



**International Research Journal of Management and Commerce**  
**ISSN: (2348-9766)**  
**Impact Factor 5.564 Volume 5, Issue 2, February 2018**  
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## **Sustainable Human Resource Management and Organizational Performance in Indian Banking Industry**

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### **Abstract**

Human resource management (HRM) is the effective management tool of people at work. This is because of human resources played important source for acquiring sustained competitive advantage. Effective management of human resource helps the organisation to create unique competencies that differentiate products and services in turn and drive competitiveness among the competitors. The real need of effective human resource requires more when it comes to the service sector industry like, hospitality, hospital, transportation , banking. Now a days due to challenging style of private banks PSBs are slowly started implementing the new style of banking with technology to meet the obstacles and challenges arising from the market. The real differentiation of managing human resource can only be made by restructuring the traditional way of managing human resources as like doing only promotion, transfer and posting exercises. To survive in the current competitive environment public sector banks, need to frame their own organization-specific HR policies and systems and leverage people capabilities, properly trained highly caliber employees to reposition themselves at the marketplace to survive in the highly competitive world. Such a reform agenda would need to get top-level attention for organization wide impact.

**Keywords:** Human resource strategies, sustainable human resource management, organizational performance.

### **Introduction**

The HR activities are differ in Public sector banks and private sector banks ,in private sector they are facilitate to improve the entire performance of the organisation by effective means of humanresource utilization and their by acquiring a competitive advantage in the banking industry . But most of the time HR activity of public sector banks are shranked in to the activities of doing promotion exercise, transfer and posting. It is most important that to improve the performance of any organisation the factors like skills, attitudes and knowledge of personnel, play a major role and is determining the competitiveness within the organization and in the industry .

The effective utilization and quality of human resources indicates the ability of any organization to deliver the value to its clients or customers.Now Indian banking industry is going to face the challenge of utilizing the real talents who will be the driving force behind the organisation .In future the emerging environment poses both opportunities and threats, particularly to the public sector banks,as well as the human resource in changing economic and business environment. To survive in the industry public sector banks should give emphasis on integrating human resource strategies with the business strategy.

Above that the aspects of recruitment, selection, performance management, and employee relations - a radical transformation of the existing personnel structure in public sector banks like the seniority over performance is not the best environment for attracting the best talent from the young competitive environment. However, new trend of recruitment practices as well as on-the-job-training and redeployment are considered as one of those many improvements of HR in Indian public sector banks. The formation of HR strategies must include in the bank's operations and various aspect like processes strengthening the prudential norms and market discipline; adoption of international benchmarks ,upgradation of technological infrastructure of the financial management activities.

### **Literature review**

Selvaraj (2009) concluded in his study that private banks are more successful than public sector banks in terms of implementing in effective human resource management practices

with more customer orientation and commitment of top management. Public and private sector banks differ in various aspects such as remuneration packages, organisational structures, working environments, technology adopted, career growth and job security provided to the employees.

Hassan et al. (2006) made an attempt to measure employee perception regarding human resource development practices on employee development and quality orientation in organizations. They concluded that there were large differences in the HR practices and policies adopted by the organizations, and the combined effect of Human Resource Performance Index was significant in predicting firm performance as well as employee turnover and efficiency. They also revealed that employees' satisfaction with HRD climate was predicted by learning & training system and employee development.

Anuradha and Prasanth (2016) concluded that various HRD practices have a significant impact on organizational performance of public sector banks.

Bhaskar, et al (2012) states that in the case of the public sector bank, the HRM practices and proactive communications were not efficiently followed leading to a decrease in organizational performance. In case of the private sector bank, the merger process was handled efficiently through effective HRM practices and proactive communication. The study concluded that effective HRM practices and communication strategies are vital for organizational success during mergers and acquisitions.

Bhatt and Mehta (2013) investigated the impact of HRM climate in private sector banks in India. The results of the study indicated that the HRM climate in the banking sector needs to be improved by modifying effective HRM practices for getting competitive advantage.

Singh (2009) attempted to understand the effect of HRM practices and organizational culture on managerial effectiveness among Indian public sector and private sector firms and he concluded that the HRM practices and organizational culture show strong predictors of managerial effectiveness both in private and public sector banks.

Sinha (2015) concluded that there is a significant difference in the perception of public and private sector bank employees regarding socio-economic and political factors affecting HRM practices in banks

Mittal and Verma (2013) concluded that the perception regarding HRM practices varied according to the experience of the employees. It is also suggested that various HRM practices like performance appraisal, training, feedback mechanisms, career planning and potential appraisal need to be different for employees with various levels of work experience.

Roy (2015) concluded after investigating the various variables impacting employee retention among bank employees in Assam state, that nearly 80 per cent of employees from public sector and 60 per cent of employees from private sector were satisfied with the HRM practices of various banks also concluded that there was a significant relationship between HRM practices and employee retention among bank employees.

### **Research Methodology**

This paper makes an effort to review the literature on the basis of secondary data collected from the different sources such as, research papers, articles, annual reports, company's official websites, etc. for the analysis Sustainable Human Resource Management and Organizational Performance in Indian Banking Industry.

### **Data Collection**

Secondary method of data collection has been used in this study. The information and data regarding the HR practices and policies of various banks have been accessed from the sources such as official website, research papers, sustainability reports, articles and journals etc.

### **Purpose of the study**

The study aims to understand the Sustainable Human Resource Management and Organizational Performance in Indian Banking Industry and also

1. To study the different human resource strategies adopted in Banking industry
2. To understand the real challenges of Human resource management in Indian Banking Industry
3. To identify the various HR practices adopted by banks for competitive advantages

## **The HR practice in Public Sector Banks and Private Sector Banks**

Private sector and foreign banks had already aggressively entered in the market with many advantages like younger and talented staff with newer skills and competencies. They also effectively implemented a market related compensation structure, new technology, planned marketing strategies and newer methods for acquisition and retention of customers and a lean and define organization structure.

The main intention behind the newly formed well planned organisations with innovations in products and services and their quality and speed of responsiveness to the customer and the market were attracting customers largely taken away from PSBs. At the center of all such initiatives, these banks enjoyed the advantage of full freedom in regard to not only technology but also more importantly, human resources. The main competency of these banks are those skillfully and smartly leveraged a right mix of technology and manpower, to acquire and gain competitive advantage from day one. The main threat of PSBs continued to remain at a disadvantage in the area of both technology and human resources.

PSBs were clearly facing these disadvantage at the marketplace. Apart from the absence of a level playing field in the matter of age, quality, talent, skills, competencies of the staff, PSBs continued to bear the impact of the highly regulated and centralized HR system which has an olden structure before the emergence of strategic HRM. They could not conduct recruitment and induction of young talent in tune with the emerging requirements from the talent pool. The training system of PSB are continued to be nebulous and did not make initiative to develop the right mix of skills and competencies.

The promotions under the standardized regulations have resulted in several inconsistencies in various cadres and the right candidates will not be chosen for selection. They were also not getting flight of real talent to the new banks on account of a skewed compensation structure and the tradition HR practices. In the matter of deployment of staff, PSBs continued to be governed by industry and bank level settlements, favourisam, unwanted protection of lady employees, convenient transfer only for lady employees resulting in high rigidities in the re

deployment of real talents as per need ,ultimately leads these dissatisfied talented employees may leave the organisation.

### **Role of Management**

The banks should formulate H R strategy and need of HR issues in the success of business strategy, they need to be properly discussed in Management level. This is the right time that bank management needs to spend quality time on formulation and deliberation of HR strategy, including leadership development, succession planning for critical levels, performance standards, redesign of organizational structure,re-deployment of employees compensation and rewards management, and other initiatives needed to create a proper organizational climate. Top management can formulate board level subcommittee for monitoring and facilitation for the implementation of these strategy.

Banks should now design and put in place a written policy and a blueprint for HR reforms. This would provide direction and focus in undertaking various interventions in an integrated manner. The maintask ofmanagement to ensure capability building and use it as a differentiator for gaining competitive strength to his/her organization. CEOs would also have in a position to take ownership of HR, which would then ensure involvement of management in employee development initiatives

### **Training and Development**

The training required in banks are intended for the successful operation of organisation and aimed at in Banks through behavior modification and learning initiatives for a large number of people who have divergent needs spread over geographically dispersed territories. The main intention behind training is successful transfer to and acquisition of knowledge and skill content of the employees for the benefit of organisation. The focus of training must now be on changing the attitude of people to become customer centric, on enhancing selling skills, service delivery, bringing cultural alignment and also to transform them into entrepreneurial managers. The major issue to be addressed in HR today is preparing a exact schedule for creating digital awareness and developing people competencies to operate in technology oriented banking environment. Executive education should also become a continuous activity

to improve the skill of the employee for this banks can enter in to a collaborative partnership with prestigious Indian and global business schools to impart the desired executive skills.

### **Career Management Systems**

The employees of any organisation must be aware about various career streams available within the organization, which they can think, plan and aspire for their career growth. The organisation also need a strong understanding about the aspirations of individual employees, that they form the organization, whether they satisfied with employee systems and how effectively the various sub-systems of the contributing to the performance of employees. Continuous closed loop feedback system should be implemented to improve HR policies and practices.

A human resource audit in the areas of training, performance management, compensation and benefit administration, recruitment, and promotion has a far-reaching effect in reducing deviations, plugging revenue leakages and improving system effectiveness. Internal communication system is a powerful tool for change management, to be conducted in a faced manner to understand the effectiveness of existing system. The communication system within the organization must be made easy, flexible and responsive to ensure free flow exchange of information in proper manner.

The existing culture of top-down communication may be for administrative purpose and reporting, it is required to accommodate bottom-up communication for greater employee involvement in improving organizational systems and better feedback. These type of activities definitely change the thinking style of management, leadership style, attitude of management towards employees, staff and more importantly would bring about a good HR governance system in the organization.

### **Hiring The Right Person for The Right Job**

To structure a better working environment in any of the organisation the right person should be in right position. Achieving the real efficiency of any of the employee he should be right fit to the job in all aspects. The person fit for the Job includes match the knowledge to the position, skills and abilities required for the job, his personal and geographical requirement to satisfy his need. An employee who can't satisfy his personal and social need can't perform in

his duties due to the various facts like location of job away from home, cultural dissimilarities taste of different non proper accommodation provided by the employee.

Companies can ensure person-organization fit by evaluating the individual fits with the culture or values of the company and how the organisation position the employee based on skill and abilities and more over satisfy the social and personnel need. Even though the organisation place a employee in position by considering only his skill and capabilities and not given any attention to his social personal concerns the efficiency of the employee can't be expects as optimum. The banks should also acquire continuous skill up-gradation of the employees through executive development program and arrange outside training to adopt modern technology development.

### **Development of desired set of Knowledge, Skills and Attitude**

Skill development is required at all levels of employees for the effective utilization of human resource, It generally more important among bank employees that mainly due to the fact that unskilled or lack of updating in the required skill for current scenario of business environment and have already developed a narrow perspective of their role and the customers and also avoiding social and personal needs especially in case of public sector bank employees.

The Compartmentalized working and limited mobility must and unhealthy working environment and providinginconvenient geographical relocation of leads minimize the effectiveness. The allover presence of PSBs throughout the country and the large number of employees from different geographical location with, different skill, attitude, competency, social and personal constraints, cultural effect must be considered for manpower deployment and utilization plans. At the same time banks provided cross-functional and cross-cultural exposure to develop their sensitivity and ability to meet with issues by minimize the effect of personal life of employees .

Skill gaps is more at middle and higher-level employees as compared to youngsters it is clearly shows that the lack of proper training and development. To overcome this situation banks must structure a suitable skill enhancement programmes that shall have to be meet with the organizational requirements in the current scenario. To achieve this banks may enter in to association with professional institutions. Generally gaps are existing in the areas such

as handling technology and work flow systems, analytical abilities, selling skills, risk assessment, planning and coordination, customer and market responsiveness, Managing diversity of employees and creating a unified change spirit is another challenge to be undertaken by the bank and HR professionals would have to play a major role in it. Managing a large number of women employees is rally threat to all of these organisation. Now a days younger talent in most of the banks are ladies .The deployment of these lady staff are done only based on their convenience rather than considering the skill of employee or difficulties faced by other employees due to such convenient posting for lady employees for many years.This will generally affect the morale of employees those affect by this unfavorable deployment.Most funny thing in most of the PSB are HR department are unprofessional and the employees deployed in HR department are for few years and before and after they work as general bankers.

### **Development of Competency Based Strategic HR Systems**

The public sector banks are running behind private sector banks in The time has their administrative and IR orientation and strategically aligns the HR systems and processes with business objectives to achieve competitive advantage. Top management of these banks should formulate HR strategy first and hire the real talent pool for human resource management for long time as a specialized job.The training and development must start from the HR department.

In order to provide satisfactory requirement for proper HR management solution, The existing systems and policies would require re-design. Like the perception that employees who sit in the office late night and wasting energy is the best employee and one who leave the office early is a lazy employee .There is lack in clarity in various sub-functions and structurally do not find a proper place of HR functions in banks, like succession planning, organization development, talent management, career planning and development, etc, These are the main items to be addressed and be taken up as identified streams of HR activities The strategic alignment of HR to the business also necessitates induction of professionals competent enough to handle the challenges and able to deliver especially in HR department. PSBs today have a shortage of such people in not only in the HRD area but also in other areas where skill shortages exist like IT architecture, Engineering, greenbanking, networking , marketing and e-business, strategic planning, economic analysis, etc. There is also a need

for benchmarking various organizational systems including HR with the world-class processes and systems so that the international quality standards in service delivery permeate Indian banks also

### **Performance Management**

One of the most important area of human resource is performance management but the current systems exist in Public sector banks are unable to discriminate and differentiate between performers and non-performers. But at the same time private sector banks do it well. In fact, it is not so impossible to identify who are the performers and who are the non-performers. But before that banks should identify that they are employed in seats where they can effectively utilize their knowledge and skill. Most of the time in Public sector banks the posting is given based only on the convenience of few employees and accordingly a large group of employees deployment can't be furnished as per the skill and knowledge. In this context performance management can't play a major role. Evaluation of performance management can be effectively done only when the real talents are placed in right position.

### **Development of Leaders for Critical Roles**

This is one of the most important area to be considered and in general there is no such organized leadership development system exists in PSBs. Banks have to develop a talent pool of the real leaders for right position. There must be a proper system of identification of employees having strong leadership potential with practical knowledge to deliver according to the need of the organisation. These people need to be groomed through diverse role exposures, customized training and development inputs and also through planned career progression systems.

One of the funny thing in PSBs are most of the specialized department such as engineering, Law security, Human Resource is headed by the officers with lack of knowledge in that particular area and they are not competent enough to accept the recommendation of specialized staff and to take a right decision. Banks should focus on ingenuous method to create a pool of leaders those who have strong and wide vision, leadership skill practical knowledge decision-makers, and have with proper and updated knowledge in the area of operation.

## **Communication**

In HR process communication with employees is played a vital part and it helps in enhance transparency in HR practices, which improves the credibility to organisation. It is most required that while dealing with human issues, to be objective, transparent and non-discriminatory and the matter must be effectively communicated and to must listen what the employee say to the management about all the qualities they have. The top management find time to spend for this communication and formulate appropriate structures for the purpose for this they can also make use of all forms of modern communication channels including intranet, corporate e mails to reach out to employees. At the same time traditional channel of communicating through unions also to be recommend to continues to be relevant as to get feedback of employee's attribute, credibility and reliability towards the organisation through their unionist may be converted to the better practice of participative management in the real sense for organisation development.

## **Suggestions and Recommendation**

Achieving sustainable HR management is not a easy task for this initially banks should a high power HRM Committee at the corporate level to implement this. The HRM task force at various levels may also be set up to implement various HRM measures as are initiated and approved by the strategic decision makers. The effort for this should reach to all levels of employees. But restructuring of traditional HR management system must start from the HR department. Hiring and position the real HR talent from the industry to the HR department rather than deploying general bankers during transfer posting period in alternate interval is a must to redesign sustainable human resource management in PBBs in India.

The newly developed HR system must have all levels of HR professionals not general bankers in all levels and these employees are experts in the areas .First and foremost thing is banks should give continuous training to this hr professionals in coordination with external institution other wise their talent also disintegrated due to joining of PBBs and untimely leaving the organisation .appraisals of employees as an important part of their portfolio and do not consider it to be the job of either personnel or HRM alone at the corporate level. The suggestions emerging from the real practical experience from the bottom should be listen by the top management and to be examined and followed up seriously.

One of the most important personal policies like transfer and promotion are to be viewed periodically transfer placement policy should be implemented in fairness with minimum adhocism and undue unnecessary favoritism from either side especially considering for lady employees. This will instill confidence amongst all the real talent and destroy employee morale. The system of transfer must be more clear and transparent while there should be an institutionalized system for calling periodical information and giving equal chance for all the employees to get a convenient posting in a certain interval with minimum period of three years

Moreover that a scientific screening of the participants should be done before selecting employees for training so that the right type of personnel are selected for the right type of training. The appraisal data should be used not only for promotion decisions but also identification of staff training needs, job placements, job enrichment and enlargement, talent spotting and career planning.

### **Conclusion**

In the current scenario of competitive world, the banks especially PSBs facing lot of tough competition, talent crunch, and skill shortage in all areas starting from Human resource department. So now banks are trying to devise innovative HR practices to attract best talent and give them comfortable environment to work .The organisation should take special consideration for social and personal life of all employees not to lady staff alone during redeployment. Flexible working hours, child care centers, provision of special perks in the salary packages etc. are just a few other examples of the innovative practices of HRM in the current scenario.

With the proper implementation of new HR system and the innovation in practicing will definitely bring favorable results and improves loyalty of the employees. Practices of new and innovative HR areas will benefit the banks to become more competitive in the global market also ,now a days such practice is must for sustaining in the dynamic business environment.

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