Indian public sector banks have been facing a number of challenges ever since the industry was opened up for private and international players. Social banking practices followed by public sector banks consequent to nationalization have resulted in increased non performing assets, decreased profitability and operational efficiency. Privatization of banking sector forced public sector banks to take up serious measures for improving profitability and efficiency of operations. Human resource management is the area where many initiatives were implemented for streamlining banking operations. In this paper HRM challenges faced by public sector banks are analyzed and suggestions made by the experts in the field are summarized.

HRM challenges in public sector banks

According to many experts from the banking sector, human resource management is the main area of focus for transformation of public sector banks.

Narasimham committee(1991) on financial reforms has enumerated a number of problems relating to HRM in banking such as over manning, low man power productivity, indiscipline, restrictive practices, lack of management commitment to training etc.

Some views of the experts and senior level managers from the banking industry in this regard are given below.

Recruitment and Selection

Mohan Deshmukh(2004), Manager-costing, United Western Bank Ltd stated that “In Indian banks, job descriptions are still not drawn up in greater detail so as to cover individual posts in a branch or departments of branch and controlling offices. Job profiles and job requirements are not defined.”

Krishnamurthy, K.V. (2004), Chairman and Managing Director, Bank of India said that “the entire gamut of public sector rules like reservations in recruitments, promotions and unionization have left us with lots of “Humans” but not adequate ‘Resources’”. Janmejoy Patnaik(2004),Chief Manager (HRD), Central Bank of India opines that “recruitment policy should go beyond writing eligibility criteria. Man power planning and recruitment policies should be reviewed and institutionalized.”

“The average officer/employee age, recruitment norms, succession planning, compensation in PSBs in comparison with private sector banks is not favorable. Currently, the recruitment is based on general examination and formal process. Salary is uniform and there is no lateral hiring”- Dr.Janmejaya K Sinha (2004), Vice President and Director, Boston Consulting Group. Anil, K. Khandelwal (2005), CMD, Bank of Baroda, also felt that “recruitment is not in tune with requirement”.

Training and development

Dr. Bimal Jalan (2004), Ex-Governor, Reserve Bank of India stated that “a major challenge for many banks will be to develop the special competencies and skills for credit appraisal and risk management in an environment of deregulation and openness”.

K.V. Krishnamurthy (2004), said that “New ways of banking requires new competencies. The existing skills are hopelessly outdated. Basic skills like posting ledgers, balancing books, writing statements etc. are redundant with introduction of technology. We need now to unlearn old habits and breed new ones”.

Dr Sharad Kumar (2004), Faculty and General Manager, Bankers Training College, RBI, stated that “In most of the banks, there is no scientific method of selection of
trainees. Adhocism in selection of trainees is widely prevalent. Banks have hardly built databases to capture the training needs of employees and rarely use any IT based decision support system to select right type of trainees. Traditionally, training has been a neglected function in banks. After implementing VRS, many banks have even closed down their training institutions to meet the day to day need of line functions.

Performance appraisal

According to Mohan Deshmukh, (2004) “a system for objective measurement of individual performance is not established. Hence, the performance evaluation of each individual on objective basis is not possible. Linkages of performance and rewards/incentives are not established.

Anil, K. Khandelwal (2005), observed; “though the system of employee appraisal has been in vogue in banks, it has not helped in developing an organization wide performance culture in PSBs. The system often fails to differentiate performers from non performers, average performers from high performers. Reforming the performance appraisal system by making it more objective and linked to corporate business objectives is the need of the hour. Key performance indicators need to be scientifically assessed and objectively linked with organizational goals so that the performance of the employees can be assessed on critical parameters”.

Promotion

Prof. Swain, B.K. (2004), Institute of Business (AT&T) said; “any organization to be successful, there should be recognition of key performers and motivation through job enrichment. Rewards like promotions should be based only on performance and merit. Rigidity in the system of rewards prevails in the banks and promotions have no linkages with performance”.

Compensation

K.V. Krishnamurthy (2004) highlighted the deficiencies in compensation policies as follows. “...In the process, we are paying same compensation to the performers and non-performers, the talented and the menials, often unable or unwilling to make the distinction, creating a disastrous situation where those with talent look for exit options like VRS.”

According to Mohan Deshmukh (2004) “linkages of performance with rewards/punishments are not established. Productivity norms are not worked out on some rational and generally acceptable basis”. Janmejoy Patnaik(2004) opined that “compensation in most of the banks now follow low wages high employment model.. The emerging model of banking would lead to some of the major paradigm shifts in core values....man power planning, recruitment, training and development, talent retention, succession planning, performance compensation, reward and punishment mechanisms are to be reviewed/institutionalized.”

Dr.Janmejaya K Sinha(2004) stated that as for incentive, the present status is tenure based fixed compensation and poor measurement.

Anil, K. Khandelwal (2005) argues; “PSBs need to develop such compensation standards, which can provide a linkage between risk and reward, performance and payment. Though the current system of industry level wage settlement provides lesser leeway, slowly and surely the compensation system would have to be repositioned to take care of specific organizational needs”.

Work Culture

A.K. Purwar (2004), Chairman, State bank of India stressed on customer focus. “Greater customer centric focus calls for greater employee involvement and motivation and change in mindset. Long used to working in a protected environment, staff in public sector banks are widely perceived to have low motivation and low involvement, and the lack of distinction between high performers and poor performers with no reward and punishment system has only added to the lethargy.

Banks need to build a service culture using technology in a customer friendly manner. This requires reorienting HRD strategies in banks on an urgent basis and banks need to emphasize right size, right skills and right attitude”.

Other challenges in HRM are
- Over manning
- Low man power productivity
- Employee unions

Over manning

According to Anil, K. Khandelwal (2005), “PSBs have a bloated size and aging manpower. Raghavan, R. S. (2004), Senior Manager, Vijaya Bank stated that though VRS has been implemented successfully by the banks but it resulted in certain imbalance and shortage in staff necessitating redeployment”.

Low man power productivity

“In the banking industry the factor of non performers being let free should be properly addressed” - R. S Raghavan (2004)
According to Krishnamurthy, K.V. (2004), “The entire gamut of public sector rules like reservations in recruitments, promotions and unionization have left us with lots of ‘Humans’ but not adequate ‘Resources’.”

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### Employee unions

According to G.S. Bhaskara Rao (2004), Management Specialist, Central Bank of India “HRM practices and policies in Indian banks have been evolved primarily through reactive processes, and were the matters of bilateral agreements between the managements and the representative Unions. The post-nationalization period had witnessed a phenomenal growth in the number of trade unions, encouraged by the management's continued patronage by way of leaving all matters relating to HR to the prudence of unions.

Till the advent of financial sector reforms the concept of “human” as an “asset” was not assigned much importance and the role of HRM was mainly focused towards maintenance of personnel, and thus was not attuned to the emerging business priorities”.

### Suggestions

While pointing out the problems relating to the human resource management 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 several measures for overcoming deficiencies.

A summarized account of the measures suggested by them is as given under.

### Recruitment and selection

- Autonomy to recruit as per the requirements of the banks.
- Increasing the direct recruitment quota in clerical and officer cadres.
- Increasing minimum qualification required for recruitment in clerical and subordinate cadre.
- Recruitment of skilled man power directly from the market to be given urgent consideration.
- Raising the skill bar at the entry level itself would ensure that only people with requisite skills get into banks.
- Accommodating additional personnel with technical and professional skills would balance the otherwise high age profile of the banking personnel.
- HRD audit in vital areas like training, compensation, recruitment and promotion.

### Promotion

- Faster promotions for meritorious officers and reducing the span to reach top management level from 25 years to 20 years.
- Merit and performance based promotions by reducing minimum eligibility years for CAIIB candidates and those who have served in rural areas.
- Written test and performance based promotions up to Scale IV.
- Reducing the maximum age limit at entry level for the officers.
- Capping the age for internal promotions from subordinate to non subordinate and from non subordinate to officer cadre.
- Career management system to make employees aware about availability of various career streams.
- Recognition of employees performing well will send right signals and boost morale of the work force.
- There is an urgent need to bring down the waiting period in each scale. Suitable fast track promotion policies for skilled specialized officers and performing general officers should be evolved.

### Compensation

- Performance based reward system should be developed.
- For retaining talent banks have to pay market rates for professionals with incentives like performance bonus and stock options.
- Performance linked reward system will weed out excessive manpower and attract fresh talent.
- There is a wide gap between the remuneration provided by PSBs and other private /foreign banks and the difference needs to be minimized.

### Training and development

- Identifying competencies on an organizational basis will provide a means for pinpointing the most critical competencies for the banks success.
- Training and retaining the existing and future manpower to cope with the changes and challenges of future.
- Filling up existing skill gaps at middle level and higher level employees through skill enhancement programs.
- Keeping employees skills updated to match present
day requirements enhances productivity
• Training – There should be proactive steps in this regard and it should involve proper identification of training needs and post training placements. Training centers should introduce and initiate newer training programs in conformity with the changed scenario and demand from the customers.

Transfer
• Movement of surplus staff in the clerical cadre from staff surplus banks to staff deficient banks so as to strike a balance and maintain establishment expenses at optimum level.
• Laying down clear cut recruitment, rotation and transfer policy.

Work culture
• Focus on increasing employee productivity.
• Mapping and developing competency; identifying talent and proper grooming.
• Transforming staff from being “Transaction processors” to business professionals.
• Developing strong business orientation among employees through sales culture and customer centric approach.
• De-bureaucratization and creating a competitive work culture.
• Greater accountability and ownership.
• Managing transformational conflict and preparing people for change.
• Team building and Team work – Personnel policies of the bank should enable their employees imbibing strong sense of team work so as to reap rich and regular dividends.
• Job satisfaction – Ensuring job satisfaction would enable banks to retain their skilled employees.

References