

## A STUDY OF HUMAN RESOURCE MANAGEMENT IN INDIAN BANKING INDUSTRY

\* *Prof. Kamble B.N*, Dept of Commerce, H.N. College of Arts, Commerce and Science, Solapur

### 1. INTRODUCTION:

Indian banking is the lifeline of the nation and its people. Banking has helped in developing the vital sectors of the economy and usher in a new dawn of progress on the Indian horizon. The sector has translated the hopes and aspirations of millions of people into reality. But to do so, it has had to control miles and miles of difficult terrain, suffer the indignities of foreign rule and the pangs of partition. Today, Indian banks can confidently compete with modern banks of the world. Before the 20th century, usury, or lending money at a high rate of interest, was widely prevalent in rural India. Entry of Joint stock banks and development of Cooperative movement have taken over a good deal of business from the hands of the Indian money lender, who although still exist, have lost his menacing teeth. In the Indian Banking System, Cooperative banks exist side by side with commercial banks and play a supplementary role in providing need-based finance, especially for agricultural and agriculture-based operations including farming, cattle, milk, hatchery, personal finance etc. along with some small industries and self-employment driven activities.

Generally, co-operative banks are governed by the respective co-operative acts of state governments. But, since banks began to be regulated by the RBI after 1<sup>st</sup> March 1966, these banks are also regulated by the RBI after amendment to the Banking Regulation Act 1949. The Reserve Bank is responsible for licensing of banks and branches, and it also regulates credit limits to state co-operative banks on behalf of primary co-operative banks for financing SSI units. Indian Banking has come from a long way from being a sleepy business organization to a highly proactive and dynamic entity. This transformation has been brought by the liberalization and economic reforms that allowed Banks to explore new business opportunities.

The progress of Commercial Banks was summarised in Table No:-1.1 to develop understanding with regard to the various remarkable developments that took place in Indian Banking Industry. In the last 39 years since 1969, it has been seen that, impressive changes had taken place in the Banking Industry. The number of Scheduled Commercial Banks almost doubled from 73 in 1969 to 170 in 2008 and the number of Branch Offices increased from 8262 in 1969 to 78666 in 2008. The expansion of the branch network helped to lower the population per office reduced from 64 in 1969 to 15 in 2008. Today, Public Sector Banks account for more than 78 percent of the total Banking Industry assets and the total assets of all Scheduled Commercial Banks has reached Rs. 40, 90,000 crores by end of March 201021. Thus, the profit pool of the Indian Banking Industry has increased at a fast pace.

Bank Mergers that has taken place since 1969 has been presented (Table No:-1. 2)

**Table No:-1**  
**PROGRESS OF COMMERCIAL BANKING (1994 – 2008)**

Year	Number of Scheduled Commercial Banks	Number of Bank Offices in India	Population per Office (in thousands)	Officers	(clerks)	Sub-Ordinates
1994	276	61803	15	268905	502193	223361
1995	284	62367	15	270533	505728	221340
1996	293	63026	15	281326	509693	228006
1997	299	63550	15	283380	509971	227672
1998	300	64218	15	287701	507577	228693
1999	303	64939	15	290817	501474	225199
2000	297	65919	15	291389	494081	221161
2001	301	67937*	15	268239	451062	207217
2002	297	68195*	15	276368	425788	199132
2003	298	68500*	16	286880	419675	194594
2004	286	69170*	16	289356	401087	191279
2005	284	70373*	16	313863	396812	189758
2006	218	71685*	16	330093	384821	185210
2007	179	74346*	15	347662	366700	185045
2008	170	78666*	15	334884	333414	170471

\*Number of Bank Offices includes Administrative Offices

Source: Reserve Bank of India, Trend, and Progress of Banks in India (Various Issues from 1998 to 2008)

**Table No:- 1.2**  
**List of the merger**

Year of Merger	Name of Bank	Merged With
1969	Bank of Bihar Ltd.	State Bank of India
1970	National Bank of Lahore Ltd.	State Bank of India
1985	Miraj State Bank Ltd.	Union Bank of India
1985	Lakshmi Conimercial Bank	Canara Bank
1985	Bank of Cochin	State Bank of India
1986	Hindustan Commercial	Punjab National Bank
1988	Trader Bank	Bank of Baroda
1989	United Industrial Bank	Allahabad Bank
1990	Bank of Tamilnadu Ltd.	Indian Overseas Bank
1990	Bank of Thanjavur Ltd.	Indian Bank
1990	Parur Central Bank Ltd.	Bank of India
1990	Purbanchal Bank Ltd.	Central Bank of India
1993	New Bank of India	Punjab National Bank
1993	BCCI (Mumbai)	State Bank of India
1994	Bank of Karad Ltd.	Bank of India
1996	Kashi Nath Seth Bank Ltd.	State Bank of India
1997	Ban Daob Bank Ltd.	Oriental Bank of Commerce
1999	Bareilly Co 01) Bank Ltd.	Bank of Baroda
1999	Sikkirn Bank Ltd.	Union Bank of India
2000	Times Bank Ltd.	HDFC Bank Ltd.
2001	Bank ofMadura	ICICI Bank Ltd.
2002	Benares State Bank Ltd.	Bank of Baroda
2003	Nedungadi Bank Ltd.	Punjab National Bank
2003	Bank Muscat	Centurion Bank of Punjab
2004	South Gujarat LAB Ltd.	Bank of Baroda
2004	Global Trust Bank Ltd.	Oriental Bank of Commerce

2005	IDBI Ltd.	IDBI Bank Ltd.
2005	Bank of Punjab Ltd.	Centurion Bank of Punjab.
2005	United Western Bank	IDBI Bank Ltd.
2006	Lord Krishna Bank	Centurion Bank of Punjab
2007	Sangli Bank	ICICI Bank Ltd
2008	State Bank of Saurashtra	State Bank of India
2008	Centurion Bank of Punjab	HDFC Bank Ltd.

Source: Various Bank's websites

The current scenario is of consolidation within Public Sector Banks, within Private Sector Banks and between Private Sector Banks and Public Sector Banks has emerged. Apart from this, Foreign Banks have become active in merger and acquisitions, buying out some old Private Banks and new Private Banks. The motive mentioned by experts for the major Indian Banks to adopt this was to gain advantages of economy in size and scope of operations, and the competence to operate in global market place. The merger and acquisition in the Banking Industry has brought a new life to the style of doing business in today's world. Strategic mergers, acquisitions, and shutting down has triggered the consolidation of Indian Banking Industry and helped Banks to survive.

### Human Resources Management

- ❖ The key to the success of any organization lies in how efficiently the organization manages its human resources. The principle applies equally and perhaps more aptly to service institutions like banks. The issue is all the more relevant to the public sector banks who are striving hard to keep pace with the technological changes and meet the challenges of globalization.
- ❖ In order to meet the global standards and to remain competitive, banks will have to recruit specialists in various fields such as Treasury Management, Credit, Risk Management, IT related services, HRM, etc. in keeping with the segmentation and product innovation. As a complementary measure, fast track merit and performance based promotion from within would have to be institutionalized to inject dynamism and youthfulness in the workforce.
- ❖ To institutionalize talent management, the first priority for the banking industry would be to spot, recognize and nurture the talent from within. Secondly, the industry has to attract the best talent from the market to maintain the required competitive edge vis-a-vis global players.

### Ten challenges that the HR function in India faces:

1. The first and foremost challenge that HR function in India faces is to convert the abundant population pool into useful human resource.
2. Training and development of human resource to match ever changing industry demands requires HR to develop new and innovative ideas that suit individual as well as industry criteria.
3. Employee motivation and satisfaction is another area of concern for the HR today. In order to reduce attrition, HR needs to realize that monetary needs are not the only drive for an individual and that a sense of belongingness must be imbibed in employees.

4. With the increase in number of job options available nowadays, the HR function of an organization must take care that they hire those people who believe in long-term commitment to the organization. The HR then must take up the challenge of retaining them by developing retention techniques like Holiday plans fun-at-work etc.
5. Because of cutthroat competition, HR in India also faces the task of building competitive advantage for the company over national and international competitors.
6. The growing importance that companies are nowadays giving to cost-cutting has posed HR with the challenge to minimize expenditure on HR not compromising on the productivity.
7. Since right-sizing has been a growing trend in Indian organization, the HR now faces the task of identifying and retaining the key employees of an organization and letting go those that do not suit its future requirements.
8. HR also faces the challenge of creating a balanced organization that originates from mergers and acquisitions. HR needs to assimilate those policies that are mutually agreeable to the companies being merges as well as profitable for the new organization.
9. Globalization poses HR with challenges such as expatriation and repatriation. HR needs to train employees that leave their nation for fulfilling a foreign assignment. It also needs to provide such employees with adequate moral support and assure them of job security on their return.
10. With multinational organizations on the rise, HR needs to focus on issues such as cross-cultural training so that problems that can arise because of differences in international professional values can be diminished.

**Table No: 2**  
**Staff expenses (Payments to and Provisions for employees)**  
**of Public Sector Banks versus Private Sector Banks**

Year	Public Sector Banks		Private Sector Banks	
	Staff	Cost per employee (Rupees)	Staff	Cost per employee (Rupees)
2002—03	7,57,251	2,70,426	59,374	3,54,532
2003—04	7,52,627	2,97,903	81,120	3,17,308
2006—07	7,28,878	3,81,449	1,37,284	3,83,439
2007—08	7,15,408	4,00,611	1,58,823	4,47,920
2008—09	7,31,524	4,72,493	1,76,339	4,83,501
2009—10	7,39,646	5,55,874	1,82,520	5,16,491
2010—11	7,57,535	7,15,914	2,18,679	5,63,154

The above table suggests that Public Sector Banks are no longer the major employment provider in the financial market and also that their per employee expenses have gone above that of Private Sector Banks. The staff strength of Public Sector Banks have gone down between 1998–99 and 2010–11 but that of Private Sector Banks have gone up significantly. The per employee expenses of Public Sector Banks have gone above that of Private Sector Banks and today, is more than 150% higher than that of Private Sector Banks. This is despite the fact that pension expenses of

PSU Banks are not fully reflected in their staff expenses. One thing is, thus, loud and clear – the competitive advantage in terms of staff costs that we always thought the Public Sector Banks had is no longer there. The absence of the cost advantage coupled with the problem of lower productivity underscore the critical need for urgent HR transformation in Public Sector Banks. Hence, time has come for us to pay attention to this critical aspect on which our ability to compete finally hinges on. We can no longer postpone this issue.

**Table No:-3**  
**LINKING HR AND COMPETITIVE STRATEGIES**

Competitive Strategy	Human Resource Strategy		
Resourcing	HR Development	Reward	
Innovation	Recruit and retain high quality people with innovative skills and a good track record in innovation	Develop strategic capability and provide encouragement and facilities for enhancing innovative skills and enhancing the intellectual capital of the organization	Provide financial incentives and rewards and recognition for successful innovation
Quality	Use sophisticated selection procedures to recruit people who are likely to deliver quality and high levels of customer service,	Encourage the development of a learning organization. develop and implement knowledge management processes, support total quality and customer care initiatives with focused training.	Link rewards to quality performance and the achievement of high standards of customer service.
Cost-leadership	Develop core periphery employment structure: recruit people who are likely to add value: if unavoidable, plan and manage downsizing humanely	Develop organizational learning processes: encourage self—managed learning through the use of personal development plans as part of a performance management process.	Develop performance in Management processes which enable both financial and non-financial rewards to be related to competence and skills: ensure that pay levels are competitive.

Organizations must focus on its Human Resource Strategies as these are less likely to be imitated by competitors as these are not visible to competitors. Even if visible, it might not be favourable as different organizations setting requires different strategies. The use of Human Resource Strategies to build employees commitment and morale would result into providing excellent customer services by employees. This would in turn generate profits and would help in obtaining sustainable competitive advantage with high quality workforce. A framework for aligning Business Strategies and Human Resource Strategies could be provided by competitive strategy approach that relates the different Human Resource Strategies to the organizations competitive strategies.

**CONCLUSION**

The main function of HRD in the banking industry is to facilitate performance improvement, measured not only in terms of certain financial indicators of operational efficiency but also in terms of quality of financial services provided. The skill level, attitude and knowledge of the personnel play an important role in determining the competitiveness of a bank. Banks have to

understand that the capital and technology-considered to be the most important pillars of banking -are replicable, but not human capital, which needs to be viewed as a valuable resource for the achievement of competitive advantage. The primary concern of the bank should be to bring in proper integration of human resource management strategies with the business strategies.

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