HRD mechanisms, and HRD specified critical groups, HRD experiments, HRD case studies, and future scenario of HRD.

**Singh J P (1989)** argued that top management should examine the managerial culture of the group and the organisation before introducing change through HRD interventions. Based on an analysis of 176 senior-level Indian managers, he identified significant differences in the dimensions of culture among managerial groups categorized by sector (international, public and private), education, and age. Based on their value
orientation, he classified HRD interventions into three families and recommended the family of HRD interventions most suited to different cultural groups.

Sinha T K (1982) 113 dealt with the concern and aspects of HRD such as human approach, people as resource in organisation, process of the development, functions of HRD and training, and team process.

Kulakarni S S (1988) 114 discussed the impact of environmental changes on HRD in banks and emphasized on promotion, recruitment, placement, performance appraisal, training, and social welfare activities.

Raman T P (1989) 115 explained the practice of HRD and various techniques of HRD in SBI. His paper was mostly based on his work experience in the bank rather than a study.

Gupta R K (1988) 116 explained the framework for HRD and functions of HRD. This paper attempts only at the conceptual framework of HRD rather than issues relating to banking industry.

Raghavan (1989) 117 in his study identified HRD in Maruti Udayog Limited, revealed that great importance was attached to the investment of time and money in each employee’s continuous development, and keeping in view of human resources as durable assets. At the time of joining, the training programme provided orientation to the Company philosophy, in addition to imparting technical skills. The process of an individual’s career development continued after this training.

Kalyanaraman B (1989) 118 studied the HRD in Madras Refineries Limited (MRL). He concentrated on the following aspects such as (i) Training (ii) Career and succession planning, performance appraisal (iii) Training and management development, (iv) Action plan for training and management development. The above efforts at HRD were geared towards achievement of the corporate objectives and fulfillment of the role that the division had adopted for itself.

Sundarshan Sundaram (1989) 119 opined that HRD activities at T.V. Sundaram Iyengar & Sons Limited, Madurai, are something more than just training. It was viewed as a systematic effort to identify, groom and recognize potential; to give greater recognition where due – in short, to extract from the individual the best that he was capable of, so that the organisation would benefit by his superior performance in the market place and the individual to get greater satisfaction of the job.
2.13 Performance Appraisal System (PAS)

Performance appraisal is the process of assessing the performance and progress of an employee or of a group of employees on a given job and his potential for future development. It consists of all formal procedures used in working organisations to evaluate personalities, contributions, and potentials of employees. According to Flippo, “Performance appraisal is the systematic, periodic and an impartial rating of an employee’s excellence in matters pertaining to his present job and his potential for a better job” (Flippo, Edwin B 1976). It is the process of obtaining, analyzing, and recording information about the relative worth of an employee. Performance appraisal focuses on the performance and potential of the employee. Its aim is not to decide salary increments but to develop a rational basis for personnel decisions. Performance appraisal is a method of evaluating the behaviour of employees in the work spot, normally including both the quantitative and qualitative aspects of job performance (Halloran, Jack 1986).

A good performance appraisal system is most crucial for customer satisfaction because only competent employees will be able to provide customer exhilaration. Although a performance appraisal system exists to help everyone succeed, unless employees work with management, it cannot work well. A good appraisal possesses the following characteristics:

- It is based on evidence
- It is highly individualized
- It is a joint activity
- It strives for understanding
- It creates commitment
- It maximizes self analysis and self discovery
- It results in improved performance.

“Performance appraisal is a comparison of actual performance with expected to assess an employee’s contributions to the organisation”. (Nelson: 2004)

“Performance appraisal may be defined as evaluating individual job performance as a basis for making objective personnel decisions”. (Rober Kreitner: 2004)

Performance appraisal is concerned with formally assessing someone’s work accomplishments and providing feedback. Performance appraisal and training go hand in hand. Therefore, Performance appraisal system ensures that:
- Performance standards and objectives are set.
- Performance results are assessed regularly.
- Actions are taken to improve future performance potential.

There is a great degree of awakening taking place in the managerial world about the potential uses of performance appraisals. The role they can play in developing employee capabilities, creating an open culture, strengthening superior-subordinate relationship, developing process skills and paving the way for increased managerial and organisational effectiveness is being recognized (Rao T V 2004).

**Objectives of Performance Appraisal System:**

The main objectives of performance appraisal are to improve the performance of the organisation through improved employee performance. The goals of performance appraisal are to allow an employee an opportunity to progress to his full potential in order to meet organisational needs and his personal development goals. Through this process, true teamwork and maximum performance can be achieved. The foundation of the performance appraisal is improved communications between the employee and the manager. Performance appraisals have become increasingly important tools for organisations to use in managing and improving the performance of employees, in making timely and accurate staffing decisions and in improving the overall quality of the firm’s products and services.

![Fig. 2.4: Performance Appraisal Objectives (Deb, 2006)](image)

Systematic performance appraisal is of utmost significance in organisational settings. Obviously, it provides highly useful information in much advance of time, which is of great assistance in enforcing discussions regarding various personnel aspects such as promotion, pay increments, layoffs, and transfers (Glippo R B 1976).
Performance Appraisal System in Banks:

Performance Appraisal is a process that involves determination of how an employee is performing his job and communicating the same to him. It is a diagnostic tool, which may be used to identify the strength and weakness of the employees of an organisation. As such, it can focus on the changes required in behaviour, attitude, skill, and knowledge of an employee for improvement of performance. This system thus can be very helpful to identify the educational, training and development needs of an organisation (Garg S C 1993).

Performance Appraisal is one of the important functions of the HR department to formulate proper policies with regard to performance appraisal in banks to avoid discrimination in ranking the personnel for further promotions. To manage people, it is very important to judge the abilities correctly to recognize them. Self-appraisal system is prevalent for officer cadre personnel in PSBs. In the NPSBs, it is available to the entire staff including award staff. However, it is a compulsory, tiring system, which will rank a section of the employees under the lowest category that it requires improvement on a specific percentage basis. This is a discouraging exercise and at times even a performer will be ranked the lowest. This will have an adverse impact on the organisation. HRM should give a serious thought to this aspect (Bhaskar, 2004).

Methods of Performance Appraisal in Banks:

- Confidential Report
- Employee Ranking
- Graphic Rating Scales
- Forced Distribution Method
- Weighted Checklist Method
- Critical Incidents Method

In recent decades, managers have developed the belief that performance is in itself the most reliable indicator of quality and potential. This feeling has led to the development of appraisal by results. This is also known as goal-setting approach to appraisal or appraisal through management by objectives. The essential feature of this approach is that the subordinate’s performance is measured against specific or verifiable objectives, which are decided in advance through mutual agreement between the superior, and the subordinate.
Evaluation Criteria Used in Banks

C B Gupta advocates that banks evaluate the performance of their employees on the basis of the following criteria:

- Amount of deposits mobilized.
- Deployment of credit to different sectors.
- Recovery of advances.
- Foreign exchange business earned.
- Balancing of account books.
- Submission of control returns in time.
- Audit efficiency.
- Control of overtime expenditure.
- Redressal of customer grievances.
- Control of sticky accounts.
- Maintenance of cordial employee relations.
- Decision-making skills.
- Correspondence skills.
- Project appraisal skills.
- Public image of the branch.

Nayak N G (2003) focused on the need for appraisal in an organisation – to identify ways of improving business performance through improvement in individual performance and to bring about a common understanding between the employees achievements and job related behaviour – assess the employee’s contribution and use that as a basis for stimulating and supporting the employee’s development.

Sivaram Y G (2004) examined the behavioural framework which was built around the nine behavioural competencies, i.e. Communication, Initiative, Drive, Creativity, Self-confidence, Teamwork, Influence, Problem-solving and Interpersonal skills. “Managing people could be the most difficult of all problems, and for some it could be the easiest of the jobs”. This statement was enough to suggest that HR played a key role in an organisation, and also that it had to be well managed.

Ravindra Jain & Sachin Kamble S (2005) conducted an in-depth study about effectiveness of existing Performance Appraisal System (PAS) with reference to selected manufacturing organisations. The study was conducted with reference to eight large and medium size-manufacturing organisations belonging to private sector located within the jurisdiction of three industrially advanced districts (viz. Belgaum, Dharwad...
and Uttar Kannada) of North Karnataka region in India. The findings of the present study clearly indicated that there were variables in all the three categories (viz. Design/Content variables, Process variables and Outcome variables), which were perceived invariably by both the appraisers and the appriasees to be taken care of only to a moderate extent. It was, therefore, obvious that these variables needed special attention of the managers in general and HRD departments of the study organisations in particular so that the same might be taken care of to a larger extent in future. Constant attention, continuous review, and considerable efforts to take corrective actions with full commitment of the top executives were necessary.

Shanmugam (1982) 131 dealt with the meaning of HRD, bank philosophy regarding HRD and performance appraisal in State Bank of India.


Shanmugham S N (1991) 133 explained the aims and areas of HRD and performance appraisal in State Bank of India. This study was also based on the author’s perception rather than a research study.

Rao T V (1988) 134 discussed the efforts of several banks in introducing a development oriented performance appraisal system. He contended that appraisal was not adequate to create a culture of development, but development had to be created through variety of techniques.

2.14 POTENTIAL APPRAISAL

The term ‘potential’ refers to the abilities possessed by an employee but not put to use currently or the abilities to assume challenging responsibilities in future assignments. The term ‘performance’ refers to one’s skills, abilities in meeting the requirements of the job which one is holding currently. Potential appraisal is different from performance appraisal, which shows an employee’s current performance in his existing one. If the employee is required to play a completely different set of roles at higher levels, potential appraisal needs to be carried out at regular intervals.

“The objective of potential appraisal is to identify the potential of a given employee to occupy higher positions in the organisational hierarchy and undertake higher responsibilities” (Rao V S P 2000) 135. The potential appraisal is carried out on the basis of:
- Supervisor’s observations
- Performance data relating to various previous roles played by an employee
- Performance on roles in simulated settings relating to a new position

**Potential Appraisal in Banks**

Appraisal of performance on the present job alone is not sufficient. Quite often, a branch manager relies on the past performance of an employee or his seniority while placing him in a new job role. Seniority and past performance do not necessarily mean that an employee is capable of handling the new responsibilities. It is necessary to judge whether the individual has the required potential to undertake the new job assignment. This can be done through potential appraisal.

The objective of potential appraisal is to find out what positions a particular employee can successfully occupy in future. An effective system of potential appraisal can assist the branch manager in developing and utilizing the capabilities of his staff in the best manner. Therefore, potential appraisal is an essential component of HRD.

**2.15 CAREER PLANNING AND DEVELOPMENT**

A career is a sequence of work-related positions occupied by a person during a lifetime. Career is the sequence of attitudes and behaviours associated with work related activities experienced by individuals over the span of their working lives.

“A sequence of jobs that constitute what a person does for a living”

*(Schermerborn: 2002)*

Career Planning is a process to gain insight into what a person is, where he is, and where he wants to go in his career. It is the systematic process by which one selects career goals and the path to these goals. *Douglas T. Hall* defined a career as “an individually perceived sequence of attitudes and behaviours associated with work related experiences and activities over the span of the person’s life” (Hall, Douglas T 1976).  

“Career Planning is a process of systematically matching career goals and individual capabilities with opportunities for their fulfillment”.

*(Schermerborn, Hunt and Osborn: 2003)*

“Career Planning is the process of enhancing an employee’s future value”.

*(Schwind, Das and Wagar: 2004)*
“Career Planning essentially means helping the employees to plan their career in terms of their capacities within the context of organisational needs” (IGNOU Material)  

The CP encourages individuals to explore and gather information, which enables them to synthesize, gain competencies, make decisions, set goals and take action. CP is a crucial phase of HRD because career planning provides employees to make strategy for work-life balance.

CP is beneficial to both the individual and the organisation. It contributes towards the development and utilization of individuals. It also facilitates organisational development and effectiveness. Need for career planning has increased due to rapid economic, social, and technical changes. In fact, CP has now become an essential pre-requisite of effective HRD, productivity improvement, and organisational growth. (Gupta C B 2006)

**Career Planning and Development in Banks**

In the banking industry, a career is viewed in two ways: First, is the upward movement of a bank employee during the course of his work life. Second, is the development and maturity of views, beliefs, knowledge, skill and attitudes of an individual with growth in age. The first concept is the vertical growth while second is the horizontal growth of a career. In both the cases it is the individual who decides whether to grow or not in his career and whether growth will be vertical or horizontal or both. However, the bank where the employee works also influences the pursuit of a career. (Gupta C B 2006)

Like individual employees, banks also have their own career paths and requirements. A bank employee opts for career progress depending upon his career anchors, life cycle stage, family development, and responsibilities. Some employees may prefer to lead a decent life style while others may want to reach the top of the career (Chairman of a bank). Still others may turn down their career aspiration in the form of a happy social and family life. The phenomenal growth of banks during the seventies and eighties provided considerable career opportunities. But, growing liberalization and deregulation have increased competition. Career opportunities in banking are gaining momentum and assuring new dimensions. A branch manager can and should play a decisive role in career planning of employees. First, he should understand the needs, aspirations, and career anchors, stages of life cycle and family responsibilities of an individual employee. Career planning and development is a two-way process in which both the individual and the banks must jointly contribute their efforts. The ultimate
responsibility for career planning rests with the individual. The individual does the planning but the banks provide the necessary guidance and resources.

Isabel Metz (2003) conducted a study to know the individual, interpersonal, and organisational links with women’s advancement in management in banks. The study examined the relative importance of individual, interpersonal, and organisational variables for women’s advancement in management in banking in Australia. Data gathered via a survey of 848 women in banking were used in the analysis. The results indicate that women’s advancement was principally linked to some individual factors. In particular, training and development and years of work experience were most important to advancement, followed by work hours, occupation type, company changes, education, and career opportunities. In addition, although marital status and children were unrelated to women’s managerial advancement, the help they had with dependents and house responsibilities was related. Practical implications for banks and for women were discussed.

Patrick Chang Boon Lee (2002) examined the career goals and career management strategy among Information Technology (IT) professionals. With regard to their career goals, IT professionals sought to advance their careers in three ways. The first two involved standard career paths. The third career path, termed Techno-entrepreneurship, involved IT professionals setting up their own technology-related business. With regard to career management strategy, the results showed that career planning was positively related to career strategy; career strategy was positively related to professional enhancement, and professional enhancement was positively related to career satisfaction. One important implication was that it was important for computer professionals to plan and strategize their own career. This would lead to greater career satisfaction.

2.16 TRAINING AND DEVELOPMENT

Organisations and individuals should develop and progress simultaneously for their survival and attainment of mutual goals. Modern management has to develop the organisation through HRD. Employee training is the important subsystem of HRD. Employee training is a specialized function and one of the fundamental techniques of HRD.

After an employee is selected, placed, and introduced, he or she must be provided with training facilities. Training is the act of increasing the knowledge and skill of an employee for doing a particular job. Training is a short-term educational process,
utilizing a systematic and organized procedure by which employees learn technical knowledge and skills for a definite purpose. Dale S. Beach defined training as “the organized procedure by which people learn knowledge and/or skill for the definite purpose” (Beach, 1985).

“Training is a set of activities that provides the opportunity to acquire and improve job related skills” (Schermerborn, Hunt and Osborn: 2004)

“Training is a process of altering employee behaviour and attitudes in a way that increases the probability of goal attainment” (Irwin: 2004)

“Training is the systematic modification of behaviour through learning which occurs as a result of education, instruction, development and planned experience” (Armstrong, 1992).

Objectives of Training:

- The main objective of training is to help the organisation achieve its objectives by adding value to its key assets – the people, it employs. Training means investing in human resources to enable them to perform better and to empower them to make the best use of their natural abilities.

Training, Development and Education are often used interchangeably, but they are different and meet different needs which are shown in table 2.1. (Deb, 2006)

<table>
<thead>
<tr>
<th>Headcount</th>
<th>Training</th>
<th>Development</th>
<th>Education</th>
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<tbody>
<tr>
<td>Focus</td>
<td>Skill</td>
<td>Process</td>
<td>Conceptual</td>
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<tr>
<td>Benchmarks</td>
<td>Behavioural</td>
<td>Readiness</td>
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<td>Time Span</td>
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<td>Duration</td>
<td>Continuous</td>
<td>Milestones</td>
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<td>Measures</td>
<td>Bottom-line</td>
<td>Competencies</td>
<td>Professionalism</td>
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Training and Development in Banks:

When the whole gamut of Banking is undergoing a metamorphosis, with the conditional frontiers being either removed or expanded by the Central Bank of the country, training, one of the vital features of HRD. It cannot be left behind to stay in the traditional path without venturing into new ways and means in tune with the vagaries of the market (Nair, 2006).
In the changing world of today, tremendous advancements are taking place in every sector of economy. Training and development of employees of the banking sector has, therefore, become an integral part of the overall banking policy because of the critical role of banks in India’s economic transformation. Efficiency and better customer service of the bank largely depend on bank employees who are trained to perform the tasks that they have been assigned. It has now been realized that training is an investment in human resource (Metha, Anil and Sunil Handa 1993).

It may be mentioned that the Commercial Banks in India have emerged as an important component of the economic system. They are not only purveyors of credit but, rather more importantly, agents for the socio-economic transformation in the country. In their new role, they have to face multifarious challenges, requiring new types of skills and expertise on the part of bank employees. Therefore, the training system in the banks must be geared to ensure achievement of continued excellence (Siddaiah T 1993).

The whole purpose of training in banks is to create a young, forward looking, risk taking, result oriented banks which are capable of thinking originally, having their ears to the ground and at the same time looking to the distant and receding horizon (Deekshit G R 1988).

**Importance of Training in Banks**

- Training improves the knowledge level of human capital.
- It also develops skills, builds confidence, and creates a “Can Do” attitude amongst the employees.
- It changes the attitude and mindset of the employees.
- It fills the employees with the zeal and courage for accepting the challenges.
- It provides self-esteem and heightened sense of responsibility. (Jain, 2004)

The fusion of technology into the banking industry has necessitated the switch over of operational aspects to totally mechanized environments leading to “Virtual Banking”. To reorient the field functions to machine based activities, the functionaries are to be well equipped with the machine interfaces. Many of the IT enabled products now-a-days introduced by many of the new generation banks as well as the traditional Scheduled Commercial Banks have one thing in common – the aid of end-to-end IT provider. Most of the banks have taken the wise decision of outsourcing the technology.
implementation and the related trainings rather than absorbing the burden at their end. So the assistance of these service/technology providers in training the field functionaries is going to play a pivotal role hereafter (Nair, Nagappan 2006).

Training Practices in Indian Banking

Since nationalization, Commercial Banks in India have grown in size and their operations have become diversified. Therefore, adequate supply of well-trained staff has become essential. Development of specialized and functional skills has become essential. Several training schemes and courses have been designed to develop functional and managerial skills among bank employees. There is no substitute for on-the-job experience. But it needs to be supplemented with latest information and techniques in human relations, bank policies and procedure, and customer service. New entrants must be inducted and groomed in the culture and philosophy of banking. The following institutions have been providing training and development facilities to bank employees in India (Gupta C B 2006):

- The Indian Institute of Bankers, Mumbai.
- National Institute of Bank Management, Pune.
- Training College of RBI.
- Training Institutes of Banks.

The James S. Raj Committee made the following recommendations regarding training facilities for bank employees: “The Committee has noted that notwithstanding the existence of training institutions, there is a wide gap between the demand and supply because of the limited capacity of the staff training college. The committee strongly recommends that a separate department is to be set up in the RBI to deal with the problems of training to bank staff. The training facilities available in the banks should be expanded and improved both in the infrastructure and faculty membership. The Indian Institute of Bankers should continue as an examining body for bank personnel” (Gupta C B 2006).

Training courses in banks are based on traditional areas. In view of functional diversification, there is need for greater coverage of new areas like merchant banking, investment consultancy, tax planning, information technology, and behavioural sciences. To be meaningful, training should be goal-oriented. It should be periodically evaluated. Necessary improvements/changes should be made in course contents, training methods, to meet the ever growing and challenging demands of banks. (Gupta C B 2006).
Suresh Mehta (2002) was concerned about HRM departments and their tasks, current scenario of training in banks, need for training policy, process of formulating training policy and coverage of training policy. The author identified that the edifice of training rested on three pillars namely assessing the training needs and nomination of trainees, determining the training programs and their delivery and evaluation of training as well as post training placement of personnel.

Ramakrishna Rao T S (2002) highlighted the importance of trainer’s role in banking. He focused on integration of training function in banks, training tools, trainer’s role, team learning, training methodology, technology-assisted learning, shaping strategy and the future perspective. In the concluding remarks he said that *Paatra-Dharam Ghritam Vaa; Ghritaadharam Paatram Vaa* – “Which is more important? The ghee held in the vessel or the vessel because it holds ghee”. If the content of training was at fault, let us rectify it. But let us not throw the container away. The container should not be confused with the content. Training therefore had to serve as a vehicle for change in our march towards making the banking industry a vibrant one. The training system had to develop wings to fly towards indispensability.

Amitabh Kodwani et al (2005) in their research study revealed that the primary objective was to analyze the training and development practices in banking sector in India, with a special emphasis on the public sector units. This includes a study of how the training needs were assessed, how much budget was allocated, what were the methodologies used and how the training was evaluated. The study tried to encompass all the aspects relating to training, with a holistic approach to it. The study thus led to the conclusion that PSBs did give top priority for training in their organisations.

Gupta K C & Tej Singh (2006) conducted a research, which was aimed at:

- exploring empirically the extent to which the induction training, need-based training, planned training and utilization dimensions of training effectiveness are performed in an Indian bank i.e. Punjab National Bank and a foreign bank i.e. Standard Chartered Bank.
- comparing the indigenous and foreign banks in terms of training effectiveness.
- finding out whether there is any relationship between the various dimensions of HRD and training effectiveness in PNB and SCB.
The findings of the study were:

- HRD aspect in PNB and SCB does not differ significantly as proved by the perception of managers categorized on the bases of hierarchy, qualifications, and experience.

- The performance of SCB is better than that of PNB concerning need-based training and planned training.

- The two banks are more or less on the same footing as regards the relationship of training effectiveness with the other sub-systems of HRD.

Nagappan Nair S (2006) stressed on the future initiative required in the field of training of banking personnel with due diligence on the present and emerging trends in the banking and financial sector. He focused on the following training methods, such as IT oriented training, customer service and relationship management oriented training, marketing and market oriented training, employee retention oriented training, and profitability oriented training and new norms (Basel II) oriented training.

Gupta K C attempted to see as to how the HRD system succeeded in the areas of Training and Development, Performance Appraisal and Career Advancement in the banking sector in India. He found that the concept of HRD should be well defined and conceptualized before it was being introduced in any banking system. The executive cadre of the bank should be helped to develop people-oriented perspective and accountability for better management and utilization of human resources. He also identified that the process in the top management such as team spirit, collaborative working, and finally leadership quality to the large extent would determine the quality of HRD in banks.

Anuradha R (2003) studied the documentation of HRD program offered to the entire workforce of a development organisation operating in Karnataka. Enabling individual and the group to learn through process mode, internalize the need for changing the style, skill, behaviour, and mind set were the primary objectives of training. The study concluded that the organisational effectiveness depended upon the individual effectiveness. It was the responsibility of the individual to commit for the organisational goal. It was the responsibility of the employees to create a conducive culture within an organisation. The image of the organisation enhanced with the enlightenment of its people.

Niki Glavel & Stella Kufidu (2005) examined the impact of environmental change on training in four Greek banks. He found that the changes in the external
environment had re-shaped the banking industry environment. Responding to that, Greek banks adopted new strategies. The beneficial effects of training were expected in terms of skills, cultural and role changes, homogenization and decrease of tensions and insecurities, motivation, commitment, customer satisfaction, reduction of conflict in the workplace and finally quality improvement.

Punam Sahgal & Roopashree Shankar (2003) focused on current management practices, the services that were valued from a training vendor and the growth of electronic learning market in corporate India. The study was undertaken to gain deeper insight into critical areas related to the training and development function and the evolving role of training professionals. The market for soft skills and IT training outpaced the demand for functional training. The training market in India was large and there were vast opportunities for external suppliers to provide a mix of products and services.

Rajendra Prasad K (1989) dwelled upon a few creative and innovative efforts in SBI, viz., Performance Appraisal, Quality Circles, Job Rotation, Training and Assessment, HRD Quiz, Self-learning Center Actions, Messenger to Manager Programmes, Organisation Development and Intervention exercises, all of them aimed at training and developing the bank’s workforce.

Kailash B L observed that the way in which training was organized in smaller organisations/ firms depended upon a number of factors such as value attached to training, extent and type of training imparted, pace of change affecting skills within the organisation, emphasis on personal qualities, cost of training and the benefits from it. He concluded that there was little evidence related to smaller organisations that training had helped the organisation to grow.

Sanghi D C (1986) discussed standard of competence of the trainee, trainer behaviour, personal needs of trainer and effective use of training inputs.

Dixit G R (1988) discussed the role of training in HRD in banks and found out the gaps in the training system. He pointed out that despite efforts that had been taken, both training and development had not taken firm roots.

2.17 JOB ROTATION

Employees move from job to job. Job Rotation is the movement among different jobs. One day a person may be working in one part of the organisation and the next day he may work in a different part. This prevents the employee from becoming bored as with job rotation they are doing different jobs all the time and learning new skills. This
fosters cross training and multi skilling so that they are able to carry out many different jobs. Multi skilling benefits the employer as and when they are short of staff in one area, they can move people across.

Job rotation is used to develop the capacity of each employee to do a number of jobs. It implies the shifting of an employee from one job to another without any change in the jobs. The main advantage of job rotation is that it relieves the employee from the boredom and monotony of doing a single task. The employee gets some variety of work, workplace, and the peers. It improves employee’s skills regarding various jobs, prepares competent employees, and provides competitive advantage to the company.

Job rotation also helps to broaden the knowledge, and skills of an employee. Management gets employees who can perform a variety of tasks to meet contingencies. This method also improves the self-image and personal worth of the employee. However, frequent job rotations are not advisable in view of their negative impact on the organisation and the employee. In cases where the employees have been found to possess certain qualities, but do not have the opportunity to develop them, then they may be planned on the basis of potential appraisal. The job rotation aims at giving opportunities to an individual either to test his potential or to develop his potential (Pareek, Udai and T V Rao 1981).

**Job Rotation in Banks:**

It involves inter-changing of jobs between staff members at regular intervals. It has several benefits. It reduces monotony and boredom arising from continuously performing the same routine job. Secondly, it enhances inter-departmental co-operation and promotes organisational flexibility. A work force capable of performing all jobs within a department/section is developed to provide in-built cover for sickness and leaves. Job rotation also facilitates on-the-job coaching and comparative appraisal of performance (Gupta C B 2006). Despite some difficulties, the branch manager should introduce regular and periodical job rotation among all categories of staff and institutionalize the system through regular implementation. A job rotation scheme for a branch involves grouping of jobs into simple, difficult, and specialized ones and changing the jobs of employees from simple ones to specialized ones in a gradual and phased manner. The scheme should be monitored regularly preferably through a committee in which the union representatives should also be included.

Prakasham R (1983) empirically examined the present state of affairs in the banks in terms of the extent of job rotation practices and the major obstacles faced by
them in implementing the same. It also studied the extent of job-rotation practices and its relation to other allied personnel policies and practices in the organisation. The analysis was based on the data obtained from the NIBM’s employee opinion survey. This nationwide survey collected the opinions and reactions of about 7,000 bank employees representing the SBI and other fourteen major nationalised banks from all parts of the country, regarding the various personnel policies of their respective banks.

2.18 EMPLOYEE WELFARE AND REWARD SYSTEM

Employee Welfare:

Employee welfare is a comprehensive term including various services, benefits, and facilities offered to employees by the employer. Through such generous fringe benefits, the employer makes the life worth living for employees. The welfare amenities are extended in addition to normal wages and other economic rewards available to employees as per the legal provisions. Employee welfare is in the interest of the employee, the employer, and the society as a whole. For the employee, welfare measures help to counteract the negative effects of the factory system. These measures enable the employee and his family to lead a good life. Welfare facilities housing, medical facilities, children’s education, and recreation, help to improve the family life of employees. For the employer, welfare measures lead to higher morale and productivity of labour. Employee welfare is also in the interest of the larger society because the health, happiness, and efficiency of each individual represent the general well being of all (Gupta C B 2006).  

According to Dr. Parandikar, “Employee welfare is work for improving the health, safety and general well being and the industrial efficiency of the workers beyond the minimum standard laid down by labour legislation”. Welfare measures may also be provided by the government, trade unions, and non-government agencies in addition to the employer. The basic purpose of employee welfare is to enrich the life of employees and keep them happy and contented. Welfare measures may be both statutory and voluntary. Labour laws require the employer to extend certain benefits to employees in addition to salary. Voluntary benefits are the result of employer’s generosity, enlightenment, and philanthropic feelings (Rao V S P 2000).  

Reward System:

An incentive or a reward can be anything that attracts the worker’s attention and stimulates him to work. In the words of Burack and Boldsmith, “An incentive scheme is a plan or programme to motivate individual or group performance. An incentive
programme is most frequently built on monetary rewards (incentive pay or a monetary bonus), but may also include a variety of non-monetary rewards or prizes”. The enhancement of employees’ motivation to work is one of the major challenges facing the HRD system.

Rewards have five aspects, which have to be taken care of – value of rewards, amount of rewards, timing of rewards, likelihood of rewards, and their fairness. A reward system has the following important features: (Pattanayak, 2003)

- An incentive plan may consist of both ‘monetary’ and ‘non-monetary’ elements. Mixed elements can provide the diversity needed to match the needs of individual employees.

- The timing, accuracy, and frequency of incentives are the very basis of a successful incentive plan.

- The plan requires that it should be properly communicated to the employees to encourage individual performances, provide feedback and encourage redirection.

The popular criteria by which rewards can be distributed are: Performance, Efforts, Seniority, Skills held, Job difficulty, Discretionary time. Most organisations consider merit as the major criterion that will determine rewards.

Prabhakar Rao B (1993) dealt with the recruitment aspects pertaining to Award Staff and Supervisory cadre, training imparted to the staff since inception of the bank, functioning of HRD Department, service conditions of employees, trade unionism in all cadres of State Bank of Hyderabad and finally the industrial relations maintained in the bank.

2.19 QUALITY OF WORK LIFE (QWL)

Globalization and other dynamics of business have considerably changed trends in employment and have brought chaos and turbulence to organisations and individual employees alike. It is the time to reorganize the workplace around the idea of meaningful work – work that offers personal development, a social purpose, a decent standard of living, and a sense of economic security. Quality of work life can lay the groundwork for better lives for employees and increased organisational performance.

Louis Davis introduced the term ‘Quality of Work Life (QWL)’ in 1972 in an attempt to establish that performance is linked to involvement and satisfaction of employees at work places. Quality of work life is the overall quality of human
experience in the work place. It measures the way that participant in a system respond to
the socio-technical aspects of that system.

“Quality of work life refers to programmes designed to create a workplace that enhances
employee well-being”. (Thomas S. Bateman and Scott A. Smell: 2003)

“QWL is a process of joint decision making, collaboration and building mutual respect
between management and employees”. (Cohan D S 1979).

According to the American Society of Training and Development, QWL is a
process of work organisation, which enables its members at all levels to actively
participate in shaping the organisation’s environment, methods, and outcomes. This
value based process is aimed towards meeting the twin goals of enhanced effectiveness
of organisation and improved quality of life at work for employees” (Skirovan D 1980).

2.20 TOTAL QUALITY MANAGEMENT (TQM)

Total Quality is a total system approach (not a separate area or programme), and
an integral part of high-level strategy. It works horizontally across functions and
departments, involving all employees, top to bottom, and extends backwards and
forwards to include the supply chain and customer chain.

TQM is a continuous process of improvement for individuals, groups of people
and the total organisation. Unlike other methods, TQM is the concentrated focus on
continuous improvement. TQM is about changing the way things are done within the
organisation’s life-time (Rao, Subba, 2003). TQM means a continuous process of
improvement in all aspects of an organisation with the involvement of everybody. It is a
total systems approach and an integral part of corporate strategy. It is about changing the
way things are done so as to prevent failures.

HRD and TQM:

Human Resources play a vital role in Total Quality Management. The following
forces shape the Human Resource Development towards TQM:

- Opening the Indian economy to the rest of the globe through the globalization
  policy.
- Entrusting more priority for the Private Sector to play a constructive role in the
  restructuring and development process of Indian economy.
- Mounting competition among the industries across the globe.
- Successful organisations accord high priority to productively and systematically understanding and responding to current and future external customer needs.
- Human resources diversity and mobility are creating new employee needs and expectation about the future work culture.
- The information technology revolution is reshaping the core competencies needed in a knowledge economy.

The TQM approach has brought changes in the attitudes and expectations of the managers about the roles of Human Resource managers. Further, the expectations of stakeholders about the HRM profession have also been changing. But the business objectives and total quality HRM approach are to maximize customer satisfaction and market share through improved quality.

### 2.21 EMPLOYEE PARTICIPATION IN MANAGEMENT (EPM)

Participation means sharing the decision-making power with the lower ranks of the organisation in an appropriate manner. Participation has a unique motivational power and a great psychological value. It promotes harmony and peace between employees and management. When employees participate in organisational decisions, they are able to see the big picture clearly, i.e. how their actions would contribute to overall growth of the company. They can offer feedback immediately based on their experiences and improve the quality of decisions significantly. Since they are involved in the decisions from the beginning, they tend to view the ‘decisions’ as ‘their own’ and try to translate the rhetoric into concrete action plans with zeal and enthusiasm. Participation makes them more responsible. They are willing to take initiative and come out with cost-saving suggestions and growth-oriented ideas. The feeling of being treated as equals, forces them to repose their confidence in management and accept its plans of rationalization, and expansion, without raising serious objections. Bilateral decisions help in bringing out radical changes in organisational systems, plans, and procedures more easily.

According to International Labour Organisation (ILO):

“Workers’ participation may, broadly be taken to cover all terms of association of workers and their representatives with the decision-making process, ranging from exchange of information, consultations, decision and negotiations to more institutionalized forms such as the presence of workers’ as members on management or
supervisory boards or even management by workers themselves as practiced in Yugoslavia”. 177

According to Keith Davis 178 “participation refers to the mental and emotional involvement of a person in a group situation, which encourages him to contribute to group goals and share in the responsibility of achieving them”

2.22 HUMAN RESOURCE INFORMATION SYSTEM (HRIS)

HRIS is a systematic way of storing data and information for each individual employee to aid planning, decision-making and submitting of returns and reports to the external agencies (Khanka S S 2005). 179 HRIS is a method by which an organisation collects, analyses and reports information about people and jobs. It applies to information needs at macro and micro levels. It is basically a data base system that offers important information about employees in a central and accessible location. When such information is needed, the data can be retrieved and used to facilitate human resource planning decisions (Rao V S P 2000). 180

2.23 COMPETENCY MAPPING

Banks, in order to survive, have to be more technology driven, market sensitive, and customer-focused than at any time in the past. Competency Mapping is one of the strategies adopted by NPSBs. Competent employees will have to handle strategic roles to achieve better result. To identify the future roles of employees in a changing world, Competency Mapping is used as a technique by NPSBs.

2.24 STAFF MEETING

Banks conduct meetings at all levels frequently in order to make decisions on various issues through participative staff. Meeting is a participative forum for exchange of ideas, views and information, and to offer suggestions. The process of meeting enables the employees to enrich the knowledge and skills of others as well as their own.

Anjani Kumar Singh (2004) 181 attempted to identify how TQM was one of the important aspects of HRM. The author highlighted the TQM concept, objectives, and components. In addition, TQM and HRM, need and significance of TQM, benefits of TQM and requirement of success in TQM had also been dealt with. The challenge that lay ahead for banks was manifold. Banks, in the days to come had to provide their broad-based service package in the midst of stiff competition. To ensure their competitive edge in future, they had to fight with rivals in terms of quality of their customer services.
Saklani D R (2004) made an attempt to empirically evaluate the importance of various QWL factors pertaining to employees and to measure the status of their existence in work organisations. The required data were generated with a standard instrument having a sufficient degree of psychometric adequacy. The sample comprised 294 respondents of both managerial and non-managerial categories drawn from 24 organisations of different types. Rejecting the commonly held stereotype, evidence had been found to suggest that apart from monetary considerations, employees in India accorded a high value to the factors that satisfied self-esteem and self-actualization needs of a higher order. Similarly as against the observations of earlier researchers, the existing status of QWL in Indian organisations was not poor.

Uma Sekaran (1985) examined the QWL in the Indian banking industry as perceived by organisational members at different organisational levels and in different job positions. Several variables such as competence, performance, involvement, and satisfaction with various facets of the work life were taken into consideration for the purpose, since these are all indices of the QWL.

Ramesh Gelli (1988) explained the philosophy of participative management and quality circles techniques for participative management.

2.25 PROBLEMS AND DIFFICULTIES IN IMPLEMENTING HRD PRACTICES AND SUGGESTIONS FOR EFFECTIVE IMPLEMENTATION

HRD operates in a business environment full of risks and challenges. HRD is increasingly in the forefront to enhance the competitiveness of organisations through development of the employees. Due to globalization, our world has become borderless. Increasingly transnational employees are occupying key positions in the organisations. They bring with them unique values, ethics, systems, and culture, which affects the organisation

The generic functions of HRD like training, appraisal, career planning, and development need to be executed more effectively with less manpower and more quality to meet short-term strategies and goals of the organisation. One best practice in an organisation in one location may turn out to be worst in another part of the globe. All best HRD practices are evolved, and not borrowed. Therefore, every organisation should evolve their own system and processes of HRD, which suit their culture and meet their requirements. It is worth noting that successful adoption and implementation of HRD programmes and practices are critical determinants of organisational success and effectiveness.
Anil K Khandelwal (2004) investigated the changing landscape of Indian Banking, competitive strength, issues in the realm of human capital, key problems in the area of HRM and issues in HR requiring attention at strategic levels. At a time when most banks were undergoing technology-driven transformation and M&A appearing inevitable, the CEO’s had crucial role in directing HR function to improve levels of productivity and performance.

Sridhar A V identified the challenges and diagnosed the problems in the area of HRD. The paper also highlighted some of the actions and innovations successfully carried out by the HRD professionals in SAIL. The main purpose was to document the experience for the benefit of HRD professionals. The author identified some of the challenges before HRD and innovations in HRD to strengthen knowledge management.

Swain B K (2004) attempted to visualize the Indian banks by 2010. He highlighted some of the major challenges and trends, which were likely to emerge in the next ten years. They were fierce competition, advanced technology, merger and acquisition, relationship banking, profitability thrust, corporate governance, customer service, NPA management, HR policies, product innovation, service delivery and diversified activities. In a service industry like banking, human resources would occupy the pivotal part for making the bank services enduring.

Rajen Gupta (1990) undertaken an action research mode to simultaneously improve the implementation process and develop theoretical understanding about the process of implementation. Hence, he reported on a large HRD programme in a large organisation, illustrated interventions, which could improve the implementation, as well as examined the relevance of existing theoretical knowledge. He finally proposed a model of Multi-level Action Research System (MARS) for effectively implementing HRD programmes in large organisations.

Anil K Khandelwal (1988) suggested that planned change in the culture, technology, and management of total organisation could help banks to manage growth problems. He advocated the use of organisation development interventions to improve problem-solving capabilities.

2.26 HRD CLIMATE IN BANKS:

Human resource issues are increasingly critical to organisations in a dynamic business environment. One of the challenges for HRD is to ensure the development and management of an appropriate HRD climate since the HRD culture facilitates effective
implementation of HR systems. HRD climate is one that is development-oriented, supportive, motivational, and anchored in values (Agarwala, 2002).  

HRD climate refers to the tendency and environment where development of individuals and teams is given the highest priority and where human resources are considered the most important resource (Rao T V 2005).

A review of studies by Venkateswaran (1997) found that academicians and practitioners alike have attempted to crystallize the factors that influence or determine climate. Human Resource Practices emerged as one of the primary determinants of climate. Abraham’s study (1989) shows that it is good HRD Climate rather than HRD practices by themselves that are responsible for organisational performance. Hence, it is important that organisations continuously strive to improve, innovate, and evolve new HRD mechanisms so as to lead to a developmental climate.

According to Rao and Abraham (1986) HRD climate is characterized by values, such as, treating employees as the most important resource, believing in the capability of employees, encouraging risk taking, communicating openly, promoting trust, supportive personnel policies, and development-oriented HR mechanisms. Organisations differ in the extent to which they exhibit these values and can be profiled based on these tendencies. Such a climate has been termed as OCTAPAC and can be called the HRD climate (Rao 1999). The components of OCTAPAC climate are: Openness, Confrontation, Trust, Autonomy, Proactivity, Authenticity, and Collaboration.

The significance of HRD climate was emphasized by Rao (1986). Providing a broader perspective of HRD, Rao (1986) proposed that HRD means building competencies, commitment, and culture. All three are needed to make an organisation function well. The culture provides the sustaining force for organisations.

Abraham (1989), in his survey found that the perception of the HRD climate of the company was more important than the HRD practice itself. The study indicated that the HRD climate is a powerful intervening variable in translating HRD practices into profit. Even if the climate does not show any direct linkages, logically it makes sense to have a good HRD climate for the benefit of the organisation. The HRD climate is one that results from beliefs of the top management initially and subsequently from the HRD systems and practices. Competence and commitment can be built on a continuous basis in a certain type of culture. Hence creating a culture becomes important in any organisation.
Theoretical models of HRD have emphasized the development of motivated, dynamic, and committed employees as a means to improved organisational performance. These models also suggest that a nurturing culture based on humanistic values was imperative for actualizing employee potential. In their systems framework of HRD, Pareek and Rao (1992) identified the culture system as one of the component systems, a healthy climate being essential for developing human resources.

Explaining the linkages between HRD instruments/practices, processes, outcomes, and organisational effectiveness, Rao (1990) proposed that the HRD instruments, if effectively used could create a conducive HRD culture. In addition, various HRD practices contribute to organisational effectiveness through HRD climate and HRD outcomes such as higher levels of employee competence, motivation, and commitment. Rao’s model proposes that, other things being the same, an organisation that has better HRD climate and processes, and competent and committed employees, is likely to do better than an organisation that scores low on these counts. Athrey, in his HRD framework (1988) also suggested that a positive HRD climate was important to make the organisation more receptive to the introduction of relevant additional systems, and make the existing systems more effective.

Abraham (1988) studied HRD climate in banks with the help of structured questionnaire. Though his study dealt extensively with the climate, it suffered from the limitation of the scope of the study.

Udai Pareek (1988) suggested for the creation of HRD climate, developing HRD strategy, introducing HRD spirit for the effective implementation of HRD techniques in banks.

Rao T V (1988) dealt with the creation of HRD climate, developing a family culture and performing development and counseling roles.

Udai Pareek (1988) focused on the main roles of top management in terms of building image and climate, integrating HRD in line management and building HRD as a special function. In addition, mechanism and emphasis of HRD as line responsibility were also dealt with in this paper.

Arif Hassan, Junaidah Hashim & Ahmad Zaki Hj Ismail (2006) conducted a study with the aim to measure employees' perception of Human Resource Development (HRD) practices, to explore whether ISO certification led to any improvement in HRD system, and to examine the role of HRD practices on employees' development climate and quality orientation in the organisation. He found that
Organisations with better learning, training and development systems, reward and recognition, and information systems promoted Human Resource Development climate. Quality orientation was predicted by career planning, performance guidance and development, role efficacy, and reward and recognition systems.

Kaliyamoorthy S and Mohan Kumar R (2001) conducted a study with an enumeration of the respondents’ perceptions about various work-related and organisation-related cultural feature. It was conducted from a group of 30 employees and 20 executives selected from various units of public limited companies. It concluded that there were implications that affirm both the positive and negative points about the organisational culture prevailing in the organisation. The findings suggested that the management had to enhance the quality of its culture, which constituted the commitment of the people in the concern.

Agarwal R K (1989) explained the objectives and structure of HRD department, HRD climate and various techniques of HRD in the Bank. This paper also suffered from the same limitations of T.P. Raman’s paper.

2.27 HRD OUTCOMES

The HRD tools if effectively used can create a conducive HRD culture and HRD learning processes. HRD culture and processes can result in more observable and quantifiable outcomes. The HRD outcomes may include a higher level of competencies of the employees (technological, managerial, human relations and conceptual), better utilization of human resources through better-developed roles, higher work commitment, work motivation, greater teamwork, and synergy. The HRD outcomes can influence the organisation’s business goals, which may be in terms of higher productivity, cost reduction, more profits, better image and more satisfied customers and stakeholders.

Rani Geetha Priyadarshini R & Venkatapathy R (2005) examined the extent to which HRD was practiced in the banking industry and if there could be any relevance to their performance. The major findings were:

- The HRD practiced in the banks has a strong influence on their performance.
- Private Banks have placed low emphasis on HRD practice in their organisations, which may be due to lack of adequate orientation and resource allocation towards developing their human factor.
- Top performing banks have higher extent of HRD practice in their organisations, which influences the effectiveness of their organisations.

Thus, it could be concluded that high extent of HRD practice and better performance go hand in hand and vice versa.
Suresh A M, Raja K G & Vijayalakshmi S (2004) examined the factors of job satisfaction i.e. work environment, goal setting, job security and monetary benefits, employees progress, career growth opportunities, need satisfaction, achievements, status and leadership. The objectives of the study were:

- To identify the influencing factors of job satisfaction of the public and private sector bank employees
- To understand the relationship between the factors influencing job satisfaction
- To make a comparative analysis of public and private sector bank employees regarding job satisfaction

This research paper focused on understanding the attitudes of employees’ towards job satisfaction. The researchers of the study identified 8 factors, which have significant impact on job satisfaction of the employees as detailed in the analysis. Based on the present study, the researchers recommend that the public and private sector banks should keep these identified influencing factors in mind while formulating and implementing HR policies to enhance the bank employees’ productivity levels in their respective organisations.

Singh H M P and Gupta G P emphasized that “Organisations need to develop concern for its growth as well as its health to prepare itself for facing newer challenges. Factors, which had affected organisation in the last decade, had been enumerated in the paper. HRD mechanism had been explained in detail to enhance capabilities of employees and re-energize an enterprise. Managers had to play an active role in moulding organisational climate and culture to convert talent into superior performance. It had been suggested to integrate and re-orient HRD in all our functioning in an organisation to change the mind-set of people and surmount challenges”. They concentrated on two issues i.e. HRD or organisational renewal and the various mechanisms used to enhance the capabilities of employees.

“Promoting Productivity in Banks” Report 5 - IBM Financial Services (2003). This research indicates a clear need for banks to align strategy and process with capital, technology and HRM in order to achieve gains in productivity and efficiency. The report highlighted the importance of HRD practices in banks. Human Resource Development-driven productivity, improvement measures would require, hiring the best possible talent, training and retraining, imparting multiple skilling, competitive compensation and incentives, encouraging team work, successions/transfer/promotion planning and job enrichment.
Peter Kangis & Peter Kareklis (2001) surveyed managers of a sample of private and public banks in Greece through the vehicle of agency theory. It was found that managers in private banks showed greater alignment of interests with those of the bank, their pay related to outcomes and they were more mobile in their jobs. Private Banks also used more control mechanisms to align interests of their managers with those of the bank and displayed a different working climate. Given evolving organisation structures resulting from deregulation, the convergence of Information Technology and communications, and the entry of firms from other industries, the implications of the findings for governance are important.

Srivastava T N & Sharma A K (1984) focused their attention on the relevance of the concept of productivity in banks and evolved some indicators, which could be considered as indices of productivity in banks. Indicators of productivity in banks had also been presented and analyzed to assess the productivity of each of the 14 banks nationalized in 1969.

2.28 ORGANISATIONAL EFFECTIVENESS

The following are the essential components implied in this regard:

- Aligning HRD with business by linking HRD strategies with corporate strategies.
- Instituting appropriate HRD structures to translate these strategies into action.
- Hiring competent HR staff and developing HR competencies among other employees.
- Having appropriate HRD tools or instruments (systems and practices).
- Generating the right HRD climate and processes through HRD tools and styles.
- Enhancing the satisfaction and motivational levels of employees through the above.
- Having more satisfied customers and getting better business results.

The above components give scope for other factors and their influence on the linkage between HRD variables and organisational effectiveness.

Rani Geetha Priyadarshini R examined the impact of HRD on organisational effectiveness with special reference to the banking industry. Recognizing the impact of HRD on organisational effectiveness and the importance of HRD in the banking industry, it had given an impetus to study:

- The extent of HRD practices in the banking industry.
- The extent of organisational effectiveness in the banking industry.
- The HRD practices and its impact on organisational effectiveness among the officials belonging to categories of banks.

She concluded that HRD positively influenced organisational effectiveness and hence the performance of banks i.e., as the respondent scores on HRD increased, the scores on OE also increased which further influenced the performance of banks. In this connection, it was proposed that firstly, the concept of HRD should be well defined and conceptualized before it was being introduced in any banking organisation. Secondly, the executive cadre of the bank should be helped to develop people oriented perspective, re-orient their basic attitudes and behavior. Thirdly, the government should shoulder the responsibility of ensuring excellence through the process of appropriate policy formulation, rendering timely guidance and developing accountability in the top management of the banks to initiate appropriate changes, to create a climate of performance in the banks.

**Usha Sunderarajan (1991)** determined the factors, which contributed to organisational effectiveness and to differences, if any, in the effectiveness of public and private sector organisations. The study compared the various climate factors, which tended to increase or diminish the effectiveness of organisations, taking into account two public sector banks and one private sector bank.

From the comprehensive review of literature, it is clearly evident that presently very few empirical studies are available on HRD instruments and sub-systems. As such, there is an imperative need for studies dealing with the effectiveness of these subsystems. Most of the literature available on these subsystems also comprises of mostly case studies. Practically, there is very little information available on other important instruments of HRD like potential appraisal, quality circles, and Human Resource Information System and communication policies.

Though research works on the theme of HRD are available, they all have focused on the theme of HRD in general and with reference to certain corporate bodies in particular, out of which only a very few are related to banking field. The careful examination of the above review on HRD in various banks reveals that these studies are confined to only individual aspects, limited to a particular bank and to a particular aspect of HRD. Further, it seems that almost the entire review is based on the personal experience of the bank executives rather than findings of an empirical study. Therefore, it is felt necessary to take up, a comprehensive and integrated outlook based on an empirical study of HRD in Banks and thus is the scope for the present study.
REFERENCES


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