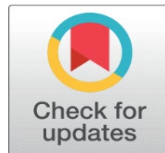


# AN ANALYSIS OF HR PRACTICES IN PRIVATE SECTOR BANKS

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## ABSTRACT

Banking sector is most important financial pillars of Indian economy. It has important role in the development of Indian economy. We can see tremendous change in the operation of banking services in India in 21st century. Banking being a service-oriented industry, the quality of services depends on the human resources development practices in banks. The changes like socio-economic profiles of the customers, government policies, changes at national and international levels have forced the banks to strengthen the human resources through effective HRD practices. An overview of HRD practices in Indian private banking sector is presented in this paper.

**Keywords:** Human Resource Development, Banking Sector, Reward Management, HR Strategy

## 1. INTRODUCTION

The major challenge for any organisation is to manage its human resources in such a manner that it can justify their need for the right jobs. Any organization that is interested in improving its services needs to develop its employee competencies. The development of human resources is essential for any organization that would like to be dynamic and growth oriented. Thus HRD is a process, not merely a set of mechanisms and techniques. ". The HRD departments have been finding out new ways from time to time to develop employee competencies through training, performance appraisal, potential appraisal, feedback and counseling, mentoring, organization development interviews, etc. HRD innovative practices are developed to retain the employees, to motivate them and to increase their loyalty as well as commitment to the organization. Therefore, The Innovative Human Resource Practices, here, refer to all such new and improved practices and activities which have been adopted by the organizations keeping in mind the Competitive era.

## 2. REVIEW OF LITERATURE

Ms Yuvika Singh, Dr Shart Sood (2017) in their research paper on HR practices in Indian banking sector tried to focus on whether the introduction of innovative HR practices leads to favourable or unfavourable outcomes among the employees in the banking sector. The employee sourcing and human resource development initiatives in Indian banking sector are remarkably different from the manufacturing and other service sector organizations. New practices in HR can only lead to positive impact on organizational commitment. The study revealed that the major challenge for banks is how to develop their social framework that generates the intellectual capital as the essential drivers of change.

Umesh Raj(2016) research paper titled „HRD Management in Banking Sector“ analyzed and interpreted the HRD and Management in banking sector in India, taking into consideration the SBI. The study found that Management policy is an important subsystem of HRD in banks and HR development practices are picking up due to the philosophy of the management. Existence of good HRD practices was observed in the public sector banks, however, the changing paradigms in HR need to be taken into consideration for better development of human resources, the study concluded.

Rao T.V (1986) paper titled „Integrated HRD system“ declares that HRD is a process and not merely set of mechanisms and techniques. Organizations can facilitate this process of development by planning allocating organizational resources, and by exemplifying HRD philosophy that values human beings to promote their development. Rao felt that to get a maximum advantage of HRD, the organization shall introduce it as a total system within the organization. The study concluded that integrated HRD system can contribute significantly to positive cultural changes, increased productivity and achieving excellence in organizations.

Ranade P.S.et.al (1997) in their study „Banking on a Better HR Policy“ have examined the major determinants of behaviour pattern of employees in three major public sector banks in relation to different variables of job satisfaction. The authors opined that the human element of maintaining status-quo often pushes aside an individual's natural aspirations for better career growth. The study concluded that despite high education levels and training, the employees prefer to remain in the clerical cadre pointing to the need for the management to follow more practical human resource policies.

Karthikeyan k et al (2010) conducted a study to know the impact of training in Indian banking sector in Truchirapalli district of South India with special reference to public and private sector banks. It was found from the study that training practices differ slightly in public and private sector banks. Even though employees are satisfied with practices in both the sector and effectiveness of training can be assessed through employees' attitude towards training inputs and the quality of training programmes.

Zulfqar Bowra and Kabir Niazi (2011)<sup>12</sup> 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 researcher have recognized numerous HR organizing practices that significantly influence performance

Ms. Yuvika Singh, Dr. Shart Sood(2017) in their study revealed that innovation approaches would motivate the employees in Indian banking sector to utilize their set of skills and knowledge through discretionary effort.

Vijay Chaitanya. Ch (2018) analyzed the HRD practices in SBI and ICICI in Andhra Pradesh, and stated that majority employees viewed that training programmes shall be periodically evaluated and improved.

Nameerakpam A. K, Das Mahopatra (2017) studied the career development process in SBI, and Axis bank and revealed that the antecedents of career planning and career management have a positive and significant influence on career development.

Anusara et al. (2019) pursued a comparative study intended to address how HRM practices are implemented, the work distribution and possible divisions in an HRD, recruitment process, motivational activities, training and development initiatives, compensation, and benefits of Dhaka Bank & MTBL. They found most of the employees are satisfied with their HRM practices. Employees of these Banks believe that training increase employees' job skills and training reduce employee turnover.

## 2.1. OBJECTIVE OF THE STUDY

In the growth and development of any type of organization Human Resource plays an extremely important role. Among the several factors of production, Human Resource is unique and has unlimited potential to contribute to the growth of the organization. The Indian banking sector is playing a significant role in the development of economy. With the introduction of Economic Reforms in the year 1990 (Liberalization, Privatization and Globalization) there has been a complete transformation in the way banking and financial services offering of customers. The role of human competencies has become very crucial for the growth of banking sector due to technology adaption, high customer expectation and competition. At the outset an attempt has been made in this paper to overview the existing HRD practices in Indian Banking Sector.

## 3. METHODOLOGY

The present study is based on the secondary data. Adequate review of literature has been done and information collected from Banks' Annual Reports of banks, research papers, books, internet and other published sources. However, some useful inputs were obtained based on the oral information from customers, bank employees and internet-based discussion forums. Banking news reports, articles, reports of RBI, journals, and various websites have also been the source of secondary data.

## 4. REVIEW AND DISCUSSION

### 1) INNOVATIVE TRAINING And DEVELOPMENT PRACTICES

In banking sector, training and development is one of the important tools which transfer an employee to a superior employee. The term training refers to the acquisition of skills and knowledge, and competencies as a result of the teaching of vocational or practical skills and knowledge that relate to specific useful competencies. In Banks, there is a need for the continuous training and development of the staff in the areas of customer care services on operational aspects and behavioral aspects of the business. rapidly changing environment in banking and financial sector and changing socio-demographic profiles of customers make it imperative to continuously enhance and improve knowledge and skill sets. Development of an effective HR strategy to achieve organizations' goals has been one of the biggest challenges being faced by professionals in human resource management today. The major impact of training and development in the banking sector may be towards-

- Motivating the workforce
- Competency and Skill Development
- Work life balance
- Attrition/Retention of the talent pool
- Bridging the Demand and Supply

The employees who are trained on a regular basis are the ones who provide a higher quality services to the customers. Banks must efficiently manage its employees during every phase of employment because people are the most important assets in a service-oriented industry like banking and finance. Following are the various innovative Training and Development practices found in the present study:

- 1) **Test of Trainees** Use of written examination for selecting employees for training is one of the major innovations of training. This helps the employees to be free from any kind of biasness. Many banks are organising such tests for higher level employees' training .
- 2) **Customised Training** Special and separate/customised training programs have also been designed for different levels of employees in the banks. State bank of India is practising this practice for more than one and a half decades. Other banks are also following this innovative HR practice. However, the implementation level might be low in their cases.

- 3) **Continuous Training Need Assessment** In some of the banks, continuous training need assessment of employees by the HR department is also practised. With the help of continuous training need assessment, only those employees, who are actually in the need of the training, are sent for the training.
- 4) **Encouragement to Apply Training Learning** Employees are also being encouraged to apply the techniques learnt in their training program. They are given a chance to apply the information acquired by them during the training practically so that they may not forget it ever.
- 5) **Arrangement of Special Projects** To make the learning effective, some banks have the practice of selecting the staff for special project teams meant for bank's effectiveness. Private sector banks like HDFC and Axis bank are sending their employees for special projects training so that they can acquire some specialised skills and knowledge.

**National Institute of Bank Management (NIBM)** The NIBM as an apex autonomous institution endeavoured to develop and implement programmes that would assist the banks to develop capabilities to meet national priorities for the banking sector and at the same time provide world class banking and financial services. The Activities of the Institutes fall broadly into three areas, viz, Education, Training/Skill Development, Research and Consultancy. The NIBM initiated surveys on training in banking industry, thereby to take up new and challenging assignments in training and education. The NIBM conducts every year about 150 educational and training programmes in all the functional areas. The forms of the training activities of the institute is on creating/imparting new perspectives in the crucial areas of concern to the banks. In order to increase the reach of the Institute to the banking system, the institute also conducts „on location“ programmes. The focus on NIBM consultancy was more on providing support in organizational design and development, Design and implementation of MIS, Manpower planning, etc

## 2) CAREER AND SUCCESSION PLANNING

Helping the employees to plan their career in terms of their capacities in accordance with the organizational needs is an essential step required in the process of human resource development. It is a management technique for mapping out the career of employees in the organizations. In succession planning, the potential candidates are identified and they will be trained and developed to lead the organization in future. In India, the public sector banks are continuously identifying the requisites for successful implementation of HRD practices. The managers of banks have realized that performance appraisal and career planning and development are instrumental in implementation of HRD practices of an organization. The key variables and factors impacting the HRD effectiveness in banks includes employees' commitment, awareness career planning and development. The performance appraisal data has been used by banks efficiently for job enrichment, enlargement and career planning. Banks should develop appropriate career strategy to integrate specialists in the banking services and the career path should indicate the degree of knowledge and skills required at different levels in the organization. In the banking sector, comparatively male managers are more particular and interested in their career advancement.

Following are some of the Career Development related innovations:

### Availability of Educational Opportunities at Workplace

- Education related opportunities are being provided at the work place for the career enhancement of the bank employees. This has increased their dedication towards work in their present organisations. A few private banks just like AXIS bank are also providing opportunities to their employees to get enrolled to professional courses so as to enhance their skills as well as degrees. This boosts up their morale for work.
- **Easy Approval to the Job Applications** This study identified that one latest innovation in the career development of employees is that the applications sent for the career opportunities outside the bank are being approved by the HR department and regional managers quickly, which were either verbally denied by the top management or delayed for approval. But now a days, these applications are easily approved so that employees can think of their career development.
- **Promoting on the Basis of Merit** Banks are also organising written tests and interviews for the promotion process so that merit can be one of the criteria for promotions. A well-planned career development system along with internal advancement opportunities based on merit, results in high motivation among employees, which has an impact on firm performance (Milkovich and Boudreau, 1998).

- **Providing timely Promotions** Fast track promotion process is also one common innovative practice identified in the study. Earlier the employees had to wait for years to get promotions. But these days, they get faster promotions, even in two to three years. Public sector banks like Punjab National Bank and Bank of India are using this technique to refill the higher posts quickly. This helps the employees to develop their career in their own bank and they don't even think of leaving the bank for getting better opportunity outside in other banks or organisations.

### 3) FEEDBACK AND EMPLOYEE COUNSELLING

Professional counsellors stimulate personal growth of employees and offer help in addressing issues that cause stress. Prominent among these issues includes career change and job stress, adopting to life transitions. The counselling service at work place shall bring back work life balance and serve as development model in HRD. Banks strive to foster a culture of open communication, providing employees a number of channels to comfortably raise their concerns directly within the organization. Banking is one sector where a great degree of attention is being paid to performance appraisal systems. Although bank employees vary in their desire for improvement, they want to know how well they are performing. Employees will be grateful for information on how to improve shortcomings, when the PAS is presented in a constructive manner. In banks, the effective performance appraisal should adopt the steps such as selection of performance data to be collected, identifying right appraisers, overcoming rating deficiencies and delivering useful information to the employees. Eventhough the banking sector has been adopting technology, the service quality largely depends the quality human resources. The banks are considering PAS as an opportunity towards better HRD practices. As banks are presently operate in an increasingly deregulated and market driven competition, it is through PAS only, the banks can survive. Thus PAS as an important HRD mechanism enables building a resourceful banking organization capable of solving its problems and attaining the desired results.

### 4) COMPENSATION AND REWARD MANAGEMENT

Compensation is all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship (Milkovich and Newman 1999). In Indian banking sector the compensation and rewards are the two most crucial factors in attracting as well as retaining high quality employees. Banks usually adopt both financial and non-financial strategies in ensuring fair compensation for their human resources. Seniority of employees has been the major determinant of compensation fixation and promotions especially at the managerial levels in banks. Use of right rewards, either monetary or non-monetary for all levels of employees can motivate the employees to enhance their job satisfaction in the banks (Limberg et.Al. 2005) Majority employees in SBI and ICICI banks are of the opinion that rewards helped them for personal growth and improve morale. Several studies in this aspect also revealed that there is a significant positive relationship between employee rewards and work motivation in the banking industry. The ICICI bank is maintaining better reward system compared with other banks in India. Effective reward system also requires internal equity and equity with the job content given below are

#### Compensation and Reward provided to the employees

##### • **Announcing Special Incentive to the Talented Employees**

Special incentives are given to talented employees to encourage better performance. Using incentive compensation to stimulate better performance and to provide promotion opportunities through an internal labour market increases satisfaction and self-actualization (Harel & Tzafrir, 2001). Same has also been confirmed by Gerhart & Milkovich (1992) in one of their studies.

- **Special Increments on Regular Basis** One major innovative practice of compensation has been identified that , there has been a provision of special increments for better performance of the employees. This gives the employees an enough salary growth. Park et al. (1994) and Trevor et al. (1997) also found that salary growth had a pronounced effect on turnover.
- **Special Festival Advance** The HR department has also started one new scheme of providing special festival advances to the bank employees on either discounted rates or without any interest so that they can fulfil their family requirements on the festivals without bearing any special burden. The HR personnel of the banks are of the view that, due to provision of this scheme, the employees are demanding fewer leaves in the festive season
- **Customised Perks** In last couple of years, the perks have also been customised to the individual needs. This practice is gaining popularity in other Indian organisations too (Aggarwala, 2003). Banks under the study are also using this innovative HR practice.



## 5) HOLDING ON POLICY

One of the major problems that the bank employees were facing in earlier times was that if they left the organisation due to any work pressure or other reason, then they were not stopped or hold on by any employer. But now, even the regional or circle managers of the banks use a “Retention” policy for the employees so that they may not leave the bank quickly.

## 6) INNOVATIVE EMPLOYEE MOTIVATION PRACTICES

The effectiveness of talented employees will be limited if they are not motivated to perform their jobs (Delaney and Huselid, 1996). This factor of HR practices includes all those innovations relating to motivation of the employees through new ways. In the present investigation, nine innovative motivation practices have been identified. Accordingly, the employees can be motivated in the new ways:

- **Using Music at Work Place** Use of music at workplace, to improve the performance, is one major innovation found in the study. SBI has introduced the concept of playing light music in its branches so that a calm and soothing environment can be provided to the employees as well as to the customers. Other banks too have started following this practice.
- **Providing Day Care Centers** There is an arrangement of day care centres in most of the surveyed banks for the children of employees, so that they have no difficulty in maintaining work life balance. In these day care centres, they can drop their children while they are at work. This won't even divert their minds towards their family while working. Young mothers remain satisfied when their little ones are not far away from them.
- **Work Autonomy** In the last few years, greater work autonomy is also being provided to the bank employees. This helps them to work according to their best possible capability without any interference and they try to give their best. This is a kind of brain storming exercise through which the employers can get best out of the minds of their employees.
- **Making Available ESOPs** Availability of Employee Stock Option Plans is a practice which has been innovated in the banking sector for a last few years so that the employees feel that they are also the owners of the banks. This feeling makes the employees more loyal to their organisation.
- **Providing Loans at Discounted Rates** Availability of loans and advances at discounted rates to all the employees is also another common innovative HRM practice leading to motivation of the employees. They can get loans on simple interest for getting vehicles, constructing house or even educating their wards. This helps the employees financially and motivates them to increase their efficiency.
- **Giving an Option of Flexible Working Hours** Some of the banks are also providing flexible working hours to enhance the productivity of employees. Banking hours are generally common everywhere, but a few banks have started giving an option of flexible working hours in two different shifts so that the employees can work according to their comfort. HDFC bank is an example. This practice was also identified by Kundu & Malhan (2009) in one of their studies.
- **Organizing Stress Management Programs** Arrangement of stress management programmes, art of living classes, yoga sessions etc. are distinct innovations which have not been there in the banking system earlier. These practices are the best boosters and relaxers for the bank employees who are mostly under work pressure.
- **Encouraging Team Building Attitude** By encouraging team building attitude in the employees, the HR department of banks has started a new practice of motivating them. They work in teams and learn new skills. This increases their confidence and hence they feel more motivated.
- **Giving Best Employee Awards** Announcement of best employee awards was a common practice in the private sector banks, but these days, the public sector banks have also started the same practice to motivate their employees. A few banks have recently introduced the practice of writing the best employee's name on the display board in the regional centres or even in the branches of their banks. Better-motivated employees lead to higher individual achievement and improved organizational performance (Huselid, 1995; Pfeffer, 1994; Delaney et al., 1989).

- 7) **INNOVATIVE EMPLOYEE SECURITY PRACTICES** The exercises which make the employee feel highly secured in his present job are the best suited for this category. These practices when implemented through new ways

may help an employee to feel most satisfied in his job. A total of five Innovative Employee Security practices found in the present study were:

- **Sufficient Retirement Benefits** Providing proper retirement benefits is another HR innovation revealed by the employees under the study. Unlike earlier days, now the employees get enough gratuities, pension and other retirement benefits which can secure their rest of the life after leaving the job.
- **Option of Voluntary Retirement** Another innovation explored under this study was that for last few years, VRS has also become common in banking sector. Now, the employees of the banks can also enjoy the benefits of this scheme if they need earlier retirements from their work. This doesn't interrupt their other retirement benefits.
- **Insurance of Dependents** Banks also give the facility of dependent's insurance which gives a sense of security in the minds of employees for their family too. This motivates them by satisfying their social as well as security needs.
- **Provision of Sabbatical Leaves** One innovative practice adopted by the HR department of the banks is that there is a provision of "sabbatical leaves" (part time leave from organisation with 50% or less salary in case of crisis) for employees. This helps in reducing the employee turnover rate in the banks. Infosys started giving sabbatical leaves to its employees in India so that they may get job security. This was followed by HDFC bank and then the others also started using this HRD practice.
- **Proper Grievances Procedures** There is a provision of written as well as operational grievances procedures. The existence of the formal mechanism of dispute resolution reduces employees' fear of being unfairly treated and increases their perception of equitable treatment resulting in a more dedicated workforce and better performance (Arthur, 1992).

## 5. CONCLUSION

In the present competitive world, the banking sector, especially of the developing economies like India, is facing lot of tough competition, talent crunch, and skill shortage. All these have made the banks feel that the internal customer is also more important equally with external customers, so every bank is trying to devise innovative HRD practices to attract best talent and give them comfortable environment to work with, that enables the banks to retain talents. The survival of the banks completely depends on range and quality of services offered to customers. The quality and performance in banking services depends on effective HRD practices more particularly training and development, career and succession planning, feedback and employee counseling and compensation and reward management. The existing business environment requires companies as well as their HR team to think creatively and come up with the new approaches, Innovate HRD approaches would motivate the employees in banking sector to utilize their set of skills and knowledge through discretionary effort realizing bank's business strategy. The HRD practices in Indian banking sector are significantly different from the manufacturing and other service sector organizations.

## CONFLICT OF INTERESTS

None.

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