Chapter – II

HUMAN RESOURCE DEVELOPMENT

IN PUBLIC SECTOR BANKS
CHAPTER – II
HUMAN RESOURCE DEVELOPMENT IN
PUBLIC SECTOR BANKS

2.1 IMPORTANCE OF HUMAN RESOURCE DEVELOPMENT (HRD) IN THE BANKING SECTOR

In a service industry like banking, the most important need is naturally the human resource development. Certain rigidities have also developed in human resources development within the banking system itself because of this industry being largely in the public sector, which gives preference to seniority over performance, and not attracting the best talent from among the young.

The recommendations of the second Narasimham Committee could provide useful guidance to banks in designing new recruitment practices and training facilities. The committee recommended a system of recruiting skilled manpower from the open market, including lateral induction of experts. Supporting this should be an ongoing strategy of redeployment of existing staff in new businesses and activities, after suitable training. Banks could also explore the feasibility of entering into
collaborative arrangements with universities and other institutions in India and Abroad, to identify and provide specialized training to the financial services industry with an ongoing flow of emerging training packages. This is particularly important for those employees to develop their special aptitude for different skills.

Human potential interest in every employee is vast; it can be further enhanced by various Interventions like Training, Job-rotation, counseling organization action etc. Banking is an activity which thrives on the strength of people power.

Since raw material in a service industry like banking is manpower, HRD emerges as the single most potent element of the bankers' strategic response to meet the challenges of change. Banks by and large managed these changes by evolving new training systems. Training helped a great deal in the acquisition of new technical knowledge and skills in the different aspects of operational banking and also to create a positive attitudes. Training, through specific in purpose, looks at the short-term objective of bridging the gap between actual and expected performances.
2.2 EMERGENCE OF HRD IN BANKS

The success of any organization in the long run depends very much on the quality of its human resources. This especially is true in a service-oriented industry like banking where improvements in service have to be continuously made to meet the rising expectations of the customers. The change from class banking to mass banking after the nationalization process in 1969 ushered new roles for the banks. Such a change in the goals of the banking industry necessitated changes in the roles of the employees too. For example, the role of a branch manager changed substantially from merely 'manager of money; to 'developmental catalyst'. Such a changing nature of the role required new competencies in the form of both new job skills as well as attitudes and style of leadership. Similarly, the role of a 'clerk' underwent a change from merely a ledger keeper to a friend and guide of a customer across the counter. The national building policy to expand in the rural areas also necessitated the intensive effort on the part of the banks to inculcate new knowledge, skills and attitudinal orientation among bank officials.

Some of the associate banks made an excellent beginning by initiating a number of innovations in the personnel function. They
revitalized the training function, redirected training efforts to personal
growth and redesigned the appraisal system to make it performance and
development oriented. However they also faced serious implementation
problems in these areas.

In the area of work technology, there is again a greater scope for
innovation to reduce boredom and alienation. Research findings made it
abundantly clear that ‘work technology’ has a direct influence on
employee attitudes and feelings. While, on the one hand, the design of
bank jobs remains as old as the industry itself, on the other hand, the
profile of new entrants to the banking industry has undergone a radical
change. Today employees being highly educated and ambitious, get
easily bored by the repetitive and routine nature of the bank job.

2.2.1 Assessing Culture and Tradition of Banks

Before introducing HRD in banks it is necessary to assess their
culture and traditions. Each bank has its own history with its own culture
and tradition. Some banks emerged from family ownership, while some
others were set up by the government right from the beginning. The
banks developed their own identities related to them.
In some banks there was an informal culture, much more openness to each other, traditions of sitting together to look at certain problems. While in other banks the culture was more bureaucratic coupled with the system of confidential assessment reports, etc. Obviously, one cannot introduce HRD and training uniformly in the bank with such diverse traditions and cultures. Being sensitive to the culture, one may give ideas about different methods of introducing HRD.

It is more important to note that the development of human resources especially in Banking Organisation requires a ‘developmental climate’ and a HRD climate which is characterised by the presence of values of ‘openness’, ‘confrontation’, ‘trust’, ‘authenticity’, ‘proactivity’, ‘autonomy’, and ‘collaborations’ (OCTAPAC). Apart from the OCTAPAC culture, a general supportive atmosphere is also needed.

2.2.2 Training

Training in banks has for long been recognized as one of the significant contributions to Organizational Development and HRD. It is a systematic effort aimed at developing operational skills and attitudinal changes amongst employees and to render effective service to the
clientele. As for self-development it is now recognized as an integral component for HRD in banks.

Banking being a technical field, persons directly handling banking affairs especially at the branch level, must necessarily know their job in all its technicalities. Proper and timely training of the concerned personnel, both in theory and practices, become imperative particularly in view of the new spheres which are being constantly added to the present day banking and growing demands and expectation from the customer.

The importance of training has been recognized in banking for a long time. The RBI established the banking training college in 1954. The establishment of the staff training college in December 1962 at Hyderabad was a turning point and constitutes an important landmark in the history of training in the SBI and in the banking history. In the meantime, other banks were waking up to the need for providing training facilities to their employees. From the early sixties, the RBI had been exercising gentle pressure on major commercial banks to create their own training institutions. Initial responses from banks were grudging. A few banks set up joint staff colleges. A few more established their own institutions.
Soon after the establishment of the National Institute of Bank Management (NIBM) many annual seminars and conferences on manpower planning and development were organized. It also held a number of trainer’s training programs focusing on teaching methodology, performance budgeting, credit management, lending to priority and preferred sector, and research methodology with a view to modernizing class room teaching in training institutions of banks. Apart from NIBM, there were two other industry level institutions, viz., the Bankers Training College, Bombay, and the College of Agricultural Banking, Pune, which continued to offer programs for middle and senior level executives in the functional areas. Apart from these, banks took advantage of similar programs offered by the Administrative Staff College of India and the Small Industry Extension Training Institute. Many banks elevated the status of the training and the HRD function through the incorporation of these functions by top level executives.¹

The Banking Services Recruitment Board (BSR) took over the recruitment function. It came into existence in the late seventies. Recently the RBI initiated an exercise to provide more freedom to banks to recruit staff and also improve upon their quality. The move came in the wake of

reports that the private sector banks may take away experienced staff from the nationalized banks leaving the latter in the lurch.²

Banks today have excellent training institutions. The 28 public sector banks in India have a capacity of training nearly 9000 employees at a time; a total of nearly 4 lakh employees could be given one week training during a year.³ Though these training institutions have imparted necessary job knowledge and technical skills to some extent, they have not made any visible inroads into developing the right kind of attitudes, motivation and work culture in the bank employees. The training methodology also relies, by and large, on the lecture methods due to the limited attention span of individuals.

Sessions are supplement by discussions, case studies, role-plays and exercises. Other techniques include audio-visual tapes. Training materials prepared are factual and at best reproductions of branch circulars. These do not create sufficient input and response materials should be provocative and user-friendly. It should encourage new critical

thinking and the emphasis should be more on problem structuring rather than on problem solving.

Management of training establishments is one of the important process for an efficient training system which includes the following steps.

1. Assessment of training needs.
2. Faculty development
3. Effectiveness of training methodology
4. Control and monitoring of training centers; and
5. Innovations in design and content of courses.

Regarding evaluations of training, a balance between short-term and long-term effects should be struck. Intangibles like attitudinal charges and behavioural aspects should also be dealt with. Evaluation is a necessity as without that there would be no feedback mechanism for improvement, but it should be a realistic objective and should encircle the changing process meaningfully. Relevance of evaluation has to be judged with reference to the linkage to the banking systems, the national environment and the banks own requirements.
2.2.3 Performance Appraisal System (PAS)

Banking service is one sector where a great degree of attention is being paid to PAS. Several of the nationalized banks have changed their PAS, or are in the process of changing them. In most of the banks that follow the traditional systems, the officers are assessed on the following characteristics:


Banks which have already changed their appraised system have a normal performance – related as well as trait-based appraisal although mostly such self-appraisal is more of a communication of achievements.

Usually, a branch manager is given a self-appraisal on business growth, customer service, informal administration and training requirements in great detail. The reporting office makes comments on each of these areas and gives the final assessment. Along with this assessment, the regional manager is also expected to send branch inspection reports to the Head Office.

2.2.4 Quality of Work Life (QWL)

Quality of Work Life (QWL) denotes the experienced goodness of working in the organizational setting. It originally included only the issue of wages, working hours and working conditions. The concept has been expanded to include such factors as the extent of worker involvement in the job, their levels of satisfaction with various aspects in the work environment, their perceived job competence and accomplishment on the job. The QWL in banks is not high. The reasons for this are fairly well recognized, but considered by managers to be beyond the control of the institutions.

2.3 CHANGING FACETS OF HRD IN PUBLIC SECTOR BANKS

Monetary rewards, promotions, transfers and other important motivational mechanisms seem not to be governed by the banks evaluation of personnel, but by committee reports, which again do not fall within the purview of banks. Banks seem to feel powerless, caught up as they are in a web of several conflicting outside forces. Greater decentralization, more autonomy, power and control will facilitate the individual banks to recruit the right people, design the job as best as could be done, reward employees differently on the basis of performance and thus, enhance the quality of working life in banks while at the same time offering quality service to the public.

2.3.1 Counselling

Prior to the introduction of modern managerial techniques in banks, branch managers reacted to the deficiency of employees by reprimanding and punishing them. This often lead to loss of confidence on the part of the employee and resulted in deterioration of his performance. To correct the mistake made in the process, the employees
had to slog for longer hours in the branch and were not able to enjoy much leisure.\(^6\)

In the modern approach, the manager adopts a helpful attitude towards development of his colleagues. Instead of focusing attention on their weaknesses, he identifies their strengths and reinforces them. By merely pointing out the weaknesses, he may demoralize them and in the process, he is likely to lose good potential workers. Employees, on their part, should also be interested in developing themselves and play an ‘active’ role in exploring their strengths and weaknesses. It is only on participative basis that performance can be improved.

Ultimately, the success of counseling will depend largely on the attitude of the branch manager. If he has a positive attitude towards the development of employees, sincerely believes in improving their performance and perceives counseling as one of his important roles, he can be a successful counselor. It should be remembered that in a branch, the branch manager should set an example of performance and behaviour. If there is any discrepancy between what is prescribed and what is

practiced, counseling will not produce the desired result no matter how well it is done.

Developing proper data on women in banks, different and suitable career paths, creating awareness on woman related problems and skills training to all employees, mentorship for women and child care are some of the areas which need early attention. Unless banks cultivate a developmental concern for their women employees and act in the right earnest, the problem will worsen as more women enter banks. Banks need to undertake some radical measures to enable women employees to grow within the organization as valued members. Banks could establish crèches for the wards of their employees. It is not necessary to have creches exclusively for a particular bank. All banks at a particular place as a whole could join together and open crèches at different centers. This would alleviate the necessity for women to play the role of ‘super women’ and its consequent frustrations and their work efficiency will increase if the woman employees are confident and that their wards are well taken care of.

Apart from providing this very essential welfare facility of crèches, banks must have certain relaxations for women in terms of
stringent transfer policies and policies on promotions. The banks should, as far as possible, show consideration at the time of promotion by retaining them in the same place if vacancies exist or, absorbing them in near by localities after seeking their choice. This would be a real expression of the corporate concern for integrating women as a human resource in banks. At the same time women too must be cautious in seeking favours as it should no be demanded as a matter of right.

2.3.2 Exodus from Banks

The recently signed ‘National Level Agreement’ for providing pension and other related benefits to the employees working in public sector banks, together with changes taking place in the private financial sector, have created tremendous job opportunities outside the public sector set up.

Due to the efforts of many banks, large scale diversification of services and banking activities have taken place in the form of factoring, merchant banking, mutual fund business, housing finance, leasing finance etc. The diversified activities within the public sector banks have emerged over the last few years. The measures of liberalization resulting
in setting up of private sector banks and financial institutions have thrown open tremendous employment opportunities for those who have developed these specialized skills. As a result, public sector banks may have to face an exodus of trained and skilled personnel towards the private sector banks and the financial institutions. At present, the public sector banks are not in a very competitive position either to attract outside expertise or dissuade these specialists from going out of the public sector network. While the private sector organization enjoy relatively constraint-free climates in recruiting and in paying the specialized personnel, the public sector cannot compete with the former. The exodus may be on account of more attractive pay packages, or to enjoy more freedom from the customary environment of the public sector, placement advantages or lack of prospects within the public sector setup. This situation demands attention from two angles immediately.

a. For the public sector banks to offer quality service to the customers and to maintain the drive for specialization, there is a need to build up specialized personnel by planning suitable strategies.

b. Seek necessary autonomy to provide comparable compensation packages, so that the exodus of specialized personnel is arrested
and at the same time, specialists from outside are attracted to the public sector system on competitive on par with the private sector.

In the changing banking scenario, as a result of the liberalization process, the banks in India can adapt successfully to their new roles only if some fundamental changes are made in the present ways of conducting the HRD function. Changes would be required in the structure, strategies, system and process. Better HRD holds the key to successful implementation of the liberalization process. This implies the search for new strategies of managing human resource function and skill development which together will prove a competitive edge to banks.

As a result of the recent attempt at deregulation, liberalization and globalization of the economic environment, the Indian Banking system, one of the major sub-systems thereof, is also getting gradually internationalized. As a consequence, the banking industry has to cope with four major challenges.
1. Business Dimension

With the worldwide reduction in interest rates pursuant to the globalization of banking, the pressure for a gradual, if not precipitious downward trend in interest rates, has almost become inevitable, affecting in the process, the 'spread' and the 'margin'; coupled with this is the emergence of the phenomenon of 'disintermediation' whereby both on 'cost effective' mobilization and 'commercial deployment' of funds, banks are facing what one labels as a "Buyers Market" in economic terminology. The problem is further compounded by (i) on the deposit mobilization, by the large availability of alternative government savings instruments with attractive 'fiscal' concessions and private savings instruments with higher returns; and (ii) on the credit deployment front, retention of blue chip borrowers has become difficult, as they are able to tap their fund requirements for working capital directly from 'household' sector. Therefore, the banks viability now depends solely on the extent to which it is able to make its operation 'cost' and appropriate 'price' its 'products' and 'services'.
2. Technological Dimension

With 'miniaturization' and rapid technological advancement in computers, office automation/telecommunication, hardware configuration and software packages, it would be difficult for banks to ensure 'cost effective operations' and retain their competitive edge, vis-à-vis, foreign/new brethren (who have the sophisticated technology and back up as well as lean manpower) unless banks made their operations cost effective by being proactive in the matter of technology adoption/absorption by the rank and the file of their staff.

3. Financial Accounting Dimension

The third challenge facing the banks relates to the 'new norms' of financial accounting, viz. (i) recognizing only real income on actual basis for balance sheet purposes; (ii) 'asset reclassification' and making appropriate provisions for the same; and (iii) 'higher norms' for 'capital base' within the prescribed time frame work, (capital adequacy of 8% against risk weighted assets) which would not only call for 'cleansing' of the existing portfolios, but more so, warrant tremendous efforts to
increase earnings through innovative ‘fund-based’ and ‘non-fund based’ service packages.

This means, one has to ensure that the staff handling these ‘portfolios’ develop the requisite ‘professional skills/competence, through appropriate/continuous updating of their professional knowledge and expertise.

4. HRD / Training Dimension

The fourth dimension related to the development of appropriate HRD/training inputs, to facilitate nearby half-a-million staff, located in various/far-flung metro and urban outlets, not only to cope with hardware and software application packages, but enable them to smoothly absorb the same. This calls for a proactive approach in conceptualizing, designing, planning and implementing appropriate HRD/training plans. Incidentally, the critical aspects relating to the compensation packages for the staff, especially to the highly skilled and expert professional categories of staff need orientation in view of the looming threat of the drain of the ‘creamy layer’ of the staff due to availability of better monetary superannuation packages to new/foreign bank outlets.
These far-reaching charges in the banking scenario, indeed, has thrown a number of challenges in the operational areas as well as in HRM/HRD functional forcing the banks to have a change and to review their various policy frameworks, functions and practices so as to appropriately redesign them to effectively respond to the metamorphosis that is taking place in the business profile of the banks. The implications of these changes, especially on its interface with the HRM/HRD functions, are not out below.  

1. A variety of new competencies at various levels including at TM level will be needed. Many specialists in technology and financial service will be required.

2. Free licensing of new/foreign banks with the advantage of sophisticated work technology and consequently thin manpower (perhaps without/ clerical/sub-staff components) and lower overhead costs.

3. Increased concern for quality of services and products.

4. Focus an innovations to remain competitive.

5. A new work culture facilitating higher productivity, job enrichment, enlargement, single window operations wherever technically/operationally feasible and scope for an environment free from restrictive/wasteful practices.

6. An open system, facilitative of free flow of creative ideas; breaking of hierarchies and recognition of individual talents.

7. Changes in management structure, authority pattern and work ethics/culture.

8. Changes in personnel/HRM/HRD with emphasis on providing a separate route of promotion to high fliers, management of talent and rewards based on performance and a flexible rewards and punishment.

9. Intensive management development to enhance the technical, professional competencies in keeping with changing roles of
banks; skills to operate in a very turbulent and dynamic environment and vision to be futuristic.

10. To turn around industry relations climate from one of a "fire fighting approach" to one based on "mutual faith, trust, harmony and of collaborative relationships".

2.3.4 Changing Facets

With the changing Indian Banking scenario, certain desirable changes are also taking place in the HRD transfer in banks by way of introducing or evolving modern subsystems / strategies / mechanisms like Quality Circles (QCs), Human Resources Information System (HRIS) and Impact of Computerization on the changing work technology and work culture.

2.3.5 Quality Circles (Q.C)

The basic idea behind QCs is to fully develop the human capabilities of all employees and thereby lead to the improvement of organization. The basic principle centers around the advantage of worker
participation in management – improved personal capability of individual employees, increased self esteem of individual employees, developing workers, potential to become supervisors of the future, reduced conflicts stemming from work environment and increased involvement of workers in their jobs.⁸

2.3.6 Quality Control Circles (QCC) in Banks

In the manufacturing industries where the concept of QC originated and where they have been extensively implemented with fair degree of success, the emphasis is on product quality and quality control. That is why they are often referred to as Quality Control Circles (QCCs). Wherever they have been implemented successfully, the success is measured mainly in terms of product quality and cost reduction. As far as banking is concerned, where the primary product is service, it is very difficult to measure and control the quality of service from various angles—from the employees point of view. The question arises as to how does one define ‘quality’ as applicable to thinking services from these various angles. Unless the quality is defined specifically, it becomes difficult to evaluate whether there is improvement or not. Thus, it becomes necessary

for one to change the emphasis from quality control of human aspects of effectively working together in a group so as to bring about improvement in service and quality of work life.

Though the QC movements was initially started in the manufacturing industries, it was soon realized that it has much to command to the service industries like banking which employs a large work force and handles multi-dimensional functional areas. Notwithstanding that men and women in the banking sector are amongst the highest qualified and best paid and served: the level of their involvement and motivation towards achievement of organizational and national goals has often been subject to adverse criticism. It was, therefore, rightly perceived that QC philosophy may perhaps take care of some of the problems leading to better task identity, job enrichment and consequently customer orientation. The Bhopal circle of the State Bank of India (SBI) was the first to appreciate the underlying philosophy of QC and its potential for tapping the innate creativity of the employees not only for tackling various problems relating to their work environment, but
also for improving their commitment towards organizational goals and the results were very encouraging.⁹

QC is a voluntary association of workers who regularly meet the identify, analyze and solve their work related problems. Generally supervisors are not members of the circles. In the manufacturing sector, the functions of workers and those of supervisors are quite distinct, whereas in banks, there is a lot of overlapping of function between award staff and officers and officers and managers. Further, there is also an overlapping of the functions, among different sections / departments.

In the context of QCs when one talks of improving quality of work, better contribution of staff, increasing productivity, etc., it is likely that staff unions may perceive these as a threat to the security of workers, ways of tightening control over work force for extracting more than legitimate work from them and so on. Right from the beginning, the rank and file of the unions will have to be taken into confidence and they will have to educated properly. Otherwise, the ideas of GCs will not sell. To a great extent, the task envisaged for would be helpful in preparing the unions to accept the idea.

2.3.7 Relevance to the Kaizen concept to banking

The emphasis on QC has since given way to a new strategy “Kaizen”, which at present is perhaps the most commonly used word in Japan which means “improvement” – an ongoing improvement involving every – one. TM, managers and workers. The essence of Kaizen is simple and straightforward. Stated simply, the message of ‘Kaizen’ is that, not a day should go by without some kind of improvement being made somewhere in the organization. Though the ‘kaizen’ concept in Japan has principally been applied to the production industry, it has much relevance for a service industry like banking as well. Unfortunately in India, the concept has not attracted much attention and has remained confined to technical journals only. At a time when far reaching changes are taking place in the banking scene and environment, kaizen can open an entirely new vista of possibilities for improving productivity and quality in banks. In the emerging scenario, it is imperative that the management of banks gear themselves fully to cope with the challenges of the nineties. Only those who can match their quality and productivity with international standards will be able to survive. This will result in the creation of a climate of cohesion, mutual trust and understanding, commitment and creative innovation. The challenges of ‘change’ can be effectively met
only by a willing involvement and participation of all levels and groups within the organization and kaizen can serve as a satisfactory vehicle for this involvement.\textsuperscript{10}

Kaizen is a most exciting experiment both for the manufacturing and service industries. Properly introduced and conducted, this represents an opportunity to create a totally new kind of work environment in India leading to a complete change of relationship between the management and workers, managers and the unions. Having worked in a much hostile environment so far, the concept which promises to bring dramatic changes in the attitudes, is bound to be viewed with a little skepticism by some. But given the sincerity of purpose, a careful and patient planning and management commitment and support at different levels, the movement does hold promise of a new era of cooperation and productivity.

a. To design and develop the skill inventory in a phased manner.

b. To approach the officers at the relevant phase for need-based relevant data, seeking data only on positive aspects.

c. To decentralize the skill inventory at regional office levels and centralize and computerize the limited data.

d. To provide suitable climate for receptivity for the data collected.

**CONCLUDING OBSERVATION**

This chapter has reviewed the HRD practices in banks highlighting its importance, human resource strategies in public sector banks. The tools of HRD in Public Sector banks, well designed performance appraisal system coupled with bringing in the quality of work life. In addition counseling is a vital factor of HRD preferably in the banking system. To conclude and summarise that the Indian banking system has got well knit HRD practices in general which will be examined latter in the analysis chapter. The next chapter deals with imperatives of training in Public Sector Banks.