CHAPTER---5th

CONCLUSIONS, SUGGESTIONS
AND
POLICY IMPLICATIONS
"If you wish to plan for a year, sow seeds,
If you wish to plan for ten years, plant trees,
If you wish to plan for a life time, develop human resources"

(Kuang Chung Trum)

**Introduction:** - The banking as an important component in the infrastructure for economic development can not be lost sight of. The need for proper functioning of banking industry for socio-economic development can not be understated.

Human resource is the most critical for attaining the competitive edge for any organization, because human resource can neither be imitated nor replaced in spite of the highest degree of automation.

Human resource management is concerned with management of human resources for the purpose of increasing and enhancing the overall performance of any organization, more particularly in the knowledge-based service industries such as banking industry. For more than a decade now, there has been a lot of research going on in different countries of the world, though mostly in USA and UK, in the areas of HRM Practices and organizational performance and the linkages thereof. The stress is being laid on to prove with the help of empirical studies that HRM Practices have an impact on the overall performance of the organization. Research has proved that positive relationship does exist between HRM Practices and organizational performance. HRM Practices taken severally or as a system with internal and external fit situation have come to be realized as a result of findings of the empirical studies conducted in different corners of the world. Much confusion is still going on with regard to methodology and control variables to isolate the effects of other
resources from the effects of HRM Practices on organizational performance.

With this background in view, the study has been conducted largely in an unexplored but fascinating field of research in the Indian context. The major focus of the study has been the relationship of different HRM Practices with measures of perceptual organizational performance in banking industry in India. The study covers four commercial banks drawn two each from public and private sectors. With a view to provide a proper direction to the study, a set of working hypotheses has been set up. The research approach employed consisted of: (1) review of available literature, (2) field survey and study of reports and records.

With the outlined objectives and methodology, the present study has been divided into five chapters. These include introduction and research methodology, literature review, evolution of HRM Practices in banking industry in India, results and discussions for studying the relationship between HRM Practices and perceived organizational performance and the present chapter i.e. conclusions, suggestions and policy implications. The present chapter recapitulates the findings of the study and conclusions drawn and highlights the implications of these conclusions for improving the performance of banking industry in India. The present study is a deviation from earlier longitudinal studies on the topic in so far as it covers only banking industry in India, which is only a part of the financial system in India.

CONCLUSIONS

A complete chapter under the heading results and discussions which includes Human Resource Management Practices and
Perceived Organisational Performance — an interface, of this study has been devoted to make exhaustive and comprehensive analysis of the data collected through field survey. The summary of the findings has been recapitulated in the following few lines:

- The respondents mostly perceived satisfactory level of HRM Practices followed by unsatisfactory and good respectively, so far as overall banking industry in India is concerned.
- HRM Practices in the private and public sector banks followed the same order as that of overall industry but there were glaring differences in the convergence of different levels of perception.
- HRM Practices in the organisations under study presented a different view i.e. there are deviations between the organisations within the same sector and also among organisations between the two different sectors.
- The dimension-wise frequency distribution of various HRM Practices varies significantly in the overall scenario but the satisfactory level dominates the frequency for various practices.
- There are huge differences in dimensions-wise frequency distribution of the public and private sectors on different ratings of good, satisfactory and unsatisfactory levels on HRM Practices and the frequencies for various dimensions largely differ from each other.
- The dimension-wise frequency distribution of various HRM Practices of the four organisations under study presents a dissimilar view, though mostly all the HRM Practices are perceived to be satisfactory.
- In the overall profile of the HRM Practices in banking industry, it
was found that induction has the highest mean percentage and thus obtained rank 1 among the ten practices and compensation with the least mean percentage and ranks last.

- The sector-wise descriptive statistics show that induction, hiring and selection, training and development, employment security and job definition are ranked similarly, though with varying mean and mean percentages while as compensation, performance appraisal, promotion and career planning, employee participation and information-sharing and value-added incentives, the ranks vary considerably with different means and mean percentages.

- The profile of public sector banks suggest that only the HRM Practices of induction, performance appraisal and information sharing and employee participation receive the similar ranks and the seven HRM Practices of hiring and selection, training and development, employment security, compensation, promotion and career planning and value-added incentives differ so far their descriptive statistics and ranks are concerned.

- Except for the HRM Practice of induction where there is the same rank, the ranks for all the nine remaining dimensions are different in the case of two private banks.

- The overall index of POP reveals that the respondents have a satisfactory perception about the organizational performance, followed by good and unsatisfactory perceptions respectively.

- Nature of ownership does not reflect any difference in the quality of perception for different levels of good, satisfactory and unsatisfactory, though there are differences in the frequencies and the consequent percentages.
The index of organization-wise perception reflects that the respondents have a perception of satisfactory organizational performance in all the four banks but with deviations in frequencies and the consequent percentages.

There is also same perception about good and unsatisfactory organizational performance, though with varying frequencies in all the four banks except that of the HDFC bank.

The dimension-wise frequency distribution suggests that all the measures of organizational performance are perceived to be satisfactory followed by good and unsatisfactory levels respectively.

Dimension-wise frequency distribution suggests that the good level is shared by each sector equally. The public sector has more frequency in case of six measures of POP and only two measures of POP from the private sector have more frequency. In case of unsatisfactory rating, five measures of POP receive more frequency in private sector while the public sector has more frequency in case of three measures of POP.

The nature of organization affects the dimension-wise frequency distribution of organizational performance on different ratings of good, satisfactory and unsatisfactory levels. There are deviations among various organizations within the same sector and also between the two different sectors.

The overall dimension-wise descriptive statistics suggests that profile of different measures of performance is very good as depicted by means and standard deviation of various dimensions. Return on equity has been ranked as number one with a mean percentage of 87.066. Branch heads have a very
good perception of all the eight measures of organizational performance.

- Nature of ownership has an important bearing on the profile of various measures of perceived organizational performance, as all the dimensions receive different means, mean percentages and ranks in public and private sectors.

- Organisation-wise analysis of the profile of POP reveals that all the organizations reflect variations in ranks of all the measures of organizational performance, confirming the organizational effects on performance profile. This is true about the organizations within the same sector and also belonging to different sectors.

- HRM Practices for the whole industry are positively correlated with each other except employment security and value-added incentives which have a negligible negative correlation.

- Various measures of POP for the banking industry are positively correlated with each other.

- Most of the HRM Practices and POP for the overall banking industry in India are positively correlated. Out of eighty correlation co-efficients, there is only one negative coefficient between BPE and employment security with a value of -0.042 that too is non-significant.

- HRM Practices for the public sector are also positively correlated with each other as 42 out of 45 correlation coefficients are positive with varying degrees.

- All the twenty-eight correlation coefficients are positive so far as the measures of POP are concerned in case of public sector.
The relationship of HRM Practices and measures of POP is positive, as seventy nine out of eighty coefficients are positive in case of public sector.

The relationship among various HRM Practices in private sector is positive, as 44 out of 45 correlation coefficients are positive except one between employment security and value-added incentives.

The relationship among various measures of POP parameters is positive as twenty-five correlation coefficients out of a total of 28 are positive with varying degrees of association.

HRM Practices are positively correlated with measures of POP in case of private sector as there are seventy four positive correlations out of a total of eighty correlation coefficients. The negative coefficients are having a very insignificant value.

The effects of the nature of organization are evident from the fact that in case of new-generation private sector bank, the HRM Practices are highly positively correlated among the HRM Practices, as all the forty five coefficients are highly positive.

Most of the measures of POP in case of new-generation private sector bank show perfect positive correlation with each other, while some measures show a negative correlation.

HRM Practices and measures of POP in case of new-generation private sector bank are positively correlated as most of the eighty correlation coefficients are positive with some having the perfect correlation.

All the HRM Practices in the case of the old-generation private sector bank are positively correlated with varying degrees of association.
➢ All the measures of POP in the case of old-generation private sector bank are positively correlated barring three non-significant negative correlation coefficients.

➢ Majority of the HRM Practices and measures of POP are positively correlated and just seven out of eighty correlation coefficients with non-significant correlation values are negative.

➢ HRM Practices of the public sector bank (SBI Group) are positively correlated as forty two out of forty five correlation coefficients are positively correlated.

➢ The measures of POP are positively correlated with each other barring few exceptions with very non-significant values in case of banking organization associated with SBI Group.

➢ All the eighty correlation coefficients, barring three non-significant correlation coefficients, between various HRM Practices and measures of POP are positive with varying degrees of association.

➢ Majority of HRM Practices do have a positive correlation between each other with varying degrees of association in the case of the public sector nationalized bank (PNB) under study.

➢ The measures of POP in the case of public sector nationalized bank (PNB) are positively correlated with each other in majority of cases with some variation in the degree of association in spite of some low level negative correlation coefficients.

➢ With some very low level negative correlation coefficients, the most of the correlation coefficients between HRM Practices and POP indicators are positive in the case of public sector nationalized bank (PNB).

➢ Comparative analysis of public and private sectors reveals that there are significant differences between the sectors as is evident
by the 't' values and 'p' values in respect of HRM Practices and measures of POP.

- Comparative analysis of the organizations within the same sector also reveal glaring differences regarding their HRM Practices and POP indicators as supported by the 't' and 'p' values.

- The rank correlation matrix for the total sample, public sector, private sector and individual bank organizations reveals that barring new-generation private sector bank the quality of HRM Practices is qualitatively similar though differences do exist quantitatively.

- The rank correlation matrix among various segments reveals that there are qualitative and quantitative differences in case of the measures of POP.

- For the purpose of comparison of four banking organisations by using the one-way un-stacked ANOVA, it was found that seven out of ten HRM Practices have statistically significant 'p' values, thereby confirming the deviations in various organisations under study, as hypothesized.

- Comparing the banking organisations on the basis of measures of performance, it was found with the help of one-way un-stacked ANOVA that three measures of organisational performance have statistically significant 'p' values.

SUGGESTIONS & POLICY IMPLICATIONS

The key to the success of any organization lies in how efficiently and effectively the organization manages its human resources. The principle applies equally and perhaps more aptly to service institutions like banks. The issue is all the more relevant to the banking organisations in India, which are striving hard to keep pace
with the unprecedented technological changes and meet the challenges of globalization.

As for Human Resource Management, for the banking industry, there is no other input except human resources and the output depends entirely on the quality of human resources and we have a lot of ground to cover in this area. There are many constraints because it is a part of the public service that provides job security. But development of this area is vital (Bimal Jalan, 1999-2000).

Various HRM Practices have been acquired in banking industry in India through a very gradual and reactive process. Since these practices have been acquired at different stages, they are neither cohesive nor complementary and may not be in line to the desired current business activities and expected future diversifications. The need of the hour is not the routine casual and gradual approach but a proactive, instant and multi-pronged approach to cope with the varied challenges, like unprecedented technological development, competitive environment, diversified composition of human resource, increasing expectations of the customer, effects of financial reforms within the country and the globalization. Given these realities, the banks are under tremendous pressure to initiate newer approaches, take efforts to sustain these initiatives and a higher degree of professionalisation of HRM function, which in turn calls for a paradigm shift in managing human resources in banking industry in India. As has been rightly put by A K Jain (2001), “It is suggested that instead of routine innovations Indian organizations need to foster revolutionary changes in their perspective, positioning and purpose with people (skilled and knowledge-owning) being the central fulcrum driving high performance and excellence”.

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In order to meet the global standards and to remain competitive, banks need to recruit specialists in various fields such as Treasury Management, Credit management, Risk Management; IT related services, HRM etc. in keeping with the segmentation and product innovation. The recruitment and selection system should be based on internationally acceptable personality traits to be globally competitive. Again the precarious situation of public sector banks and old-generation banks can be cured by doing away with the limitations put on by the government (like reservations and other things) and other regulators.

The banking industry has to attract the best talent from the market to maintain the required competitive edge vis-à-vis global players. However, the issue of critical importance is how talent is integrated and sustained in the banks. Therefore, a proper system of talent management has to be put in place by all the banks. To institutionalize talent management, the first priority for the banking industry would be to spot, recognize and nurture the talent from within.

Fast track merit and performance based promotions from within, which has been initiated would have to be institutionalized to inject dynamism and youthfulness in the human resource in two public sector banks and old-generation private sector bank under study. Further, horizontal promotion can also be introduced instead of existing system of vertical promotions so that frustration of the employees due to non-promotion can be cured. The case of new-generation private sector bank is quite opposite as the average age of workforce is very young and promotions are purely based on merit and performance.
Although, there has been a huge investment in providing training to the human resource, yet the objectives of providing training have not been fully achieved. The skills of the bank staff should be upgraded continuously through training. In this regard, the banks may have to re-look at the existing training modules and effect necessary changes, wherever required. Refresher courses, seminars and conferences on all relevant and emerging issues should be encouraged.

As the entire Indian banking industry is witnessing a paradigm shift in systems, processes, strategies, it would warrant creation of new competencies and capabilities on an on-going basis for which an environment of continuous learning would have to be created so as to enhance knowledge and skills.

It is suggested that besides imparting job specific training and expertise, the training system should focus on building coping and adaptive skills and should be linked to career progression. Since the performance appraisal system has often been doubted by the employees and found to be subjective. Rohmetra (1999-2000), while commenting on performance appraisal system in SBI and J & K Bank Ltd. has remarked, "The performance appraisal system in both the banks requires to be strengthened. While at SBI, traces of favouritism are present in the system, at J & K Bank it is completely biased and based on favouritism".

In the light of these findings, performance appraisal system in public sector banks and old-generation private sector bank under study needs to be made fairly objective and standard, devoid of any nepotism and favouritism so that the performance appraisal system serves as an important input for promotions, reward and salary administration, training and placement etc. The subjectivity of
writing the annual performance reports by the superiors should be made transparent, which will make the relations between superiors-subordinate most cordial. The subjectivity of writing performance reports can be done away with by resorting to 360 degree performance reporting.

From the perusal of profile of HRM Practices, it can be seen that compensation has a very low profile. This should be taken care of because of its critical nature. The present system of bipartite wage settlement is influenced by those factors which are in no way complementary to the organizational performance. These wage settlements are worked out in compliance with the salaries of the government employees. Therefore, reward and compensation as an important component of HR Management presently does not have any linkage to skills and performance. A system of reward and compensation that attracts, recognizes and retains the talent, and is commensurate with performance is an urgent need of the hour for the banking industry in India, particularly where compensation is not linked to performance. The performance related salary and incentives will hopefully save the public sector and old-generation private sector banks from the already unfavourable composition of workforce vis-à-vis skill and average age due to large scale exodus of competent and young human resource as a result of VRS introduced in banks.

Another study finding is that sharing of information and employee participation in decision-making process is at very low ebb signifying that the employees are not encouraged to take initiatives. Such a phenomenon hampers the individual as well as the organizational performance. This situation calls for immediate shift as today’s customer expects banking services at their door step. The
employees, therefore, should be entrusted with responsibilities and allowed to take initiatives and take decisions.

Public sector banks and old-generation private sector banks are sandwiched between regulated labor laws on the one hand and demands for organisational excellence and performance on the other. Employment security in today’s competitive environment has lost its relevance so far as organizational performance is concerned because security of job is hardly the solution to encourage the non-performers to perform. Job security should also be linked to performance which is necessary for the overall organizational performance.

Concluding the discussion on the topic, it can only be reminded that no organization can exist without human resources and the management of human resources is the key to the long-term survival and success of any organization, particularly in today’s competitive environment. This has been rightly expressed by Dave Ulrich (1998), “HR has never been more necessary. The competitive forces that managers face today and will continue to confront in the future demand organizational excellence. The efforts to achieve such excellence through a focus on learning, quality, teamwork and reengineering are driven by the way organization get things done and how they treat their people. These are fundamental issues. To state it plainly achieving organizational excellence must be the work of HR”.

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