CHAPTER II

THE STUDY
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SIGNIFICANCE OF HUMAN RESOURCE MANAGEMENT

Most of the economies are dependent upon the level of management of Human Resources. In fact, it is said that all development comes from human mind. Human resources management is responsible for the transformation of traditional economies into modern and industrial economies. One of the fundamental tasks of management is to manage human resources in the service of the economic objectives of the enterprise. Among other things, if a company is economically successful it means that management has been able to manage human resources effectively.

Human resources management is a central subsystem of management of various resources. The human resources are the active force in industrialisation and strategies for development should concentrate particularly on their enhancement.

In fact, designing a system, innovative and creative ideas and invention of new technology are all the outcome of human brain. Management of human brain is more an art rather than a science. As such, it is a difficult task compared to management of other resources. The significance of human resource management is clearly
visualised from the saying that, "Japan is poor but Japanese are rich and India is rich but Indians are poor". The significance of human resource management in banks need not be over-emphasized as the latter is a service industry which needs more of human brain rather than other resources for its survival, growth and development by way of innovative and novel schemes and projects.

The Banking industry, which was under the private sector before 1969, has enjoyed the environmental opportunities rather than facing threats as Indian economy was mostly regulated during the period. The importance of human resource was not recognised in the banking sector during this phase. Major share of the banking industry was brought under the Government fold during 1969 by nationalising 14 major commercial banks. Government has been using the banking industry as a means of discharging its responsibilities towards the public and hence, this industry has been freed from competition. This position would have created an impediment in the growth of and/or recognising the significance of human resource management, but for the general trend of increasing awareness of pivotal role of human resource management, radical changes in the employee background, values, aspirations and attitudes.
SIGNIFICANCE OF HUMAN RESOURCE DEVELOPMENT

The attainment of objectives of Human Resources Management is significantly dependent upon the development of human resources. Human resources development (HRD) is a process by which employees are continuously helped in a planned way to acquire alround capabilities and organisational culture where team work and collaboration contribute to the organisational health. Thus, HRD can be attributed to the fact that it helps in improving human relations, developing congenial organisational climate in moulding, organisational culture and in maximising employees' contributions in attaining the organisational goals economically and effectively.

In view of the vitality of human resources development the term 'Human Resources Development' has become very popular in the recent years. In fact, the Union Government has also instituted a separate ministry for the Human Resources Development. Many organisations have either started Human Resources Development departments or have appointed Human Resources Development Managers or atleast have strengthened their personnel departments to look after the human resources development functions.
Inspite of the human resources development boom there seems to be a lot of misguided thinking about human resources development in several organisations. One such misconception is treating human resources development equivalent to Training and Development.

The contributions of human resources for the organisational effectiveness are more significant in a service-oriented organisations like commercial banks compared to that of manufacturing industries. Further it is said that human resource development plays significant role in commercial banks in enhancing human resources contributions for congenial customer relations, maximising profitability in banks etc.

SIGNIFICANCE OF THE STUDY

Historically commercial banks in India are concentrated in big cities, metropolitan areas and port towns. The well placed traders, businessmen and the industrialists in these places have availed themselves of the banking facilities and the common men particularly agriculturists were covered by the banks only in rare cases. This situation and failure of the social control scheme led to the nationalisation of 14 major scheduled commercial banks on 19th July, 1969. Six more banks were also nationalised on 15th April, 1980.
Nationalisation has changed the complexion and dimensions of commercial banking in India. It helped to hasten the pace of geographical and functional diversification. The new dimensions have brought drastic changes towards the professionalisation in bank management. Further, the new dimensions placed the varying responsibilities on the shoulders of commercial banks such as expansion of branch offices to unbanked and remote rural areas on a massive scale so as to cover small scale sector, cottage and rural industries, self-employed persons, artisans, weaker sections of the society, small traders and other persons of small means. There has been widespread and massive expansion of bank activities in respect of branch expansion, deposit mobilisation, credit to conventional sectors and non-conventional sectors like agriculture, small industry, small business entrepreneurs, education and research etc.

This multidimensional development of commercial bank activities led to the increase in quantity and quality of human resources. Commercial Banks in India are highly human resource intensive. The State Bank of India tops among the 500 banks in the world in terms of the number of employees. The number of employees in State Bank of India group increased from 0.78 lakhs to 2.57 lakhs during the period 1969 to 1988.
The staff of nationalised banks shot up from 1.08 lakhs to 4.88 lakhs during the above period. The employees of all scheduled commercial banks have gone up from 2.20 lakhs to 8.44 lakhs during the same period.

There has been significant improvement in the qualitative aspect of the human resources in the banks in addition to quantitative development. The cream of the country's labour market has been attracted by the commercial banks in the country during the post-nationalisation period. Post-graduates, Technical graduates, experienced people, Professionals are among the present day's human resources of the Banks. Further, the young, dynamic and professional today dominate the old blood (with traditional outlook) of the banks.

Despite these unparallel developments (both quantitative and qualitative) in human resources, the commercial banks in the country face a number of problems particularly related to the effectiveness of the organisations. These problems include declining profitability, increasing overdues and dwindling recovery, decline in the quality of customer service and relations, criticism by the politicians and the statesmen regarding the delay in sanctioning of loans to agriculturists and other persons of small means etc.
The core cause for all these problems may be the domination of the traditional outlook of the Bank Managers of old generation, undesirable attitude towards non-conventional customers like agriculturists, traders and lack of required abilities and skills to the newly recruited managers of the commercial banks. The other reason for the situation is lack of commitment and aptitude towards innovative banking on the part of human resources. The root cause for all these problems is mostly due to the absence of proper management and development of human resources.

Thus, the absence of competitive environment would be the reason for lack of professionalism in human resource management and lack of concern for human resource development in banks.

But, the banking industry at present is under transition owing to the enunciation of economic liberalisation by the Government of India. In the wake of liberalisation, the banking industry is thrown open to all in the globe. Consequent upon that, some of the domestic private mutual funds have appeared on the horizon along with the international mutual funds. A few new private banks came into being with altogether creative ideas. Along the line, some of the international banks are in their toes to
enter the Indian banking sector. Above all, the increased awareness among the investors, the erstwhile depositors of the commercial banks about the stock market operations, direct investment in industry and their increased risk tolerance have contributed to the diminishing role of commercial banks as financial intermediaries.

These environmental threats will chase the protective zone of Indian public sector commercial banks. As such, Indian banking industry should strengthen itself with the required resources notably human to face the environmental challenges and threats. Further, the need of the hour for the commercial banks is to formulate stability strategies but not growth strategies. This will help to formulate growth strategies later. Thus, human resource management and human resource development plans have to play a vital role in stability and growth strategies of commercial banks. At this juncture, it would be more appropriate to study the present position of HRD in banks in terms of philosophy, practice and outcomes with a view to assess the core competence of HRD as a strategy for survival and growth.

REVIEW OF LITERATURE

Though commercial banks are one of the biggest employers in the country and have been working as public
sector undertakings since 1969 studies dealing with human resources development in commercial banks in India are not many. But there are a few studies which dealt with the various aspects of human resources management in banks.

P.Subba Rao\(^1\) studied job satisfaction among bank employees. In this study he examined the impact of various factors on Job Satisfaction of different classes of employees in various banks. There are a number of papers written by various authors covering some aspects of human resources management.

D.V.Ramana Murthy has discussed in his article on "Human Factor in Banks"\(^2\), the significance of human factor and trade unions in the banks. S.R.Varde in his paper on "Manpower Planning"\(^3\) at the level of an Indian commercial bank dealt with the aspects like basic structure of manpower planning, linkage of manpower plan to other plans, interrelationship of various manpower functions, objectives of manpower planning in India commercial banks, anatomy of manpower plans and techniques of manpower planning. N.R.Seth\(^4\) discussed growth, functioning and progress of trade unions in Indian banks. P.Subba Rao\(^5\), have discussed the role of counselling, performance counselling and action planning in his paper on "Bank Branch Manager as a Counsellor".
T.V.Rao, in his book on "The HRD Machinery" explained HRD instruments, processes and outcomes, HRD departments and their tasks, structuring the HRD function, qualities and competence requirements of HRD managers, developing HRD managers, traps and temptations of HRD managers and HRD instruments. Balader R.Sharma in his study on "Human Resource Management in the Banking Industry" studied managerial beliefs, work technology and organisational climate. P.Amsa in his paper "Organisation culture base for effective HRM in Banks" studied HRD related areas in brief in addition to various issues related to human resource management.

There are some papers particularly dealing with the theoretical concepts of human resources development in banks. Anil K.Khandelwal in his article on "Training Horizons in Banking: Challenges of the Eighties" has explained the training arrangements at macro level and challenging role for the trainers. Shanmugam has dealt in with meaning of human resources development, bank philosophy regarding human resources development and performance appraisal in State Bank of India. D.C.Sanghi in his paper on "Trainer Effectiveness" discussed standard of competence of the trainee, trainer behaviour, personal needs of trainer and effective use of training inputs. T.K.Sinha in his
paper on "Human Resources Development: Concepts, Concerns and Functions" dealt with the concern and aspects of human resources development such as human approach, people as a resource in organisation, process of the development, functions of human resources development and training and team process. Varsheny in his paper on "Growth of HRD Functions in Banks", studied only concepts of human resources development. Joshi has explained the significance of human resources development in banks. S.S.Kulakarni discussed the impact of environmental changes on human resources development in banks. He emphasised on promotion, recruitment, placement, performance appraisal, training, social welfare activities etc. K.K.Verma in his paper traces the history of human resources development in Bank of Baroda, performance appraisal, skill inventory, training and experiment of quality circles.

T.P.Raman in his paper on "HRD in State Bank of India" explained the practice of HRD and various techniques of HRD in State Bank of India. His paper is mostly based on his work experience in the bank rather than a study. R.K.Agarwal, in his paper on "HRD in State Bank of Patiala" explained the objectives and structure of HRD department, HRD climate and various techniques of
HRD in the Bank. This paper also suffers from the same limitations of the T.P. Raman's paper.

D.C. Sanghi, in his paper on "Training for a new breed of Bankers" explained the gaps in the identification of knowledge and the process of bridging them. S. Bhattacharya, in his paper on "Self Renewal of a Bank Officer in Operations" discussed wrong role perception, marketing approach, work knowledge, dimensions of operations and optimising approach. S. N. Shanmugham, in his paper on "HRD in the State Bank of India" explained the aims and areas of HRD and performance appraisal in State Bank of India. This study is also based on the author's perception rather than a research study.

R.K. Gupta, in his paper on "HRD : Concerns, Concepts and Framework," explained the framework for HRD and functions of HRD. This paper attempts only at conceptual framework of HRD rather than issues relating to Banking industry. Abraham, in his study on "HRD climate in Banks", studied HRD climate in Banks with the help of structured questionnaire. Though his study deals with extensively the climate, it suffers from the limitation of narrow scope of the study. N.R. Sheth, studied "HRD in Industrial Relations". Anil K. Khandelwala, in his paper on "HRD for Rural Banking" studied the various
subsystems of HRD relating to rural banks. Ramesh Gelli, in his paper on "Participative Management: Quality Circles Application to Banking", explained the philosophy of participative management and quality circles techniques for participative management. N.Vaghul, in his paper on "Employee Development for Efficient Customer Service", highlighted the significance of customer service and suggested for human resource development in Banks. The study "Introducing HRD in Banks" by Udai Pareek, suggests for the creation of HRD climate, developing HRD strategy, introducing HRD spirit etc., for the effective implementation of HRD techniques in banks. "Role of Indian Institute of Bankers in HRD" by R.D.Pandya suggested the contribution of the Indian Institute of Bankers for HRD implementation in banks.

Regarding the role of management of different levels and trade unions in HRD, various authors have expressed their views in their papers. Important among them include Udai Pareek, R.K.Gupta, T.V.Rao, and Anil K.Khandelwala. "Role of Top Management in HRD" by Udai Pareek focusses the main roles of top management in terms of building image and climate, integrating HRD in line management and building HRD as a special function. In addition, mechanism and emphasis on HRD as line responsibility were also dealt in
this paper. R.K. Gupta, in his paper on "Role of HRD Managers in Banks", deals with qualifications of HRD managers, their role in banks, the role of HRD at corporate level and regional level. T.V. Rao, in his paper on "Role of Branch Managers in HRD" deals with the creation of HRD climate, developing a family culture and performing development and counselling roles. Anil K. Khandelwala, in his paper on, "Role of Unions in HRD", deals with HRD role by unions, managerial styles and union roles.

The important papers regarding HRD techniques include "Training and Human Resource Development in Public Sector Banks", by G.R. Dixit. In this paper he discusses the role of training in the HRD and finds out the gaps in the training system. He points out that despite efforts that have been taken, both training and development have not taken firm roots. Anil K. Khandelwala, in his paper on "Management Education and Training in the Banks", provides an overview of the efforts made by some banks and National Institute of Bank Management. The paper "Performance Appraisal Systems in Banks" by T.V. Rao, discusses the efforts of several banks in introducing a development oriented performance appraisal system. He contends that appraisal is not adequate to create a culture of development, but development has to be created through a variety of
techniques. The paper on "Organisation Development in Banks" by Anil K. Khandelwal, suggests that planned change in the culture, technology and management of total organisation can help banks to manage growth problems. He advocates the use of organisation development interventions to improve problem solving capabilities.

Regarding HRD for some critical groups, Deepti Bhatnagar and L.B. Bhide contributed one paper each. Deepti Bhatnagar, in her paper on "HRD for Women Employees in Banks" deals with aspirations and concerns of women employees, and the role of HRD interventions for Women Development in Banks. L.B. Bhide, in his paper on "HRD for Socially Disadvantaged Employees in Banks" deals with the developmental problems of SC and ST employees.

appraisal and industrial relations in the bank. The paper on "Human Resource Development - The Canara Bank Experience", by N.D. Prabhu, describes the philosophy of HRD programme in the bank. This paper also highlights several initiatives taken by Canara Bank regarding HRD.

The analysis of the above papers on HRD in various banks reveal that the scope of almost all the papers is narrow, limiting to a particular bank and to a particular aspect of HRD. Further, it seems that almost all the papers are based on personal experience of the bank executives rather than findings of an empirical study. As such, a comprehensive and integrated outlook based on an empirical study on human resource development in Banks is the gap in the existing literature on the subject.

NEED FOR THE STUDY

The important reason for the situation is owing to the recent origin and growth of the concept of Human Resource Development in India in general and commercial banks in particular. However, commercial banks are the foremost units in spending huge amount of finances under the head Human Resource Development. Moreover, there are Human Resource Development Departments in large banks. Surprisingly the research studies dealing with the human
resources development aspect in banks are rarely conducted in Indian Commercial Banks. Against this background it is felt that there is a need for the study of human resource development in Banks.

OBJECTIVES

The objectives of the study are:
1. To enquire into the HRD philosophy of banks;
2. to study the organisational and HRD climate in the banks;
3. to enquire into the practices of various HRD techniques; and
4. to study the outcomes of human resource development for the bank, individual employees, groups and the society at large.

In the fulfilment of these objectives, a close study is made on all important areas of human resources development in banks. The position prior to nationalisation is also studied with a view to appraise the changes better.

METHODOLOGY

It is very difficult to appreciate and understand the human resources development unless recourse is made to the interview method. Interviews and discussions were
organisational with the selected representatives of management of various commercial banks, Staff Training Colleges, Indian Institute of Bankers, Bombay; National Institute of Bank Management, Pune; Indian Banks' Association, Bombay; Banking Service Recruitment Boards, Trade Unions and with employees of various commercial banks. A separate questionnaire was prepared for this purpose to draw upon their rich personal opinions, experiences etc., which cannot find a place in the reports and records. Interviews are also conducted with the trainees who underwent training and management development programme, their superiors, subordinates and peers in order to ascertain the impact of these programmes on job performance and behaviour. Another method that was adopted for this study is the collection of secondary data from various commercial banks, Indian Banks' Associations etc.

Various appropriate statistical techniques were employed for analysing the data. The statistical analysis and data are supplemented by the information collected through interviews and personal observation so as to derive effective and meaningful conclusions.

The data and information were collected from various sources. Factual data were collected from the Annual Reports of the banks; Staff Training Colleges,
House Magazines and other records of the Banks, reports and other records of the Trade Unions.

The study warranted a number of trips to the head office, regional offices, branch offices and Staff Training Colleges of respondent Commercial Banks and National Institute of Bank Management, Pune; Indian Institute of Bankers, Bombay; and Indian Banks' Association, Bombay. During these visits, libraries of all banks and various banking institutions were made use of to go through a number of relevant reports and books.

SAMPLING

It is very difficult to study human resources development in all the commercial banks due to limitation of time, finance and other resources. However the study of human resource development need not be conducted in all the commercial banks as most of the banks are similar in the nature of business/operations, size, adopt similar techniques and strategies of human resources development etc. Further, the policies, programmes, practices of human resources development are common in most of the banks. As such a sample of five banks of different nature like State Bank of India (nationalised in 1955), Bank of Baroda
and Canara Bank (nationalised in 1969), and Andhra Bank (One of the six banks nationalised in 1980) and the Vysya Bank Ltd., (biggest private sector Indian Bank) were taken up for the study. Further all employees, all trade unions' leaders and all management representatives were not interviewed due to the time and resource constraints and lack of necessity. Hence a sample of 785 respondents was taken up for the purpose of conducting interview based on stratified random sampling technique.

The respondents were basically divided into two strata viz., management representatives and employee representatives. The management representatives were further classified into four strata namely personnel specialist, HRD specialist, faculty of Training Colleges and line managers (like Heads of departments, regional managers and branch managers). Employee representatives were divided into three strata viz., senior and middle level executives and award staff. The sample selected in terms of Banks, management representatives and employee representatives was presented in the Table 2.1.

SCOPE OF THE STUDY

The study covers all the important areas of human resource development in Banks. These areas include
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<th>Types of Respondents</th>
<th>No. of Respondents</th>
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<td>State Bank of India</td>
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<tr>
<td>I. MANAGEMENT REPRESENTATIVES:</td>
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<tr>
<td>a. Personnel specialists</td>
<td>12</td>
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<tr>
<td>b. HRD specialists</td>
<td>9</td>
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<tr>
<td>c. Faculty of Training Colleges</td>
<td>10</td>
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<tr>
<td>d. Line Managers (Like Heads of Depts., Regional Managers, Branch Managers)</td>
<td>30</td>
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<tr>
<td>II. EMPLOYEE REPRESENTATIVES:</td>
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<tr>
<td>a. Senior and Middle Level Executives</td>
<td>30</td>
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<tr>
<td>b. Junior Level Executives</td>
<td>60</td>
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<tr>
<td>c. Award Staff</td>
<td>100</td>
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<td>Total</td>
<td>251</td>
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conceptual clarification about human resource and human resource development in banks, essentials of HRD, the sub-system of human resource development like performance appraisal, training, management development, career planning and development, organisation development, participative management, quality circles etc. These primary areas of human resources development are studied thoroughly to the maximum extent through the means of discussions, interviews, reports, accounts, observations etc.

This study covers other areas which have indirect impact on human resource development like human resource planning, selection, employee counselling, etc. These areas are studied to the degree at which they will have bearing upon human resources development in banks. The information collected relating to these areas are used to supplement the information about the primary areas of human resources development.

SCHEME OF THE STUDY

The study is presented in nine chapters. The first chapter deals with the conceptual analysis of the human resource development in terms of meaning, significance and framework of the process of HRD. Chapter two presents
the complete research design. Essentials of human resource development (HRD) like organisational structure, organisational climate, HRD climate, human resource planning, recruitment and selection are analysed in chapter three. The chapter four throws light on the performance appraisal and potential appraisal as techniques of HRD. The important sub-systems of HRD i.e., training and development are discussed in chapter five. The chapter six deals with the organisational development. The other techniques of HRD like participative management, quality circles, career planning and development are presented in chapter seven. Ends of HRD in terms of its outcomes to the organisation, individual employees and the society is embodied in chapter eight. The analysis of the study is evaluated and appropriate suggestions are offered in the last chapter.

REFERENCES


16. R.K. Agarwal, "HRD in State Bank of Patiala", in Ibid, p.120.


22. N.R. Seth, "HRD in Industrial Relations", in Ibid, p.78.


