CHAPTER-4  
HRM POLICIES AND PRACTICES IN PUBLIC AND PRIVATE SECTOR COMMERCIAL BANKS  

4.1 INTRODUCTION  
One of the noteworthy features of the Indian workplace is demographic uniqueness. It is estimated that both China and India will cross a population of 1.45 billion people by 2030; however, India will have a larger workforce than China. Indeed, it is likely India will have 986 million people of working age in 2030, which will probably be about 300 million more than those in 2007. And by 2050, it is expected India will have 230 million more workers than China and about 500 million more than the United States of America (US). It may be noted that half of India’s current population of 1.1 billion people are under 25 years of age (Chatterjee, 2006). Hence, everyone must realise the role of human resources in all round development and growth of the country as a whole.

The concept, philosophy and application of HRM is rapidly gaining ground as a popular method of ensuring higher productivity and faster growth, which is now widely regarded as the hallmark of corporate excellence. Human Resource Management is gaining importance in the present fast changing socio-economic scenario. Human resources represent a source of strength, ability, skill, competence, knowledge, attitude, enthusiasm, decision-making powers to be used for accomplishment of individual, organisational, societal and national objectives in the sense they are the most essential. Nothing can be achieved without their co-operation. Moreover, nowadays, top managements of commercial banks in India are now paying increased attention to HRM because now they have realised that human resources need to be closely integrated with planning & decision-making. Here in this chapter an attempt has been made to study and compare Human Resource Management policies and practices of the public and private sector commercial banks.

4.2 HRM IN INDIAN COMMERCIAL BANKS  
The study of HRM policies, practices and trends in commercial banks has been made mainly on the basis of secondary data. The policies and practices with respect to recruitment, selection and promotion, compensation, training and development have been studied for public and private sector commercial banks. There are 26 commercial banks operating in the public
sector in India. SBI and its 5 Associate banks, 19 nationalized banks and IDBI Bank appear under the public sector. Out of 21 private sector commercial banks, 14 appear under old private sector banks, while the remaining 7 are grouped under new private sector banks. The data regarding all these banks and banking sectors has been gathered from different sources like the published documents, such as annual reports of the banks, manuals, office records of different Training Institutes, divisional offices and head offices of the sample banks and from other available published sources like various annual and monthly publications of Indian Banks’ Association, Bombay (IBA) and RBI Bulletins and supplements to RBI Bulletin, various journals related to banking industry, websites, etc.

Following are some of the areas of concern regarding HRM policies and practices of the Indian commercial banks which have been discussed here under:

1. Selection and Recruitment
2. Promotion
3. Compensation
4. Training and Development.

A comparative analysis of HRM policies and practices of the Indian public and private sector commercial banks has also been done through ‘content analysis.’ Total 29 different HRM areas have been identified with respect to recruitment, selection, promotion, compensation, training and development policies and practices; and these have been compared through ‘content analysis’.

4.2.1 HUMAN RESOURCE MANAGEMENT POLICIES AND PRACTICES OF PUBLIC SECTOR COMMERCIAL BANKS

4.2.1 A. Recruitment

Public sector commercial banks in India have the following two cadres of staff:

1. Officers, and
2. Workmen.

In India, nationalised banks recruit their generalized officers and clerks through IBPS. IBPS conducts one common test every year for the recruitment of Officers. A separate test is held for the clerical cadre staff also. The result remains valid for one year. As and when the banks require staff, they place their indents on Indian Banking Personnel Selection (IBPS). The Indian Banking Personnel Selection conducts interviews of the candidates who have passed the
objective type written test, and finally, selected candidates are allotted to the banks. Apart from it, the banks directly recruit people for specialized cadres through campus selections or direct interviews. Sometimes, these people are recruited through IBPS also. The specialised cadres include the following:

1. Agriculture Extension Officers (AEOs) having a graduate or post-graduate degree in Agriculture
2. Technical Officers (TFOs) having an engineering degree in Information Technology, Computers, Civil Engineering, Electrical Engineering, etc.
3. Chartered Accountants
4. Law Officers having an LLB degree
5. Security Officers (generally retired personnel from defence services)

Bank’s officers in commercial banks are recruited in different scales (Scale-I to Scale-VII). General officers are first recruited to Scale–I only, while specialist officers can be recruited directly to any of the scales. State Bank of India and its Associate banks conduct their own tests and interviews for recruitment to various cadres, e.g., Officers, Clerks, Specialist Officers, etc., through SBI and Group Recruitments. In public sector commercial banks, subordinate staff is divided into two categories; clerical staff and sub-staff.

Clerical or Award staff consists of senior assistants, special assistants and single window operators, whereas sub-staff consist of record keepers, gunmen, sweepers and peon-cum-frash. Workmen staff include the following cadres:

1. Clerks are recruited through IBPS as explained above.
2. Special Assistants are promoted from clerks as per vacancies.
3. Sub-staff are generally recruited locally through Employment Exchange, published advertisements in vernacular newspapers.
4. Part-time employees are requisitioned locally through Employment Exchange, and are recruited and selected by AGM or Controller. For the selection no written tests are conducted. Only actual performance in interview is considered.
5. Armed Guards are recruited locally through District Sainik Welfare Boards.
4.2.1 B. Promotion

A good promotion policy provides a number of incentives to the employees to work more effectively and efficiently. It also aims to recognize more efficient workers in the organisation. A distinguishing feature of a good Human Resource Management is to formulate such a promotion policy which satisfies its workforce and gives them an opportunity to grow further. Promotion policies and practices for different categories of employees and officers as being exercised in public sector commercial banks are explained hereunder:

I. Workmen Cadres

Sub-staff and Part-time employees are selected as temporary staff and then promoted as part-time on 1/3 regular basis and then promoted as regular ¾ in full scale. Clerks are promoted to Officer Cadre after a specified number of years on the condition of qualifying the written test and interview. Similarly, the peons and gunmen or guards are also promoted to the Clerical cadre after a specified period on the condition of qualifying the written test and interview. Performance of an employee gets due consideration at the time of any promotion.

II. Officers

Every bank has its own promotion policy. The number of years of actual service for promotion from one scale to another may differ in all the banks. However, a general process is followed in almost all the nationalised banks, and SBI and its Associate banks. The officers are promoted from Scale-I to Scale-VII through internal promotion process which involves written tests and interviews. Besides the marks obtained in the written test and interview, due weightage is given to the previous performance of officers. While top level bank officers, such as Directors and Chairman & Managing Directors are appointed by the Govt. of India.

(i) Promotion of General Cadre Officers

1. Promotions to all grades of officers in the public sector commercial banks are made in accordance with the policy laid down by their respective Boards from time to time, having regard to the guidelines of the Government of India, if any.

2. The Government of India, Ministry of Finance, Banking Division had issued guidelines in July 1979 in accordance with the above Regulations. Subsequent to these guidelines, a number of Government guidelines pertaining to promotion of officers from one scale or grade to another have been received including the guidelines dated 14.03.2012 to ensure uniformity in officers’ cadre promotions in all the public sector banks. It has also been
advised that the guidelines given vide letter dated 14.03.2012 shall be operationalised after adoption by the respective Boards of the Banks.

3. Having regard to the recent guidelines issued by the Government, the requirements of the bank and also the deliberations held with the representatives of the Bank’s Officers Associations in their committee meetings, the banks had even approved due amendments to the revised promotion policy for promotion of officers from time to time.

(ii) **Officers in Technical and Specialised Categories**

A technical or specialist officer is one, who is recruited in a category or discipline other than the mainstream, i.e., banking line, for utilization of his services in areas requiring certain technical skills or specialized experience. All technical/specialist officers are eligible to join the mainstream banking provided, they have completed 5 years of service from the date of their appointment as technical or specialist officers. With regard to the needs and exigencies, the bank may permit these officers to join the mainstream banking line or retain them in their own discipline. Those technical and specialist officers, who do not exercise the option to join the mainstream or who are retained in their own discipline even after having exercised option are provided adequate promotional avenues at par with those available to the officers in the mainstream banking line.

They are considered for promotion in their respective discipline in the higher grades up to MMG Scale-III subject to their suitability in accordance with the promotion process as applicable to other officers in the mainstream banking. These officers are expected to equip themselves with minimum basic knowledge of banking operations and procedures thereof. For promotion, they are subjected to the same selection process as applicable to the officers in mainstream. The officers who have been selected from clerical cadre, through a separate selection process, in a category or discipline other than the mainstream banking line for utilization of their services in areas requiring certain technical skills or specialized experience, e.g., Rajbhasha Adhikari, Data Management Officers, etc. shall be treated at par with the technical or Specialized Officers for the purpose of promotion under this promotion policy.

(iii) **SC and ST Officers**

The SC/ST candidates are entitled to the benefit of reservations and relaxations, if any, in accordance with the guidelines received, on the subject, from time to time, from Ministry of Finance, Department of Financial Services, New Delhi.
(iv) **Performance Appraisal for Promotions**

The performance appraisal reports of the preceding 5 or 3 years, as indicated above, (excluding the immediately preceding year), are considered for the purpose of awarding marks for promotion from one scale to another. However, such officers who become eligible for promotion with less than the stipulated number of years of service in officer cadre, on account of being recruited in a higher scale or relaxation allowed by Board or Rural incentive as prescribed above in the policy, etc. the marks of performance are considered for the number of years for which the concerned officer remained in Officers cadre with a minimum of 2 years.

(v) **Group Discussion and Interview**

For promotion to SMG Scale-IV and V, the Committee of Group Discussion specifically assesses the communication skill, conceptual and leadership capabilities of the candidates. In all the promotions covered under this policy, the Interview Committee makes an overall assessment of the candidates on the basis of job knowledge, communication skill, conceptual ability, leadership qualities, decision-making and overall personality. However, no distinction in allocation of marks of these components is made.

(vi) **Preparation of Merit Panel**

a) In all cases of promotion, for the purpose of preparing the merit list in the order of aggregate marks, only those candidates who secure the minimum qualifying marks in the parameter of PAF, written test and interview, as stipulated hereinabove, are considered.

b) In case two or more candidates secure same number of aggregate marks, their rankings in the merit list are decided on the basis of their inter-se seniority in the existing grade/scale.

c) In case number of eligible candidates available for approval for promotion in merit or fast track channel is not sufficient as per the vacancies identified, the remaining vacancies are filled up by approving equal number of candidates from normal or seniority channel, over and above the vacancies identified for that channel.

d) From the merit list, the bank prepares a panel of selected candidates to the extent of 125 per cent of the identified vacancies in the next higher scale for which the selection is being conducted.

e) The promotions are offered to the extent of the number of vacancies, in the order of merit. The inter-se seniority of the candidates promoted remains unchanged in the next higher scale irrespective of their ranking in the merit list. However, the candidates from
the panel, who are offered promotions subsequently against refusals, superannuation, other exits etc. are ranked junior to the candidates who have been promoted in the first instance and the inter-se seniority amongst these candidates is maintained in the same manner as in the former case.

f) The panel is kept valid till the end of the Financial Year, i.e., 31st March for which the promotion process has been held. The Chairman & Managing Director, in its discretion may extend the validity of the panel keeping in view the exigencies.

g) The candidature of promotion in respect of all such candidates who are reported to have resorted to unfair means in the Computer Literacy & CBS Awareness Test and/or in the written test and whose cases have been identified in the technical analysis of IBPS, Mumbai as “Established beyond all reasonable doubts” are cancelled.

Promotion Policy in force for several years had inbuilt rigidity in the matter of minimum length of service required to be put in by an officer in a particular Scale for becoming eligible for promotion to the next higher Scale. Subsequently, in 2005, banks were given managerial autonomy by the Government of India to relax the eligibility criteria for promotions from one Scale to another, and frame their own promotion policies including for fast track promotions. It has further been observed that there are varying trends in different banks, whereas some banks have introduced written test and are continuing with written test so as to assess the candidates’ knowledge in banking operations, etc. and use it as a mechanism for screening, while others do not use these tests. Most banks have introduced fast track promotions and also reduced the eligibility criteria in terms of length of service for promotions within the officer cadres.

III. Guidelines for Promotion in Public Sector Banks

The Government of India issued the following guidelines on promotions, requirements of minimum experience, mandatory rural and semi-urban service, etc.

(i) The zone of consideration for promotion should be generally three times the number of anticipated vacancies. However, in case these many officers are not available; the zone of consideration shall be at least two times the number of likely vacancies. For this purpose, the Board of Directors of the concerned bank may further relax minimum eligibility in length of service by up to six months over and above one year already provided in the guidelines dated 14.03.2012. The relaxation beyond one year in eligibility shall be
granted only to the extent that officers at two times the number of vacancies become eligible.

(ii) Vacant positions must be filled subject to the suitability of officers within the zone of consideration as per the Guidelines.

(iii) All officers who are eligible on the cut-off date of experience requirement would be included in the zone of consideration.

(iv) The officers against whom disciplinary proceedings are in process would be considered in addition to the requirement of zone of consideration as mentioned above and the recommendations in respect of such officers shall be kept in a sealed cover.

(v) The requirement of minimum 75% marks in APAR in each of the year under consideration would be relaxed to the extent of 60% marks APAR in each year for only those scales where passing of an examination by IBPS is mandatory for promotion.

(vi) The condition of not granting the benefit of relaxation in minimum experience at two successive levels of promotions in Scale III and above, as prescribed in the guidelines dated 14.04.2012 stands withdrawn.

(vii) The provisions regarding reservations and concessions, etc. in respect of promotion of SC and ST employees and any other category of employees be followed as per the extant Guidelines in the matter.

The guidelines earlier had inter alia suggested that minimum of marks in APAR for each year of service should be 75 per cent. Hence, it is suggested to extend relaxation in this area and reduce the marks to 50 per cent or 60 per cent. The relaxation is subject to the condition that the candidates for scale promotions should pass an examination conducted by IBPS. The condition of not granting the benefit of relaxation in minimum experience of two successive levels of promotions in Scale-III and above stands withdrawn. The relaxations are permitted as a one-time measure for the promotion process for the year 2012-13. The relaxations as permitted are likely to meet the hopes and aspirations of the officers in the banking industry.

4.2.1 C. Compensation

Pay scales in nationalised banks and SBI (including its associates) are fixed through Bipartite Settlements. Pay scales are revised every 4 years. Last Bipartite agreement was signed in the year 2010 covering the 4 year period from 1.11.2008 to 31.10.2012. Now, fresh wage
revision is due from 1.11.2012. The pay scales and other matters are settled through bipartite talks between the United Forum of Bank Unions (UFBU) which comprises representatives from various unions of Workmen staff and Officers and IBA (Indian Banks Association). Pay scales and other allowances and facilities for Workmen and Officer Staff have been decided as per last Bipartite Settlement. Indian Banks Association signed 9th Bipartite Settlement with Workmen Unions on 27.04.2010. Amongst the other things, some of the earlier provisions relating to Leave Fare Concession have undergone certain changes.

9th Bipartite Settlement

The 9th Bipartite Settlement regarding salary, allowances and other terms and conditions of service of Workmen Employees was signed on 27.04.2010. Banks used to issue the details through department Circulars after taking permission from the Board of Directors. Indian Banks’ Association has issued Corrigendum to Memorandum of Settlement. The various provisions of this Settlement are effective from the dates specified hereunder, unless provided to the contrary and the financial benefits emanating settlement.

I. Employees:

1. Scales of Pay:
   1. As per Clause 1 (a): 1st November, 2007


3. Part-time Employees:
   a) Increase in lumpsum wage: 1st November, 2007
   b) Elevation to one-third scale wages: 1st May, 2010.

4. Other Provisions: LFC, Hospitalisation, Definition of Family, Special Leave for Hysterectomy, road mileage, Special Pay, Halting Allowance and Washing Allowance, etc.
II. Salary Revision for Officers

Indian Banks Association, Mumbai in consultation with Government of India has finalised salary revision for officers in banks. The details of revision in various components of salary & other allowances are as under:

1. PAY Scales
   - Scale I - 14500-600-18700-700-20100-800-25700
   - Scale II - 19400-700-20100-800-28100
   - Scale III - 25700-800-29700-900-31500
   - Scale IV - 30600-900-34200-1000-36200
   - Scale V - 36200-1000-38200-1100-40400
   - Scale VI - 42000-1200-46800
   - Scale VII - 46800-1300-52000

2. Dearness Allowance
   On and from 1.11.2007, Dearness Allowance (D.A.) is payable for every rise or fall of four points over 2836 points in the quarterly average of the All India Average Working Class Consumer Price Index (General) Base 1960=100 at 0.15 per cent of Pay.

3. House Rent Allowance
   I. In Major ‘A’ Class Cities and Project Area Centres in Group A @ 8.5 per cent of Pay.
   II. At other places in Area I and Project Area Centres in Group B @ 7.5 per cent of Pay.
   III. At other places @ 6.5 per cent of Pay.

4. Provident Fund
   There is no Provident Fund facility for the bank officers joining services on or after 1st April, 2010. They are now covered by a well-defined Contributory Pension Scheme, where the officer contributes 10 per cent of Pay plus Dearness Allowance, and the bank makes a matching contribution. The Scheme is governed by the provisions of the Contributory Pension Scheme as introduced for employees of Central Government w.e.f. 1st January, 2004 and modified from time to time.

5. Pension
   The terms of the Bank Employees’ Pension Regulations, 1995 dated 29th September, 1995 or 26th March, 1996 do not apply to the officers who joined the services of Banks on or after 1st April, 2010; and they are covered by a Defined Contributory Pension Scheme, which is
governed by the provision of the Contributory Pension Scheme introduced for officers of the Central Government w.e.f. 1st January, 2004, and as modified from time to time.

6. **Medical Aid**

   On and from 1st November, 2007, reimbursements of medical expenses have been prescribed as under:
   
   a) Officers in JMG & MMG Scales @ Rs.5100/- per annum.
   
   b) Officers in SMG & TEG Scales @ Rs.6320/- per annum.

7. **Fixed Personal Pay** (w.e.f. 1.11.2007)

   Fixed Personal Pay together with House Rent Allowance has been fixed at the prescribed rates, and is to remain frozen for the entire period of service.

8. **Hospitalisation Expenses**

9. **Recovery of House and Furniture Rent**

10. **Professional Qualification Pay** (w.e.f. 1.11.2007)

11. **City Compensatory Allowance**

12. **Other Allowances**

4.2.1 **D. Training and Development**

   Almost all the public sector banks have got their Staff Training Colleges where trainings for different cadres of employees are organized on regular basis to update their skills and knowledge. In some cases, employees are posted for training to outside organizations also such as IIMs; NIBM, Pune, etc. The Technical and Specialist Officers, on being permitted to join mainstream of banking are provided 12 weeks on the job training in branch routine and other aspects of banking and thereafter they have to gain experience of at least 2 years in field operations, i.e., in branches subject to certain relaxations.

4.2.2 **Human Resource Management Policies and Practices of Private Sector Commercial Banks**

   Most of the private sector banks have constituted their HR and Remuneration Committees of the Board of Directors:

   (i). To review and recommend to their Boards for approval, the overall remuneration philosophy and policy of the respective Bank, including the level and structure of fixed pay, variable pay, perquisites, bonus pool, stock-based compensation to employees of the Bank, and any other form of compensation as may be included from time to time. This
was to be undertaken keeping in mind the strategic objectives, market environment and the regulatory framework as may exist from time to time.

(ii) To review the Code of Conduct and Human Resources strategy, policy and performance appraisal process within the Bank, as well as any fundamental changes in organisation structure which could have wide ranging or high risk implications.

(iii) To review appointments, promotions and exits of senior managers one level below the Board position.

(iv) To recommend to the Board the remuneration package for senior managers one level below the Board.

4.2.2 A. Selection and Recruitment

The officers of the private sector banks are broadly categorized into the following three groups:

(a) **Senior Management Cadre**
   1. Bank Officer Director
   2. Chief General Manager

(b) **Middle Management Cadre**
   1. General Manager
   2. Deputy General Manager

(c) **Junior Management Cadre**
   1. Assistant General Manager
   2. Manager
   3. Assistant Manager.

(d) **Sub Staff and Award Staff**: Award staff consists of assistants, special assistants and single window operators or front desk operators, whereas sub-staff consists of security guards or gunmen and peons or helpers.

**Recruitment of Employees**

1. Award Staff is recruited through campus recruitments, recruitment facilitators, recruitment agencies, outsourcing agents, through references and through advertisements on the websites and in newspapers.

2. Special Assistants are promoted from within as per vacancies. Most of the employees are requisitioned locally through Employment Agents; and are recruited and selected by
Branch Managers with the support of HR Department specialists. For the selection, objective type written tests are conducted followed by online or face to face interviews. Candidate’s actual performance in interview and his communication skills are considered for selection.

3. Armed Guards are recruited locally through District Sainik Welfare Boards or security service providers.

**Recruitment of Officers**

All appointments and promotions in the officer grade are made by the Management through a Competent Authority in accordance with the policy or guidelines, laid down in this regard by the Board of Directors. All appointments are made first in the minimum of pay scale to which the appointment is made. An officer who has rendered continuous temporary service in the bank prior to his appointment against a permanent vacancy, the provisions regarding the period required to be spent on probation may be waived at the discretion of the Appointing Authority to the extent of the period of such temporary service. An officer directly recruited in the bank is confirmed, if in the opinion of the Competent Authority, his/her conduct and performance has been satisfactory during the period of probation including the extended period.

**All Officers to be Graded**

Every officer is graded to have a post in one of the grades fixed for each of the categories of officers which is considered as his substantive grade and to which the Officer is reverted when he is not:

1. under suspension,
2. on leave or deputation, or
3. holding a temporary or a probationary post or officiating in another grade.

**4.2.2 B. Promotion**

1. Promotion to all grades of officers in the bank shall be made in accordance with the policy laid down by the Board from time to time.

2. All appointments and promotions shall be made at the discretion of the Bank and notwithstanding his seniority in a grade, no Officer shall have a right to be appointed or promoted to any particular post or grade.
Selection Process for Promotion from JMG Scale-I to MMG Scale-II: The vacancies in MMG Scale-II shall be filled up by promotion from JMG Scale-I through the two channels described below:

A. Channel-I (Normal Channel or Seniority Channel)

Out of the total vacancies in MMG Scale-II, 40 per cent are filled up through this channel. Under this channel, the officers fulfilling the following eligibility criteria are eligible to apply:

(i) The candidates who have completed 5 years of service in JMG Scale-I and have qualified the On-Line Computer Literacy and CBS Awareness Test.

(ii) They must have completed two years of continuous service in rural areas subject to certain relaxations. This stipulation, however, is not applicable in the case of Technical and Specialist Officers.

(iii) The officers (other than Technical and Specialist Officers), who have put in more than two years of service in rural areas get an advantage of further relaxation of 50 per cent weightage in minimum experience for each additional completed year of service while assessing their eligibility. The candidates from amongst the applicants, the number of candidates to be called for the interview in order of inter-se seniority are determined in terms of the procedure defined by the concerned bank in the promotion policy relating to ‘Number of candidates to be considered for promotion’.

Different banks have got different promotion policies. However, in this, number of years of actual service for promotion from one scale to another may only differ. General process followed is similar in almost all the banks. Under Officers cadre, officers are promoted from Scale-I to Scale-VII through internal promotion process which involves written tests and interviews. Besides marks obtained in written test and interviews due weightage is given to the performance of the officers in the areas allotted to them. No minimum qualifying marks are fixed for interview.

B. Channel-II (Merit or Fast Track Channel): A large part of the vacancies in MMG Scale-II are filled up through this channel. Under this channel, the officers fulfilling the following eligibility criteria are eligible to apply:

(i) The candidates who have completed 3 years of service in JMG Scale-I and have qualified the On-Line Computer Literacy and CBS Awareness Test;
(ii) They must have secured at least 75 per cent marks in PAFs of each of the preceding 3 years; and

(iii) They must have completed two years of continuous service in rural areas subject to certain relaxations. This stipulation is, however, not applicable in the case of Technical and Specialist Officers. The selection of candidates is done on the basis of the following parameters:

   a) Written Test

   The written test is of objective type and is divided into two parts:

   **Part-A** (30 Marks): Test of knowledge in the areas of Law & Practice of Banking, NI Act, Partnership Act, Contract Act, Company Law, and Bank’s book of instructions/internal guidelines/ circulars relating to banking routine, including CBS.

   **Part-B** (30 Marks): Test of knowledge in the areas of Government and RBI Guidelines, Bank’s Credit, Foreign Exchange policies and internal guidelines, SARFAESI Act, DRT Act, General Awareness and Corporate level policies including IT relating to all the spheres of Banking, Economics & Management. (40 marks test is held for Technical and Specialist Officers.)

   b) Performance (60 Marks)

   The marks for the performance of the 3 preceding years are reckoned. The maximum marks for PAF provided in the promotion policy multiplied by total marks obtained in the 3 relevant PAFs divided by 300.

C. Posting and Transferability

   Every Officer is liable to be posted and transferred to any office or branch of the Bank or its subsidiary or associate or to any place in India or abroad as per the relevant policy of the Bank framed from time to time. Where an Officer is transferred from one post to another, he shall, during any interval of duty between the date of his handing over charge of the old post and the date of taking over charge of the new post, draw the pay and allowances of the old or the new post, whichever is less.

D. Transfer on Promotion

   All officers on promotion are transferred to outstation offices, provided they have completed a period of 2 years’ stay at the same station. This rule does not, however, apply to officers posted in metropolitan towns of Delhi, Mumbai, Kolkata and Chennai. However,
officers in such towns should be transferred to other local offices on promotion. As a matter of prudent policy, it is always desirable that an officer required to assume higher responsibilities should normally be moved out from his previous office to another one, either in the same station or outside as per needs of the Bank. Officers promoted to MMG Scale-II under the Fast Track Channel shall invariably be posted out of their parent zone irrespective of vacancy position in the parent zone.

In terms of the Government guidelines, subject to administrative exigencies, a physically handicapped employee in the Bank, in all cadres, whose relevant disability is to the extent of minimum 40 per cent and who has been given Disability certificate by the Chief Medical Officer, is normally exempted from routine periodic outstation transfers. He is not normally transferred even on promotion if a vacancy exists in the same Branch or Office or Town or City. When the transfer of a physically handicapped employee becomes inevitable on promotion to a place other than his original place of appointment due to non-availability of vacancy, it is ensured that such employee is kept close to his original place of posting and in no case is transferred to far off or remote places.

E. Posting of Officers Promoted from Clerical Cadre through Seniority Channel

Special Assistants and Clerks on promotion as officers on the basis of seniority-cum-absence of demerit and interview are transferred to a station other than the one at which they were working as Special Assistants or Clerks. Relaxation can, however, be made in cases where such employees have not completed 3 years’ stay at the existing station. Lady Special Assistants on promotion as officers through seniority-cum-absence of demerit and interview, may not, however, be transferred to outstation offices provided there is a vacancy of officer at the same office or station.

4.2.2 C. Compensation

The private sector banks in India believe that to attract the right talent, the Remuneration Policy should be structured in line with other peer group banks, and is sensitive to compensation packages in this part of the financial market. Compensation is structured in terms of fixed pay, variable pay and employee stock options, with the last two being strongly contingent on employee performance.
(i) **Pay and Allowances**

Pay, allowances, other facilities and concessions, and perquisites payable to various grades of Officers and employees during a specified period are determined with the approval of the Board and/or by the Competent Authority and the details of which are notified by means of Administrative Circulars from time to time. Pay and allowances are subject to the following rules:

Subject to the provisions of these Rules, pay and allowances stand accrued from the commencement of the service of an Officer and are made payable on the afternoon of the last working day of each month in respect of the service performed during the said month. Provided that an Officer proceeding on leave other than extraordinary leave for a period not less than one month is paid in advance one month’s pay and allowances, if he applies therefor.

Pay and allowances are not paid for a part of a month to an Officer who leaves or discontinues his service without due notice during a month, unless such notice period has been waived by Competent Authority. Pay and allowances cease to accrue as soon as an Officer ceases to be in service. In the case of an Officer dismissed from service, pay and allowances cease from the date of the dismissal. In the case of an Officer who dies while in service, pay and allowances shall cease from the day following that on which the death occurs.

(ii) **Admissibility of Allowances**

Allowances are payable to an Officer only if they are actually at the time fulfilling the conditions subject to which they are admissible.

(iii) **Increments**

In an incremental scale, the increment accrues on the completion of each specified period of service on each stage of that scale, whether such service is probationary, officiating or substantive. Sanctions to draw increments are given by the Competent Authority. An officer draws the increment on the 1st of the month in which it would fall due irrespective of the actual date of its accrual on passing of certain examinations, is governed by the relevant rules.

Where an Officer is appointed to officiate in a higher grade, service in the higher grade will count for increments under Rules in the Officer's substantive grade as well as in the higher grade and if between the two, there is an intermediate grade in which the Officer was officiating or would have been appointed to officiate had he not been so appointed in the higher grade, also in the intermediate grade. Increment may be withheld as a disciplinary measure and each order...
withholding an increment must state the period for which it is withheld and whether the postponement shall have the effect of postponing future increments.

(iv) **Other Concessions**

1. **Leave and Retirement Fare Concessions:** The leave and retirement fare concessions are admissible to the Officer in accordance with the scheme as may be approved by the Board from time to time.

2. **Encashment of Ordinary Leave:** An Officer is entitled to encashment of ordinary leave earned and not availed by him during the period of service and on retirement subject to the terms and conditions approved by the Board from time to time.

3. **Medical Aid:** An Officer is eligible for reimbursement of medical expenses actually incurred by the Officer in respect of the Officer and Officer's family as per the scheme approved by the Board from time to time.

4. **Residential Accommodation:** The Bank may consider providing residential accommodation to the officers, subject to availability, on payment by the Officer an amount at a rate specified by the Bank from time to time.

5. **Travelling and Halting Allowance:** Travelling and Halting Allowances are paid to an Officer according to such rates and on such terms and conditions as may be approved by the Board from time to time.

6. **Insurance Scheme or Fund:** It is compulsory for every Officer to abide by Insurance Fund /Scheme Rules and to subscribe to any insurance scheme or fund that may be instituted by the concerned bank for the benefit of its officers and their families and to be bound by the rules of the said scheme or fund.

4.2.2 **D. Training and Development**

No doubt, large training infrastructure exists, but the ground reality is that only a limited number of bank employees can attend classroom training at any particular point of time. In such situations where training and knowledge dissemination is required to be ensured to large sections of employees, all at the same time in view of the criticality of a particular field, e-learning could be the best solution, in terms of reach, time and cost. Other alternate training delivery techniques for learning such as distance learning, knowledge clubs and visiting faculty scheme especially for rural branches have also been exercised in private banks. Considering the multiple needs of training at different levels and the need for training the trainers, private sector banks make use of
the excellent infrastructure and resources available at the National Institute of Bank Management (NIBM). NIBM has good faculty resources in areas like Infrastructure Financing, Risk Management and Treasury, where most banks face acute skill shortages. Some of the leading private sector commercial banks make effective use of NIBM for developing talent pool of officers in these areas. These banks also, through an effective process of identification, select officers and depute them to one year post-graduate programme on ‘Diploma in Banking Management’ conducted by NIBM.

As far as external training programmes conducted by other reputed institutions in India and abroad are concerned, banks systematically analyse the internal training gaps vis-a-vis the total requirements and link these with career planning of officers and its staff. Private sector banks also explore, wherever appropriate, the feasibility of entering into collaborative arrangements with universities and other institutions of repute in India and abroad. Banks may consider adopting the cardinal principle of ‘Back to School’ under which everyone in the bank right from the CEO to the clerical level, undertakes an unlearning and relearning journey on a continuing basis.

4.3 COMPARATIVE ANALYSIS OF HRM POLICIES AND PRACTICES IN PUBLIC AND PRIVATE SECTOR COMMERCIAL BANKS

In the mid 1990s, the liberalization of the economy led to the emergence of private players in the existing scenario. This provided much better and easier accessibility of funds to the people. Their late arrival in the market enabled them the state-of-the-art technology. This helped them to work more effectively and efficiently in the market and thus outperformed their public sector counterparts. This helped the private sector banks to expand manifold. As far as the present scenario is concerned the Banking sector in India is going through a transitional phase. The Public Sector Banks which are the mainstay of the Banking sector in India account for more than 78 per cent of the total banking industry assets. Unfortunately, they are burdened with excessive Non-Performing assets (NPAs), excessive governmental equity and lack of modern technology, which in turn is the cause for unhappy employees of the organization. On the other hand, the Private Sector Banks are making tremendous progress. They are forging ahead and rewriting the traditional banking business model by way of their sheer innovation and service. They have pioneered internet banking, phone banking, anywhere banking, mobile banking, debit cards, credit cards, Automatic Teller Machines (ATMs) and combined various other services and integrated them into the mainstream banking arena. This rapid expansion of the private sector banks proved to be a massive source of employment for thousands. In this run, public sector
banks lost their charm. This proved to be a threat for them. Public sector banks found it difficult to compete with them. In order to compete they needed to implement in their bank the latest technology available as well as introduce the best Human Resource policies in order to regain their manpower strength and retain the talents which are already present with them. Public sector banks still adhere to an industry-wide wage settlement, brokered by IBA once every five years. The salary structure of all public sector banks was uniform but ideally, it has not been linked to the profitability, on the lines of private and foreign banks. Public as well as private sector bank employees and officers call for better compensation package. Comparative analysis of HRM policies and practices of public and private sector commercial banks has been done through ‘content analysis. On the whole, thirty different HRM areas with respect to recruitment, selection and promotion, compensation, training and development policies of public and private commercial banks have been identified and compared through ‘content analysis’.

4.3.1 Changing Profile of Human Resources in Indian Banking

Public and private sector banks also differ with respect to their background and work culture. Work culture of public sector banks was based on the concept of socio-economic responsibility, in which profitability remains at the second priority. On the other hand, private sector banks work towards profitability. Because these differences between the sectors hold as important factors in shaping the HRM culture of banking sector, it needs to be explored how they would likely affect job satisfaction. For the success and sustained growth of Indian banks, it is imperative to create a pool of committed employees by determining whether they are job satisfied. Their satisfaction would affect their performance and commitment, which would eventually influence the banks’ growth and profitability (Shetty 2012). There are two key metrics to gauge the increasing importance of human resources in the Indian baking sector:

a) Profit per employee
b) Cost per employee.

These metrics are being discussed with the help of calculations made on secondary data procured from the various publications of the Indian Banks Association, Bombay.

(i) Average Profit per Employee

As per IBA data, profit per employee in PSU banks is much lower and in the absence of cost advantage, and the problem of lower productivity calls for an urgent HR transformation in PSU banks. However, bankers feel variable pay structure should still be introduced. The data pertaining to average profit per employee for the period 2002-03 to 2011-12 in the selected Indian public and private sector commercial banks is presented in Table 4.1.
Table 4.1
Average Profit per Employee of Public and Private Sector Commercial Banks in India from 2002-03 to 2011-12

(Amount in Rs. Crore)

<table>
<thead>
<tr>
<th>Years</th>
<th>Public Sector Banks</th>
<th></th>
<th>Private Sector Banks</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nationalised Banks</td>
<td>SBI Group</td>
<td>Combined</td>
<td>Old</td>
</tr>
<tr>
<td>2002-03</td>
<td>1.73</td>
<td>1.89</td>
<td>1.78</td>
<td>1.60</td>
</tr>
<tr>
<td>2003-04</td>
<td>2.49</td>
<td>2.58</td>
<td>2.52</td>
<td>3.73</td>
</tr>
<tr>
<td>2004-05</td>
<td>2.17</td>
<td>2.45</td>
<td>2.26</td>
<td>0.46</td>
</tr>
<tr>
<td>2005-06</td>
<td>2.24</td>
<td>3.23</td>
<td>2.56</td>
<td>2.34</td>
</tr>
<tr>
<td>2006-07</td>
<td>2.99</td>
<td>3.36</td>
<td>3.11</td>
<td>3.15</td>
</tr>
<tr>
<td>2007-08</td>
<td>3.94</td>
<td>3.84</td>
<td>3.91</td>
<td>4.39</td>
</tr>
<tr>
<td>2008-09</td>
<td>4.02</td>
<td>5.02</td>
<td>4.32</td>
<td>5.08</td>
</tr>
<tr>
<td>2009-10</td>
<td>5.46</td>
<td>5.27</td>
<td>5.40</td>
<td>3.93</td>
</tr>
<tr>
<td>2010-11</td>
<td>6.76</td>
<td>6.69</td>
<td>6.74</td>
<td>3.35</td>
</tr>
<tr>
<td>2011-12</td>
<td>6.66</td>
<td>6.60</td>
<td>6.65</td>
<td>4.12</td>
</tr>
<tr>
<td>Average</td>
<td>3.85</td>
<td>4.09</td>
<td>3.92</td>
<td>3.21</td>
</tr>
<tr>
<td>SD</td>
<td>1.87</td>
<td>1.72</td>
<td>1.81</td>
<td>1.39</td>
</tr>
<tr>
<td>Variance</td>
<td>3.50</td>
<td>2.94</td>
<td>3.29</td>
<td>1.94</td>
</tr>
<tr>
<td>CAGR</td>
<td>13.04</td>
<td>12.03</td>
<td>12.73</td>
<td>8.98</td>
</tr>
</tbody>
</table>

Source: Data compiled from Annual Publications of IBA, Bombay; Performance Highlights of Public Sector Banks and Performance Highlights of Private Sector Banks, 2002-03 to 2011-12.

Note: SBI Group includes State Bank of India and its Associates, and IDBI for the purpose of this study.

The average profit per employee of the Nationalised banks, and SBI and its Associates taken together as public sector has been recorded as Rs. 3.85 crore and Rs. 4.09 crore respectively; and the average of old and new banks in private sector for the same period has been recorded as Rs. 3.21 crore and Rs. 7.14 crore respectively. This indicates that the new private sector banks have achieved the highest average business per employee as against their public sector counterparts during the period under study. However, the combined average profit per employee for both the public and private sector banks has been observed as Rs. 3.92 crore and Rs. 4.49 crore respectively.

The profit per employee under both the categories of public sector banks has shown a gradual increase during almost all the years under study except the year 2011-12 in the case of SBI and its associates where the profit has gone down from Rs. 6.69 crore to Rs. 6.60 crore. Both the old and the new banks under the private sector segment have shown fluctuating profits during the period under study, particularly the profit per employee under the old private banks...
came down considerably to Rs. 0.46 crore in the year 2003-04 as against Rs. 3.73 crore in the year 2002-03.

The nationalized banks have recorded the highest Compound Annual Growth Rate (CAGR) of 13.04 per cent, followed by 12.03 per cent, 8.98 per cent and 3.07 per cent in the case of SBI group and its associates, new private sector banks, and old private sector banks respectively. It is evident from the analysis made above that the overall performance of nationalized banks is quite satisfactory with respect to profit per employee.

(ii) **Average Cost per Employee**

Table 4.2 indicates the average cost per employee of the public and private sector commercial banks in India from 2002-03 to 2011-12.

<table>
<thead>
<tr>
<th>Years</th>
<th>Public Sector Banks</th>
<th>Private Sector Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nationalised Banks</td>
<td>SBI Group</td>
</tr>
<tr>
<td>2002-03</td>
<td>0.03</td>
<td>0.03</td>
</tr>
<tr>
<td>2003-04</td>
<td>0.04</td>
<td>0.04</td>
</tr>
<tr>
<td>2004-05</td>
<td>0.05</td>
<td>0.06</td>
</tr>
<tr>
<td>2005-06</td>
<td>0.05</td>
<td>0.07</td>
</tr>
<tr>
<td>2006-07</td>
<td>0.05</td>
<td>0.06</td>
</tr>
<tr>
<td>2007-08</td>
<td>0.26</td>
<td>0.39</td>
</tr>
<tr>
<td>2008-09</td>
<td>0.07</td>
<td>0.07</td>
</tr>
<tr>
<td>2009-10</td>
<td>0.08</td>
<td>0.08</td>
</tr>
<tr>
<td>2010-11</td>
<td>0.11</td>
<td>0.11</td>
</tr>
<tr>
<td>2011-12</td>
<td>0.11</td>
<td>0.11</td>
</tr>
<tr>
<td>Average</td>
<td>0.09</td>
<td>0.10</td>
</tr>
<tr>
<td>SD</td>
<td>0.07</td>
<td>0.11</td>
</tr>
<tr>
<td>Variance</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>CAGR</td>
<td>11.05</td>
<td>12.54</td>
</tr>
</tbody>
</table>

Source: Data compiled from Annual Publications of IBA, Bombay: Performance Highlights of Public Sector Banks and Performance Highlights of Private Sector Banks, 2002-03 to 2011-12.

Note: SBI Group includes State Bank of India and its Associates, and IDBI for the purpose of this study.

The average cost per employee of the nationalized banks and the SBI group taken together as public sector has been recorded as Rs. 0.09 crore and Rs. 0.10 crore respectively; and the average cost of old and new private sector banks has been recorded as Rs. 0.7 crore and
Rs. 0.13 crore respectively. This indicates that the public sector banks are incurring more cost per employee which is Rs.0.10 crore in the case of SBI group, followed by nationalized banks with Rs.0.09 crore and old private sector banks with Rs. 0.07 crore. The cost per employee of the nationalized banks is rising constantly with a sudden increase in the year 2007-08 when it increased to Rs. 0.26 crore from Rs. 0.05 crore, and thereafter it is again rising at a constant rate.

The SBI group under the public sector has also shown quite a gradual increase up to 2006-07 and in the year 2007-08 the cost again increased manifold from Rs. 0.06 crore in 2006-07 to Rs. 0.39 crore in 2007-08, and thereafter again the increase in the cost is quite gradual. This indicates that in the year 2007-08 a very high cost per employee was incurred by both the classes of public sector banks. The old banks under the private sector have shown a very gradual increase during all the years under study. But in the case of the new private sector banks the cost incurred per employee was Rs. 0.11 crore in 2002-03 which increased at a constant rate thereafter and reached Rs. 0.17 crore during 2011-12. The growth rate is the highest in the case of the nationalized banks, i.e., 287.28 per cent and lowest in new private sector banks, i.e., 67.48 per cent.

The banks under the SBI group have recorded the highest CAGR of 12.54 per cent, followed by the nationalized banks and old private sector banks with the percentages of 11.05 and 9.12 per cent respectively. The CAGR of the new private sector banks is 4.24 per cent, which is quite less. The average cost per employee for both the public and private sector banks is the same, i.e., 0.09 per cent.

The average cost per employee for public sector banks has been higher than that of their private sector peers since financial year ending March 2003. The public sector banks have been losing their cost advantages because of their increasing per employee cost. This is contrary to the popular perception that the employees in the public sector banks are paid lower salaries. The public sector is, thus, facing two types of challenges; the need to induct talent in large numbers and the need to contain staff costs. The cost structure of the public sector banks varies significantly from that of the private sector. About 62 per cent of the costs of public sector banks comprise employee costs, as against 37 per cent in the private sector. Globally, this ratio is about 50 per cent for most of the commercial banks. Employees’ costs which are fixed in nature, introduce operating leverage into the banks’ profit and loss statement. A dip in the performance due to market conditions affects the bottom line directly. On the other hand, a cost structure with appropriate levels of outsourcing allows a bank to pass on some of the market risks to business
partners. Similarly, variable components in employees’ costs are also linked to performance which helps them to protect profit margins.

The trend-setter philosophy of HRM in Indian commercial banks have been continuously undertaken as a movement and direction to enable every individual as a member of banking community to realize and activate his potential so as to contribute to the achievement of the banks’ goals and derive satisfaction thereof. Basically, a sound HRM policy aims at creating a facilitating environment for overall development of people and thereby enabling them to translate their potentials into role related competencies. The banks recognize the value of contribution of the individuals in achieving the corporate objectives.

In Indian banking sector, the formally designed HRM structure emerged during the last years of 1980s. At present, in spite of their good performance at many fronts, Indian commercial banks particularly public sector banks are seriously handicapped vis-a-vis their competitors in the market place, on account of huge manpower deficiency. Their employee compensation package, skill sets, skewed age profile, restrictive deployment, and performance management system are the major issues placing them somewhat at a disadvantage front. Some of the major human resource challenges before Indian commercial banks are building capabilities for the future; improving productivity and performance culture; building talent management practices; building succession for key critical and leadership positions; developing ownership, accountability, professionalization and institutional mechanism for sustained human resource management; and transforming human resource function from legacy driven to development.

Nowadays, top managements of commercial banks in India are paying increased attention to HRM because they have realised that Human resources need to be closely integrated with planning & decision-making based on sound policies. As such, the HRM aims as fixed by the Indian commercial banks are explained as under:

1. To create a climate of openness and trust.
2. To build collaborative culture, whereby everyone is an important member of an effective team to promote human capabilities and competencies in the organization.
3. To bring about integration of the individual and organizational goals.
4. To improve the quality of work-life.

Based on the above aims most of the Indian commercial banks started working on the core areas of HRM like:

1. **Manpower and Recruitment Planning:** Around 1.8 lakh of the 8 lakh public sector bank employees will need to be replaced over the next five years. According the 2010 report by
the Government constituted Khandelwal Committee on human resource policies in public sector banks, over 22,000 employees are likely to retire in 2012-13. This number is expected to go up to around 30,000 in 2014-15. With experienced bank professionals leaving and new hires not fully prepared to take over, a serious vacuum in middle and top management is on the cards. The Khandelwal Committee Report pointed that by the end of 2015; around 80 per cent of general managers, 65 per cent of deputy general managers, 58 per cent assistant general managers, and 44 per cent of chief managers would be retiring. Many of these officials who will need to be replaced have been with banks for over 30 years and their exit will leave a gap difficult to fill.

Indian commercial banks’ human resource planning is aimed at improving the innovative and creative abilities of the work-force through promoting a conducive climate, enhancing the human touch and improving interpersonal relations. Manpower requirements are assessed at the micro level even though overall decisions are made within framework of Government guidelines and in corporate perspectives. A core area like Manpower Planning has not received serious attention in the banking sector so far. Manpower assessments are made on the basis of branch activity analysis and productivity norms. Manpower planning in each bank is kept subordinate to guidelines issued by the Government of India and RBI.

Human resource planning by each bank is a rigorous exercise, factoring all possible contingencies in HRM practices, both quantitative and qualitative. Further, the banks have to plan very carefully their recruitment in terms of entry qualification, methodology of recruitment, etc. The recruitment exercise carried out today in many public sector banks also does not reckon skill and competency requirements. Moreover, large scale Core Banking Services implementation at branch level has made no significant difference in the realignment of manpower in public sector banks as compared to the private sector commercial banks. Lack of proper human resource planning has also resulted in wide variance in staff ratios across public sector commercial banks as well as in many of the private sector commercial banks. At present, banks cannot claim to have a proper human resource planning system that captures the type of people it requires, the level at which they are required and clearly defined roles for everyone.

Another challenging area for Indian public and private sector commercial banks is that the kind of talent they require. They need good, suitable and capable people, who are ready to face the challenges of working in rural areas. Banks need to acquire people with the right kind of talent. But unfortunately, it is the same limited talent pool that is targeted by all the sectors, Financial Institutions, Insurance, Telecom, Banks and other industrial and service sectors, which are on fast growth track and in need of talented manpower.
2. **Recruitment and Selection Procedures**: Nowadays, effective recruitment is very essential for every organization. The recruitment and selection procedure should be properly designed and exercised keeping in mind the requirements of the job, number of vacant positions to be filled, number of applicants that are to be called for the process, resources that are used and to be used in the entire process etc. Therefore, it has become essential to design the recruitment process carefully and to adopt the effective measures to acquire the best talent in the banking sector. Similarly, campus recruitment is not just about approaching any Institution or University, but also aims at creating a pool of suitable candidates and interviewing them equally in order to fill a large number of anticipated openings. A major concern before public sector banks is to replace a large number of employees, who are to retire during the coming years.

Table 4.3 carries the response data regarding human resource (recruitment and selection) policies and practices being followed by the public and private sector commercial banks in terms of form and contents, and systems and procedures through ‘content analysis’. The table explains as to whether these policies and practices are framed and exercised fully or partially in these commercial banks.

**Table 4.3**


<table>
<thead>
<tr>
<th>S. No.</th>
<th>Policies and Practices</th>
<th>Public Sector Banks</th>
<th>Private Sector Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Form and Contents</td>
<td>Systems and Procedures</td>
</tr>
<tr>
<td>1.</td>
<td>HRM practices are standardized</td>
<td>Yes</td>
<td>Partial</td>
</tr>
<tr>
<td>2.</td>
<td>Staff strength is balanced</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>3.</td>
<td>Recruitment and selection policies: Well-defined</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>4.</td>
<td>Analysis of positions and requirements is made before recruitment process starts</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>5.</td>
<td>Defined mode of recruitment</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>6.</td>
<td>Line managers and HR managers participate in recruitment &amp; selection</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>7.</td>
<td>Valid and standardized recruitment tests</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>8.</td>
<td>Comprehensive selection process before rendering a decision</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Earlier recruitment in public sector banks was made through Banking Selection and Recruitment Board (BSRB). The high standards of recruitment set by the Board helped the public sector banks to get quality staff. However, after liberalization, BSRB was scrapped and banks started recruiting the staff at their whims and fancies. Some grave irregularities came to light in the recruitment process of some public sector banks, and in some cases the seniority of the officers working in these banks was ignored at the time of their promotion.

After dismantling the common recruitment board for the industry, banks were allowed to recruit employees at their own levels even for the senior positions, based on their own requirements. The recruitments were done according to the business strategies and ratified by the board which had Government nominees. And, as such, no senseless recruitment was reported as done by the commercial banks, but, this led to cut-throat competition for talent search and poaching of each other’s employees. After a while, the Government started feeling concerned about the large recruitment programmes which were carried out by some of the public sector banks. The question that why the banks needed so much staff despite computerization and implementation of technology, was still an unsolved mystery.

However, a few private banks remained cautious about their expansion programmes, and the recruitment outlook of the public sector banks started becoming healthy due to significant retirements and rural expansion plans. Some of the private banks that have grown their business aggressively, riding on the world’s second fastest growing economy, started shrinking their balance-sheets, while public sector banks began to expand by opening new branches across the country. Moreover, new recruitments started keeping pace with the banks’ expansion plans. The banks were adopting fast-track promotions to fill-in all management gaps. Another reason behind the sudden spurt in recruitment was the fact that unlike private banks, public sector banks cannot outsource many activities, including sourcing loans. Now, apart from recruiting through a normal process of written examinations and interviews, banks are also going for campus recruitments and outright poaching and sometimes from fellow public sector banks. Despite low salary, many private sector employees are now approaching public sector banks looking for job security.

The public sector banks now have started recruitments through IBPS which is an autonomous body to recruit the required manpower in the public sector banks. The private sector banks make selections of employees and officers directly or through the recruiting agencies and consultants as per their requirements.
3. **Compensations Management:** There is urgent need for compensations and rewards to outstanding performers to sustain a high performance culture and to introduce incentives. Compensation revision is much awaited for all cadres of employees in the commercial banks. The public as well as private sector banks have their respective well-designed compensation policies, but private sector banks have failed to implement it accordingly in the right spirit.

Table 4.4 exhibits comparative analysis of human resource (compensation) policies and practices in public and private sector commercial banks in terms of form, contents, systems and procedures through ‘content analysis’. The table explains as to whether these policies and practices are framed and exercised fully or partially in these banks.

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Policies and Practices</th>
<th>Public Sector Banks</th>
<th>Private Sector Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Form and Contents</td>
<td>Procedures</td>
</tr>
<tr>
<td>1.</td>
<td>Compensation policy matches the employees’ expectations.</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>2.</td>
<td>Salary and other benefits are comparable to the market.</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>3.</td>
<td>Profit sharing is used as a mechanism to reward higher performance.</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>4.</td>
<td>Compensation plan is revised accordingly with the economic situation.</td>
<td>Yes</td>
<td>Partial</td>
</tr>
<tr>
<td>5.</td>
<td>The Non-financial benefits are an important part of the total pay package.</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>6.</td>
<td>Compensation policy recognises that long-term results are more important than short-term results.</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Most of the commercial banks have introduced various kinds of welfare schemes to improve the quality of work-life and job satisfaction of their employees. These schemes include canteen facilities, education scholarship to children of employees, consumer cooperative stores, housing loans, employees’ mutual welfare scheme, festival advances, conveyance loans, etc.

4. **Career Planning and Promotions:** As compared to private sector banks one of the weakest links in the HRM policies of public sector banks today is career planning. This is attributed to lack of focused
attention to groom people as part of a planned strategy to build their careers. That promotion is the ‘be all and end all’ of the development process is the general notion that seems to prevail. There is need to prioritise systematic career planning for officers to build talent pipeline and this requires to give due consideration to the issues of specialization and diversity management. The nature of banking business requires massive re-skilling of the existing human resources and continuous skill upgradation. Commercial banks may be able to get the most suited people for their job but the main challenge is to retain these people and to develop them. There are several dimensions to this issue such as training and re-skilling of employees, performance measurement, promotion policy, transfer policy, talent management, communication, etc.

The current system is unable to discriminate and differentiate between performers and non-performers. Table 4.5 highlights comparative analysis of human resource (promotion) policies and practices being followed by public and private sector commercial banks in terms of form and contents, systems and procedures through ‘content analysis’. The table explains as to whether these policies and practices are framed and exercised fully or partially in public and private sector commercial banks.

**Table 4.5**

**Comparative Analysis of Human Resource (Promotion) Policies and Practices in Public and Private Sector Commercial Banks**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Policies and Practices</th>
<th>Public Sector Banks</th>
<th>Private Sector Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Form and Contents</td>
<td>Procedures</td>
</tr>
<tr>
<td>1.</td>
<td>Promotion</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

In fact, it is quite difficult to identify the performers and the non-performers. In the absence of a proper performance evaluation system management policies become disastrous. Banks have to deal with the problem of people who are “promotable” but not “postable” and people who are “postable” but not getting promoted. This is because public sector banks have failed to differentiate between performers and non-performers. Most of the public sector banks are also facing major challenges on the Talent Management front. In the near future, the workforce is going to be more complex and there will be a need to juggle a wide variety of people with varied needs and preferences, resulting in an array of relationships between the organization and those who work for it.
The Central Government through the Ministry of Finance pushed public sector commercial banks to fast-track all promotions and transfers, and to complete the process by June 30, 2012 under micro-management policy, but the Ministry later on felt that an important solution to stopping attrition in public sector banks is a streamlining of the process, so transfers and promotions must happen regularly and on time. Finance Ministry as well as RBI realised the discrepancies in recruitment, promotions & transfers in public sector banks. It has also been very logical on the part of RBI insisting, for not blindly following the multinational banks and private sector banks for recruitment from high profile business schools.

5. Training and Development: Training system enables the employees to take up their assignments and perform tasks with a higher level of confidence, efficiency and perfection. Training system not only addresses the needs in the areas of knowledge and skills, but also looks at the need for change in the attitude of employees. The training programmes are aligned to the bank’s business, goals and objectives, and endeavour to build up competencies in the staff to achieve the set objectives of the bank. While exclusive programmes on customer service are held in public and private sector banks. Eminent specialists in different fields of management, banking, finance, HRM, etc. are invited for delivering guest lectures and demonstrating more efficient.

Another important issue relates to the need for learning new practices while unlearning the traditional practices that are no longer a best practice. The traditional business model was founded on a predominance of back-office skills. The new business model, based on new technology, requires additional skills required for sales and customer service. The existing manpower has to be re-skilled accordingly. Table 4.6 portrays comparative analysis of human resource (Training and Development) policies and practices in public and private sector commercial banks in terms of form and contents, systems and procedures through ‘content analysis’. The table explains as to whether these policies and practices are framed and exercised fully or partially in the commercial banks under study.
Table 4.6

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Policies and Practices</th>
<th>Public Sector Banks</th>
<th>Private Sector Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Form and Contents</td>
<td>Procedures</td>
</tr>
<tr>
<td>1.</td>
<td>Training and Development policy.</td>
<td>Yes</td>
<td>Partial</td>
</tr>
<tr>
<td>2.</td>
<td>Training needs assessment policy.</td>
<td>Yes</td>
<td>Partial</td>
</tr>
<tr>
<td>3.</td>
<td>Policy for selection of trainees.</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>4.</td>
<td>Pre-training practices.</td>
<td>Partial</td>
<td>Partial</td>
</tr>
<tr>
<td>5.</td>
<td>Planning of training programmes.</td>
<td>Yes</td>
<td>Partial</td>
</tr>
<tr>
<td>6.</td>
<td>Pre-information to the employees about the objectives of the training.</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>7.</td>
<td>Training system is adequate to meet the job requirements.</td>
<td>Yes</td>
<td>Partial</td>
</tr>
<tr>
<td>8.</td>
<td>Training programme contents are relevance to trainees’ current job.</td>
<td>Yes</td>
<td>Partial</td>
</tr>
<tr>
<td>9.</td>
<td>Conduct of extensive (T and D) programmes.</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>10.</td>
<td>Employees at each job normally go through T&amp;D programmes every year.</td>
<td>Yes</td>
<td>Partial</td>
</tr>
<tr>
<td>11.</td>
<td>Identification of training needs through a formal performance appraisal mechanism</td>
<td>Partial</td>
<td>No</td>
</tr>
<tr>
<td>12.</td>
<td>Training evaluation methods to assess the effectiveness of the training.</td>
<td>Yes</td>
<td>Partial</td>
</tr>
<tr>
<td>13.</td>
<td>System for calculating the cost and benefit of training.</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>14.</td>
<td>Standard quality training material used in the training programmes.</td>
<td>Yes</td>
<td>Partial</td>
</tr>
</tbody>
</table>

Training has now become a key variable in human resource development strategy of all the banks. Developing talent pool for different areas of skills has not thus been the main agenda for the training systems of banks. Besides training and skill development, banks have to pay continuous attention to continuing education of their employees, in the context of new developments. The public sector banks as compared to private sector banks are quite late in this direction and it is still a welcome initiative for them. Training for the staff has been an integral part of the banks since beginning, which somehow missed the track midway and the only significance for the training was to fill in the slots of the training programmes and keep the
training centres going by achieving the targets. Nowadays, like private sector banks, public sector banks have begun to affect a complete overhaul of their talent assessment, engagement programmes and a new appraisal system. Senior managers now have to make performance review twice a year. Public sector banks including Punjab National Bank, IDBI, State Bank of India and Bank of India have altered their talent strategies to focus on performance and employee engagement and have set out on a talent drive.

The public sector banks have constituted “advisory councils” comprised of management experts, academicians and their senior officers, with the aim to improve training effectiveness. The banks are also lining up incentives such as paid holidays abroad, leadership and training programmes at top B-schools. The State Bank of India has tied up with Harvard Business School for online training programmes for its senior management and has begun now recruiting required manpower aggressively. These engagement methods will help the banks to retain their employees and get more to join public sector banks. In another move the public sector banks have prepared plans to provide global exposure to its employees, and have tied up with a Business School in Singapore to train their middle and senior management on leadership skills. Very recently, the Punjab National Bank has started a grievance portal for employees called "Samadhaan" through which an employee can mail problems related to promotions, or managerial hiccups to the chairman directly. In PNB, junior and middle management personnel salaries match the private banks and bank’s attrition is not high. The bank is overhauling its employee engagement and performance management processes.

Mid-level employees in most of the public sector banks are now undertaking internal training programmes and bank officers’ training sessions to build their expertise to fill in the role of the retiring personnel. Public sector banks are identifying and training the middle level to take up higher responsibilities as part of our succession planning. In the 1980s the move from scale one to another would take 7-10 years. Nowadays, it is happening in 3-5 years.

The one or two day workshops are also organised, which, according to most of those who attend are meaningless as they do not deliver anything to the trainees nor do the trainees imbibe anything worth implementing in their jobs. One important point to be noted is the training imparted to the staff is not job based and even not utilised by the bank for enhancement of the intellectual levels of the staff and put into practical use for the benefit of the bank. It may be worthless exercise if the staff is sent to training at Harvard or at Singapore and ask them to work
in a rural branch where this will be totally futile. And over the period the staff also loses the track of what he has gained during the training programme. Nevertheless it is a good practice that banks are thinking on terms of retaining good staff but ultimately it is the HR department that is responsible for utilising the talent at the right place at the right time.

**SUMMARY**

A bank’s ability to deliver depends largely on streamlining its human resources. No doubt, the public sector banks have gained market share in the last decade. They are doing very well in terms of product innovation, marketing and implementation of technology, but still fail to attract the right talent for specialized services such as treasury and risk management. A fast-track promotion policy and incentive-linked performance package may help banks solve the issue. The public sector banks as compared to private sector banks are quite late in certain areas of human resource management like, long-term manpower planning, balancing their manpower requirements, promotion policies, and training and development of and still there is a welcome initiative for them.

The human resources challenges facing the public sector have reached a tipping point. It has been established that during the period under research, i.e., 2002-03 to 2011-12, the average cost per employee in the public sector surpassed the new private sector. With four decades of legacy to overcome, the solution does not lie in blind adoption of Human Resource Management policies and practices from the private sector. In the public sector banks, challenges come from within to streamline their human resources in the light of rapid loss of talent due to retirements and to energize the workforce for the challenges ahead. Public sector commercial banks have exploited productivity enhancement for growth so far, but now they need to induct new talent in large numbers to maintain growth.

Thus, the Indian commercial banks are expected to focus on recruitment planning, career planning and training, performance-linked incentives, succession planning and grooming of leaders for public and private sector commercial banks. Recruitment machinery is not properly equipped as required to attract talent and to retain and train them through well-planned policies and practices. Training and development of the staff has been an integral part of the banks since beginning, which somehow missed the track midway and the only significance for the training was to fill in the slots of the training programmes and keep the training centres going by achieving the targets.

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