CHAPTER 1
INTRODUCTION

1.1 EVOLUTION OF BANKING IN INDIA

The Modern Indian banking industry evolved in the 18th century, and has been growing immensely since then. Banking in India is believed to be originated as early as the Vedic period. The transition of money lending to banking must have occurred in Vedic period where deposits and advances and rules relating to rates of interest are mentioned. The initial banks in India were primarily traders’ banks engaged only in financing activities. Banking industry in the pre-independence era developed with the Presidency Banks, which were transformed into the Imperial Bank of India and subsequently into the State Bank of India. The initial days of the industry had a majority private ownership. Nationalization of banks in 1969 and 1980 transformed the face of banking in India. The industry in recent times has recognized the importance of private and foreign players in a competitive scenario and has moved towards greater liberalization.

The General bank of India was the first joint stock bank to be established in the year 1786. The others following were the Bank of Hindustan and the Bengal bank. In 19th century the East India Company established three banks—THE BANK OF BENGAL in 1809, THE BANK OF BOMBAY in 1840 and the BANK OF MADRAS in 1843. These three banks were amalgamated in 1920 and a new bank THE IMPERIAL BANK OF INDIA was established on 27th January 1921. In 1955 The Imperial Bank of India was taken over by the newly constituted State bank of India by passing of the State bank of India Act.

The Reserve Bank which is the central bank was created in 1935 by passing Reserve Bank of India Act 1934. The Banking industry plays a dynamic role
in the economic development of a country. The growth story of an economy depends on its banking industry. Banks act as the backbone of any economy. They use the deposits collected from individuals and corporate for productive purposes which help in the capital formation in the country. Today, the Indian Banking System is known the world over for its robustness.

1.2 RECENT HISTORY OF INDIAN BANKING

Indian banking system, over the years has gone through various phases after establishment of Reserve Bank of India in 1935 during the British rule, to function as Central Bank of the country. Earlier to creation of RBI, the central bank functions were being looked after by the Imperial Bank of India. With the 5-year plan having acquired an important place after the independence, the Govt. felt that the private banks may not extend the kind of cooperation in providing credit support, the economy may need. In 1954 the All India Rural Credit Survey Committee submitted its report recommending creation of a strong, integrated, State-sponsored, State-partnered commercial banking institution with an effective machinery of branches spread all over the country. The recommendations of this committee led to establishment of first Public Sector Bank in the name of State Bank of India on July 01, 1955 by acquiring the substantial part of share capital by RBI, of the then Imperial Bank of India. Similarly during 1956-59, as a result of re-organization of princely States, the associate banks came into fold of public sector banking. Another evaluation of the banking in India was undertaken during 1966 as the private banks were still not extending the required support in the form of credit disbursal, more particularly to the unorganized sector. Each leading industrial house in the country at that time was closely associated with the promotion and control of one or more banking companies. The bulk of the deposits collected, were being
deployed in organized sectors of industry and trade, while the farmers, small entrepreneurs, transporters, professionals and self-employed had to depend on money lenders who used to exploit them by charging higher interest rates. In February 1966, a Scheme of Social Control was set-up whose main function was to periodically assess the demand for bank credit from various sectors of the economy to determine the priorities for grant of loans and advances so as to ensure optimum and efficient utilization of resources. The scheme however, did not provide any remedy. Though a number of branches were opened in rural area but the lending activities of the private banks were not oriented towards meeting the credit requirements of the priority and weaker sectors.

On July 19, 1969, the Govt. promulgated Banking Companies (Acquisition and Transfer of Undertakings) Ordinance 1969 to acquire 14 bigger commercial bank with paid up capital of Rs.28.50 crores, deposits of Rs.2629 crores, loans of Rs.1813 crores and with 4134 branches accounting for 80% of advances. Subsequently in 1980, 6 more banks were nationalized which brought 91% of the deposits and 84% of the advances in Public Sector Banking. During December 1969, RBI introduced the Lead Bank Scheme on the recommendations of Narsimhan Committee. Meanwhile, during 1962 Deposit Insurance Corporation was established to provide insurance cover to the depositors In the post-nationalization period, there was substantial increase in the number of branches opened in rural and semi-urban centres bringing down the population covered per bank branch to 12000 approx. During 1976, RRBs were established (on the recommendations of Narasimham Committee report) under the sponsorship and support of public sector banks as the 3rd component of multi-agency credit system for agriculture and rural development. The Service Area Approach was introduced during 1989. While the 1970s and 1980s saw the high growth rate of branch banking net-work, the consolidation phase started in late 80s and more particularly during early 90s, with the submission of
report by the Narasimham Committee on Reforms in Financial Services Sector during 1991. The report of the Narasimham Committee was the basis for the strengthening of prudential norms and the supervisory framework. Starting with the guidelines on income recognition, asset classification, provisioning and capital adequacy the RBI issued in 1992/93, there have been continuous efforts to enhance the transparency and accountability of the banking sector. The improvements of the prudential and supervisory framework were accompanied by a paradigm shift from micro-regulation of the banking sector to a strategy of macro-management. Significant changes were also made concerning non-performing assets (NPA) since banks can no longer treat the putative 'income' from them as income. Additionally, the rules guiding their recognition were tightened. Even though these changes mark a significant improvement, the accounting norms for recognizing NPAs are less stringent than in developed countries where a loan is considered nonperforming after one quarter of outstanding interest payments compared to two quarters in India.

At the end of the 1980s, operational and allocative inefficiencies caused by the distorted market mechanism led to a deterioration of Public Sector Banks' profitability. Enhancing the profitability of PSBs became necessary to ensure the stability of the financial system. The restructuring measures for PSBs were threefold and included recapitalization, debt recovery and partial privatization. Due to directed lending practices and poor risk management skills, India's banks had accrued a significant level of NPAs. Prior to any privatization, the balance sheets of PSBs had to be cleaned up through capital injections. In the fiscal years 1991/92 and 1992/93 alone, the GOI provided almost Rs40 billion to clean up the balance sheets of PSBs. Between 1993 and 1999 another Rs120 billion were injected in the nationalized banks. In total, the recapitalization amounted to 2% of GDP. In 1993, the SBI Act of 1955 was amended to promote partial private shareholding. In 1993, the SBI Act of 1955 was amended to promote partial private shareholding. The SBI became the first PSB to raise
equity in the capital markets. After the 1994 amendment of the Banking Regulation Act, PSBs were allowed to offer up to 49% of their equity to the public. This lead to the further partial privatization of eleven PSBs. Despite those partial privatizations, the government is committed to keep their public character by maintaining strong administrative control such as the ability to appoint key personnel and influence corporate strategy.¹

1.3 PHASES OF BANKING IN INDIA

After independence, banking in India has evolved through four distinct phases:

**Foundation phase** can be considered to cover 1950s and 1960s till the nationalization of banks in 1969. The focus during this period was to lay the foundation for a sound banking system in the country. As a result the phase witnessed the development of necessary legislative framework for facilitating re-organization and consolidation of the banking system, for meeting the requirement of Indian economy. A major development was transformation of Imperial Bank of India into State Bank of India in 1955 and nationalization of 14 major private banks during 1969.

**Expansion phase** had begun in mid-60s but gained momentum after nationalization of banks and continued till 1984. A determined effort was made to make banking facilities available to the masses. Branch network of the banks was widened at a very fast pace covering the rural and semi-urban population, which had no access to banking hitherto. Most importantly, credit flows were guided towards the priority sectors.

¹ Source: www.bankingawareness.com
However this weakened the lines of supervision and affected the quality of assets of banks and pressurized their profitability and brought competitive efficiency of the system at low ebb.

**Consolidation phase**: The phase started in 1985 when a series of policy initiatives were taken by RBI which saw marked slowdown in the branch expansion. Attention was paid to improving house-keeping, customer service, credit management, staff productivity and profitability of banks. Measures were also taken to reduce the structural constraints that obstructed the growth of money market.

**Reforms phase** The macro-economic crisis faced by the country in 1991 paved the way for extensive financial sector reforms which brought deregulation of interest rates, more competition, technological changes, prudential guidelines on asset classification and income recognition, capital adequacy, autonomy packages etc.

### 1.4 REGULATORY REQUIREMENTS OF BANKS----

A Bank has to set aside a certain percentage of total funds to meet regulatory requirements. The primary regulatory ratios are CASH RESERVE RATIO (CRR) and STATUTORY LIQUIDITY RATIO (SLR).

**CRR** is the percentage of net total of deposits a bank is required to maintain in form of cash with RBI. During the 1960s and 1970s the CRR was around 5%, but until 1991 it increased to its maximum legal limit of 15%. From its peak in 1991, it has declined gradually to a low of 4.5% in June 2003. In October 2004 it was slightly increased to 5% to counter inflationary pressures, but the RBI remains committed to decrease the CRR to its statutory minimum of 3%. Currently this ratio is 4%. This is used to control the liquidity in the economy.
Higher the CRR, the lower is the amount that banks will be able to use for lending activities and vice-versa.

**SLR** is the minimum percentage of deposits that a bank has to maintain in form of gold, cash and/or other approved securities. The SLR has seen a similar development. The peak rate of the SLR stood at 38.5% in February 1992, just short of the upper legal limit of 40%. Since then, it has been gradually lowered to the statutory minimum of 25% in October 1997. The reduction of the CRR and SLR resulted in increased flexibility for banks in determining both the volume and terms of lending. Currently the SLR is 22.5%. This is used to regulate the credit growth in the economy. Higher the SLR, the lower is the amount that banks will be able to inject in the economy and vice-versa.

**Repo Rate and Reverse Repo Rate**: Repo rate is the rate at which the RBI lends short term money to the banks against securities and Reverse Repo Rate is the rate at which the bank keeps their short term excess liquidity with the RBI. Currently Repo rate is 8% and Reverse Repo Rate is 7%. Repo Rate is the rate at which liquidity is injected in the banking system by RBI, and Reverse Repo Rate is the Rate at which it absorbs liquidity from the banks. Since May 2011 repo rate has become the only independent variable policy rate. The reverse repo rate will always be kept 100 basis points lower than the repo rate. Basis point is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed income security.

**Base Rate**: It is the minimum rate of interest that a bank is allowed to charge from its customers. As per norm, no bank is allowed to offer loans (without the permission of government) at a rate lower than base rate. A bank can charge this rate every quarter, and also during the quarter. Base rate at present is 10% to 10.25%.

Transparency and disclosure norms as part of internationally accepted
Corporate governance practices are assuming greater importance in the emerging environment. Banks are expected to be more responsive and accountable to the investors. Banks have to disclose in their balance sheets a plethora of information on the maturity profiles of assets and liabilities, lending to sensitive sectors, movements in NPAs, capital, provisions, shareholdings of the government, value of investment in India and abroad, operating and profitability indicators, the total investments made in the equity share, units of mutual funds, bonds, debentures, aggregate advances against shares and so on.

Source: www.rbi.org.in/

1.5 HUMAN RESOURCE MANAGEMENT PRACTICES

Human Resource management practices have gained greater importance in these turbulent times. Organizations are trying to develop newer strategies to cope with the stress and strains of the economic uncertainties. Human Resource Management Solutions can help to manage the climate shifts. Presently Human Resource Management is being engineered to make it employee friendly on one hand and performance based on the other. The need of the hour is to create fresh synergy between Human Resources and organizational objectives. Employee performance objectives have become more aligned with business goals. Armstrong M (2006) defines Human Resource Management (HRM) as a strategic and coherent approach to the management of an organization’s most valued assets - the people working there who individually and collectively contributes to the achievement of the objectives. HRM involves all management decision and practices that directly affects the people, or human resource. In the growing age of business and markets, human resource is the big asset of the
organization; if the organization is not keeping well with its labor work force then it might get into trouble. As the employees are the main features of the progress of the organization. In order to have productivity, employee should be motivated and should be satisfied with their job and have loyalty with the organization

**Scope of human resource management**

In recent years, the scope of HRM has become very vast. All major activities related to the working life of a worker comes under the purview of HRM. Specifically, the activities include:

1. Human resource planning
2. Recruitment and selection
3. Compensation and benefits
4. Training and development
5. Employee assistance and motivation.
6. Union management relations

These areas constitute the field of HRM. Each area impacts on the human resource outputs like quality of work life, productivity, morale and readiness for change. To maintain High Morale of Employees is the basic duty of human resource manager. It can be done by maintaining a good condition of physical and mental well-being of the employees. HR manager should maintain the cooperative attitude, willingness to strive for the organizational goals, feeling of togetherness, and such factors as zeal, spirit, hope, confidence, etc among his employees to maintain their high morale.

**1.6 EMPLOYEE MORALE:**

Morale is a very widely used term. It generally refers to ‘espirit de corps’, a feeling of enthusiasm, zeal, confidence in individuals or groups that they will be able to cope with the tasks assigned to them. Employee Morale refers to an
attitude of satisfaction with a desire to continue and strive for attaining the objectives of the organization. Morale is purely emotional. It is an attitude of an employee towards his job, his superior and his organization. It is not static thing, but it changes depending on working conditions, superiors, fellow workers, pay and so on. Feelings, emotions, sentiments, attitudes and motives – all these combine and lead to a particular type of behavior on the part of an individual or his group and it is referred to as employee or group morale. The important factors which have a bearing on morale are –

1. The attitudes of the executives and managers towards their subordinates.
2. Working conditions, including pay, hours of work and safety rules.
3. Effective leadership and an intelligent distribution of authority and responsibility.
4. The design of the organization’s structure which facilitates the flow of work and
5. The size of the organization.

Morale may range from very high to very low. High Morale is evident from the positive feelings of employees such as enthusiasm; desire to obey orders, willingness to co-operate with coworkers. Poor or low Morale becomes obvious from the negative feelings of employees such as dissatisfaction, discouragement or dislike of the job.

**Definitions:**

Morale is a fundamental psychological concept. Morale is the degree of enthusiasm and willingness with which the members of a group pull together to achieve group goal. It has been defined differently by different authors. Different definition of Morale can be classified into three major approaches.

1) Classical approach
2) Psychological approach
3) Social approach
1. **Classical approach:** According to this approach the satisfaction of basic needs is the symbol of Morale. According to Robert M. Guion "Morale is defined as the extent to which the individual perceives that satisfaction stemming from total job satisfaction”.

2. **Psychological Approach:** According to this approach Morale is psychological concept i.e., state of mind. According to Jurious Fllipo, “Morale is a mental condition or attitude of individual and groups which determine their willingness to cooperate.”

3. **Social Approach:** According to some experts Morale is a social phenomenon. According to Davis "Morale can be defined as the attitudes of individual and groups towards their work environment and towards voluntary cooperation to the full extent of their ability in the best interest at the organization”.

**Importance of Employee Morale:**

Morale plays a vital role in the organization success. High morale keeps the employees loyal to the job, profession and organization. This leads to employee commitment and sincerity. The committed and sincere employees plan not only their individual work but also the work of the group and the entire department. Further, the committed employees contribute their human resources to the maximum extent to the job. It leads to improved performance and productivity.

1. High level morale contributes to sound superior-Subordinate relations
2. High morale leads to employees satisfaction
3. High level morale and employee satisfaction reduce employee grievances.
4. High morale leads to employee commitment.
5. Morale helps the employees to built teams easily to maximize their contribution.
TYPES OF MORALE

I. High Morale:
It will lead to enthusiasm among the workers for better performance. High Morale is needed a manifestation of the employees strength, dependability pride, confidence and devotion.

Advantages of High Morale
- Willing cooperation towards objectives of the organization.
- Loyalty to the organization and its leadership.
- Good Leadership.
- Sound superior subordinate relations.
- High degree of employee’s interest in their job and organization.
- Pride in the organization.
- Reduction in absenteeism, and labor turnover.
- Reduction in grievances.
- Reduction in industrial conflicts.
- Team building.
- Employee empowerment.

II. Low Morale
Low Morale indicates the presence of mental unrest. The mental unrest not only hampers production but also leads to ill health of the employees. Low Morale exists when doubt in suspicion are common and when individuals are depressed and discouraged i.e., there is a lot of mental tension. Such situation will have the following adverse consequences:-
1. High rates of absenteeism and labour turnover.
2. Decreased quality.
3. Decreased Productivity.
4. Excessive Complaints and Grievances.
5. Frustration among the workers.
7. Increase errors, accidents or injuries

**FACTORS AFFECTING MORALE:**

Employee Morale is a very complex phenomenon and is influenced by many factors on the shop floor. Several criteria seem important in the determinants of levels of workers Morale such as:

1. **Objectives of the organization:** Employees are highly motivated and their Morale is high if their individual goal and objectives are in tune with organizational goal and objectives.

2. **Organizational design:** Organization structure has an impact on the quality of labor relation, particularly on the level of Morale. Large organization tend to lengthen their channels of vertical communication and to increase the difficulty of upward communication. Morale tends to be lower in large organizations where there is generally vertical communication rather than small organization where there is generally flat organization structure.

3. **Personal Factors:** It is relating to age, training, education and intelligence of the employees, time spent by them on the job and interest in worth taken by them, affect the Morale of the employees. For examples if an employee is not imparted proper training he will have low Morale.

4. **Rewards:** Employees expect adequate compensation for their services rendered to the organization. Good system of wages, salaries, promotions and other incentives keep the Morale of the employees high.

5. **Good Leadership and Supervision:** The nature of supervision can tell the attitudes of employees because a supervisor is in direct contact with the
employers and can have better influences on the activities of the employees.

6. Work Environment: The building and its appearance, the condition of machines, tools, available at work, place provision for safety, medical aid and repairs to machinery, etc., all have an impact on their Morale.

7. Compatibility with fellow employees: Man being a social animal finds his words more satisfying if he feels that he has the acceptance and companionship of his fellow workers. If he has confidence in his fellow worker and faith in their loyalty, his Morale will be high.

8. Job Satisfaction: If the job gives an employee an opportunity to prove his talents and grow personality, he will certify like it, and he will have high morale.

9. Opportunity to share profit: One of the requirements of high morale is the possibility and opportunity of progress in any concern. All employees should be given an opportunity of the progress and earn high wages without any discrimination.

MEASUREMENT OF MORALE
Morale is basically a psychological concept. As such, the measurement of morale is a very difficult task to measure it directly. However, the following methods are more commonly used to study employee morale.

1. Observation Method:
Under this method, the evaluator observes the employees on work and records their behavior, attitude, sentiments, and feelings, which have developed in them. The changes in the attitude and behavior of the employee are the indicators of high and low morale.

2. Attitude Surveys:
In order to overcome the limitation of the above method, attitude survey method is being largely employed in modern days. This method includes...
conducted surveys through questionnaires and interviews. This relates what the workers are looking in and what step should be taken to improve their approach towards work.

3. **Company Records and Reports:**
The records and reports relating to labor turnover, rate of absenteeism, and the number of goods rejected strikes and such other things, which are indicators of the level of morale.

4. **Counseling:**
This method is used to find out the causes of dissatisfaction and then to advice the employees by way of remedial measures. In order to achieve high morale among the employees the following practices can be observed:

1. Effective Two-Way Communication.
2. Show Concern.
3. Job Enrichment.
4. Modifying the work environment.
5. Rotation of Jobs.
6. Incentive System.
8. Social Activities.
10. Workers Participation.
11. Recognition of the employee efforts.

1.7 **RATIONALE OF THE STUDY**
Banks have become principal instrument of socio economic development in India. Any study of human element will be of great interest to policy makers, banks executive academicians, and general public. There is a challenge on productivity and profitability in the banking sector particularly in the public
sector banks after globalization which requires an independent research study. Though bank employees are well paid and their service conditions are made reasonably good they are still discontented and agitating. The study tries to concentrate basically on human relation approach of traditional personnel management to know the role of human resources practices on employee morale in State Bank Of India (Chosen as representative of public sector banks). In the opinion of the Researcher this study of human element will be recognized as an effective instrument of great interest to policy makers banks executive academicians and general public.

1.8 OBJECTIVES
The main objective of this study is to fill up the gap in the literature. In accordance with the research problem, the following listed objectives are identified in addition to the main objective to achieve through this research.

2. To know and indicate the role of Human Resource Management Practices in Public Sector Banks on employee morale.
3. To find the association between various factors influencing employee morale.
4. To identify and analyze the factors influencing employee morale.
5. To identify the special features and deficiencies, if any in the Human Resource Practices.

1.9 HYPOTHESIS
1. The existing system of Human Resource Management is appropriate in Public Sector Banks.
2. There is significant contribution of employees with high morale in State Bank of India.
3. There are various monetary and non-monetary factors that influence employee morale.
4. There is a high degree positive correlation between monetary factors and high employee morale.
5. There is employee dissatisfaction in the State Bank of India for Human Resource Management Practices.

1.10 RESEARCH METHODOLOGY

Research Methodology means the way to solve the research problem systematically. It gives the detail behind the research methods used by the researcher, how data has been collected, what technique is used to analyze them etc. This study depends on Primary as well as Secondary data.

SOURCES OF DATA

A - Primary data

Questionnaire- To collect the primary data, a questionnaire was framed on the basis on Likert Scale. Data was collected from bank employees and officers of various branches of SBI in Indore. After having considered merits and demerits of various instruments, standardized questionnaires-cum-scales emerged to be the most viable method due to the following advantages: They are valid and reliable, they aptly serve the purpose of this study, they are impersonal, and therefore, people do not hesitate to express what they actually feel, and they are easier to classify and tabulate so that results can be correlated meaningfully. Also because they are standardized and so eliminate bias to a great extent. The questionnaire was divided into three parts: Part-A, Part-B, and Part-C
Part-A:
It carried the demographic details, such as experience, designation, age, sex, and academic qualification of the respondent.

Part-B:
It contained 18 questions to know the respondents views and satisfaction level about Human Resource Management Practices. It was based on Likert Scale. The Likert scoring system consisting of five categories of strongly agree, agree, neutral, disagree and strongly disagree has been applied to each item in Part-B of the questionnaire measuring satisfaction for HRM practices of employees. The Likert scoring system weights have been assigned as:
5- for strongly agree
4- for agree
3- for neutral
2- for disagree and
1- for strongly disagree

Part-C:
It consisted of ten questions in all which revealed the respondent employee’s attitude towards morale. Four indices of morale were yielded. They are job satisfaction, willingness to work, sense of belonging and organization commitment.

Interviews
Also, whenever feasible, informal interviews were taken so as to have a better understanding of the respondents’ views at workplace about Human Resource Management Practices in banking sector.

**B-Secondary data**

Apart from it, Secondary data has been collected from various publications and websites of selected banks. The data was collected over a span of five to six months.

Secondary data was collected through various authentic sources such as:-

1. Reserve bank of India publications.
2. Leading journals, magazines and dailies.
3. Websites containing relevant information.

**DATA ANALYSIS**

Various Statistical tools were used for data analysis. The statistical tools used for this research work are explained as under:

1. **For Presentation of Data:** The scores obtained with the help of three scales and their keys have been presented in a pictorial form. The presentation of data has been carried out with the help of smart art charts and column charts.

2. **For Analysis of Data:** The statistical tools used for data analysis in this research work include:

   Tabulation of data and percentage analysis
The primary data collected through questionnaire was entered in excel sheet and tabulation of data was done with the help of crosstabs. Average of answers related to each HRM practices, and employee morale was taken and tabulation was done to know their impact according to demographic factors. Percentage analysis was also done to analyze the data.

**Regression and correlation analysis:**

Regression analysis involves identifying the relationship between a dependent variable and one or more independent variables. A model of the relationship is hypothesized, and estimates of the parameter values are used to develop an estimated regression equation. Various tests are then employed to determine if the model is satisfactory. If the model is deemed satisfactory, the estimated regression equation can be used to predict the value of the dependent variable given values for the independent variables.

**Regression model**

In simple linear regression, the model used to describe the relationship between a single dependent variable $y$ and a single independent variable $x$ is $y = a_0 + a_1x + k$. $a_0$ and $a_1$ are referred to as the model parameters, and $k$ is a probabilistic error term that accounts for the variability in $y$ that cannot be explained by the linear relationship with $x$. If the error term were not present, the model would be deterministic; in that case, knowledge of the value of $x$ would be sufficient to determine the value of $y$.

**Correlation**

Correlation and regression analysis are related in the sense that both deal with relationships among variables. The correlation coefficient is a measure of linear association between two variables. Values of the correlation coefficient are always between $-1$ and $+1$. A correlation coefficient of $+1$ indicates that two
variables are perfectly related in a positive linear sense; a correlation coefficient of -1 indicates that two variables are perfectly related in a negative linear sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables. For simple linear regression, the sample correlation coefficient is the square root of the coefficient of determination, with the sign of the correlation coefficient being the same as the sign of b1, the coefficient of x1 in the estimated regression equation.

Neither regression nor correlation analyses can be interpreted as establishing cause-and-effect relationships. They can indicate only how or to what extent variables are associated with each other. The correlation coefficient measures only the degree of linear association between two variables. Any conclusions about a cause-and-effect relationship must be based on the judgment of the analyst.

**Sampling scheme**
For the purpose of research the employees of various branches of State Bank of India in Indore were selected randomly where everyone has an equal chance of being selected. The sample size is approximately 10% of the total employees in Indore various branches of State Bank of India.

**SCOPE OF THE STUDY**
The study covers those aspects which are directly related to the successful management of manpower laying a strong emphasis on how to put the human resource to the optimum use to improve the productivity and profitability. The researcher has tried to seek answers to the question how to manage and motivate the employee by winning their commitment and whole hearted cooperation to achieve the organizational goal in terms of profit by boosting their morale.
The present study covers the Human Resource Practices of State bank of India and its associates which are true representatives of public sector bank. The study covers Recruitment and selection, Training and development, wage and salary administration, performance appraisal, transfer policy and motivation. The study is limited to the period of financial year 2001-02 to 2010-11. Indore is taken as Model district since it is economic capital of M.P. and there are more than 75 branches which truly represent the Human Resource Practices applied in State Bank of India all over India.

LIMITATIONS OF THE STUDY:-

The study has been confined to HRM Practices in branches of state bank of India of Indore District. The limitation of the study is that the people in Indore are very reluctant to share their views relating to their organization. The research work is related to human behavior which is complex and is subject to multiple influences. The sample consisted of only 120 employees. The sample is not very large but it is considered adequate and representative. The field of Human Resource Management is very vast and some of them that have a major impact on employees have been chosen.

1.11 REVIEW OF LITERATURE

To understand the present study in its proper perspective, it is important to know what has already been done in the field of Employee Morale and Human Resource Management practices in the banking industry. This enables the researcher to identify the gap so that he/she can proceed to fill up the same.

Studies on Employee Morale

Employee morale is the result of various personal and organizational factors. It is determined by the individual’s perception about various facets associated with
one’s job and the workplace. As mentioned earlier, job satisfaction is a sub-set of employee morale and is considered as its vital indicator, therefore, has also been included in this review. Quite a few studies have been noticed wherein employee morale has been studied individually or along with other factors.

**Mayo (1947)** carried out Hawthorne experiments between 1927 to 1932 which consisted of introducing purposefully such psychological differences as rest pauses, snacks, reduction of hours of work and others on six girls engaged in assembling relays. Strict records were kept of their behavior, conversation, health, social habits, etc. The girls were also consulted and informed about the changes to be introduced in accordance with the research plan. The atmosphere, thus, created was so free that the workers lost the apprehension of authority. Their behavior was normal but their morale was high. Throughout these changes both positive and negative output went up constantly and finally in the last period of the experiment, all improvements were suppressed. Output was expected to be at its lowest, but it reached its highest.

**Ansbacher (1950)** showed that slave labour groups in World War-II displayed low personal happiness and high achievement levels.

While some researchers were optimistic and felt that there is enough evidence to link morale as a factor in improving employee performance others like **Brayfield and Crockett (1953)** concluded that there is little, if any, relationship between employee morale and performance.

**Bose (1958)** stated that more the subordinates participate in the planning of change in their work; greater is the production after the change is made. The workers in higher production units display greater skills in group interaction have greater group pride and loyalty, and more often use group decision to deal with work related problems.

**Ganguli (1961), Chatterjee (1961), Sinha & Nair (1965)** and studies at SITRA(South India Textile Research Association) are some of the works where
a positive link between job satisfaction or morale and productivity has been found.

Bose (1965) studied the relationship between morale and supervision. His study shows that a high pride and morale of the work group leads to greater productivity.

Choudhry and Pal (1968) also attempted to study the effect of technology on morale. Two textile mills are compared; one which frequently alters the type of cloth produced and has a more elaborate system of management and the other with the same kind of production plan for a long period. The study provided that the worker satisfaction was higher in the second mill because it has a less elaborate organization and reporting structure.

The Central Labour Institute (1970) carried out some relevant studies. These studies have revealed that high worker morale may not lead to high productivity.

Gardner and Thompson (1972) in his interesting socio-metric study called “Social Relations and Morale in Small Groups” from the Syracuse University. Scales which measure each individual’s estimate of his associate’s potentialities for satisfying several social needs in groups of not more than eight were developed. It was found that groups high on this scale had a high morale level and also a high achievement level. However, this may not be true of groups which are not voluntary in nature.

Harris (1976), concluded in his study that one of the more evasive and controversial topics concerning worker behavior is that of worker morale. There has been no universal position taken concerning the effects of morale on worker performance, nor has there been even a complete comprehensive definition of what it is. A helpful approach to the analysis of morale is to view it as the workers’ perception of the existing state of their well-being. Morale is said to be high when conditions or circumstances appear favorable and low when unfavorable.
Rusbult and Farrell (1983), stated that greater job satisfaction resulted from high job rewards and low job costs; whereas strong job commitment was produced by high rewards, low costs, poor alternative quality, and large investment size. Impact of job rewards on satisfaction and commitment remained relatively constant.

Iaffaldano and Muchinsky (1985), in their study on job satisfaction-job performance showed that (1) the best estimate of the true population correlation between satisfaction and performance was relatively low (.17); (2) much of the variability in results obtained in previously research was due to the use of small sample sizes, while unreliable measurement of the satisfaction and performance constructs has contributed relatively little to this observed variability in correlations; and (3) the nine variables coded (composite vs. one-dimensional criteria, longitudinal vs. cross-sectional measurement of performance relative to satisfaction, the nature of the performance measure, self-reports vs. other sources, use of specific performance measures, subjectivity or objectivity of measures, specific-facet satisfaction vs. global satisfaction, well-documented vs. researcher-developed measurement, and white-collar vs. blue-collar) were only modestly related to the magnitude of the satisfaction-performance correlation.

Senge (1990) and Greenleaf (1996) concluded that the major ways of dealing with the low morale can be providing a competent leadership and paying ear to workers need wherein besides mandatory welfare services, need based welfare services also needs to be showered on workers. Welfare measures would create a feeling of ownership among the workers and thus would build in trust. Unbiased approach in reward distribution like compensation, promotion and benefit can be some other ways of improving morale. Being an empathetic listener to workers issues, providing clarity of roles and openness in communication can be some other ways of improving morale.

Agho (1993), in his study, found that the degree to which employees like their job is influenced by a combination of characteristics of the environment
(opportunity), the job (reutilization and distributive justice), and personality variables (positive affectivity and work motivation).

In a study that explored the relationship between employee self-esteem and different types of management styles – referred to here as “supervisor powers” – Fedor et al. (2001) examined the uses of reverent power (power based upon the manager’s attractive characteristics), expert power (power based upon the manager’s expertise and knowledge), and coercive power (power based on the manager’s ability to inflict aversive outcomes or punishments). While the hypothesis of the study that the use of coercive power negatively affects employee morale proved inconclusive, the researchers were able to conclude that when supervisor exercised expert or referent power, both of which require effective Communication to be successful, the impact on employee self-esteem was positive. in a study on employer/employee commitment.

Bragg (2002) explored how commitment on the part of both employees and employers can contribute to supportive work environment and high morale. Bragg described four types of commitment exhibited by both employees and employers: want to, have to, ought to, and uncommitted. The type of commitment that both sides should strive for is “want to” commitment, where the employees want to work for the company and give it their all, and the company values its employees and shows it by investing in their growth and training. In his study, the author reiterates the arguments found in much of the literature that managers can boost employee morale by encouraging employee involvement and communication, keeping employees informed of major business decisions, offering extensive training, and encouraging a balance between work and home life. Bragg also agrees that employees should be just as responsible for their own morale and shouldn’t rely solely on management to provide the supportive work environment they seek. Finally, he insists that in order to provide a positive work environment that maintains high morale, both employees and management must follow a common set of rules, including:
a) Do what you say you will do
b) Be consistent
c) Maintain confidence
d) Be a role model of the behavior you want others to display.

Dye and Garmar (2006) negligent welfare practices, inflexible working condition lack of confidence in management lay off conflicts, high employee turnover, and role ambiguity are other reasons for low morale.

Linz et al. (2006) among the workers participating in their study, expectation of receiving a desired reward contributes to high morale, with expected monetary rewards having a higher influence that expected non-monetary rewards, but praise for a job well done and a feeling of accomplishment also contribute positively to employee morale. There was a significant correlation between positive attitudes toward work and morale, and a positive correlation between performance assessment and morale. Demographic characteristics (age and gender) have no discernible influence on morale.

Srohea (2009) says employee morale leads to problem like decrease in productivity, low performance of company. Therefore it’s very important to increase morale of employees.

Steven (2009) identified other factors like no career or succession planning and delegation of authority, lack of communication as other reasons for low morale. Millet (2010) gave six reasons specifying the importance of morale prominent among them being the staff-increased productivity, improved performance and creativity. Reduced number of leaves, low absenteeism, increased efficiency and more productive work force are the other resultant benefits of high morale.

Masin (2010) added that benefit of high morale is seen in the form of improved communication, low attrition, high retention, and innovative organization. Morale also creates a positive working environment and increases productivity per employee ratio. Therefore it is evident that employee morale is very important in organization and low morale s are included for work experience.
Jamal Nazrul Islam (2012) (A study on job satisfaction and morale of commercial banks in Bangladesh) that job satisfaction can affect employee morale, turnover, absenteeism, and pro-social behavior, which can be crucial for organizational success. This not only applies to traditional business but also the financial institutions like bank. The job satisfaction of employees of the commercial banks is critical for the success.

Studies on human resource management practices:
In the growing age of business and markets, human resource is the big asset of the organization; if the organization is not keeping well with its labour work force then it might get into trouble. As the employees are the main features of the progress of the organization. In order to have productivity, employee should be motivated and should be satisfied with their job and have loyalty with the organization.

Human Resource practices have gained greater importance in these turbulent times. Organizations are trying to put their best foot forward and to develop newer strategies to cope with the stress and strains of the prevalent economic crisis. Human Resource Management Solutions can help to manage the climate shifts. Presently Human Resource Management is being engineered to make it employee friendly on one hand and performance based on the other. The need of the hour is to create fresh synergy between Human Resources and organizational objectives. Employee performance objection have become more aligned with business goals. Banks have become principal instrument of socio economic development in India.

Chandler emphasized that changes brought in the strategy of the business often results into change in organizations structure and determine how well a business performed. It was during this period the field of Human Resource Management moved from personnel perspective to Human Resource Management.
Miles Human Relation model was based on the assumption that all organization al members are,, reservoirs found tapped resources ’, and the prime task of a manager is to create an environment in which all the resources of his Department could be exploited to the maximum. The Human Relations Model rightfully argued for participative leadership and emphasized to make employees feel useful and important to get them involved in the decision making processes. The logic behind bringing the employees into the decision - making process was to improve the decisions, which help organization to perform better. Thus, Human Relations Movement emphasized people, social needs, and productivity resulting directly through job satisfaction. Recent HRM literature has increasingly focused on ways in which employee management policies and procedures influence employee behavior and ultimately affect the performance of an organization as a whole.

A number of authors have explored the links between individual HR practices and employee performance As in the recent Times research, in the area of performance and its technical justice and fairness should be categorized as all the decisions and producers for employees in their working capacity and the management should highlight the importance of human resource practices and its different tools. Furthermore, this part of research study will stick the significance of banking industry and usage of different human resource management systems and what are the linkage of motivation, job satisfaction, employee morale and employee_loyalty_and_strategic importance of human resource_management_systems.

Locke (1976) argued that job satisfaction is predominantly based on the way in which employees perceive that an organization is meeting their needs. Of significance to a firm’s ability to increase job satisfaction amongst their workforce are the practices that they employ in order to manage them. HRM practices directly influence the job satisfaction of employees, and subsequently promote organizational commitment
concluded that job satisfaction has a positive correlation with organizational commitment

Ouchi (1979) in his work suggested that the success of the Japanese Organizations in comparison with the contemporary American Organizations was largely due to the adoption of Human Resource policies, which encouraged commitment and participation among employees and resulted towards innovative and flexible organizations, which finally led to the better performance. Hence, the wastage of Human Resource means wastage of money, which becomes a burden on an organization. Thus, the role of Human Resource Management emerged as to maximize employee commitment, flexibility, organizational integration, and to improve quality of the work. To overcome various impediment Researchers of different countries derived different models and had given various theories in relation to Human Resource Management and Human Resource Strategy.

(Angle, 1983; Hansen, Smith, & Hansen, 2002; Chew & Chan, 2008; Conway & Monks, 2008;) Effective HRM involves understanding the ways in which policies and procedures can influence an employee’s job satisfaction and organizational commitment. Many researcher have found that the most successful organizations are those that recognize how polices can impact upon an employee’s behavior.

Baird and Meshoulam(1988) figured that the execution of effective Human Resource Practices and the design of a Human Resource System must be compatible within the organizational strategy for the successful implementation. The interdependence of Business Strategy and Human Resources Strategy was highlighted as „vertical integration” (integration between the Business Strategy and Human Resource Strategy) and „horizontal integration” (integration within the various Human Resource Practices). In general vertical fit, viewed as a critical step towards attaining the organizational goals by initiating some
Human Resource activities that needed to be aligned with organizations objectives. While horizontal fit was considered as an essential when making use of various resources.

Weitzman and Kruse (1990) and Pfeffer(1998) argue that one of the most successful methods of encouraging full employee commitment is through the use of profit sharing and stock ownership, schemes that naturally develop improved levels of participation and communication between employees and management within a firm.

Lawler and Jenkins (1992) and Mobley(1982) argue that compensation practices most influence an individual’s commitment to an organization.

Much research has focused on the ways in which HRM policies can encourage employees to become aligned with an organization’s objectives.

Schneider and Bowen (1993) postulated that by recruiting and selecting right people, training them to work in the market segment allocated to them, rewarding them according to the objective achieved by them would get benefits to the organization. Efficient service deliveries were the result of the quality of employee improvement and welfare, including environment for work, training and development, job design, and attention to the employee interests. The outcome of the analysis pointed out that the service approach reflecting the magnitude of employee development derived employee outcomes such as efficiency and productivity and employee job satisfaction. The outcomes of employees due to such activities were significantly correlated with the customer satisfaction and, thus, with the business performance, but only some associations to financial performance were significant.

Storey & Sisson(1993). Employees who tend to receive accurate performance appraisal over the period of time and also have all the rewards associated with that appraisal is most motivated employee among all of them and similarly he tends to be more satisfied with job and more loyal to the organization.
Therefore, the process should be fair as this is the ultimate system to motivate, satisfied with job and creates the loyalty.

**Paul and Ananthraman (2003)** a study on 35 Indian software companies determined a causal model linking Human Resource Management with organizational performance through an intervening process. It was observed that not even a single Human Resource Management Practice was directly connected with organizations financial performance, though Human Resource Management Practices influenced indirectly on the operational and financial performance of the organization.

**Dyer (1994)** stated that, “the acid test is whether there are identifiable combinations of environmental settings and particular types of Human Resource system, which consistently yield better results than their alternatives”. Dyer gave a model that concentrated on the outcomes of Human Resource Strategies and gave hypothetical linkages between the Human Resource business fit and various outcomes.

**Greenberg and Baron (1995)** discuss job satisfaction as constituting an individual’s cognitive, affective, and evaluative approach to the job. Their theories are supported to a large extent by the work of **Cranny, Smith and Stone (1992)**, who address cognitive and affective reactions towards a job.

**Wimalasiri (1995) and Jaiswal (1982)** specify that policies pertaining to areas such as training and development, career progression, incentives, and rewards can directly influence employee commitment to an organization. Many researchers have found that, of these four, rewards have the greatest impact on an individual’s commitment to the organization,

**Huselid (1995)** has found that the effectiveness of employees will depend on impact of HRM on behavior of the employees.

**Delaney and Huselid (1996)** categorized the human resource management practices into the factors that improved employee skills, motivated and inspired the employees, and arrangement design of the workplace. They concluded that
at least the following four human resource management dimensions could be acknowledged in his work, these were, employee feedback, their training and development, workplace design, and the employee pay system.

Lam and White (1998) reported that firm’s HR orientations (measured by the effective recruitment of employees, above average compensation and extensive training and development) were related to return on assets, growth in sales and growth in stock values.

Schneider, While & Paul (1998). HRM practices are an important part of the social exchange that characterizes employment relations, and in which the components of trust come into play. Trust has been discussed in the literature as an extremely important issue for employment relationship and as a potential tool to improve organizational performance.

Schneider, White, and Poul (1998) developed and tested a model of the effects of the service oriented climates in bank branches on customer satisfaction. They took some HRM factors e.g. participation, leadership and training and treated these as foundation variables important to create climates for service. They found some support for inferring that HRM factors influenced the climate for service and found that climate had a reciprocal cause-effect relationship with customer satisfaction

Harel and Tzafrir (1999) find that providing employees with an opportunity for career development significantly increases their motivation to remain within an organization.

Harel and Tzafrir (1999), Kalleberg and Moody (1994), and McEvoy (1997) all find that providing employees with access to training and development opportunities does more than improve their skills and abilities: it also increases job satisfaction and commitment to the organization.

A. V. Ramana Rao(1999) in his article "Higher productivity through better HRM" (Indian management, May, 1999). He feels that human being is wanting in nature and human demands are infinite, so an organization needs to analyse
properly which needs of its employees are to be carefully considered and fulfilled. Organization can ensure its current and continuing profitability by taking care of its people.

**Mr. R. K. Rao (1999)** in his article “management by values” (personnel today, vol. xx, no.3, oct-dec; 1999) has mentioned about the importance of ethics in an organization and management. According to him an organization that follows a set of guiding beliefs and communicates those ethical values to its employees to follow them and thus institutionalize as a culture, can win and sustain loyalty of the customers for longer period of time. Also, such organizational culture has a positive impact on the performance of its employees.

**M. Sareen and Sarika Tomar (2000)**, opine that until two decade ago the contribution of human resource management was considered peripheral to the organization’s growth and development. They further mention that in recent years there has been a shift in thinking—it is the human resource that is the critical factor in the success of one organization from the other. HR is the key to competitive advantage. Better HR practices offer the organization a chance to gain sustained competitive advantage. To cope up with the shift in the external environment successfully, business organizations require a further shift in the operations of the human resource department and in the attitudes of the management.

**Bonnie, (2002).** HR professionals are making it possible to motivate the employees with the performance appraisal systems by giving them fair appraisals as per their performance over a period of time. It has been noticed that there is a strong relationship between performance appraisal and motivation, job satisfaction and loyalty.

**Grant (2002)** holds that knowledge is the overwhelming important productive recourse; indeed the value of people and machines lies primarily in the fact that they embody knowledge. The behavior response of employees towards HRM strategies depends on the workplace climate created by these strategies.
Gelade & Ivery (2003) in a study of bank branches estimated a structural model of the effects of several HRM related variables and a general climate measure on a mix of performance outcomes. Their 'general climate' factor was a composite measure of sub-factors depicting employee perception about top management's concern for employees, local managers efforts to build team work, team goals, feedback, pay fairness, training and opportunities to use one's abilities. The authors found that these HR practices helped predict their general climate construct, which itself was strongly related to performance.

Bowen and Ostroff (2004) have conceptualized psychological climates as one that apply to individuals in their own specific work contexts based on the experimental perceptions of what people see and report happenings to them as they make sense of their environment.

Budhwar and Boyne (2004) studied the gaps between Indian Private and Public Sector Human Resource Practices. They found that the gaps were not significant with respect to structure of Human Resource Departments. Both Public and Private Sector organizations had key Human Resource Strategies like recruitment and selection, pay and benefits, training and development, and employee relations but on the other hand, both the sectors adopted different approaches with respect to few functional areas like compensation, training, and development. Researchers finally stated that Private Sector organizations had more rational approach than their Public Sector counterparts.

Chiamsiri et al. (2005); and Prasad (2005) suggested from their research studies that due to the rapidly growing competition in the global market, talent pool has become a crucial factor for survival in the market. Another major challenge for the Human Resource managers of today is to recruit right person and retain them for longer time to survive and flourish in today’s hyperactive competitive business. Thus, meeting the demand and supply requirements of
manpower in the industry is the chief role played by Human Resource managers. 

**Marginson et al. (2005)**, criticized Human Resource Management as a gatekeeper function, which only acted as a separator of trade union from management. Human Resource Departments simply function in order to control employee’s operations. Whereas, instead of becoming a gatekeeper it must become gap filler between the two. The nature of Human Resource Management during this period was discussed as non-strategic, reactive, and as a short-term function.

**Medlin (2006)** reported that organizations that vertically aligned and horizontally integrated HR function and practices performed better and produced more committed and satisfied HR function employees who exhibited improved Individual and organizational performance. Since the purpose of human resource management practices is to more effectively manage people, it is intuitive that the impact of effective human resource management would be felt first at the employee level.

**Radjamanogary and Das (2006)** highlighted with respect to globalization that Human Resource Practices such as training and development, performance appraisal Communication, and participation were the key practices, which helped organizations to face challenges due to globalized environment. The changing environment calls for adequate orientation and to facilitate the transition with the necessary support to individuals for organizational excellence.

**Teseema & Soeters (2006)** developing countries: testing the HRM-performance link in Eritrean civil service" took eight HRM practices which are recruitment and selection practices, placement practices, training practices, Compensation practices, employee performance evaluation practices, promotion practices, grievance procedure and pension or social security. They found a significant relationship between HRM practices and perceived employee performance.
Tahir Masood Qureshi (2006) on Impact of HR practices on organizational performance in Pakistan clearly indicate that HR practices affect Organizational Performance through employee outcomes. Organizations are under constant pressure to enhance and improve their performance and are realizing that relationship exists between organizational Performance and employee performance (Mohanty, 2009). Found organization that follows a set of guiding beliefs and communicates those ethical values to its employees to follow them and thus institutionalize as a culture, can win and sustain loyalty of the customers for longer period of time. Also, such organizational culture has a positive impact on the performance of its employees. True cost of employee turnover has long been underappreciated and underestimated by human resource managers and all stakeholders entangled in the issue.

Abdel-Halim (2007) examined the moderating or buffering effects of two social support variables - support from the work group and from the supervisor - on the relationships of role conflict and ambiguity to intrinsic job satisfaction, job involvement and job anxiety. Data was collected from a sample of 89 middle-lower managerial personnel in a large, heavy equipment manufacturing firm in the Midwest. The moderated regression technique was used in data analysis. Significant interactions were obtained between the role variables and both social support variables. The results were in the predicted direction for positive work outcomes (i.e., job satisfaction and involvement) and contrary to prediction for negative work outcome (i.e., job anxiety).

Vyas and saxena (2011) found that At SBI, people from a wide range of cultural, educational and geographic backgrounds who are able to challenge conventional thought, offer unique perspectives and generate innovative ideas. The diversity of backgrounds, experiences and perspective of our employees
creates a competitive advantage in serving clients and creating win-win situations.

**Bhargava and saxena (2012)** concluded that the importance of positive vibrations in form of psychologically being well at workplace make a sense in changing scenario of different business propositions. Employee morale has been found often associated with various individual priorities or needs being judged independently by the employees.

**Mann and Nimarta (2013)** concluded that executives having job stress have shown low employee morale in the overall banking sector or vice versa. The correlation between job stress and low employee morale is also statistically significant and positive in the case of all the three banking sectors taken individually, relatively strongest correlation being reflected in foreign sector bank followed by private and Public sector banks.

A number of studies have been conducted on Human Resource Management and its role in job satisfaction, organizational performance and employee morale in banking organizations as well as other organizations. Scope of Human Resource Management is very wide and now days it has gained more importance. This Research work is an attempt to study the role of Human Resource Management Practices on the morale of employees of State Bank of India which is true representative of Public Sector Banks.