CHAPTER 1
INTRODUCTION

1.1 Introduction

Change is the process by which future invades the present and therefore, it is essential to look at it closely for successful coping with it would require us to adopt a new stance and also develop a new sensitive awareness to understand the role it plays on our lives. As far as the Indian banking scenario is concerned, all of us are aware that the winds of change have dramatically altered the landscape from what it was a few years ago. To understand the magnitude of change, perhaps one may have to look quite a bit backwards.

In fact, for long two hundred years, Indian banking had been continuing in a highly regulated environment. Entry and exit were restricted. In products and price, there was no scope for differentiation. It was a seller's market where buyers had no choice. The work was done manually in a cumbersome and lengthy process. Customer satisfaction was not the priority. Balancing of books was the main concern. During all these years, State Bank of India and its predecessors – the Presidency Banks and the Imperial Bank of India, because of huge network and State patronage enjoyed monopolistic situation.

In the early nineties, two factors have brought about radial changes in Indian banking. The first one is technology and the other one is liberalization. In Banking sector, price i.e. interest rates have been deregulated and entry – exit norms relaxed. As a consequence, many new players have entered in the market. Technology has enabled them to develop new products and differentiate existing ones. Above all, it has provided a highly efficient platform for product delivery through networking of branches, ATMs, internet banking and even mobile banking.
In this backdrop, competition has become the buzzword for the banking in India. The public sector banks are finding it very difficult to cope up with the challenge. Nevertheless, they are also gearing up themselves to meet the same. Competition has unleashed new threats as well as new opportunities. In the road ahead, the key drivers will be innovation, technology and customers focus.

However, technology alone is not the solution. Irrespective of level of automation, the man behind the machine is most important. Therefore, especially in the post – VRS scenario, it is more than necessary to optimize the use of human resources. This calls for a re-engineering of the Human Resources Development2.

Given man a desert and he will make it a paradise but give him a paradise and he can make it a desert3. In fact the same man can do immense well and cause severe damage also. Purpose of HRD is to harness the positive forces. It is basically empowerment of people4. An effective HRD system is perhaps the most important element in organizational effectiveness that not only ensures present performance but also long term survival and growth of the organization. While every other resource like technology, capital assets and even finance can be bought; the only resource that cannot be brought is motivated human resources. Motivated people will have to be developed and nurtured by managerial competence5.

Organizations are to continuously ensure that the dynamism, effectiveness, competency and motivation of people remain at a high level. Human resource development is a continuous process to ensure development of employee’s dynamism, effectiveness, competencies and motivation in a systematic and planned manner6.

HRD has several goals. It aims at building up competencies through training and development. Performance appraisal is necessary to assess degree of
development and individual contribution towards accomplishment of assigned tasks. One of the goals of HRD is to prepare people for future role well as chalk out an appropriate career path for them. Towards development of achievement motivation among employees, HRD looks forward to an appropriate reward and recognition system. However, the ultimate objective of HRD is to develop a climate of OCTAPAC, where employees are self motivated and innovative, where they take risk, make experiments and work in team to achieve a common objective.

In broader aspects, role of HRD encompasses four Ts. These are ‘Transaction role’, ‘Translation role’, ‘Transition role’ and ‘Transformation role’. While the transaction role is concerned with routine function of the HRD development, translation role is related to responsibilities of communication, listening and responding to employees and customers. Transition role involves execution of human resource action, policy and practice to bring about organizational effectiveness. The transformation role is pivotal in the entire process as it signifies the role of HRD as change agent.

HRD is more important in banking as service sector is nothing but an exercise in human interfaces. It is necessary that the service provider enjoy as much in providing service as the customer. When services are provided in a monopolistic manner there is less incentive for HRD than in case where the competitive situation exists. Today it has become a conventional wisdom that competition provides great service to customer. And in the present scenario, marked by growing competition in all direction, HRD assumes greater role.

1.2 Importance of the study

Liberalization has brought about a paradigm shift from a highly regulated system to a deregulated regime. Opening up of the Banking sector has resulted in a
significant increase in the number of private sector banks as well as foreign banks. No doubt reforms have the positive impact on the financial system. However, a little has been done in the area of human resources development in public sector banks to face the competition from private sector banks. The public sector banks have not made fuller utilization of available human potential and before that they have not given enough opportunities and support to enhance their individual and collective capabilities.

There is a sea change in the competition and management styles of banks today, especially in private and foreign banks compared to pre-reform days, freedom in recruitment of human resources, access to improved technology, freedom to create physical ambience in the banks, quick services to customers, innovative banking products etc., kept new generation banks on the forefront in the competition. The traditional methods that are followed in dealing with the human resources of public sector banks could not motivate them in the achievement of targets. Thus the public sector banks are at a disadvantageous position compared to foreign banks in many areas. The change in the global environment, deregulation and liberalization and the emergence of new forms of financial intermediation have major human resources implications. Employees – technology synergy in the changing environment and a paradigm shift in banking will necessitate working out strategies to make employees more productive. The statements and views of eminent people and experts in the area of banking and human resources management indicate that a new approach in the management of human resources are essential in banking sector in view of changing competitive environment. A review of available literature on human resources management indicate that there are lots of gap between what is existing and what is required in the management of human resources in banking sector. This induced the
researcher to take up the present study mainly to fill up the gaps. Thus, the top management and the HRD practitioners at the organizational level and the bank employees at the individual level will benefit from this study by understanding the areas of change of their concern.

State Bank of Mysore (SBM) is an associate bank of State Bank of India, offering a range of financial products and services to its customers across the nation. Founded in 1913 under the patronage of Government of Mysore as Bank of Mysore Ltd, Sate Bank of Mysore became an associate of SBI in March 1960 with SBI holding 92.33% of shares. Sate Bank of Mysore has an extensive network of 682 branches and 20 extension counters and 80 percent of total business have been fully computerized. 381 ATMs have been installed and also networked with the Sate Bank Groups’ over 11400 ATM’s. The Bank has also started 24 hours a day, 7 days a week and 365 days in year banking at selected centers. Though in a limited scale, SBM has introduced Tele-Banking and Internet Banking.

The Bank admits that size is not everything in a competitive environment and now it is finding the task of retaining position as the premier Bank, very difficult. The Bank’s market share is decreasing day by day. Though in absolute terms, profit is increasing, in profitability parameters it is lagging behind all the new private sector Banks. Even a few public sector Banks like Corporation Bank, Indian Overseas Bank, Canara Bank etc., have overtaken SBM. The trend is not difficult at the Bangalore Region of the Bank.

In this backdrop, it is felt worthwhile to look into the present HRD practices in the Bank.

1.3 Objectives of the Study

The study has been undertaken with the following objectives:-
1. To assess the existing practice of training and development in State Bank of Mysore at Bengaluru Region.

2. To examine the existing practice of performance appraisal and career progression.

3. To examine the existing reward and recognition system as a motivational tool, in the Region.

4. To assess the HRD climate in Bengaluru Region of State Bank of Mysore.

5. To examine the overall HRD practices in the Region.

6. To give appropriate suggestion for better HRD practices in SBM at Bangalore Region.

1.4 Hypothesis

The following hypothesis has been made to cross check with the findings of the study:

1. Though there is elaborate structure for training in the Bank, training need assessment and training evaluation are not done properly.

2. Organizational Development and Quality Control are done ritualistically.
   The culture is yet to spread.

3. Performance appraisal is taken seriously only for promotion exercise.

4. Awareness about reward and recognition system is low among the employees in SBM.

5. The Bank's HRD climate requires substantial improvement.

1.5 Scope of the Study

The study is confined to Bengaluru Region of SBM, comprising 512 branches and 20 extension counters located in the geographical area of the state of
Karnataka. However, the HRD practices in the entire Bank are almost uniform with little variation here and there. Therefore, the outcome of the study in Bengaluru Region is also relevant for all the other Regions and such for entire Bank as a whole.

1.6 Methodology

1.6.1 The Sample

The sample comprise of 500 employees selected on random basis from branches and offices all over Karnataka. Special care has been taken to get a good mix of employees in various categories, age groups and lengths of service. It has also been ensured that the sample comprises of employees posted in branches and administrative offices and at rural, semi-urban and urban centers.

1.6.2 Method of Data Collection

A structured questionnaire was prepared after taking cue from the questionnaire suggested and used by experts on the subject (Rao, 1990) and taking into account the Bank specific conditions. The questionnaire was tested at the Local Head Office (LHO) by administering to and discussing with a few senior officers including top executives. Subsequently, the same were sent to different branches / administrative offices for data collection. To get an unbiased feedback, the researcher's name was not mentioned deliberately in the questionnaire list it could influence response of the employees. Face to face interview was taken with senior officials, a few clerical staff and in particular with AGMs, faculty of STCs and those who have taken VRS.

For collection of secondary data, various books, published materials, manuals, status reports of various departments, magazines, journals and files were consulted at different offices, training centers / staff colleges of Bank and libraries.
1.6.3 Data Processing and Analysis

Out of 500 respondents, identified on random basis, response was not received at all from 53, and because of partial response, 31 could not be considered. Most of these 152 respondents were subordinate staff and 264 respondents were middle management, senior management and top executive cadres.

For data analysis, the questionnaire has been divided into four dimensions of HRD practices:

1. Training and Development
2. Reward and Recognition.
3. HRD Climate.

In each dimension, data have been segregated on four major variables/parameters:

1. Age
2. Categories like clerical staff, officers in junior management, middle management, senior managers and top executives.
3. Length of service.
4. Perception of managers who have joined as clerical staff and direct recruit officers has been evaluated on all the above mentioned four dimensions.

Each question has been grouped into relevant parameters and relevant parameters are again grouped into relevant aspects of each dimension.

At the beginning, mean and standard deviation of each question of particular parameter are calculated against the variable “age”. Thereafter percent score has been calculated on the basis of the following formula suggested by T.V.Rao in “HRD audit”: percent score = (average of the responses to a question -1) *25.
As the response has been obtained on the five-point scale having values ranging from 1 to 5, the above formula gives scores varying between 0 to 100 percent. The score is called Activity Performance Index (API). Higher the percentage of API, the more reliably that activity is being performed in the organization. An activity index of more than 50 percent is indicative of acceptable level of performance.

As further suggested by T.V.Rao, a score of 75 percent and above indicates that the organization is excellent on that particular aspect. Score of less than 60 percent signifies that there is scope for improvement. And a score of less than 50 percent reveals the weakness of the area.9

1.7 ANOVA

At the next step, score against each question has been added to get the sum of score of each parameter and then one-way ANOVA10 has been calculated to ascertain whether any significant difference exists within the different age groups on that particular parameter. The step is then repeated for each parameter in respect of other variables such as category, length of service and joined in the Bank as clerical staff or direct officer.

1.7.1 Analysis of Variance (ANOVA)

After calculating mean, standard deviation and Activity Performance Index, one way ANOVA has been worked out to ascertain how the different groups in each parameter, differ or agree with each other in their observations on different aspects, as under:-

1. First the correction factor is calculated. CF = T²/n where n = r*c, r is the number of rows and c is the number of columns and T is the total of all elements in the table.
2. Then total sum of square $TSS = (\sum X_{ij}^2 - T^2) / n$, is calculated. $X_{ij}$ is the element at $i^{th}$ row and $j^{th}$ column.

3. Sum of square between is $SS = \sum T_j^2 / n_j - T^2 / n$, $T_j$ is the total of each column, $n_j$ is the total number of elements in each column.

4. Then calculated value is the sum of square within $= TSS - SS$ between.

5. Degree of freedom $c-1$ ( for SS between) and $c_r - c$ ( for SS within) is enumerated.

6. Then, Mean square $V_1 = SS$ between / $(c - 1)$ and $V_2 = SS$ within / $(c_r - c)$ are calculated.

7. Dividing $V_1$ with $V_2$ arrives at thereafter F-ratio. And probable F-ratio is available from the table.

8. From F-ratio the ‘level of significance’ at 5 % level is enumerated.

**1.7.2 Correlation Analysis**

Correlation means association or interdependence between two variables. If two variables are so related that a change in the magnitude of one of them is accompanied by a change in the magnitude of the other, they are said to be correlated. The correlation coefficient of variables $x$ and $y$, denoted by $r_{xy}$ is

$$r_{xy} = \frac{\text{Cov}(x,y)}{\sqrt{\text{Var}(x)} \sqrt{\text{Var}(y)}}$$

Cov $(x,y)$ denotes the covariance of $x$ and $y$. If, given $n$ pairs of values $(x_i, y_i)$ $1 = 1$ (l) n, of variables $x$ and $y$.

And $\text{Cov}(x, y) = 1/n \sum (x_i - \bar{x}) (y_j - \bar{y})$, where $x$ and $y$ are means of the values of $x$ and $y$ respectively.

At the next step, score against each question has been added to get the sum of score of each parameter and then one-way ANOVA has been calculated to ascertain whether any significant difference exists within the different age groups on that
particular parameter. The step is then repeated for each parameter in respect of other variables such as category, length of service and joined in the bank as clerical staff or direct officer.

1.7.3 Inter Correlation Matrix:

Inter correlation matrix has been calculated (Levin & Rubin, 1991) for each dimension to ascertain whether any correlation exists among various parameters and if exists, to what extent.

1.8 Limitations of the Study

The study has a limitation that sample of employees in Karnataka only could be covered. Moreover, because of the lack of conceptual clarity on a subject like HRD and the nature of job, responses could not be elicited from the sub-ordinate employees like messengers doing job in the bank. More number of branches in remotest area in the state of Karnataka could not be covered because of inaccessibility.

1.9 Sequence of the study:

The entire study has been divided into the following chapters.

**Chapter 1- Introduction:** It consists of introduction, importance, Scope, Objectives, methodology, hypothesis and limitations of the study.

**Chapter 2 –Growth of Indian Banking and State Bank of Mysore:** The chapter consists of the details of growth of banking in India, Birth of SBM, Banking reform in India, SBM through reform process, growth of Banking in Karnataka and SBM in Karnataka.

**Chapter 3-HRD in State Bank of Mysore:** The chapter includes concept of HRD, HRD in 21st century, HRD in SBM and organizational restructuring and HRD.
Chapter 4-Training and Development in State Bank of Mysore: The chapter contains the concept of Training and Development, Training as HRD sub-system in SBM. Training in Bengaluru Region, Concept of OD, OD intervention and QC in the Bank at Bengaluru Region.

Chapter 5-Performance Appraisal and Career Progression In State Bank of Mysore: The Chapter includes concept of performance appraisal, performance appraisal system in SBM, new performance appraisal system in SBM, concept of career progression and career path.

Chapter 6-Reward and Recognition and HRD Climate: The chapter consists of concept of reward and recognition, reward and recognition in SBM, concept of HRD climate, HRD climate in SBM and VRS.

Chapter 7-HRD Practices in SBM: Data Analysis. This chapter contains the details of sample, statistical tools used for data analysis, analysis of data, analysis of variance and analysis of correlation for various HRD dimensions.

Chapter 8-Summary and Suggestions: summary of the entire study and gives appropriate suggestions on the basis of the findings for a better operational performance of SBM in Bengaluru Circle.

1.10 References:
2. Ibid,
Improving productivity and competitiveness”, National HRD network, New Delhi, 1990, p-18 and 19.


