CHAPTER - 7
SUGGESTIONS AND CONCLUSIONS

This chapter provides suggestions to the public and private sector banks based on the research findings that can enhance the performance of the banks to sustain competition. However, research areas that are not focused in the present study are identified for future research.

7.1 Facts of 21st century banking

Banking in 21st century brings a whole new set of challenges and opportunities. The core challenges in the 21st century banking business is information and delivery. “Banking is essential, Banks are not required” has become the norm of the hour. The shortage of manpower is a fact. The recruitment will be reduced as most of the activities such as cash deposit, opening account, online transactions and online loan proposal are done online. Aside from global, political, economic and regulatory landscape, it is the emergence of digital technology that has been major disrupter to business as a usual and long term strategic planning. Voracious consumer appetite for Omni-channel transactions, high expectations around customer experience and low level of patience and brand loyalty have put most banks on the digital banking back foot. Majority of the banks are playing catch-up with their customers today, let alone anticipating the needs of future customers.

7.2 Suggestions for public and private sector banks

The 21st century challenges for the banking industry are broadly of internal and external nature. Internal challenges are the one that arises from within the banking industry and carry an effect on the long run of the banking industry. External challenges are being generated from
external environment of the banking industry and require shared management for adaptability.

Some of the internal aspects every banking institution should consider when thinking about how they address 21st century customer requirements are as follows:

- **Convenience**: Banking services needs to work around the consumer’s busy life. That means looking at what customers want to achieve from their perspective. Those banks that can’t be flexible in adapting their services to suit customer convenience have to jeopardize long term success and sacrifice their market share.

- **Relevance**: Communication must be personalized and relevant to the context of the customer. Customer expects their bank to know them as individual customers, with awareness of their requirements and even anticipating their future requirements. This involves the need to switch to real-time banking with maximized self services that is underpinned with personalized, tailored advice when needed.

- **Responsiveness**: This is one of the biggest hurdles banks face because they are typically working with disparate systems in a silo branch networks. Many internal processes simply don’t reflect current business need, which means they must change. But it’s not just the systems that needs to adapt, people must as well. There must be a consistency of message and service delivery, along with being empowered to do so. Employees need to access to all of the latest and most relevant data if they are to respond accordingly.

- **Reliability**: In an increasingly fragmented service sector, banks simply cannot afford to have an unreliable reputation. Recent research from economic intelligence unit found that consumers expect the quality of experience as a significant aspect. Reliability should be at the very core of quality performance.
**Operational Aspects:** It has been observed over time that banks put their focus on treasury and corporate business while the operational side is often ignored. The importance of operational side should not be under-estimated.

**Human resource development:** In today’s competitive scenario HR are as important as financial resources to any organization. The bank need to develop their human resources for future challenges and produce professionals having the desired expertise for specialized banking like treasury, functions, SME, agriculture and retail financing. This is the need of the hour that banks should develop their own human resources.

**Consumer durable demand:** The growth of auto and mortgage finance has significantly increased the price of these assets and thus created inflationary pressure in the economy. The probability of defect on these loans has a direct relation with the value and the nature of the underlying collateral. While financing, banks have to rely more on the future income streams of the borrower in making their credit assessment instead of the collateral value.

**E – banking:** Another area where still a lot of progress should be made is the e-banking. Although small and medium banks are now offering on line services to their customers, the large banks, with more expanded branch network and large number of customers are required to move more expeditiously so as to optimally utilize the e – banking network. This will not only lower the transaction cost but will also help in improving the customer service.

Yet ,despite of all the pomposity and discussions around 21st century banking strategies in the board rooms, most banks still remain stuck in 20th century processes. **It is time to gear up, catch up, re-engineer.**
7.3 Distinct value based approach of public sector banks as compared to private sector banks.

The public sector banks are under the control of the Government of India and follow the guidelines of the Reserve Bank of India with a holistic approach towards the overall development of the economy.

- RBI sends a master circular regularly to all public sector banks that dictates the activities to be focused. 40% of activities are focused towards societal development and 18% towards agricultural activities are mentioned in the master circular for the upcoming fiscal year.

- The public sector bank practice and follow an integrated culture with culmination of banking activities that focus on the overall development of the society. The senior employees receive regular training in line with initiatives focusing on rural and societal enhancement.

- The chairman of the bank has continuous interaction with finance minister for framing actions to boost up CSR activities. A government policy is formulated to enhance the CSR activities of the banks. The pressure from the government is high to meet the statutory norms of CSR. The service profile of employees in public sector banks includes CSR activities as one of the important criteria for performance appraisal. As a result of continuous training and orientation appreciable number of SHG are active since the year 1992. Employees give importance to the organization mission, core values for long term sustainability. Hence integrate the activities towards societal and environmental safety.

- Cauvery Garmin banks are set up in reach of farmers to facilitate agriculture activities and support the farmers. The performance checklists for managers include number of
farmers clubs started and actively functioning along with other performance indicators. The interest charged is only 7% for a loan amount up to 3 lakhs to reach out maximum socio-economic initiatives.

• The financial benefits provided to the employees are residential accommodation, provision for furniture and fixtures, provision for 2 wheeler/4 wheeler fuel allowance, travel expense reimbursement, Residential telephone/mobile phone/ reimbursement, officiating allowance, medical aid for staffs, their spouse and children (facilities in tie-up hospitals in major cities), medical aid for dependents of staff, compensation on death/disability/serious injury while on duty, medical facilities for retired officers, entertainment allowances, Leave travel allowances/Home travel allowance (once in 2 years and 4 years with family members.), unavailed leave encashment, Housing loan, personal loans, vehicle loans and OD limits at concessional rate of interest without processing charges, festival advances, tuition fee reimbursement for the staffs children (up to class XII), transportation allowance and halting allowance during transfers, newspaper allowance, coffee/tea/beverages allowance. Employee benefits as leaves, ideal working hours, job security, allowances, convenience, maternity leaves of 9 months, extended leaves creates a binding force. Hence employees are engaged on their roles and committed.

• The Non financial benefits are job security, maternity leave, extraordinary leave, sabbatical leave, compensatory leave for working in holidays, grievance redressal cell, whistle blower policy, policy on sexual harassment in the workplace, employee’s suggestion forum, recognition/awards for work, sports/cultural activities, merit based
promotion policy, good infrastructure at working places, vocational trainings, recreation facilities.

- These welfare facilities will be reviewed once in 5 years as per bipartite settlement between Indian banks association (IBA) and employees union of public sector banks and finally approved by Ministry of finance, Government of India.

- Recruitment is being made through IBPS (The Institute of Banking Personnel selection). It is a premier organization in the field of employment, testing, selection, assessment and management of human resources in India. IBPS provides its service to all public sector banks, SBI, RBI, NABARD, SIDBI, few co-operative banks. IBPS manages the critical and crucial activity of selecting right people for the right jobs. During the year 2016-17 a total of 1.51 crores candidates registered for various IBPS examinations. This indicates that more and more candidates are getting attracted towards job opportunities in banking, insurance and financial sector and directly/indirectly are showing the confidence in the system of the online tests conducted by IBPS which are absolutely fair, transparent and testing of job relevant skills, aptitude and knowledge.

- The retirement benefits are leave encashment, gratuity, PF, Medical insurance coverage for self and spouse (4 lakhs for executives and 3 lakhs for clerical post). Monthly old age pension is provide to employees recruited before 2010. Employees recruited after 2010 are provided with NPS (New pension scheme) were the contribution is both from the employer and the employees.

- The promotion policies are approved by the individual bank boards for a period of three years. There after policy will be renewed and modified, if any in the light of requirement be incorporated with the approval of the board of directors. There are two promotion
channels followed in the public sector banks a shown in the below table. Under merit channel, the officer has to secure average of 80% marks in APA (Annual performance Appraisal) for the immediate preceding years of service eligible for promotion as on the date of eligibility. Under seniority channel officer has to attain average of 60% marks in APA

<table>
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<tr>
<th>Promotion from</th>
<th>Minimum No. of years of service to be eligible for promotion</th>
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<tbody>
<tr>
<td></td>
<td>Merit</td>
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<tr>
<td>Scale I to II</td>
<td>4 years</td>
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<tr>
<td>Scale II to III</td>
<td>4 years</td>
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<td>Scale III to IV</td>
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<td>Scale IV to V</td>
<td>3 years</td>
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<td>Scale V to VI</td>
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<td>Scale VI to VII</td>
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- The public sector banks have a clear hierarchal structure networked for smooth functioning as below;

**Officers cadre/ Scales /Grades /Designation**

Scale I - Junior Management grade (JMG - I) - Asst.Manager
Scale II- Middle Management grade (MMG - II) - Manager
Scale III - Middle management grade (MMG - III) - Senior Manager
Scale IV - Senior Management grade (SMG - IV) - Chief Manager
Scale V - Senior Management grade (SMG - V) - Asst. General Manager (AGM)
Scale VI - Top Executive Grade (TEG -VI) - Deputy General Manager (DGM)
Scale VI - Top Executive Grade (TEG -VII) - General Manager (GM)
Executive Director (ED) is appointed by Government of India
Managing Director (MD)/CEO appointed by the officers of GOI

- The job is 100% secured except only in case of going against the HR policy of the banks.
  The working hours are standard that enables the employees to have a balance between
  their personal and professional life. Benefits as 15 days casual leave, 30 days ordinary
  leave, 18 days sick leave, medical facilities, educational loans, conveyance allowance,
  leave encashment up to 300 days , sabbatical up to 1 year (for supporting the children
  during 10th and 12th standard) create a enhanced workplace.

- Periodic and appropriate training, development initiatives to meet the requirement of
  commercial banks are provided in reputed recognized training centers in India as well as
  overseas. Employees can avail executive training program for duration of 1 year in IBS,
  IIBM. Book grants are provided to the employees.

**Private Banks Approach**

Private Banks although under the control of RBI, majority of the stock is owned by the
promoter, single entities or group of entities. As such the business principle and policy in private
banks is profit orientated. Private Banks after globalization and to sustain high competition
concentrate on retail banking, housing loan with competitive interest rate to attract customers.
• The organization/banks mission doesn’t percolate to the bottom level managers from the top level executives. The ineffective communication channels don’t allow the higher executives to share the mission of the organization to the middle and entry level managers. Priority of the banking executives /heads varies accordingly to their ideology and at times is not aligned with organization mission. Hence, the bank focuses only on advances, deposits, insurance rather than societal oriented plan, as the importance of CSR is not fostered in the work culture.

• The rotation period of managers is very fast which doesn’t allow managers to have control on the bank activities. Frequent changes/transfers, voluntary quits are also one of the main reasons. The attrition rate is high that does not allow to have a good control.

• The leadership pattern is not well defined and streamlined due to frequent changes of branch managers. Hence the focus is only on short term aspects/demands rather than mobilizing minds and energy towards the long term sustainability.

• In private sectors banks, individual banks are recruiting the employees through written tests and interviews. Employees are treated as machines, hence high level of stress is experienced.

• Majority of the employees have short term goals due to in secured job. There is nothing as secured job, but as far as possible the performance level is maintained employees continue on their role.

• Attitudinal variations between the different groups are different in terms of incentives, monetary and non-monetary rewards and recognition.
• The starting salary is between 18k to 20k and it varies as per the requirement and the quality of employee. Apart from salary employees have no other allowances as in case of public sector employees. The salary gap in the entry level is lesser when compared to the public sector, but as the hierarchy moves up the gap in the salary, monetary and non monetary benefit varies to a larger extent.

• Coming to the opportunities of growth and advancement, dynamic talented employees who are smart have ample opportunities and exposure to acquire higher position with attractive fringe benefits.

• Facilities provided to employees are convenience for customer service, HRA, lunch allowances,.5 days casual leave, 20 days privilege leave, other leaves and unlimited sick leave. Maternity leave of 6 months is given, it can be extended for child care with permission of higher authority. These facilities slightly vary from one private bank to another

• The promotion is regularly monitored based on the performance. For a fresher the first promotion happens after completion of 1st year. The future promotions happen after every 2 years. The hike in salary is performance based .The performance review and the rating is done by the branch manager and the respective regional manager. For a rating of 1point Rs 3000 will be hike and for a rating of 2 points Rs 5000 will be hike given to the employees. Performance is based on the targets, term deposits, mutual funds, reserve deposit, insurance done in the current review period.

• Employees need to be highly aggressive in private banks as the customers are more demanding .The reason is that the deposit to maintain a account is Rs 10,000 in private banks.
• The usage of technology is high in order to provide fast service to the customers, hence continuous learning and application happens right form opening an account within fraction of minutes up to processing loans are managed online.

7.4 Suggestions for Public sector Banks

• The skill set of employees have to be enhanced to meet the requirements of the 21\textsuperscript{st} century banking. The online services have to be increased as per the instruction given by the Government of India and the RBI so as to provide fast service and to reduce corruption.

• Usage of (ADC) Alternate delivery channels to cash deposit, printing pass book, opening A/c, loan applications, creating login passwords, user ids has to be increased.

• Employees should be well versed in using apps as Bhin, Chillar, Paypm etc to cater cashless transactions as mobile banking, internet banking, note deposit, pass book printing.

• Employees should be trained and competent to trouble shoot the issues in CTS (Cheque Truncation System), RTGS (Real-time gross settlement) and NEFT (National Electronic Funds Transfer).

• Number of e-gallery should be increased to provide fast service in the metro cities and also semi urban areas.

• Employees to be knowledgeable to operate Finacle , a digital banking application which has around 60 menus right from opening an account, generating OTP, creating user id, password ,loans ,advance deposits and other services.

• Tailor made services as Insurance, Mutual funds, all types of loans, ATM, currency exchange, foreign exchange, housing loan clubbed with education loan, furniture loan,
locker facility should be available under a single umbrella to enhance customer satisfaction.

- In rural branches the Broad band has to be improved in capacity, particularly in the first weeks of the month were the number of pension drawers and salary drawers are high. The availability of technicians to solve the internet issues are to be ensured.
- In the areas of cash payment, loan sanctioning the question of reliability must be ensured. Document verification, IT returns, security/surety have to be strictly monitored.
- Operational efficiency should be improved by employing good number of youngsters those who are technically sound to use the internet interface.

7.5 Suggestions for Private sector Banks

- Providing Job security to the employees should be taken as a top priority to have long term sustainability in the present competitive scenario.
- Societal concern and rural development should be reflected in the mission and vision of the organization
- Activities related to societal development should be channelized such that it percolates from the branch level managers to the employees.
- The culture of concern towards societal development should be cultivated among the managers and employees by effective training programs. Appropriate recognition to be attached for motivating the employees.
- The recruitment system in the private banks has to be channelized to retain and attract competent young professionals by a recognized professional body as done in public sector banks by using the IBPS since 2011.
• The facilities/allowance given to private sector banks employees have to be enhanced by providing subsidized accommodation, sabbaticals, school allowance to children, Home travel allowance, hotel bookings.

• Private banks to have well defined reward system that is competitive, so as to reduce the disparity and also to retain and attract talented employees. The disparity in the salary drawn has to be reduced by revisiting the reward system. The public sector employee’s entry level package is Rs 32000 (Scale 1 with basic Rs. 23000) excluding the other allowance which approximately runs up to Rs.15000 to Rs.18000. But in private banks the entry level salary ranges from 25000 to 35000 without any other allowance.

• Also the salary variation from one private bank to another private bank has to be monitored by a recognized authority to reduce the movement of employees (Attrition rate).

• In the private banks, highly competent executives enjoy a lucrative package of 3 to 5 lakhs based on the demand and performance. But, in public sector the executive package is around 1.5 lakhs (77000 Rs basic plus other allowances) as fixed by the government.

• Working environment should be conducive in terms of optimal working hours, practical work load and better welfare facilities.

• The promotion policy should be clear and designed to recognize the performance of the employees as in public banks.

• Frequent changes/transfers of branch managers should be reduced.
Scope for future research

The present study has focused on employees’ workplace values related to job, rewards, safety, social relationship and societal responsibility. Organization values such as business ethics, operational efficiency and customer oriented behavior are examined. Employees’ workplace values relate to internal service quality, enterprise risk and compliance, IT issues faced in the 21 century banking, coping strategies for reduced man power, customer value and technology adaption, online disputes of customers, innovation and creativity to deliver fast and efficient service can be studied that provide valuable insights to enhance the customer satisfaction.

7.6. Conclusion

The core values such as accountability, integrity, discipline, responsible and committed, possessing positive attitude, adaptability, honesty and integrity, professionalism, ethics and moral values, loyalty to name a few are the pillars of successful organisations. These workplace values are highly essential to build customer oriented behaviour within and across banking sector to maintain and retain loyal customers. Such a value based team is prepared to face the challenges of the dynamic environment and create a competitive advantage. The results of enduring value system can bring benefits to the organisation by maintaining a brand and reputation among the competitors and the society. Also banks with a moral value system delivers satisfaction to all the stakeholders and the stakeholders too look forward to have a long lasting association with such banks. Employees’ customer oriented behaviour that are reflected in service quality, customer delight, customer loyalty, profits, market share, productivity and effectiveness are the crucial factor of success for the organisation competing in the banking sector. Hence the public sector banks have to enhance their technological expertise to meet the
huge base of customers along with managing the 21st century banking challenges. Private sector banks have to revisit the job security issues of employees, reward system, promotion policy and welfare facilities. The significance of socio-economic development should be taken as a priority.