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HUMAN RESOURCE MANAGEMENT IN INDIAN BANKING SECTOR: ISSUES AND SOLUTIONS



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Abstract: *The Indian economy is one of the fastest-growing economies in the world irrespective of non-conducive economics headwinds blowing globally. Indian Financial sector has undergone a rapid transformation since its inception. The competitive and deregulatory forces have brought about a perceptible shift in the customer's expectation. HR poses the biggest challenge to the public sector banks in the country of India. Changes in technology, customer preferences, regulatory framework, etc cause the need for a radical shift in the HRM. This study is focused on the issue of major challenges faced by the HR manager in Public Sectors Banks in India to cope with the environmental changes for competitiveness. Based on the qualitative study of various functional managers and secondary data this study highlights the various HRM issues encountered by public sector banks of India. The present study has several implications for HR managers, policymakers, and HR professionals.*

Keywords: *Human Resource Management, Banking Sector, Issues, Solutions*

Introduction

India, being the ninth-largest economy in the world by nominal GDP is gradually emerging as an economic force to reckon with. Major growth has been realized due to proactive as well as reactive changes in the Indian Business environment and strategic postures adopted by companies. In the global competitiveness index, India stands for 56th position in labor market efficiency it has 81 ranks. India has a large pool of talent, but it is rank inefficient use talent is 90th (Global Competitive Index 2011-12, World Economic Forum).

The economy is moved towards the service sector. It is once again expected to lead in GDP growth within the service segment, trade, hotels, transport, and communication will repeat its good performance. Financial institutions are the backbone of any economy even banks play a pivotal role. The new information age has posed many challenges in front of the corporate sector. Even the turbulence caused by the globalization syndrome has led the business organization to discover new ways of operating and competing at the global level in almost every sphere of management. This is realized that technology, capital, land, etc has limited value for generating competitiveness because of imitable quality, only Human resource is the factor, competitiveness generated by it is a sustainable competitive advantage. As the business environment facing competition firm's human resources become more and more important for its survival.

As far as the Indian banking sector is concerned, it is one of the best among the world's other banking sectors. The whole world recognized the success of Indian banking sectors in the recession era. In India, from ancient times, the barter system was in practice, in which one good was exchanged with another good, slowly this system converted into the banking system. Based on the European banking system, the first bank in the country was started at Calcutta in 1770 by Alexander and the company. It was named "Bank of Hindustan" but this bank was not successful. That was the starting point of the Indian banking sector after that various changes occurred in Indian banking. Now, this banking system is working as a backbone of the Indian economy. RBI is the regulatory body for Indian banking it gives certain guidelines for the proper functioning of banks. Indian banks can be categories as:

- 1) Public Banks
- 2) Private Banks
- 3) Foreign Banks

Various changes are emerging now these days, the concept of universal banking and virtual banking, etc have emerged, and these changes affect and change the way banking was competing in the market. Various strategic postures have been adopted by banks for gaining a competitive edge. And these strategic postures have directed the different skill requirements. But public sector organization's HR function is not given much importance as it deserves. That is why it is causing certain serious issues and problems and hampering the growth and inefficiency of these organizations. Now, these days' public sector banks are facing many HR-related problems and private sectors are ruling the roost on these notions and gaining a competitive edge over their public sector rivals.

Review of Literature

Human resource management (HRM) is the management of an organization's workforce or human resources. It is responsible for the attraction, selection, training,

assessment, and rewarding of employees, while also overseeing organizational leadership and culture, and ensuring compliance with employment and labor laws. In circumstances where employees desire and are legally authorized to hold a collective bargaining agreement, HR will typically also serve as the company's primary liaison with the employees' representatives.

According to Mark A. Huselid comprehensive employee recruitment and selection procedure, incentive compensation and performance management system, and extensive employee involvement and training can improve knowledge the knowledge, skills, and abilities of a firm's current and potential employees, increase their motivation, reduce shirking, and enhance retention of quality employees while encouraging nonperformers to leave the firm". Various researches have been conducted on HRM for analyzing the role and impact of HRM practices on the performance of the firm. And found that good HR practices work as a catalyst for the growth of organizations.

Banking in India originated in the last decades of the 18th century. Banking dates back to 1786, the first bank established in India, then the nationalization of banks in 1969, and recently the liberalization of the same since 1991. Bouquets of services are at customer demand in today's banking system. Different types of accounts and loans, facilitating with plastic money and money transfer across the globe. In India, the banking sector is segregated as public or private sector banks, cooperative banks, and regional rural banks.

The last decade experienced a complete reform in the financial and banking sector. With the advancement of technology, the banking sector has become easier, fast, and accurate, and also time-saving, ATMs, Mobile Banking, SMS Banking, and Net Banking are only the tip of an iceberg. So that the HRM issues, VRS, Training & development, empowerment and career plan, etc, need to be considered to cope up with the changing environment.

According to FICCI Report (Annual survey February 2010) Public Sector Banks, Private Sector Banks as well as Foreign Banks view difficulty in hiring highly qualified youngsters as the major threat to their HR practices ahead of high staff cost overheads, poaching of skilled quality staff, and high attrition rates.

Ram Mohan, T.T. et al., (2004) argue in one of his research studies that 'India's public sector banks (PSBs) are compared unfavorably with their private sector counterparts, domestic and foreign. This comparison rests, for the most part, on financial measures of performance, and such a comparison provides much of the rationale for privatization of PSBs.' So, Faulty implementation of strategy is one reason for rolling back the PSB's.

The Banking industry is currently in a transition phase. On the one hand, the PSBs, which are the mainstay of the Indian Banking system, are in the process of shedding their flab in terms of excessive manpower, excessive non Performing Assets

(NPAs), and excessive governmental equity, while on the other hand, the private sector banks are consolidating themselves through mergers and acquisitions. And these changes are creating pressure on HR managers for adopting external changes in their policies and practices.

Kamath, K.V., S S Kohli, et al., (2003) stated that the biggest opportunity for the Indian banking system today is the Indian consumer. The demographic shift in terms of income level and culture shift in terms of lifestyle aspirations are changing the profile of Indian consumers. This is and will be key drivers of economic growth going forward.

So the opportunities are immense in the Indian banking sectors. High population, liberalized government policies, etc are attracting new private players. Existing players in the banking industry are also trying to increase efficiency and competitiveness by incorporating different new ways. Jolting economic condition and competitive pressure by the new entrance, changing labor market, less differentiation of products, highly regulated market poses many threats on the position of existing players. So the best acquisition & utilization of resources become mandatory for survival.

As Bharati, G. discussed in his study that service sectors are playing a dominant, important role in the growth of economies, and on the other, these economies are moving towards more liberalization and globalization. In the changing context of an environment where competitiveness becomes key to survival, are domestic industries geared up to meet the competition? Banks happen to be one service sector that uses a huge amount of human capital and customer capital for its survival.

The banking industry in India seems to be unaffected by the global financial crises which started in the U.S in the last quarter of 2008. Despite the fallout and nationalization of banks across developed economies, banks in India seem to be on a strong fundamental base and seem to be well insulated from the financial turbulence emerging from the western economies. The Indian banking industry is well placed as compared to their banking industry's western counterparts who are depending upon government bailout and stimulus packages.

Priti Jain (2006) opined if any organization aspires to be growth-oriented, people need to be trained, motivated, rewarded, recognized, and empowered to perform to their optimum capabilities. A Human resource strategy must keep pace with the changing environment in terms of addressing changing needs and expectations of customers and employees.

Objectives of the Study

1. To identify the different environmental moves, challenges faced by Public Sectors banks in India.
2. To determine the factors affecting the formulation of HR policies in selected Banks.

3. To explore the various challenges faced by HR managers in Selected Public sector banks in India.

Research Methodology

This Qualitative Research study used the Exploratory Research Design for probing the knowledge and information about the Indian banking sector specially PSB's. Different organizational HR professionals, other functional managers, and employees were interviewed (Face to face, Telephonic) based on the Purposive Sampling Technique (Non-Probability Sampling). For qualitative study sample size depend upon the saturation of information. In the present study, 30 managers (15 from HR, 15 from another department) were interviewed and the maximum length of time was 2 hrs. For corroborating the information collected through responses and interviews other company-related published and unpublished data were also been used.

Result and Discussion

Indian banking sector happens to be one sector that uses a huge amount of workforce for its survival. Due to various environmental moves, certain changes are continuously counteracting the HR managers for competitiveness. After analyzing the data collected in this study major environmental forces have shorted out. Some are:

1. Technological development and dependency.
2. Competition for efficiency and differentiation.
3. The demographic dividend of India and disposable income.
4. Employer branding and CSR practices.
5. The emergence of rural & SME's banking.
6. Global economic meltdown and crises.

Table 1
Basic Information of Selected Public Sector Banks

Sl. No	Banks	Establishment	Area Served	Branches	Total Assets (crore)	Net Profit (crore)	Employees (as on March 2020)
1	State Bank of India	1955	37 Countries	22141	4,197,492.3443	11,439.4023	249,448
2	Punjab National Bank	1894	Worldwide	10,910	851,457.25	438.45	1,03,000
3	Canara Bank	1906	worldwide	10,403	711,782	2,236	88,213

Due to all these environmental moves, certain challenges are passing the way of HR managers to be competitive. But the focus is on only technological up-gradation, infrastructure development, etc, it is a matter of concern that very little has been done on the front of human resource management. From the above context, it is found that new changes require new HR practices and policies and these should be focused on the following HR issues:

1. Compensation and incentives
2. High employee turnover (Attrition rate)
3. Leadership Gap & Succession planning
4. Performance Appraisal
5. Staffing and Promotion
6. Talent Management (Acquisition and development)

Compensation and Incentives

Compensation and incentives are not linked with the performance of employees in PSB's. Every part of the remuneration and salary is regulated by the government. And sometimes it causes the equality problem and leads to dissatisfaction of employee and this dissatisfaction lead to employee turnover. Even the salary and remuneration are less in comparison to other sectors that is why it is the least preferred job by the eminent talent.

High Employee Turnover

Although, various vacancies are opening daily by banks and new employees are joining different PSB's but the employee turnover is increasing continuously. New joiners are migrating in high amounts from banks for joining new attractive sectors for better facilities and salaries. This turnover is working as an impediment for the proper functioning and growth of PSB's. Various reasons are working behind high employee turnover like Low salary and poor fringe benefits compare to other industries, organizational culture, and monotonous work, High mental pressure, etc.

Leadership Gap and Succession Planning

Eminent top-level executives are the strength of the Indian banking system. But the superannuation of these personalities is causing the problem of the leadership gap. And hardly any new bright talent join the banking and stay for a long time, head poaching working as ice on the cream. And talent development is not up to the mark that can fill the vacant top positions. This research study found that in the view of executives the quality of workforce coming in officer cadre is not up to the mark. So in long term, it will also cause the problem of Leadership to sheer the ship.

Performance Appraisal

Performance appraisal is the tool that is utilized by HR managers for identifying

the problem area and troubleshoots them for managing the performance up to the level. In Indian public sector banks, Performance appraisal is not used properly and is not linked with the promotion and incentives. It became only a paper activity, there is no such concept as 360-degree appraisal, which is widely used by private sector banks.

Talent Management

Talent Acquisition- In India, public sector banks are highly regulated that they can't acquire talent on their basis. They are not provided much flexibility to attract talent at market price. That causes the problem of peg on a round hole. And create skill mismatch and has decreased the strength of employees in recent times. Importance should be given to the right attitude and aptitude as well as degree or formal education. But graduation should be the minimum degree for entry-level.

Staffing and Promotion

Even in public sector banks vacancies are fulfilled according to the availability of seats, not by the skills mismatch, this tendency is another problem for the development of talent. Promotion should be linked to the performance and experience both. But these concepts are virtually diluted in the PSB's and affect the best utilization of skills, knowledge, abilities of the workforce.

Talent Development: After the Acquisition of talent, it is very important to develop the skills in the required way. Because changes are always evident from the environment and for keeping pace with that changes talent need to be brushed up. Studies found that training and development are not well equipped in PSB's, even not very effective.

All these problems are working as a threat for PSB's. The basic problem lies here is that the HR policies and practices are not aligned with the strategies of the organization. Old administrative forms of HRM are following without any consideration that they match with the current environment or not. Although certain changes have been taken by the government and PSB's for improvement like the introduction of IBPS for acquisition and development of banking employees these changes are sufficient enough to buy any dramatic change in the condition of HRM. One major drawback of PSB's came out of this study is that government control over the formulation and implementation of HR policies. Individual banks do not empowered to initiate or improve any HR policy and practice. So, when it comes to the factor affecting the formulation of HR policy, institutional settings of government matters.

Conclusion

Competitiveness is a must for the survival of business organizations. Every organization needs to cope up with changes occurring in its environment and each part of the organization is affected by these changes but in the case of PSB's these changes are adopted only on some parts especially HR is a neglected field in this area. In PSB's HRM is treated as a supportive part, not in the mainstream. But this psychology

needs to be considered again if PSB's want to compete with a private player. In this cut-throat competition HR is the only sustainable competitive advantage. In the total Indian banking system, Public sector banks accounted for approx 70 percent of assets. But continuously decreasing profit is the major consideration for regulatory authorities. So, best utilization, development, and retention of the talented workforce become mandatory for PSB's. Hence, HR reform is the need of the day for the Indian banking sector. And the pivotal point which needs much consideration is that HR practices and policies should be properly linked to the business strategies. This notion becomes now mandatory for the realization of the full benefit of the Indian banking sector.

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