

Issues in HRM policies - Public vs. Private Sector Banks

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Abstract

Human Resources play an integral role in achieving the individual, organizational, societal and national objectives. Human Resource Management is concerned with the efficient management of human resources by focusing on policies and system of an organization. As far as the present scenario in Indian Banking sector is concerned it is going through a paradigm shift. Indian Banking system mainly comprises Public and Private sector banks whereas the Public Sector Banks which are the backbone of the Indian Banking sector account for more than 78 per cent of the total banking industry assets still found it difficult to compete with their private counterpart. One of the major reasons behind it is the successive failure of their Human Resource Management Policies. Public sector banks still stick to an industry-wide wage settlement, brokered by IBA once every five years. The salary structure of all public sector banks was uniform but ideally, it has not been linked to the profitability of the organization and cost & performance of the employee. The present study is an attempt to examine and compare the issues involved in various human resource management policies of public and private sector banks with respect to some areas of concern such as recruitment, selection and promotion, compensation, training and development policies.

What is Human Resource Management?

Human Resource is the workforce or staffs who occupy certain position in order to perform certain duties and responsibilities entrusted by the management of an organization. It is resource like any other natural resource. It means that the management can get and use the skill, knowledge, ability etc through the

development of skills, tapping and utilizing them again and again. Human Resource Management is that process of management which develops and manages the human elements of an organization. It is the management of human resources within an organization in which a number of activities are undertaken like employee recruitment,

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selection, promotion, compensation, training and development. As human resources is of paramount importance in achieving overall organizational objectives, Thus human resources management becomes an essential part of both private and public sector organizations.

Indian Banking System

The Indian Banking system mainly comprises

of Public Sector Banks (Owned by Government of India) and Private Sector Banks (Owned by private entities) with total assets as on 31st March 2015 is Rs 1,0744,828.00 Crores where as Public Sector Banks accounts for around 80% of the total assets of the Indian Banking Sector.

Further in 2016 Public Sector Bank has shown a Net Loss of Rs 17992.00 crores.

Net profit of Public and Private Sector for the year 2014 & 2015
(As per data available on IBA website)

(Rs in Crore)

YEAR	PUBLIC SECTOR BANKS	PRIVATE SECTOR BANKS
2014	37019.00	33754.00
2015	37540.00	38219.00

The above table indicates that inspite of holding around 80% of total assets of Indian Banking Sector still public sector banks were outperformed by their counterpart. Main reasons for this unsatisfactory performance is that they are over burdened with excessive NPA's, Lack of modern technology, Government Interference, consolidation/merger and Ineffective Human Resource Policies.

As Banking has been and will always be a "People Business" i.e. where services are provided by the people to the people. Thus, the success of a bank depends upon the happiness/satisfaction of its customers and only a happy & satisfied employee can keep its customers happy and satisfied but in case of Public sector banks falling profits, fears of consolidation / merger i.e. loss of their identity and ineffective human resource policies became the root cause for unhappy employees. On the other hand private sector bank are

making huge profits progress and are moving ahead at a very rapid rate year after year. The rapid expansion of private sector banks proved to be a threat for public sector banks as they are not only recruiting talent from reputed educational institutes but also attracting talents from public sector banks who have already being served in those bank by giving them handsome salary packages.

In order to compete public sector bank needed to implement the latest technology and should introduce the best human resources policies in order to regain their manpower strength and retain the talents which are already present with them.

Human Resource Management policies in Public and Private Sector Banks

An analysis of human resource management policies of public and private sector banks has been done with respect to the following core

areas: -

1. Manpower Planning

As per National Institute of Bank Management, by 2019 most of AGM's and DGM's working in public sector banks would retire and there will be a vacuum at the senior most level. Further it is added that Banks have failed to get talent from the market as these professionals are used to working in an environment where they are not chained by corporate governance norms which public sector institutions demand, there are no incentives for performance and the salary levels at the senior level at public sector banks are much lower compared to private sector bank. Since 1980 public sector banks only made probationary officer level recruitment and it takes around 20 year to bring these recruiters to the senior level. Most of these senior level officers have been with the banks for over 30 years and their exit will leave a huge gap which is difficult to fill. Thus it shows lack of proper manpower planning in public sector banks which resulted in wide variance in staff ratio across public and private sector banks.

2. Recruitment and Selection

The public sector banks have started recruitment through IBPS which is an autonomous body by way of written examination and interviews. Written examination conducted by IBPS test the general aptitude of the individual and is not based on knowledge, skill and abilities required for the banking job. Further as per IBPS guidelines for recruitment in bank, any individual who has done graduation in any discipline is eligible to apply for bank posts irrespective of the fact that the said qualification fits with the profile of the job or not.

On the other hand private sector banks directly capture the fresh talent through campus recruitment of well reputed colleges / universities and create a pool of suitable candidate as per job requirements and interviewing them equally in order to fill a large number of anticipated vacancies.

Thus it is the need of the hour for public sector banks to develop and exercise effective recruitment and selection process keeping in mind the requirement of the job, number of vacancies from lower to top level etc.

3. Training and Development

After acquisition of talent it is very important to develop the skills and knowledge of the employee and for that regular training and skill development program to suit their job profile is required.

Training and development of the staff is an integral part of public sector banks but nowadays the only significance for the training was to fill in the slot of the training programs and keep the training centers going by achieving the targets. Moreover in public sector banks training and development programs are not effective as these are based on mere theoretical aspects of banking which are not put into practical use for the benefit of the bank thus they do not deliver anything to the trainees which is worth implementing in their jobs.

On the other hand in private sector banks first identification of training needs has been done and then the training program is designed using standard quality training material and by assessing the effectiveness of the training. Further alternate training delivery channels like e-training, e-learning are used to train the top executives.

But in public sector banks training is provided

to all without specifically identification of training needs and even training of top senior executives is met in a very general manner through external training programmes which lacks strategic focus.

4. Promotion

A good promotion policy provides a number of incentives to the employees to work more effectively and efficiently. It also aims to recognize more efficient workers in the organization but in case of public sector bank, promotion system is unable to differentiate between performers and non performers. As in public sector bank promotion process, at lower level promotion is done on the basis of written test (which tests general aptitude of the employees) followed by interview and marks of annual performance appraisal report which is more of subjective nature as it depends more on the relations of appraiser – appraisee and less on the performance of the appraisee.

Further promotion relates to upward movement of an employee from current job to another job that is higher in pay, responsibility and status. But in case of public sector bank,

promotion leads to displacement of an employee which in turns increase the cost of living of an employee but with meager increase in salary which creates doubt in the mind of an employee whether to opt for promotion or not. Thus public sector bank often have to deal with the problem of people who are promotable but not postable and people who are postable but not opting promotion.

On the other hand in private sector bank promotion is based on the performance of an employee irrespective of the seniority, relationship with the boss's etc. further promotion in private sector bank leads to handsome increase in salary and status of the employee along with the bigger responsibilities.

5. Compensation

It is the weakest link in the human resource management policies of public sector bank as compared to private sector bank. The following table will clearly indicates the compensation variance in public and private sector bank.

This variance in salary packages exists not

(Amount in Crores)

Particulars	State Bank of India	ICICI Bank	% age variance
Total Asset – 2014	1792748.00	594641.00	Assets of SBI is approx 3 times that of ICICI Bank
Salary paid to Managing Directors	0.13	5.23	Salary of MD of SBI Bank is approx 40% less than that of ICICI Bank

only on the top most levels but also at the lower and middle levels.

Further there is no scheme of performance based incentives and increments in public

sector bank as these banks still adhere to industry wide wage settlements brokered by IBA once in every five year. Thus it creates an environment of dissatisfaction among the

employees who are working day night for the growth of the bank.

Where as in private sector bank performance based incentives and increments are there which keeps motivating employee to achieve higher level of performance which in turns increases the business of the bank.

Earlier there is provision of pension in public sector banks but post 2010 the same has been scrapped which creates insecurity in the minds of newly joined employees in the bank. As it became difficult for public sector banks to retain the talent as private sector banks lured them with lucrative salary packages.

6. Other Issues

Public sector banks in India comprises of 19 nationalized banks, State bank of India and its associates. Nowadays all public sector banks are dealing with the issue of consolidation / merger as Government of India wants to increase the size of the bank and make them stand up to international standard and compete their counterpart from more developed economies.

On the flip side it creates a kind of insecurity in the minds of employee regarding the impact of consolidation/merger on their job security, service conditions and career progressions in their respective banks as there in no clear guidelines regarding the same was issued by GOI.

Suggestions

- Public sector banks should re-design its HR policies in such a way that recruitment should be done at all level and not only at probationary officer level and recruitment should be made a continuous process so that there should not be vacuum of employee at any level.

- Bank should recognized institutes where qualifications in banking business have been provided and recruitment should be made through those institutes only. Further besides aptitude test each recruitee should be tested on his / her marketing and relationship skills.
- Bank should devised a mechanism for identification of need based training which should focus on practical aspects of banking and bank should introduce system to check the effectiveness of the training.
- Banks should formulate a fast track promotion policy and incentive linked performance packages which keep the employee motivated and helps in getting their optimal utilization. All public sector banks should go for bank-wise wage settlement instead of industries-wide wage settlement depending upon their respective profits.
- Government of India should issue a clear guidelines regarding consolidation/ merger of public sector banks among themselves in order to create bank of larger size that there is no loss of job and other concerns of the employee regarding the same be resolve positively.

Conclusion

A banks ability to deliver depends largely on streamlining its Human Resources. The human resource management in public sector bank has reached a point where the solution does not lie in blind adoption of HRM policies and practices from their private counterpart. Public sector banks are quite late in implementing certain areas of human resource management like Man power planning, Recruitment, Selection, training & development policies, Promotion and

compensation policies as compared to private sector banks.

Thus public sector bank should focus on continuous recruitment at all level, campus recruitment as per job requirements, designed well equipped training centers with facilities like e-learning / e-training. Public sector bank should devise a promotion policy linked with the performance of the employees and accordingly increments should be given to employees. Public sector banks should provide comparative salary and incentive packages to their employees as provided by their private counterpart.

Banking has been and will always be a "People Business" i.e. where services are provided by the people to the people.

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