CHAPTER 3

AN OVERVIEW OF QUALITY OF WORK LIFE AND INDIAN BANKING INDUSTRY

3.1 QUALITY OF WORKING LIFE – AN OVERVIEW

Quality of Working Life (QWL) as a theoretical concept aims to capture the essence of an individual’s work experience in the broadest sense. The QWL of an individual is influenced by their direct experience of work and by the direct and indirect factors that affect this experience. From organisational policies to personality, from feelings of general well-being to actual working conditions, an individual’s assessment of their Quality of Working Life is affected as much by their job as what the individual brings to the job. In particular, QWL is influenced by job satisfaction as well as factors that broadly reflect life satisfaction and general feelings of well-being.

There is evidence to indicate that improvements to perceived quality of working life can have a range of benefits. For example, the UK’s Somerset County Council conducted a study to improve the QWL of their employees in an attempt to reduce workplace stress and the level of sickness absence within the organisation. The resulting reduction in sickness absence levels from staff (from 10.75 days in 2001-02 to 7.2 days in 2004-05) represented a total net saving of approximately £1.57 million over two years.

As well as reflecting best practice in management of human resources, attention to QWL is important for employers who have a legal duty of care for the health and safety of their employees. Indeed, in the UK the assessment of psychosocial hazards is required under Health & Safety (HSE) legislation.
Management of a business is responsible to co-ordinate human and material resources for achieving organisational objectives. It is very easy to handle material resources. But without efficient use of human resources, management can never accomplish objectives of the undertaking. Even in those industries where automatic machines have been introduced, labour is still regarded as a dominant factor for increasing the profitability. No industry can be rendered efficient so long as the basic fact remains unrecognised that it is principally human. It is not a mass of machine and technical processes but a body of men. It is not a complex of matter, but a complex of humanity. It fulfills its functions, not by virtue of some impersonal force, but by human energy. Its body is not an intricate maze of mechanical device but a magnified nervous system.

The quality of the work life has an important bearing on the total quality of the people. A high quality of work life leads to a better quality of life of the people and vice versa. Thus quality of work life has been considered as a means and at the same time an end in itself. It is an end because the total quality of life can be achieved only through the quality of work life. As a means the experience gained through work life helps workers to acquire excellence, high amount of civic competence and better skills which are necessary for the total development of man power. A worker’s life cannot be divided into two watertight compartments, one inside the factory, and the other outside it. The two are closely bound together, so that the troubles and joys of off job life cannot be put aside when reporting for work in the morning, nor can factory matters be dropped when returning home after work. Culture, customs and norms, images and attributes conferred by society on particular jobs, professions and occupations and the workers home life—all play a strong motivational role.

Low productivity and growing discontentment among the employees at work are the two problems that most of the developing nations face today. The work has become unattached to the worker. It has never become a part and parcel
of his basic nature and consequently he does not do justice to his work. The only panacea to the problem is improving the morale of the work force.

Morale refers to a feeling of enthusiasm, zeal, confidence in individual or groups that they will able to cope with the tasks assigned to them. A person’s enthusiasm for his job reflects his attitude to work, environment and to his employer, and his willingness to strive for the goals set for him by the organisation in which he is employed. Morale affects output, the quality of a product, costs, co-operation, enthusiasm, discipline, initiative and other ingredients of success. It affects an employee’s or a group’s willingness to work and co-operate in the best interest of the individuals or groups and the organisations for which they work. One of the most interesting approaches to improve the morale of the workers is improving the quality of work life.

The term quality of work life appeared in research journals only in 1970s. It is not only monetary aspects that a modern employee concerns himself with but also conditions of employment, interpersonal conflicts, role conflicts, job pressure, lack of freedom of work and absence of challenging work etc. As the style of management has changed from paternalistic to democratic, as the expectations of employees with an impending need to achieve more and more productivity and efficiency, employees look forward to the conductive and congenial working conditions and favorable terms of employment. As such productivity and efficiency of an organisation largely depend upon the quality of work life provided by the organisation.

3.2 EVOLUTION OF THE CONCEPT OF QWL

The evolution of QWL began in late 1960s emphasizing the human dimensions of work by focusing on the quality of the relationship between the worker and the working environment. QWL as a discipline began in the U.S. in September 1972 when the phrase was coined by Louis Davis at a “Democratization
of Work” conference held at Columbia University’s Arden House to discuss two
movements. The first was a political movement in Western Europe called
‘Industrial Democracy’. Militant, socialist labor unions were lobbying the
parliaments and assemblies of England, France, West Germany, Sweden and
Italy to legislate worker participation in corporate decision making. The second
movement was the emergence in the U.S. of a number of social science theories
about “humanizing the workplace”. This shows that the model that evolved
during the early years called for formalizing labor management cooperation at
the workplace by establishing joint committees at various levels to define,
diagnose and devise solutions to day-to-day work problems. For instance,
participation programs emerged from contract bargaining between General
Motors Corporation and United Auto Workers Union was called Quality of Work
Life in 1973 which was aimed at increasing workers’ satisfaction with their jobs
by giving them more information and a voice in decision making.

QWL has been interpreted and viewed in different ways. Rosow (1977)
explains the importance of work more in detail and relates it to success and
failure of a man in his society. According to him, “work is the core of life,
considering the deeper meaning of work to the individual and to life’s values.
Work means being a good provider, it means autonomy, it pays off in success
and it establishes self respect or self worth. Within this framework, the person
who openly confesses active job dissatisfaction is verily admitting failure as a
man, a failure in fulfilling his moral role in his society”. Robert H.Guest (1979),
a noted behavioral scientist talks about feelings of an employee about his work
while defining QWL. He further points out the effect of QWL on person’s life.
According to him, “QWL is a generic phrase that covers a person’s feelings
about every dimension of work including economic rewards and benefits,
security, working conditions, organizational and interpersonal relations and its
intrinsic meaning in the person’s life”.
Walton (1979) who has taken up extensive research on QWL can be considered as the major contributor to this concept. He asserted that the measuring of QWL with his famous eight factors/elements was easy and practicable. According to him QWL is the work culture that serves as the cornerstone of any organization. The work culture should be recognized and improved to enhance the QWL.

During the past in the development process, QWL has been conceived as variable, as an approach, method, movement and finally as everything. The term QWL has acquired many different definitions due to the contributions made by different people in different phases.

The evolution of the concept, has mainly gone through three phases namely i) Scientific Management ii) Human Relations Management iii) Socio Technical Movement.

In the scientific management phase, the time and work study, division of labor and incentive schemes, tried to improve work life of employees.

The scope of QWL which originally included only job redesign efforts based on the socio technical system approach has gradually widened very much so as to include a wide variety of interventions like:

1  Job enrichment
2  Stress management
3  Job satisfaction
4  Promotion and Career Planning
5  Quality circles
6  Suggestion Schemes
7  Employee Participation
8  Empowerment
9    Autonomous Work Team
10   Flexible Organization Structure
11   Socio Technical Work System.

3.2.1 Definitions of quality of work life

Quality of work life has been defined by many authors in various periods of evolution.

Glowsen (1971) Quality of work life is basically permitting “every employee to develop himself through his work and to take on responsibility.”

Walton (1973) Quality of work life thinking stands at the confluence of two separate streams of thought: one to humanize the workplace and the other to improve productivity. It is most commonly directed at private-sector organizations with a view to “improve both productivity for the organization and the quality of working life for its members.

Srivastava et al., (1975) In an extensive review of the QWL literature several correlate with job satisfaction were extracted including the intrinsic nature of the work, autonomy, democratic and Supportive supervisory style and an organisation climate which reflect support, open communication and autonomy.

Suttle (1977) QWL is defined as the degree to which work is able to satisfy important personal basic needs through their experience in the organisation is no longer relevant.

Johnston et al., (1978) Quality of work life (QWL) consists of opportunities for active involvement in group working arrangement or problem solving that are of mutual benefit to employee and employer.
Lippitt (1978) A term broadly referring to the degree to which work provides an opportunity for an individual to satisfy a wide variety of personal needs: to survive with some security, to interact with others, to have a sense of personal usefulness, to be recognized for achievement, and to have an opportunity to improve one’s skills and knowledge.

Warr and Wall (1979) Quality of working life is considered as a range of apparently relevant factors, including work involvement, intrinsic job motivation, higher order need strength, perceived intrinsic job characteristics, job satisfaction, life satisfaction, happiness, and self-rated anxiety.

Nadler and Lawler (1983) QWL refers to an individual’s perception of, and attitudes towards, his or her work and the total working environment. In simple words, QWL can be defined as an individual’s evaluative reactions to, and satisfaction with, his/her work and the total working environment.

Havlovic (1991) QWL include job security, better reward systems, higher pay, opportunity for growth, and participative groups among others.

Knox and Irving (1997) QWL practices and policies determine the organizational environment, and organizational development interventions operationalize the Constructs. Individual employee perceptions concerning strengths and weaknesses in the total work environment and what is or is not desirable in the workplace are other foci for research.
3.3 FACTORS INFLUENCING THE QUALITY OF WORK LIFE

Various criteria have evolved in the past four decades to measure QWL. The pace and scale of change in organizations in recent years has brought about a renewed interest in the issue of the quality of people’s work lives.

Walton (1975) has taken up extensive research on QWL. In fact, measuring of QWL has become easy and practicable with the eight factors/elements that Walton has proposed. According to him QWL is the work culture that serves as the cornerstone and he says that the work culture of an organization should be recognized and improved to nurture the QWL of that organization. Kiernan and Knutson (1990) applied these variables and found that these variables have an influence on quality of work life. This research is based on the Walton’s eight factors to determine the quality of work life.

It is relevant here to make an attempt to identify the most important areas that contribute to Quality of Work Life in different perceptions. These dimensions of QWL have to be dealt with meticulous care. The following dimensions appear to be common to most of the studies and the researcher constructed a conceptual model based on these dimensions and they are

1. **Adequate and Fair Compensation**: Out of the other factors the compensation plays greater role in employee’s job satisfaction. Especially in a country like India, where the employee welfare and security programmes take the back seat, the compensation is the main sources of satisfaction to the employees. It includes all other fringe benefits and social welfare provisions.

What is adequate and fair compensation is another point for discussion. What is adequate at one place may not be same in an other. Urban based organizations usually compensate the extra cost of living through higher dearness allowances, keeping the basic pay unaltered.
2. **Safe and Healthy Working Conditions:** Physical working conditions are the second most important aspect in measuring QWL. Employees who spend considerable time at their work-place consider the physical working conditions as an important factor, especially in chemical industries, engineering industries, fertilizer industries and textile and garment industries where possibility of occupational hazards exists.

3. **Opportunity to Develop Human Capacities:** An employee can be satisfied if we provide an opportunity to use and develop his human capabilities. This is what is termed by Maslow as their higher order needs which arise once they are satisfied with their basic needs like fair pay and good physical conditions. An employee provided autonomy in work can improve his functioning on the job and derive immense satisfaction. Periodic discussions with the employees, calling for suggestions and forming work groups like ‘Quality Circles’ can help the employees in improving their capabilities on the job.

4. **Opportunity for Career Growth:** Employees seek career growth and tend to shift from a job which does not assure career growth. Hence many organizations plan for career growth and succession planning to accommodate the employees in the next higher positions whenever it is possible. Prolonged stagnation in the same position may cause stress for the employees as the job ceases to be challenging.

5. **Social Integration in the Work force:** According to Walton, a satisfying identity and self-esteem are influenced by five characteristics of the work place which are freedom from prejudice, egalitarianism, upward mobility, supportive work groups and community of feelings, and interpersonal openness.
6. **Constitutionalism:** Lack of privacy, improper approach to maintain discipline etc., affect the constitutionalism of an organization. Constitutionalism can be considered a hygienic factor, i.e., though its presence may not satisfy or motivate the employees considerably the absence of it is definitely felt by the employees and may have adverse effect. Most of the employees may not want to disclose or discuss their private life at the work place. Hence management should take steps to maintain its employee’s privacy unless he himself comes out with specific problems.

7. **Work and Quality of life:** The very purpose of a worker being engaged in a work place is to perform work. As such, work itself is of great importance. Satisfactory work can influence the employees immensely. A challenging work which utilizes the capabilities of employees plays an important role in QWL.

8. **Social Relevance of Work:** Employees today tend to give ever increasing importance to relating their work socially. For example the employees of service-oriented organizations, who can directly relate their jobs socially and can gain immediate recognition in a group, are the most satisfied. On the other hand if their organization is on attack/criticism by the government or public on any aspect, the employees develop stress and they get frustrated. No organization is an independent social system or an independent technical system. Organizations are mostly interdependent social and technical systems.

### 3.4 MEASUREMENT OF QUALITY OF WORK LIFE

Jagadheesh (2008) carried out the research on QWL and in his study he used the variables proposed by Walton to measure the quality of work life and other relevant factors determining quality of work life.
3.4.1 Adequate and Fair Compensation

For measuring adequacy and fairness of compensation, following variables can be considered:

- Adequate salary in comparison with cost of living, Fair salary in comparison with other organisations, Fair salary in comparison with employees’ ability, Fair overtime wages.
- Adequate incentives,
- Adequate contribution to provident fund, Fair gratuity and group insurance,
- Advance payment of salary in times of emergency, Prompt payment of salary, and
- Mental attitude of employees to continue in the present job regardless of pay.

3.4.2 Safe and Healthy Working Conditions

The following are the important variables to be considered for evaluating working conditions of an enterprise.

- Adequate rest period,
- Good canteen facilities,
- Proper drinking water facilities,
- First aid / medical facilities,
- Facilities for sports and game, Library and reading room, Lunch room,
- Sanitary facilities,
- Ventilation and air circulation facilities, Facilities for disposal of waste and dust, Measures for controlling pollution, Condition of machines and equipments, Good safety plan,
- Proper health care measures, and Normal health after days works.
3.4.3 Opportunity to Use and Develop Human Capacities

Following variables are identified for evaluating opportunities to use and develop human capacities.

- Clear organisational structure,
- Appreciation of employee’s idea to bring new changes, Employees’ participation in technical planning, Clarity and transparency in communication,
- Freedom in work,
- Provision of meaningful information about work process & its result,
  Provision of self improvement for members,
- Fair attitude of supervisor,
- Equitable treatment, and
- Appreciation of good work.

3.4.4 Opportunity for Career Growth and Development

Following factors can be used for evaluating opportunities for continued growth and security.

- Assignment of work on the basis of abilities,
- Work contains elements of organisational planning, research & development,
- Assignment of work within the limits of workers ability, Facilities for individual creative work,
- Facilities for using new knowledge for further work assignment, Opportunities for improvement of job,
- Proper training, Job rotation,
- Promotion opportunities,
- Performance appraisal based on objective assessment, Appreciation of idea to make new changes, and
- Willingness to continue in the present organisation till retirement.

### 3.4.5 Social Integration in the Work Organisation

Following factors can be used for evaluating social integration in the work organisation.

- Employees’ feeling of sense of community,
- Identification of a member purely on the basis of skill and potentialities without regard of race, sex age etc.,
- Members’ interaction in terms of ideas and feelings, Easiness in working as a group,
- Preference to work collectively than individually,
- Attention of grievances raised by junior staff favorably by seniors, Consideration of workers views in resolving working problems, Encouragement of organisation in reciprocal help,
- Workers acceptance with rapid changes in technology in the organisation, Workers cooperation for expansion and diversification,
- Participation in decision making process which are affecting workers in future,
- Consultation by the supervisor before taking decisions,
- Good co-workers relationship,
- Good subordinate-supervisor relationship, and Good management-worker relationship.

### 3.4.6 Constitutionalism

Regarding the evaluation of constitutionalism in the work organisation, following factors can be used.
Taking care for the welfare of workers of all ages, Equal treatment of all workers,
Different approaches to work according to the nature of job and ability of the worker,
Maintenance of privacy regarding workers personal matters, and Well functioning conflict resolution mechanism.

3.4.7 Work and Total Life Space

Following factors can be considered for evaluating work and total life space. Satisfaction of employees’ needs by the job,

- Awareness of health in spite of the nature of the job, Social and individual requirements, and
- Effect of energy and time spent on the job on workers life.

3.4.8 The Social Relevance of Working Life

It is clear that social relevance of working life can be evaluated by considering the following factors.

- Social responsibility of the organisation, Nature of job and social prestige, Effect of job to improve social security,
- Nature of organisational goals i.e. whether too much production oriented or not,
- Matching of work life and social life, Organisation’s awareness of industrial pollution,
- Nature of pricing goods and services by the organisation from social point of view,
- Importance to quality of products and services, and
- Contribution towards the improvement of the culture of the society.
3.5 TECHNIQUES FOR IMPROVING QUALITY OF WORK LIFE

The concept of quality of work life has been operationalised through various systems such as job enrichment, workers participation in management, organisation development, quality circles, employees’ welfare, etc. While some of these schemes have been successful in improving the quality of work life, others are still to show results. The quality of work life movement is of recent origin and has a long way to go. Individuals as well as organised efforts are required to improve the quality of work life for millions of workers in the country. Authors in this subject suggested several techniques for improving quality of work life. Important among them are:

**Job Redesign:** Narrow jobs need to be combined into large units of accomplishment. Jobs should be redesigned to enrich them. Job enrichment helps to satisfy higher order needs by providing interesting, stimulating and challenging work.

**Career Development:** Opportunity for career advancement and growth personality improves commitment. Career planning, counselling second careers, etc. help to meet expectations of achievement-oriented employees.

**Autonomous Work Groups:** In an autonomous work group, employees are given the freedom of decision making. In such a group the workers themselves plan, coordinate and control their activities. The group as a whole is accountable for success or failure. It is also called a self-managed work team.

**Flexible Work Schedules:** Flexible working hours (flextime), staggered hours, reduced work week, job sharing, part-time employment and other types of alternative work schedules provide freedom to employees in scheduling their work.
**Participative Management:** Employees want to participate in deciding matters which affect their lives. Therefore, quality circles, management by objectives, suggestion system and other forms of employees’ participation in management help to improve QWL.

**Job Security:** Adequate security of job is a high priority of employees and should be provided.

**Administrative Justice:** The principles of justice, fair and equity should be applied in disciplinary procedure, grievance procedures, promotions, transfers, work assignment, leave, etc.

### 3.6 AN OVERVIEW OF BANKING INDUSTRY

#### 3.6.1 Banking – Introduction

“With the monetary system we have now, the careful saving of a lifetime can be wiped out in an eye blink”

-Larry Parks, Executive director, FAME

Could you imagine a world without banks? At first, this might sound like a great thought! But banks (and financial institutions) have become cornerstones of our economy for several reasons. They transfer risk, provide liquidity, facilitate both major and minor transactions and provide financial information for both individuals and businesses.

“Thank God, In Joy and sorrow, to deposit and borrow, Banks are there Otherwise, The question would be funny, To keep and get money How and Where”

These words indicate the importance of bank. Banking system plays an important role in growth of economy. The banking sector is the lifeline of any modern economy. It is one of the important pillars of financial system, which
plays a vital role in the success or failure of an economy. It is a well known fact that banks are one of the oldest financial intermediaries in the financial system. They play a crucial role in the mobilization of deposits from the disbursement of credit to various sectors of the economy. The banking system reflects the economic health of the country. The strength of the economy of any country basically hinges on the strength and efficiency of its financial system, which in turn depends on a sound and solvent banking system.

A Banking Sector performs three primary function in economy, the operation of the payment system, the mobilization of savings and the allocation of saving to investment products. Banking industry has been changed after reforms process. The Government has taken this sector in a basic priority and this service sector has been changed according to the need of present days. Banking sector reforms in India strive to increase efficiency and profitability of the banking institutions as well as brought the existing banking institutions face to face with global completion in globalization process. Different type of banks differs from each other in terms of operations, efficiency, productivity, profitability and credit efficiency. Indian banking sector is an important constituent of the Indian financial System. The banking sector plays a vital role through promoting business in urban as well as rural area in recent year, without a sound and effective banking system, India cannot be considered as a healthy economy.

3.6.2 Origin of the word “bank”

There seems no uniformity amongst the economist about the origin of the word “Bank”. According to some authors the word “Bank”, itself is derived from the word “Bancus” or “Banque” that is a bench. The early bankers, the Jews in Lombardy, transacted their business on benches in the market place, when, a banker failed, his ‘Banco’ was broken up by the people; it was called ‘Bankrupt’. This etymology is however, ridiculed by meleod on the ground that
“The Italian Money changers as such were never called Banchier in the middle ages.” It is generally said that the word “BANK” has been originated in Italy. In the middle of 12th century there was a great financial crisis in Italy due to war. To meet the war expenses, the government of that period a forced subscribed loan on citizens of the country at the interest of 5% per annum. Such loans were known as ‘compare’, ‘minto’ etc. The most common name was “Monte’. In Germany the word ‘Monte was named as ‘Bank’ or ‘Banke’. According to some writers, the word ‘Bank’ has been derived from the word bank.

It is also said that the word ‘bank’ has been derived from the word ‘Banco’ which means a bench. The Jews money lenders in Italy used to transact their business sitting on benches at different market places. When any of them used to fail to meet his obligations, his ‘Banco’ or banch or bench would be broken by the angry creditors. The word ‘Bankrupt’ seems to be originated from broken Banco. Since, the banking system has been originated from money leading business; it is rightly argued that the word ‘Bank’ has been originated from the word “Banco”. Whatever be the origin of the word ‘Bank’ as Professor Ram Chandra Rao says, “It would trace the history of banking in Europe from the middle ages.

Today the word bank is used as a comprehensive term for a number of institutions carrying on certain kinds of financial business. In practice, the work ‘Bank’ means which borrows money from one class of people and again lends money to another class of people for interest or profit.

Actually meaning of bank is not specifies in any regulation or act. In India, different people have different type of meaning for bank. Normal salary earner knows means of bank that it is a saving institution, for current account holder or businessman knows bank as a financial institutions and many other. Bank is not for profit making, it creates saving activity in salary earner.
3.6.3 Meaning of Bank

A Bank is an institution which accepts deposits from the general public and extends loans to the households, the firms and the government. Banks are those institutions which operate in money. Thus, they are money traders, with the process of development functions of banks are also increasing and diversifying now, the banks are not nearly the traders of money, they also create credit. Their activities are increasing and diversifying. Hence it is very difficult to give a universally acceptable definition of bank.

3.6.4 Definition of Bank

Indian Banking regulation act 1949 section 5(1) (b) of the banking regulation act 1949 Banking is defined as

“Accepting for the purpose of the landing of investment of deposits of money from public repayable on demand or other wise and withdraw able by cheques, draft, order or otherwise”.

3.7 HISTORICAL BACKGROUND OF BANKING

Bank of Hindustan was set up in 1870; it was the earliest Indian Bank. Later, three presidency banks under Presidency Bank's act 1876 i.e. Bank of Calcutta, Bank of Bombay and Bank of Madras were set up, which laid foundation for modern banking in India. In 1921, all presidency banks were amalgamated to form the Imperial Bank of India. Imperial bank carried out limited number of central banking functions prior to establishment of RBI. It engaged in all types of commercial banking business except dealing in foreign exchange.

Reserve Bank of India Act was passed in 1934 & Reserve Bank of India (RBI) was constituted as an apex body without major government ownership.
Banking Regulations Act was passed in 1949. This regulation brought RBI under government control. Under the act, RBI got wide ranging powers for supervision & control of banks. The Act also vested licensing powers & the authority to conduct inspections in RBI.

In 1955, RBI acquired control of the Imperial Bank of India, which was renamed as State Bank of India. In 1959, SBI took over control of eight private banks floated in the erstwhile princely states, making them as its 100% subsidiaries.

It was 1960, when RBI was empowered to force compulsory merger of weak banks with the strong ones. It significantly reduced the total number of banks from 566 in 1951 to 85 in 1969. In July 1969, government nationalised 14 banks having deposits of Rs. 50 crores & above. In 1980, government acquired 6 more banks with deposits of more than Rs.200 crores. Nationalisation of banks was to make them play the role of catalytic agents for economic growth. The Narasimha Committee report suggested wide ranging reforms for the banking sector in 1992 to introduce internationally accepted banking practices. The amendment of Banking Regulation Act in 1993 saw the entry of new private sector banks.

Banking industry is the back bone for growth of any economy. The journey of Indian Banking Industry has faced many waves of economic crisis. Recently, we have seen the economic crisis of US in 2008-09 and now the European crisis. The general scenario of the world economy is very critical.

It is the banking rules and regulation framework of India which has prevented it from the world economic crisis. In order to understand the challenges and opportunities of Indian Banking Industry, first of all, we need to understand the general scenario and structure of Indian Banking Industry.
Before pre-liberalization era, the picture of Indian Banking was completely different as the Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy. This resulted into greater involvement of the state in different segments of the economy including banking and finance.

The Reserve Bank of India was nationalized on January 1, 1949 under the terms of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948. In 1949, the Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI) "to regulate, control, and inspect the banks in India." The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors.

By the 1960s, the Indian banking industry had become an important tool to facilitate the speed of development of the Indian economy. The Government of India issued an ordinance and nationalised the 14 largest commercial banks with effect from the midnight of July 19, 1969. A second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalised banks from 20 to 19. After this, until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy.

In the early 1990s, the then Narasimha Rao government embarked on a policy of liberalization, licensing a small number of private banks.
The next stage for the Indian banking has been set up with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%, at present it has gone up to 74% with some restrictions.

The new policy shook the Banking sector in India completely. Bankers, till this time, were used to the 4-6-4 method (Borrow at 4%; Lend at 6%; Go home at 4) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks. All this led to the retail boom in India. People not just demanded more from their banks but also received more.

3.8 STRUCTURE OF INDIAN BANKING INDUSTRY

Banking Industry in India functions under the sunshade of Reserve Bank of India - the regulatory, central bank. Banking Industry mainly consists of:

- Commercial Banks
- Co-operative Banks

The commercial banking structure in India consists of: Scheduled Commercial Banks Unscheduled Bank. Scheduled commercial Banks constitute those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934.

RBI in turn includes only those banks in this schedule which satisfy the criteria laid down vide section 42 (60) of the Act. Some co-operative banks are scheduled commercial banks although not all co-operative banks are. Being a part of the second schedule confers some benefits to the bank in terms of access to accommodation by RBI during the times of liquidity constraints. At the same time, however, this status also subjects the bank certain conditions and obligation towards the reserve regulations of RBI.
For the purpose of assessment of performance of banks, the Reserve Bank of India categorise them as public sector banks, old private sector banks, new private sector banks and foreign banks.

![Diagram of banking structure in India]

**Figure 3.1: The commercial banking structure in India**

### 3.9 TYPES OF BANKS

There are various types of banks which operate in our country to meet the financial requirements of different categories of people engaged in agriculture, business, profession, etc. On the basis of functions, the banking institutions in India can be divided into the following types:

**a) Central Bank**

The Central Bank maintains a record of Government revenue and expenditure under various heads. It also advises the Government on monetary and credit policies and decides on the interest rates for the bank deposits and the bank loans. In addition, foreign exchange rates are also determined by the central bank. Another important function of the Central Bank is the issuance of currency notes, regulating their circulation in the country by different methods. No bank other than the Central Bank can issue currency.
b) Commercial Banks

Commercial Banks are the banking institutions that accept deposits and grant short-term loans and advances to their customers. In addition to giving short-term loans, commercial banks also give medium-term and long-term loan to business enterprises. Now-a-days some of the commercial banks also provide housing loan on a long-term basis to individuals.

**Types of Commercial banks:** Commercial banks are of three types i.e., Public sector banks, Private sector banks and foreign banks.

(i) **Public Sector Banks:** These are the banks where majority stake is held by the Government of India or Reserve Bank of India. Examples of public sector banks are: State Bank of India, Corporation Bank, Bank of Baroda and Dena Bank, etc.

(ii) **Private Sectors Banks:** In case of the private sector banks majority of share capital of the bank is held by the private individuals. These banks are registered as companies with limited liability. For example: The Jammu and Kashmir Bank Ltd., Bank of Rajasthan Ltd., Development Credit Bank Ltd, Lord Krishna Bank Ltd., Bharat Overseas Bank Ltd., Global Trust Bank, Vysya Bank, etc.

(iii) **Foreign Banks:** These banks are registered and have their headquarters in a foreign country but operate their branches in our country. Some of the foreign banks operating in our country are Hong Kong and Shanghai Banking Corporation (HSBC), Citibank, American Express Bank, Standard & Chartered Bank, Grindlay’s Bank, etc. The number of foreign banks operating in our country has increased since the financial sector reforms of 1991.
c) Development Banks

Business often requires medium and long-term capital for the purchase of machinery and equipment, for using the latest technology, or for the expansion and modernization. Such financial assistance is provided by Development Banks. Industrial Finance Corporation of India (IFCI) and State Financial Corporations (SFCs) are examples of development banks in India.

d) Co-operative Banks

People who come together to jointly serve their common interest often form a co-operative society under the Co-operative Societies Act. When a co-operative society engages itself in the banking business it is called a Co-operative Bank. The society has to obtain a license from the Reserve Bank of India before starting the banking business.

Types of Co-operative Banks

There are three types of co-operative banks operating in our country. They are primary credit societies, central co-operative banks and state co-operative banks. These banks are organized at three levels, village or town level, district level and state level.

e) Specialised Banks

There are some banks, which cater to the requirements and provide overall support for setting up business in specific areas of activity. EXIM Bank, SIDBI and NABARD are examples of such banks. They engage themselves in some specific area or activity and so, are called specialized banks.
**Different categories of banks in India**

<table>
<thead>
<tr>
<th>Nationalized Banks</th>
<th>Private Banks</th>
<th>Foreign Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allahabad Bank</td>
<td>Axis Bank</td>
<td>ABN-AMRO Bank N.V.</td>
</tr>
<tr>
<td>Andhra Bank</td>
<td>Catholic Syrian Bank</td>
<td>Abu Dhabi Commercial Bank</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>City Union Bank</td>
<td>American Express Banking Corporation</td>
</tr>
<tr>
<td>Bank of India</td>
<td>Development Credit Bank</td>
<td>Antwerp Diamond Bank</td>
</tr>
<tr>
<td>Bank of Maharashtra</td>
<td>Dhanlaxmi Bank</td>
<td>Bank of America</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>Federal Bank</td>
<td>Bank of Bahrain &amp; Kuwait</td>
</tr>
<tr>
<td>Central Bank of India</td>
<td>HDFC Bank</td>
<td>Bank of Ceylon</td>
</tr>
<tr>
<td>Corporation Bank</td>
<td>ICICI Bank</td>
<td>Bank of Nova Scotia</td>
</tr>
<tr>
<td>Dena Bank</td>
<td>IndusInd Bank</td>
<td>Bank of Tokyo</td>
</tr>
<tr>
<td>IDBI Bank Ltd.</td>
<td>ING Vysya Bank</td>
<td>Mitsubishi UFJ</td>
</tr>
<tr>
<td>Indian Bank</td>
<td>Jammu &amp; Kashmir Bank</td>
<td>Barclays Bank</td>
</tr>
<tr>
<td>Indian Overseas Bank</td>
<td>Karnataka Bank</td>
<td>BNP Paribas</td>
</tr>
<tr>
<td>Oriental Bank of Commerce</td>
<td>Karur Vysya Bank</td>
<td>Chinatrust Commercial Bank</td>
</tr>
<tr>
<td>Punjab &amp; Sind Bank</td>
<td>Kotak Mahindra Bank</td>
<td>Citibank</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>Lakshmi Vilas Bank</td>
<td>Common wealth Bank of Australia</td>
</tr>
<tr>
<td>Syndicate Bank</td>
<td>Nainital Bank</td>
<td>Credit Agricole Bank</td>
</tr>
<tr>
<td>UCO Bank</td>
<td>Ratnakar Bank</td>
<td>DBS Bank</td>
</tr>
<tr>
<td>Union Bank of India</td>
<td>SBI Comm. &amp; Intl. Bank</td>
<td>Deutsche Bank</td>
</tr>
<tr>
<td>United Bank of India</td>
<td>South Indian Bank</td>
<td>FirstRand Bank</td>
</tr>
<tr>
<td>Vijaya Bank</td>
<td>Tamilnad Mercantile Bank</td>
<td>Hongkong &amp; Shanghai Banking Corporation</td>
</tr>
<tr>
<td>State Bank groups</td>
<td>Yes Bank</td>
<td>JP Morgan Chase Bank</td>
</tr>
<tr>
<td>State Bank of Bikaner &amp; Jaipur</td>
<td>Bank of Rajasthan</td>
<td>JSC VTB Bank</td>
</tr>
<tr>
<td>State Bank of Hyderabad</td>
<td>United Western Bank</td>
<td>Kruing Thai Bank</td>
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<tr>
<td>State Bank of India</td>
<td>Centurion bank of Punjab</td>
<td>Mashreq Bank</td>
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<tr>
<td>State Bank of Mysore</td>
<td></td>
<td>Mizuho Corporate Bank</td>
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<tr>
<td>State Bank of Patiala</td>
<td></td>
<td>Oman International Bank</td>
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<tr>
<td>State Bank of Travancore</td>
<td></td>
<td>Royal Bank of Scotland</td>
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<tr>
<td>State Bank of Saurashtra</td>
<td></td>
<td>Shinhan Bank</td>
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<tr>
<td></td>
<td></td>
<td>Societe Generale</td>
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<tr>
<td></td>
<td></td>
<td>Sonali Bank</td>
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<tr>
<td></td>
<td></td>
<td>Standard Chartered Bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td>State Bank of Mauritius</td>
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<td></td>
<td></td>
<td>UBS AG</td>
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<td></td>
<td></td>
<td>United Overseas Bank</td>
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<td></td>
<td></td>
<td>Arab Bangladesh bank</td>
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<td></td>
<td></td>
<td>VTB Bank.</td>
</tr>
</tbody>
</table>
Banks are the main participants of the Indian financial system, because they play a vital role in the economy of a country. India is one of the most preferred banking destinations as its economy is not only growing at +8 percent annually, but it is also going through a transformation to the next level of maturity. After liberalization the banking sector underwent major changes and it has been totally changed after economic reforms. Always Indian banking industries were dominated by public sector banks because they play an important role in development of Indian economy. But now the situations have been changed after arrival of new generation banks that are known for technical and financial innovation and their professional management has gained a reasonable position in the banking sector. Without a sound and effective banking system in India it cannot have a healthy economy.

The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process.

A Banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in a country. The government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalization of 14 major private banks of India. Not long ago, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. Today, he has a choice. Gone are days when the most efficient bank transferred money from one branch to other in two days. Now it is simple as instant messaging or dials a pizza. Money has become the order of the day.
3.10 INDIAN BANKING SECTOR – CURRENT SCENARIO

In recent time, we has witnessed that the World Economy is passing through some intricate circumstances as bankruptcy of banking & financial institutions, debt crisis in major economies of the world and euro zone crisis. The scenario has become very uncertain causing recession in major economies like US and Europe. This poses some serious questions about the survival, growth and maintaining the sustainable development.

However, amidst all this turmoil India’s Banking Industry has been amongst the few to maintain resilience. The tempo of development for the Indian banking industry has been remarkable over the past decade. It is evident from the higher pace of credit expansion; expanding profitability and productivity similar to banks in developed markets, lower incidence of non- performing assets and focus on financial inclusion have contributed to making Indian banking vibrant and strong. Indian banks have begun to revise their growth approach and re-evaluate the prospects on hand to keep the economy rolling. In this chapter an attempt has been made to review various challenges which are likely to be faced by Indian banking industry.

India’s banking sector is currently valued at Rs 81 trillion (US$ 1.31 trillion). It has the potential to become the fifth largest banking industry in the world by 2020 and the third largest by 2025, according to an industry report. The face of Indian banking has changed over the years. Banks are now reaching out to the masses with technology to facilitate greater ease of communication, and transactions are carried out through the Internet and mobile devices. The Reserve Bank of India (RBI) is to make final guidelines on issuing new bank licenses. This could lead to a greater number of banks in the country; the style of operation could also evolve with the integration of modern technology into the industry.
India is one of the top 10 economies in the world, where the banking sector has tremendous potential to grow. The last decade saw customers embracing ATM, internet and mobile banking. The number of ATMs has doubled over the past few years, with more than 100,000 in the country at present (70 per cent in urban areas). They are estimated to further double by 2016, with over 50 per cent expected to be set up in small towns. Also, the scope for mobile and internet banking is big. At the start of 2013, only 2 per cent of banking payments went through the electronic system in the country. Today, mobility and customer convenience are viewed as the primary factors of growth and banks are continuously exploring new technology.

3.11 CHALLENGES AND OPPORTUNITIES BEFORE THE BANKING SECTOR

3.11.1 Rural Markets

Large number of people does not have access to banking facilities due to scattered and fragmented locations. Significant proportion of the same lies in rural areas where private banks have little incentive to invest. As per Census 2011 about 58.7 per cent households in India avail banking facilities. The proportion is less than 50 per cent in case of States like Bihar, Chhattisgarh, Odisha, West Bengal & North Eastern states like Manipur & Nagaland, Assam & Meghalaya. However, with increasing consumption levels of rural India & cut throat competition in urban markets, rural areas are gaining increasing importance. One example of the trend was the recent merger of Bank of Rajasthan with ICICI Bank Ltd which the latter resorted to in order to increase its reach in rural market and market share significantly.

3.11.2 Increased competition

Profits of banks are being affected by increased competition, with different public and private sector banks vying for increased share of customers.
But increased competition has also resulted in increased efficiency, improved customer services and profitability in terms of returns on both equity and assets. Banks, now have to continuously innovate their practices to stay ahead in the market. Increasing competition, however, might also induce the banks to higher risk taking strategies.

3.11.3 Management of Risks

Researchers have found that Indian banks risk management capabilities has been improving over time. However cyber banking, existing global banking scenario etc have introduced newer types of risk. International regulatory norms have become more stringent in view of failure of many financial institutions.

3.11.4 Global & Domestic Environment

Bankruptcy of Lehman Brothers Holdings Inc, fourth largest investment bank in US, in 2008, revealed financial instability in Global markets. Instability of sovereign debt market in Euro zone continues as increasing number of countries in European Union face tough situation. Amidst worsening global scenario, banking rules & regulation framework of India has prevented it from economic crisis. But the stagnation & even recession in some global markets leading to lesser demand and slower pace of growth of Indian economy has constrained the credit uptake. However, Indian financial system is expected to remain robust on account of banks capability to withstand stress. However, a series of stress tests conducted by the Reserve Bank in respect of credit, liquidity and interest rate risks showed that banks remained reasonably resilient. However, under extreme shocks, some banks could face moderate liquidity problems and their profitability could be affected. In the long run, with high growth potential of the Indian economy and favourable demographics, banks have immense opportunities to further expand their business both with traditional and innovative products and through financial inclusion using technology enabled sustainable business models.
3.11.5 Compliance with International Requirements

In the background of recent global regulatory developments, Basel III largely aiming at higher and better quality capital; an internationally harmonised leverage ratio to constrain excessive risk taking; capital buffers which would be built up in good times so that they can be drawn down in times of stress; minimum global liquidity standards; and stronger standards for supervision, public disclosure and risk management, was introduced. A few individual banks may fall short of the Basel III norms and will have to augment their capital. Banks will also face challenges of upgrading risk management systems and meeting the credit needs of a rapidly growing economy even while adjusting to a more demanding regulatory regime. Introduction of International Financial Reporting System (IFRS) to facilitate comparability between enterprises operating in different jurisdictions, has also placed additional demands on Indian banks. In order to make the transition to IFRS they would have to handle accounting issues and upgrade their infrastructure including IT & human resource.

3.12 AN OVERVIEW OF ERODE DISTRICT

Erode district has been purposively selected for the study since it is the culture-developing area and perk-up in technological place of all types of small, medium and large size industries and educational institutions.

Erode District lies on the extreme north of Tamil Nadu. It is bounded mostly by Karnataka State and also River Palar covers pretty long distance. To the East lies Namakkal and Karur Districts. Dindigul District is its immediate neighbour to the South and on the West, it has Coimbatore and Nilgiri Districts, as its boundaries.

Erode District consists of 5 taluks viz., Sathyamangalam, Bhavani, Gobichettipalayam, Perundurai and Erode. There are 4 Municipalities in the
district viz., Sathyamangalam, Bhavani, Gobichettipalayam, and Punjai Puliampatti. The other four Municipalities in the district viz. Periasemur, Kasipalayam, Surampatti and Veerappanchatram have been merged recently with Erode Corporation. There are 42 Town Panchayats, 230 Village Panchayats and 375 Revenue Villages. There are 14 Community Development Blocks in the district.

3.12.1 Demographics

Erode district had a population of 22,59,608 as of 2011 where male and female were 1,134,191 and 1,125,417 respectively. It is 51.22% urbanised as per Census 2011. The district has a literacy rate of 72.96% and is on the rise. Erode is the largest city in the district followed by Gobichettipalayam which is another major center.

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Population</td>
<td>2259608</td>
<td>2016582</td>
</tr>
<tr>
<td>Male</td>
<td>1134191</td>
<td>1024732</td>
</tr>
<tr>
<td>Female</td>
<td>1125417</td>
<td>991850</td>
</tr>
<tr>
<td>Population Growth</td>
<td>0.1205</td>
<td>0.1185</td>
</tr>
<tr>
<td>Density/km2</td>
<td>397</td>
<td>354</td>
</tr>
<tr>
<td>Proportion to Tamil Nadu Population</td>
<td>0.0313</td>
<td>0.0323</td>
</tr>
<tr>
<td>Sex Ratio (Per 1000 males)</td>
<td>992</td>
<td>968</td>
</tr>
<tr>
<td>Average Literacy</td>
<td>72.96</td>
<td>65.44</td>
</tr>
<tr>
<td>Total Child Population (0-6 Age)</td>
<td>181188</td>
<td>200853</td>
</tr>
<tr>
<td>Literates</td>
<td>1516380</td>
<td>1188228</td>
</tr>
</tbody>
</table>
3.12.2 Administration

Erode District is separated into two revenue divisions viz., Erode and Gobichettipalayam. The district is divided into five taluks namely: Bhavani, Erode, Gobichettipalayam, Perundurai and Sathyamangalam. Erode District consists of the municipal corporation of Erode and 4 other municipalities as listed below:

- Selection Grade: Gobichettipalayam
- Grade I: Sathyamangalam
- Grade II: Bhavani, Punjai Puliampatti
### 3.13 BANKS IN ERODE DISTRICT

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Public Sector Banks</strong></td>
</tr>
<tr>
<td>1.</td>
<td>State Bank of India</td>
</tr>
<tr>
<td>2.</td>
<td>State Bank of Mysore</td>
</tr>
<tr>
<td>3.</td>
<td>State Bank of Travancore</td>
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<tr>
<td>4.</td>
<td>Allahabad Bank</td>
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<tr>
<td>5.</td>
<td>Andhra Bank</td>
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<tr>
<td>6.</td>
<td>Bank of Baroda</td>
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<tr>
<td>7.</td>
<td>Bank of India</td>
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<tr>
<td>8.</td>
<td>Central Bank of India</td>
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<tr>
<td>9.</td>
<td>Canara Bank</td>
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<tr>
<td>10.</td>
<td>Corporation Bank</td>
</tr>
<tr>
<td>11.</td>
<td>Dena Bank</td>
</tr>
<tr>
<td>12.</td>
<td>Indian Overseas Bank</td>
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<tr>
<td>13.</td>
<td>Indian Bank</td>
</tr>
<tr>
<td>15.</td>
<td>Panjub national Bank</td>
</tr>
<tr>
<td>16.</td>
<td>Syndicate Bank</td>
</tr>
<tr>
<td>17.</td>
<td>Union Bank of India</td>
</tr>
<tr>
<td>18.</td>
<td>United bank of India</td>
</tr>
<tr>
<td>19.</td>
<td>UCO Bank</td>
</tr>
<tr>
<td>20.</td>
<td>IDBI Bank</td>
</tr>
<tr>
<td>21.</td>
<td>Bank of Maharastra</td>
</tr>
<tr>
<td>22.</td>
<td>Vijaya Bank</td>
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<tr>
<td>23.</td>
<td>Indus Ind Bank</td>
</tr>
<tr>
<td></td>
<td><strong>Private Sector Banks</strong></td>
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<tr>
<td>24.</td>
<td>Axis Bank</td>
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<td>25.</td>
<td>HDFC Bank</td>
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<td>26.</td>
<td>Catholic Syrian Bank</td>
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<td>27.</td>
<td>City Union Bank</td>
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<td>28.</td>
<td>Dhanalakshmi Bank</td>
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<tr>
<td>29.</td>
<td>Federal Bank</td>
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<tr>
<td>30.</td>
<td>ICICI Bank</td>
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<tr>
<td>31.</td>
<td>Karnataka Bank</td>
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<tr>
<td>32.</td>
<td>Karur Vysya Bank</td>
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<tr>
<td>33.</td>
<td>Lakshmi Vilas Bank</td>
</tr>
<tr>
<td>34.</td>
<td>South Indian Bank</td>
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<tr>
<td>35.</td>
<td>Tamilnadu Mercantile Bank</td>
</tr>
<tr>
<td>36.</td>
<td>ING Vysya Bank</td>
</tr>
</tbody>
</table>
3.14 QUALITY OF WORK LIFE IN BANKING INDUSTRY

The Indian Banking system is highly respected and appreciated all over the world, in particular in the background of recent economic catastrophe namely, the collapse of the US economy known for its robustness and size in global scenario which, has impacted the entire world upsetting most of the Western countries in particular those who are partners of US including the closely UK.

QWL programs have two objectives: (a) to enhance productivity and (b) to increase the satisfaction of employees. Thus QWL provides healthier, satisfied and productive employees, which in turn provides efficient and profitable organization. The reason behind choosing banking sector for this study is that it plays an important role in our economy. After the liberalization in 1991, the Government of India put in a constant effort to booster the country’s banking sector. Banks have grown so extensively that it now plays a significant part in the economy. With the opening up of the economy of India, dramatic change has been observed in the banking sector of India. Such institutions play a critical role in capital formation and stimulate the level of industrialization, poverty alleviation and human development.

3.15 CONCLUDING REMARKS

Indian banking system will further grow in size and complexity while acting as an important agent of economic growth and intermingling different segments of the financial sector. It automatically follows that the future of Indian banking depends not only in internal dynamics unleashed by ongoing return but also on global trends in the financial sectors. Indian banking industry has shown considerable resilience during the return period. The second generation returns will play a crucial role in further strengthening the system. The banking today is redefined and re-engineered with the use of information technology and it is sure
that the future of banking will offer more sophisticated services to the customers with the continuous product and process innovations. Thus, there is a paradigm shift from the seller’s market to buyers market in the industry and finally it affected at the bankers level to change their approach from conventional banking to convenience banking and mass banking to class banking. This shift has happened because of the reengineering done in the human resource by the management to improve the quality of work life. Therefore, it can be concluded that further improvement in the quality of work life in banking ensures the Indian banking industry on pace with other developed banking system in the world.