A Review of Literature on HRM Practices in Indian Banking Industry

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Abstract: The Indian banking system consists of public sector banks, private sector banks, foreign-owned banks, regional rural banks and cooperative banks. The performance of any industry is dependent largely on the efficiency of its employees and Indian banking industry is no exception. Contemporary organizations are competing for a larger market pie by employing various strategies and human resources are being considered as a strategic partner with far-reaching transformational roles and responsibilities. Therefore the focus has shifted towards enhancing the capacities and capabilities of the human resources through different methods, and one being training and development. In this context, an attempt is made in this research paper to review the existing literature on the HRM practices of various Indian banks. Earlier research studies at the national level and various state-level research studies have been examined to understand the HRM practices of the Indian banking industry. It was found that the HRM practices in the Indian banking industry have evolved over a period of time and the HRM practices of Indian private sector banks are marginally better than the Indian public sector banks.

Key Words: Banking industry; HRM Practices; India; Private sector banks; Public sector banks

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Introduction

The economic development of any country is dependent of the effective functioning of the banking system. An effective banking system is dependent on the efficiency and effectiveness of its employees. Employee satisfaction in organisations is largely dependent on the HRM practices followed by the organisations. Hence it becomes necessary to understand and evaluate the HRM practices of the banking industry. In this research paper, an attempt is made to summarise a review of literature on various studies conducted about the HRM practices followed by Indian banking organisations.

The Indian banking system primarily consists of a large number of public sector banks in addition to the private sector banks. Therefore, this research paper focuses on various studies undertaken by earlier researchers in the context of banking industry in India. The next section presents a review of various studies.

Review of Literature

Amba-Rao (1994) investigated the human resource management (HRM) practices in Indian industries using an exploratory study of 10 firms based in Hyderabad, India. The specific HRM functions considered were - staffing, performance appraisal, compensation, training, motivation and employee relations. Three out of the sample firms were from the service industry (banking and road transport) while the remaining seven were from manufacturing sector. Five of the sample firms were public sector units (PSUs) while the remaining five belonged to the private sector. The study concluded that HRM objectives and HRM systems of the sample firms were purposively organized for the various HRM functions considered in the study.

Ahmad (2012) studied the association between employee relations and employee unionisation in Indian banking industry. The study included banks from both the public and private sectors. The sample included 318 employees from unionized banks and 123 employees from non-unionised banks. Data was collected using a structured questionnaire with 52 elements on employee relations. Data was analysed using statistical tests like mean, standard deviation, chi-square test, t-test and z-test on various dimensions. The analysis indicated that non-unionised bank employees experienced higher satisfaction on all the elements except unionism and job security. The results concluded that non-unionised employees perceived better employee relations in comparison to unionized employees.

Anand et al., (2016) analysed the influence of employee engagement practices on the productivity of banks in Trichy region in India. Data was gathered from 124 bank employees in the region. Data analysis was conducted using various
statistical tools like chi-square test, one-way ANOVA and regression analysis. The results indicated that factors like co-workers, department, rewards & recognition, opportunities, team work and immediate supervisor have a significant influence on the productivity of employees. The authors concluded that banks should incorporate the above factors of employee engagement through effective HRM practices which will result in increase in productivity of bank employees.

Anuradha & Prasanth (2016) examined the employee perceptions of HRM practices among public sector banks in Puducherry region in India. Data was collected through a structured questionnaire from 328 employees belonging to 22 different public sector banks using a multi-stage sampling procedure. Statistical tools like t-test, ANOVA, co-efficient of variation and multiple regression analysis were used for data analysis. The results of the study concluded that various HRD practices have a significant impact on organizational performance of public sector banks.

Bhaskar, Bhal and Mishra (2012) studied the influence of strategic HRM practices and proactive communication during mergers and acquisitions of Indian banks. A case study approach was used to analyse the HRM practices employed by two different banks in India (one public sector bank and one private sector bank). The analysis indicated 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 Bhavnagar district in India. Data was collected from 100 private bank employees using a structured questionnaire. Various practices of HRM climate – training & development; performance appraisal, motivation & rewards; job enlargement, job enrichment & job rotation; work stress & absenteeism; job satisfaction – have been included in the questionnaire to elicit responses from the bank employees. The results of the study indicated that the HRM climate in banking sector needs an improvement by modifying various HRM practices.

Biswa, Giri and Srivastava (2006) examined the role of HRM practices in improving individual performance and organizational effectiveness among various firms in India. Data from 357 managers from nine organisations were included in the study. 50 per cent of the sample were considered from the manufacturing sector while the remaining sample was taken from the services sector. The results of the study concluded that the culture and the structure of a firm significantly and directly influence HRM practices in Indian firms. The results also concluded that HRM practices have a significant impact on employee performance and organizational effectiveness.

Budhwar (2000) presented an analysis of the determinants of HRM practices in Indian organisations. The study was conducted among six manufacturing industries (food processing; plastics; steel, textiles, pharmaceuticals and footwear) in India. A total of 137 top HRM professionals (one from each firm) have participated in the study which used a structured questionnaire for data collection. The results indicated significant correlations between various contingent variables (age; size; ownership; life cycle stage) and four HRM functions (recruitment & selection; training & development; compensation and employee communication). Additionally, four national factors (national culture; institutions; dynamic business environment and business sector) were found to have a significant impact on Indian HRM practices.

Budhwar and Boyne (2004) highlighted the results from an empirical comparison of HRM practices in Indian public and private sector firms. The study included responses from a questionnaire survey of 137 large Indian manufacturing firms (81 public sector firms & 56 private sector firms). The results of the study conclude that there exist a large number of similarities and differences in the HRM practices among Indian public and private sector firms. Interestingly, the results reveal that the gap between the HRM practices of public and private sector firms is not very significant. Nevertheless, it was concluded that in a few HRM practices like compensation and training & development, Indian private sector firms were found to have adopted a more rational approach in comparison to their public-sector counterparts.

Chahal, Jyoti and Rani (2016) examined the effect of perceived high-performance HRM practices on business performance of employees in Indian telecommunications sector in Jammu and Kashmir in India. The HRM practices considered in the study were extensive training, performance management, performance appraisal, performance-based compensation, empowerment and competency development. Additionally, the authors explored the role of organizational learning as a mediator between high-performance HRM practices and business performance. Results of the research concluded that high-performance HRM practices positively impact organizational business performance. It was further concluded that
organizational learning acts as a mediating variable between high-performance HRM practices and business performance.

Chinnadurai (2014) studied the HRM practices in private sector banks situated in Cuddalore district (Tamilnadu) in India. The author had chosen the following HRM practices for the research – recruitment & selection; training & development; performance appraisal; career development; motivation; compensation management and grievance handling. A sample of 260 officers drawn from 52 private banks (5 officers per bank) was chosen as respondents for the research. Data analysis was undertaken using percentage analysis; one-way ANOVA and t-test. The results concluded that majority of the respondents were satisfied with the overall HRM practices adopted by various private sector banks considered for the study.

Chaudhary, Rangnekar and Barua (2013) investigated the HRM climate in Indian organisations using data from 403 business executives from public and private sector firms. Exploratory factor analysis (EFA) was used to extract six interpretable factors and confirmatory factor analysis (CFA) was tested to provide support for the suitability of the six factors over other existing models. The study concluded that six factors determine the effectiveness of HRM practices in Indian manufacturing and service firms. The factors identified were – top management belief and commitment to HRM; employee development; autonomy, openness & authenticity; rewards, performance & potential appraisals; superior subordinate relationship and trust; collaboration & team spirit.

Dutt (2016) studied whether sales training programs have a positive impact on the growth of private sector banks in India. Data was collected using a structured questionnaire among 137 sales persons among private sector banks in Dehradun city in India. Data analysis was carried out using statistical tools like standard deviation, mean, average, correlation, regression and ANOVA. The results concluded that training programs have a significant impact on organizational performance. It is also highlighted that sales training programs have resulted in an increase in individual and organizational competencies.

Ghosh, Rai, Singh and Ragini (2016) examined the impact of work support measures on employee engagement among employees in the Indian banking sector. Data was collected through administration of a structured questionnaire from employees of 25 branches of public sector banks in Northern India. A final sample of 218 respondents was included in the study. Perceived organizational support; perceived supervisor support and perceived co-worker support were considered to be important factors that impact employee engagement. The results indicated that all the dimensions were found to have a significant impact on employee engagement. Employee engagement is perceived to have a positive influence on employee performance, employee retention, loyalty, productivity and customer satisfaction.

Ghosh, Rai, Chauhan, Baranwal and Srivastava (2016) explored the potential mediating role of employee engagement and rewards to employees among private bank employees in India. Data was gathered from 176 respondents using a structured questionnaire from banks in Central zone in India. The results of the study concluded that rewards & recognition to employees was found to be a strong predictor of employee engagement, finally leading to better performance of banks.

Goel and Rana (2014) identified innovative steps in the HRM practices to increase employee retention at YES bank using a case study approach. The case study highlighted that YES bank had created a new paradigm in Indian banking sector through continuous innovation and business excellence. Various innovative HRM practices at YES bank included strong work ethics, belief in team work, understanding of customers and recognition of employee efforts.

Jacob (2012) studied the relation between occupational stress and job satisfaction among working women in Indian banking industry. A sample of 100 respondents (25 managers and 75 clerks) in Kerala was included in the study. The findings of the study concluded that majority of women officers and clerks in Indian banking sector experience moderate levels of stress and satisfaction and the relationship was found to be negatively correlated. The authors suggested that banking industry should improve its HRM practices to reduce levels of stress which can improve the quality of the bank employees.

Jain and Jain (2015) presented an evidence of training effectiveness in Indian banking industry. The authors measured training effectiveness in public sector, private sector and foreign banks operating in India. Employee training was assessed through managerial perceptions regarding five dimensions – commitment to training participation; access to training opportunities; relevance of training; benefits of training and satisfaction with training. The sample included 318 managers belonging to State Bank of India, Bank of India, ICICI Bank, HDFC Bank, Axis Bank, YES Bank, Standard Chartered Bank and HSBC. The respondents belonged to the bank branches in three Indian cities namely Bhopal, Ujjain and Indore. Mean, standard deviation, t-test, correlation analysis and analysis of variance were the statistical tools used for the analysis. Among all the selected dimensions, commitment to training...
participation was found to exist in high levels in the banks selected for the research. Other dimensions were found to exist in moderate levels.

Jeet and Sayeeduzzafar (2014) studied the impact of HRM practices on employee job satisfaction among employees in HDFC bank using a case study approach. 52 respondents were contacted to obtain the information regarding HRM practices in HDFC bank using a structured questionnaire. Job satisfaction was considered as the dependent variable while training, performance appraisal, team work, employee participation and compensation were employed as independent variables. Results of regression analysis indicated that except performance appraisal, all the other independent variables exhibited a significant impact on job satisfaction of employees.

Jha and Mishra (2015) studied the impact of HRM practices on performance of employees in Indian banking industry. The authors concluded that various remedial HRM measures can be taken to improve the employee performance in banks. The measures suggested include staff meetings, brain storming sessions, study circles and quality circles.

Joshi (2016) analysed the influence of HRM practices on the job satisfaction levels of employees in selected branches of State Bank of India (SBI) in Gujarat state in India. The sample size considered for the study was 100 using convenient sampling method. The results of the research indicated that HRM practices influence the job satisfaction level of the employees. The study concluded that SBI needs to make efforts to improve co-worker relations, work environment and compensation issues to achieve job satisfaction among the employees.

Jyothsna& Kumar (2015) provided empirical evidence regarding the factors of performance appraisal that influence organizational commitment and job satisfaction among private sector bank employees in India. In this research, job satisfaction was considered as dependent variable while elements of rater, elements of rate, environmental aspects, organizational commitment and organizational citizenship behavior were included as independent variables. Results of regression analysis highlighted that performance appraisal factors, organizational commitment and organizational citizenship behavior have a significant impact and positive impact on job satisfaction of employees in private banks in India.

Khan and Parveen (2014) presented a comparative analysis of job satisfaction levels of employees in public and private sectors banks in India with reference to Uttar Pradesh. The researchers have chosen respondents from one public sector bank (Canara Bank) and one private sector bank (ICICI Bank). Respondents from 25 branches of Canara Bank and 10 branches of ICICI Bank were included in the research. A final sample of 425 respondents participated in the research (225 respondents from Canara Bank and 200 employees from ICICI Bank). Salary levels, promotion policies and training opportunities were considered as the factors that have an influence on employee job satisfaction levels. The research concluded that job satisfaction of employees was significantly dependent upon the salary levels, promotion policies and training facilities. Overall, job satisfaction of the public sector employees was significantly higher than the private bank employees in Uttar Pradesh.

Kundu and Malhan (2007) analysed the HRM practices in among insurance companies in India based on the data collected from 218 respondents. The respondents were chosen from four insurance firms (two multinational firms and two Indian firms) to examine the HRM practices followed in the sample firms. Data analysis was done using factor analysis and ANOVA. Training & benefits, performance appraisal policies, selection process, HR planning & recruitment approaches were found to be the significant HRM practices followed by insurance firms in India. Additionally, workforce diversity and competitive compensation policies were also found to be among the important HRM practices followed by the insurance firms.

Lakkoju (2014) explored the nature and extent of HRM practices prevailing in Indian commercial banking sector through a comparative analysis of State Bank of India (SBI) and KarurVysya Bank (KVB) in Andhra Pradesh state in India. Analysis was undertaken to assess the perceptions regarding HRM practices by managerial and non-managerial personnel in the banks considered for the research. The number of managerial respondents from SBI was 132 and KVB was 84. Similarly, the number of clerical respondents from SBI was 108 and KVB was 76 resulting in a final sample of 400 respondents. Data analysis was done using ANOVA test. The results of the research concluded that there were significant differences in perception of managerial and non-managerial employees in SBI. However, in KVB, it is noticed that good-quality HRM practices prevailed as per the perception of managerial and non-managerial employees.

Mathew (2015) examined how talent management practices were being followed by some leading Indian organisations in India. A sample of 30 organisations (including multinational firms) firms operating in India was chosen for the study on the basis of their international presence, brand identity and long-term presence. A final sample of 159 human resource professionals was approached for their responses using a web-based
structured questionnaire. The results of the research concluded that banking telecom sectors were focusing on building talent internally whereas technology firms were found to concentrate on flexible work strategies and outsourcing of talent. It was also concluded that leadership and succession planning were not being seen as an integral step towards managing talent across majority of the industries.

Mittal and Verma (2013) assessed the perception of top management support for HRM practices in State Bank of India. The authors also attempted to understand the perception of bank employees towards HRM practices followed by SBI. Data was collected through a structured questionnaire from 100 respondents using a 40-item HRM practices. The research concluded that the perception regarding HRM practices varied according the experience of the employees. Hence it was suggested that various HRM practices like performance appraisal, training, reward, feedback mechanisms, career planning and potential appraisal need to be different for employees with various levels of work experience.

Mittal, Gupta and Mottiani (2016) examined the link between HRM practices and customer satisfaction levels among Indian private banks. Data was collected from 203 employees in private banks. The results of the research concluded that various HRM practices have a significant and positive impact on customer satisfaction.

Mohandoss (2013) investigated the job satisfaction of bank employees in Madurai city in Tamilnadu, India. Data was collected from 300 employees belonging to both public and private sector banks in the city. Chi-square test and percentage analysis were used for data analysis. The results of the study indicated that gender did not have a significant influence on the level of job satisfaction. The research also concluded that the job level of employees plays a significant role on job satisfaction. It was highlighted that clerical employees experienced higher job satisfaction in comparison to the managerial staff of the banks.

Pillai (2008) analysed the influence of HRM practices on the learning orientation of bank employees in Kerala state, India. A total sample of 300 respondents (managerial and clerical staff) belonging to two public sector and two private sector banks were included in the research. Data was collected through a structured questionnaire. The results of the research highlighted a strong influence of HRM practices on the learning orientation of bank employees in Kerala.

Rani and Singh (2016) examined the employee-management relationship in Indian banking sector. A total sample of 750 employees – 250 from public sector, 250 from private sector and 250 from foreign banks – was considered for the research. Data was collected for 28 variables using a structured questionnaire from different banks located in Haryana, Delhi and Punjab. Factor analysis was employed for data analysis and interpretation. The results indicated that employee counseling, effective communication, discipline and grievance handling mechanisms have a significant impact on employee-management relationships in the Indian banking sector which have a long term impact on the organizational performance.

Reddy and Reddy (2016) studied the impact of internal marketing on internal service quality of banks and building customer relationships. A sample of 250 respondents from various banks in Khammam district of Telangana State in India was considered for the study. The research concluded that internal marketing strongly influences internal service quality and helps in building long term customer relationships.

Roy (2015) investigated the various variables impacting employee retention among bank employees in Assam state, India. A total of 252 respondents participated in the research through a structured questionnaire. Respondents were selected from four private sector banks (ICICI, HDFC, Axis Bank and YES Bank) and four public sector banks (SBI, UCO, UBI and PNB Bank) in Assam. The results of the research concluded 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 in Assam. The study concluded that there was a significant relationship between HRM practices and employee retention among bank employees.

Sharma and Mehta (2015) assessed the regional differences in employees’ perception towards compensation practices in banks in Punjab state in India. Data was collected from 324 bank employees from three different regions (Majha, Mahwa and Doaba) in the state of Punjab. The results of the study concluded that there were significant regional differences in the perceptions regarding compensation practices of banks in different regions.

Shrivastava and Purang (2009) investigated the levels of job satisfaction among public and private sector banks in India. A sample consisting of 340 bank employees participated in the research that used a structured questionnaire for data collection. The results indicated that bank employees in the private sector perceive greater job satisfaction with regards to pay, social & growth aspects of job in comparison to the public sector employees. Interestingly, public sector bank employees perceived greater job satisfaction with
reference to job security in comparison to private sector employees.

Shrivastava and Rai (2012) analysed the performance appraisal practices in Indian banks and their role in enhancing organizational ability. The authors concluded that performance appraisal practices are often the central pillar of performance management in the banks and keep the motivation of employees high. It was also highlighted that performance appraisal should be a basis for making development and improvement plans to enhance banks’ effectiveness.

Shukla (2014) conducted research on the employee retention policies of public and private sector banks in India. Purposive sampling method was employed for data collection from three public sector (SBI; PNB; BoB) and three private sector banks (ICICI; HDFC; Axis). The results of the research indicated that public sector banks do not have any defined employee retention policies where as private sector banks give prominence to talent retention and their HRM practices were aimed to retain best talent in their organisations.

Singh and Kaur (2009) investigated the determinants of job satisfaction among select Indian universal banks. Data was collected from 200 employees from Punjab National Bank and HDFC Bank in the state of Punjab in India. Factor analysis, regression analysis and correlation analysis were employed for data analysis. The research concluded that work place environment, supervision, job security, co-operation from peers, pay facilities, employee acceptance, delegation of authority, job contentment, work place discrimination, opportunities for growth and transparent salary structure were the major determinants of job satisfaction.

Singh (2009) attempted to understand the effect of HRM practices and organization culture on managerial effectiveness among Indian public sector and private sector firms. 214 managers from various firms were included in the data collection process. The results of the research revealed that the HRM practices and organizational culture were strong predictors of managerial effectiveness both in private and public sector organisations.

Sinha (2015) presented a comparative analysis of various HRM dimensions that lead to employee satisfaction among various public and private sector banking firms in India. Data was gathered from 100 public sector bank employees and 100 private sector bank employees using a structured questionnaire. The results of the research 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.

Srivastava (2016) examined the strategic role of skill development in leveraging employee engagement for competitive advantage in public sector banks in India using Canara bank as a case study. The research analysed the existing status of skill development programmes for employees in Canara Bank. Data was collected from 20 employees to analyse the perception of employees regarding various skill development programmes administered by the bank. The results indicated that Canara Bank undertakes satisfactory skill development programmes for its employees to increase their efficiency.

Conclusions

It can be noted from the above discussion that HRM practices in the Indian banking sector have evolved in the past few decades. It is now increasingly perceived that HRM practices play a strategic role in organizational growth. In this context, Indian banks have initiated various HRM practices to address various issues in the spheres of training & development, performance appraisal systems, recruitment policies and technological advances.

It can be concluded from this research that the HRM practices followed in the private banking sector are marginally superior to the HRM practices adopted by the public sector banks. The growth in the Indian banking sectors with new players entering the market and the challenges faced during consolidation of public sector banks in the near future are likely to pose new challenges for HRM practices in the Indian banking industry.

References


