# Literature Review on HR Practice in Banking Sector

Esha Mehta

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## Abstract
Presently the competition was going on sky high in the banking industry. Merely tough competitors can persist under these prompt changes. Every single bank wished to face this situation and emerge as victorious, but it was not as easy as one could imagine. But this could be possible somewhat if a desire to work all together for transformation was made. Fast moving and complex world of new techniques & skills had forced banks to consider it and to adjust themselves to the changing banking environment. There was a requirement to advance competencies i.e. skill, knowledge, and approach among the bank employees to make them more appropriate to the altering circumstances. Since every human being had the potential to do remarkable things and to support him to understand, develop and utilize his/her potential, the bank should provide the knowledge and emerging climate as well as prospects. And this was possible only if efficient and effective Human Resource Practices, which would maximize value and minimize cost within the organization should be applied. But there was no single practice to which all organizations should aspire, but to some extent, each firm must have a distinguishing Human Resource Management System that represents core competencies required for the survival and sustainability of that particular organization. Best for one firm may not be best for other. The best technique applied last month may not be best for today. Hence in this present competitive world, management of human resources had been a matter of crucial determinant of success for the banking industry. Better management of human resource had been more earnestly felt like a vital, in recent decade as before. Thus, with a view of the inevitability of Human Resource in the banking sector, the aim of this study was to examine HRM Practices followed by public & private sector banks & to provide some suggestions.

## Keywords:
- HR practices
- human resource
- performance & productivity
- public & private sector banks
- suitability & survival

## Author correspondence:
Esha Mehta,
Research Scholar,
Punjab Technical University, Jalandhar, Punjab, India
Email address: eshamehta6@gmail.com

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Punjab Technical University, Jalandhar, Punjab, India
1. Introduction

“When planning for one year, there’s nothing better than planting grain, when planning for ten years, there’s nothing better than planting trees when planning for a lifetime, there’s nothing better than planting men. Guanzi (51-497 BC)

The man is the crown of creation. He can do and undo things as per will. Help a man hone his skills and he will do wonders. A happy and satisfied man will lay down his life for the organization. Give him a sense of belongingness, reward him for his good deeds and chasten him, if he goes wrong. So, it is well-known that man the “Mindful Animal” in nature is the only one who plays a vibrant role in the growth and amiable functioning of a business organization. And it is rightly said that Human beings are social beings and never ever live and work in isolation. They, all the time plan, develop and manage their relations both intentionally and unintentionally. Beginning from childhood, at every stage, each and every individual acquire knowledge and experience by understanding others and learn how to behave in each and every situation in life. After that, we transmit this learning and understanding in booming and handling relations at our workplace. The whole context of Human Resource Management revolves around this core matter of managing relations at the workplace. According to Lallan Prasad and A.M. Bannerjee, in their book ‘Management of Human Resource’, they bring out the idea of concepts, principles, and practice of organizing work and employing appraising, communicating, motivating and developing people for better results.

The authors identified various empirical findings of practicing managers, psychologists & even of other civic scientists in the field of human resource management. They tried to put out their views on the effect of social security, workers participation & unionization during the administration of human resources. The authors present their discussion along with prevailing situations. This book is quite useful for the present study as it provides both theoretical & practical aspects of HR practices (Prasad and Bannerjee’s, 2000). The paper entitled “Exploring the new trends in HR practices; organizational strategies in an information age; an analysis of Global scenario” by H.K. Swain and B.B. Acharya reflected the varying pattern of human resources policies and practices. They concluded Human Resource as an integral part of organization & reflected the role of human resource managers in the changing organizational environment. The authors also explained that new developments, restructuring organization forced by e-management, e-policies & practices have affected HR managers. The flex-age has enforced the organizations to modify their outlook and way of functioning. Thus, this all has influenced the employment relations in the organizations all over the world (Swain and Acharya, 2000).

In words to Anil Kumar Singh, he examined the various HRM practices in Indian organizations and the relationship between HRD and the philosophy of management. In this paper “Philosophy of Management and Human Resource Management Practices in Indian Organizations”, the author noted that the windy business climate brought in the wake of liberalization, globalization and changing technologies are offering a complex and challenging situation to managers. He spots that Indian organization is tending to become competitive to meet globally prevalent standards. Thus the author has suggested that HRD has to play a crucial role in terms of making and enabling employees to constantly learn, unlearn, change, and adapt themselves to organizational objectives. HRD has to play a catalytic role in building and facilitating the right kind of work environment. HRD is formulated on the conviction that people are important and their involvement is necessary for an organization to be effective (Singh, 2003).

So, it is rightly said by the various authors that definitely the waves of change are creating both opportunities and pressure of threat on the human resources. The survival of the fittest, fastest and the finest is the buzzword. HRM is the area which develops the potential of the employees and gets more out of the employees. It is the most important input in any organization for achieving its goals and also plays a vital role in the growth of an organization. Days are gone of fat organizations, hierarchy secured job and timescale promotions. That’s why it becomes important for an organization to handle and manage its human resources very carefully. Good human resource practices & policies motivate the employees to work hard, produce more and at the same time, helps the management to utilize the human resources to the optimum level to achieve the managerial objectives. Thus, with a view of the inevitability of Human Resource in the banking sector, the aim of this study is to examine HRM Practices followed by public & private sector banks & to provide some suggestions on the basis of literature review.
2. Materials and Methods

Information had been sourced from books, articles, various websites & various research. This research paper was based on secondary data for finalization of views and opinions. It was an exploratory research to conclude the output of bank employees.

3. Results and Discussions

3.1 Human Resource in Banking Industry

The banking industry is the backbone for the growth of any economy. The banking industry is an important component of the financial sector for the proper management of financial resources across the globe (Ahmad Ashfaq et al. 2010). It is reckoned as a hub and barometer of the financial system in a country. Banking sector plays a pivotal role in the economic development of the country and is among the oldest sectors of the country. India is an emerging economic power with a very large pool of human and natural resources, and a growing large pool of skilled professionals. Indian Banking Sector is a most developed, organized and diversified sector. This sector is an important tool for facilitating the development of Indian Economy.

In order to this industry to the altitudes of international distinction, it needs to have a combination of latest technologies, better methods of credit, management of treasury, product variation, internal & external controlled regulations and human resources at the most. The extent of Objectives & Challenges met will mainly depend on the degree to which the bank’s power their primary assets i.e., Human Resources in the context of the altering economic & business environment. Banking being a service sector industry, productivity and commitment of the staff have a significant effect on the overall performance of banks. Due to the intrinsically close ties between employees and customers, losing skilled employees may result in the loss of valuable customer relationships. Thus, the focus on the banking industry is about employee retention from all levels, hence initiated the HR systems, procedures, policy and practices with the focus on their employees. There is a new alertness to the profound impact of human nature in the workplace. The Industry has identified management of human resources as the key to future success.

Why Human Resource Management is important for Banks

If any organization want to run smoothly, effectively and efficiently, the most treasured and indispensable factor that organizations need is a human being (Mosadragh, 2003). Well-qualified and capable personnel are important in the context of achieving the goals and objectives of an organization. The victory of an organization totally depends on the three basic things as hard work, loyalty, and involvement of staff members.

In the past, when the time of personnel management system prevails, humans were treated as a machine because of which the behavior could be manipulated for the advantage of the organization and replaced when it was worn out. Also, the policies of the organization were less flexible and organizations were centralized. But after the emergence of a conception of HRM, the organizations found more malleable & decentralized which is more compatible with the organic system and has cross-cultural and cross hierarchical system. Given by Shahnawaz et al., (2006) that Human Resource Management takes the entire organization as a central point for analysis.

3.2 Human Resource Management Practices

The real problem of running a bank successfully and viable is that skilled manpower is in short supply. This point of view that HR resources are becoming scarce; both in quality and quantity is not acceptable. It is a basic issue that any resource that is in short supply needs to be properly managed for the benefit of society and, therefore, banks need to pay attention to the entire Human Resource Management process. The entire spectrum of HRM practices requires revolutionary changes if the banks have to survive. Managing the people is a key challenge before the bank management. Commercial banks in India are expected to take necessary steps in such a way that their employees should feel that recruitment, selection, training and development, and compensation have become essential to enhance their productivity and satisfaction.

So, in order to retain skilled and talented employees, banks have started looking towards committed employees and through many types of research, it has been proved by the researchers that HRM Practices increase the commitment level of employees. Banks have increasingly recognized the potential of their existing employees. They
have realized that a firm’s employees can be a unique pool of talent and can take the organization to greater heights. HRM practices affect such efforts of the employees by influencing their skills and motivating them. It plays a very crucial role in achieving the organization’s goals and sustain the competitive benefit. These HRM practices refer to organizational activities directed at managing the pool of human resource and ensuring that the resources are employed towards the fulfillment of organizational goals (Schuler & Jackson, 1987). Human resource management practices are the management of people within the internal environment of organizations, comprising of the activities, policies, and practices involved in planning, organizing, developing, utilizing, evaluating, maintaining and holding the appropriate numbers and skill mix of employees to achieve the organization’s objectives (Appelbaum, 2001).

A cohesive framework is given by Paauwe shown linkage between Human Resource Management activities, outcomes, and firm performance. This Model put forward that Human Resource Management activities give growth to Human Resource Management outcomes, which in turn influence the firm’s performance. However, some activities influence the performance of the firm directly as indicated in the figure as upward arrows. Dotted lines indicated that the organization's performance itself give rise to change in Human Resource Management Practices (Paauwe, 1996).

For this, all the banks are undertaking exclusive HRM Practices for their most valuable human assets. These Human Resource Practices are vital not only in inculcating empowerment amongst the employees but also help in shaping a healthy organizational culture, which leads to higher growth and performance of banks. Here, a brief description of the conceptual areas of HRM practices relating to employee’s recruitment and selection, promotion, compensation packages, training and development as covered under the study.

3.3 Studies on Human Resource Practices

Review of selected literature is an essential part of every research process. It helps us to examine and evaluate what has been said earlier on the research subject. There is the vast and varied type of literature on Human Resource Practice Management and Human Resource Development in general and with special reference to Global & Indian context. Many experts in the management and administration of human resource have made their contributions in the form of reference books, case studies, research papers, and empirical surveys etc. The prevailing theories, hypothesis, and methodologies can be understood in an effective manner. The gap in the research area can be identified only through it. In this chapter, realizing its significance and relevance for the research work, the researcher has made an attempt to provide reviews of some related works on human resource practices. It was found expedient and practical to select a limited number of books and research papers authors on the relevant aspects related to the present research work. The review has given a good insight into the theoretical and practical aspects of the research study. Hence the selected works have been reviewed and presented here. The reviews have helped the researcher in his analysis of the data collected through field survey and also in drawing some useful conclusions and inferences. Some of the selected general studies undertaken to provide a platform for study are discussed as under:

Mann (2009), in her Ph.D. thesis, evaluated the recruitment, selection, training and the wage policy of SSIs in Punjab. A sample size of 429 units had been taken for the purpose of the study. She concluded that recruitment and selection in SSIs were done at the factory gate and through agents and HRM personnel needed some special training. She further concluded that employees were of the view that wage policy had differed in different SSIs and wage matters were the major factor of conflict in these organizations. She suggested that there was need for awareness of HRM practices in SSI and specific type of training was required to improve the skill of employees.

Zulfiqar Bowra and Kabir Niazi (2011) in their research paper “Impact of human resource practices on employee perceived performance in banking sector of Pakistan” found that The HR practices and employee perceived performance has positive and significant relationship and it is very crucial for banks to understand that their HR practices affect the performance of employees and in turn affect the overall performance of a bank be it private sector or public sector. Many researchers have recognized numerous HR organizing practices that significantly influence performance.

A study by Selvaraj (2009) reveals that private banks are more successful vis-à-vis public sector banks in terms of implementing human resource management practices, customer focus, and top management commitment. Furthermore, public and private sector banks differ with respect to their compensation structures, working environments, technology, growth opportunities, and job security provided to the employees. Public sector banks structure compensation in a way such that there are lower pay differentials between the employees, long-term tenure
is rewarded and there is a high base pay, whereas in the private sector banks, there are larger pay differentials, fewer rewards for tenure, and pay for performance (D’Souza, 2002).

The organizations which implement innovative HRM practices with dedication, remains ahead of their competitors because such practices affect other related variables such as competitive advantage, job satisfaction, financial performance, employee turnover, service quality, employee commitment etc. in a positive manner and leads to overall corporate performance (Tiwari Pankaj et al., 2009).

Bowra et al., (2012) the main endeavor of this study is to examine the relationship and nature of the relationship between the employee perceived performance and human resource (HR) practices (compensation, performance evaluation, and promotion practices) in the banking sector of Pakistan. Survey of 235 banking personnel was conducted through a personally administrated questionnaire to investigate the impact of HR practices on employees’ perceived performance. The relationship and nature of the relationship are calculated by applying the Spearman’s correlation matrix and multiple regression analysis. The Spearman’s correlation results demonstrate that the employee perceived performance and HR practices has a positive and significant relationship. The regression results indicate that the two HR practices: performance evaluation and promotion practices are significant but the compensation practices are not significant.

Moreover, this study provides help for the top-management of the banking sector to design or revise their HR policies and make practices to attain high employee performance. The impact of Training was studied by Karthikeyan et al., (2010) in the Indian Banking sector in Tiruchirappalli District of South India. Authors have taken both the public and private sector banks in the study. It was found that Training Practices differ slightly in Public and Private banks of South India, although employees are satisfied with practices in both the sector and effectiveness of training can be assessed through employee’s attitude towards training inputs, quality of training programs and its application to the actual job.

Khera (2010) studied to investigate the extent to which Commercial Banks of India differ on aspects of human resource management practices and the key Human Resource Practices contributing to employee productivity. The study framed on 17 Human Resource practices (manpower planning, recruitment & selection, motivation, performance management, reward system, training, career planning, creativity & innovation, team building, grievance redressal, Quality of Work Life, employee participation, employee accountability, compensation management, benefit and services, discipline, incentives) as independent variable while the employee productivity has been taken as a dependent variable. The study used the sample from three commercial banks of India (one foreign sector, one private sector, and one public sector bank). The results signify that training practices significantly contribute to the employee productivity especially foreign bank employee have a perception that training is the strongest human resource practice in their bank compared with private sector and public sector banks employee which prefer high motivating environment and benefit.

Purohit (1992), in his doctoral thesis, investigated the human resource development practices followed in State Bank of Bikaner &Jaipur (SBBJ) and Bank of Rajasthan. The sample size consisted of 130 bank officers for the purpose of this study. He found that there was a good development climate in both these banks in Rajasthan. Bank had recognized the importance and implementation of training programs. But the performance appraisal system was of an average level. The commerce graduate employees were found more critical of the performance appraisal system as compared to science and arts graduates. It was also found that the dominant leadership style was adopted for the development of employees in commercial banks.

Further, he also pointed out that both these banks followed most of the human resource development practices. He emphasized that commercial banks should recruit HRD experts for developing human resource. It will keep the banks to improve their performance. Jammu (1994) studied the organizational structure and personnel management aspects like recruitment, selection, placement, promotion, training, pay & allowances, fringe benefits, code & discipline and employee-employer relationship in Punjab & Sind Bank. He concluded that employees were found satisfied with the recruitment policy and special training courses conducted by the bank for them. However, the employees were not satisfied with the promotion policy of the bank as it was marred by political influence. Training facilities were not adequate and training centers were not well-equipped. The study also brought out that employees were satisfied with regard to salary structure and code & discipline in the bank.

Kumar (1996), in his Ph.D. thesis, made an attempt to study HRD practices with regard to different variables like age, sex, marital status, designation, educational qualification, the length of service, mode of employment and contribution of the different HRD subsystems in the development of human resource. For this purpose, 200 employees were selected as a sample for the present study. He concluded that most of the employees got training but variables such as age and sex were not taken into consideration during the training of employees. It was also found that employees were not satisfied with promotion policy, and education and professional qualification were not given.

due weight in promotion and transfer of employees. He further concluded that recruitment was made according to the manpower requirement and these variables were not taken into account at the time of recruitment, and the majority of the employees were satisfied with the welfare facilities, performance appraisal system of the bank and their attitude toward management was found positive.

Mahajan and Sharma (2005), in their research paper, covered the most of the HRD concepts i.e., recruitment, selection procedure, placement, training, promotion, wage salary, financial incentive, transfer, deputation, industrial relations, and political interference in the cooperative banks. A sample of 50 employees was taken for this study. They found that human resource development practices in the cooperative banks were not satisfactory. Employees were having a low level of satisfaction with regards to the HRD practices followed in of these banks.

Sharma and Nayyar (2005), in their research paper, made an attempt to examine the HRD mechanism in State Bank of India. The study presented an overall view of HRD practices, the level of job satisfaction and HRD climate in State Bank of India (SBI) with special reference to Chandigarh circle which comprises Haryana, Himachal Pradesh, Punjab, and Jammu & Kashmir. He concluded that SBI was the largest bank with the largest manpower as compared to other commercial banks in India. The Bank had excellent customer service and well-designed training program. Performance appraisal system, working condition, and the organizational climate were also satisfactory.

Hassan et al., (2006), in their research paper, attempted to measure employee perception regarding human resource development practices on employee development and quality orientation in organizations. A sample of 229 employees belonging to eight organizations was taken for the purpose of the study. A questionnaire, which measured career system, work planning system, a development system, and self-renewal system, was used for data collection. The results indicated that there were large variations in the HR practices adopted by the organizations, and the combined effect of HR performance index was significant in predicting firm performance as well as employee turnover and productivity. The study revealed that employees” satisfaction with HRD climate was predicted by learning & training system and employee development system. The results also suggested that organization which had an adequate system of potential appraisal and promotion, performance guidance and development would be able to promote employee trust and satisfaction.

Mellacheruvu and Krishnamacharyulu (2008), in their paper, had explained that recruitment was not adequate in public sector banks and there was a shortage of employees as per requirement of the banks. Training had been a neglected function in these banks. They also opined that the appraisal system of the employees had been in vogue and it needed to be reformed by making it more objective and linked to the bank objectives. They further found that rigidity in the system of rewards and promotion had no linkage with the performance of employees and banks were providing less compensation to their employees as compared to other organizations. It had created the problems of retention and succession planning in the banks. They also suggested that banks should be given autonomy to recruit and provide faster promotions for meritorious employees. Performance-based promotion and reward system should be followed to build a service culture through HRD programs.

Manjinder (2009) examined the employees” perception regarding designing, implementation, and evaluation of the training and development programs and comparative analysis of training and development strategies in public and private sector banks. A sample of 150 employees was taken for the purpose of the study. She concluded that both private and public sector banks had focused on training designing part which was influenced by job requirement, technology advancement, and internal mobility. She further concluded that both types of banks had used the best possible methods for the training of their employees. She suggested that training programs should be more diversified. The benefits of these programs should be extended to all the employees working at different levels from time to time, and e- training concept needed to be implemented in these banks.

Pathak Neetu (2008) has conducted a study by selecting 300 respondents from the public sector and 300 respondents from the private sector. The questionnaire was equally distributed in supervisory/manager and general level of employees, in the Purvanchal region. The study is based on primary data only. The objective of the study was to know the effectiveness of the training programs and analyze the same. The study reveals that training programs are effective in improving skills, knowledge and helps in the development of attitude. They provide an opportunity for the worker to develop their personality, dedication towards work and capacity to learn and group cohesiveness. However, the emphasis should be put on in conducting technical and behavioral training. The process of training should be evaluated after the lapse of some time. Increasing the duration of the programs and providing background material to employees will benefit more.

Mellacheruvu Sujatha and Krishnamacharyulu (2008) have conducted a study on the challenges faced by public sector banks in India. The objective of the study was to focus on the suggestions made by the experts in the banking industry. The study revealed that while pointing out the problems relating to human resources in public sector banks,
the experts, and high-level HR committee which has representations from Indian Bankers Association, Government of India, State Bank of India and other public sector banks have suggested measures to overcome the deficiency in training. Training and development programs will provide a means for pinpointing the most critical competencies for the bank’s success. Training programs should be in conformity with the changed scenario and demands from customers.

Trivedi Vikas (2008) in his research paper deals with a comparative account of human resource practices of public and private sector banks and provides an insight into the different human resource strategies in both the sectors. He has conducted a study by selecting 123 employees from public and private sector banks. For this, he has used a structured questionnaire. He concludes that employees in private sector banks are encouraged to work and try to be excellent in their work, and all opportunities are provided to the employees. But in public sector banks, employees’ promotions are given on the basis of seniority and their hierarchical positions are based on other considerations. He suggests public sector banks should undertake long-term training and retraining programs. And the training facilities in public sector banks should be strengthened.

4. Conclusion

The review of earlier works of various researchers and scholars have not only enriched knowledge but also helped the researcher to fit the objectives of the present study. It was found that Public and private sector banks differ with respect to their background and work culture. It has been observed that the work culture of public sector banks was based on the concept of socioeconomic responsibility, in which profitability is secondary. On the other hand, private sector banks work towards profitability. Because these differences between the sectors hold an important factor in shaping the work culture of an organization, it needs to be explored how they would likely influence by their HRM Practices. 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.

And even the study of various qualitative works highlighted the absences of a systematic approach for human resource management in the private banking industry in India. The studies have identified that different private bank managements are applying different HR strategies to improve the productivity of the banks. Job security, employees’ development, compensation structure, work environment etc. are the major barriers for Indian private banking industry. It is observed that human resource management needs to be fully embedded in the policy and strategy of the banking organizations if they are going to be effective and competitive.

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Statement of authorship
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Biography of Authors

Esha,
Research Scholar,
Punjab Technical University, Jalandhar
Punjab, India
Email: eshamehta6@gmail.com, M: 9017455747