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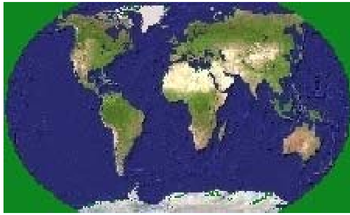

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HRM in Indian banks: Past, present and future

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Abstract
The study is focused on tracing the evolution of HRM practices of banks in India and how it has evolved with time. The qualitative study has analysed the industry reports and other secondary sources of information. Banking in every economy holds a very important place and being a human intensive sector. It makes it very interesting to research the HRM Practices in such a human intensive sector. The diversity in ownership also makes it complex to understand that how different types of ownerships attract and retain the right talent.

Keywords: HRM, HRM Banks, Compensation in Indian banks, Recruitment and selection in Indian Banks

Introduction

The earliest banking activities in India can be traced back to the year 1786 (Kothari. R, 2010) [91], which is referred to be a landmark in the evolution and development of the Indian banking industry. Since then banking has achieved several important milestones during the course of its journey. The recent influx of multinational banks has further added to the vibrancy of the banking sector and brings with it new challenges for the sector. The banking industry is growing at a rapid rate and is in a process of continual unfurling of its facets. With the advent of technology banking procedures have undergone real time advancements. Industrial growth and its direct correlation with the economy, has caused a lot of money to be in circulation. Bank reforms too have added to the genesis of new procedures and created a phase of metamorphosis of bank customs in our country. Hence, banking has assumed a pivotal role in generating a large revenue base and employment opportunities. The booming industry is both a lucrative business and social agency world over. It caters to the growing needs of a large group of stakeholders, employer and employees.

At present cooperative banks, rural banks, private sector banks, nationalized banks and foreign banks are concurrently conducting business in India. Not only has this led to a rise in complexity, but it has also caused the emergence of a variety of ownership structures. This diversity in the ownership structures of banks, is precisely what makes it all the more challenging to study the contemporary prevalent compensation practices in the banking sector. Within this emerging framework there is a constantly expanding network of consumer demands and novel services. The success of the banking industry is largely based on interplay of various outcomes including kind of services, consumer satisfaction and socio–economic growth.

Today, Compensation practices in the Indian banking sector can be viewed across a varied spectrum ranging from one extreme to another. On one hand, we have private banks, wherein, compensation practices are affected by local market conditions, also, which are guided by national market conditions for deciding the pay packages. On the other hand, we also have banks for which compensation is determined by bipartite settlements and the final approval is given by the government. There are also foreign banks, which practice compensation based on norms laid by their parent countries. The present study is an attempt to understand the complexities which exist in the Indian Banking sector, limiting or facilitating its growth and development. The focus of the study will be on banks of Indian origin having varied ownerships structure, as the Compensation policies of foreign banks are mostly determined by the Human Resource personnel in the parent country. The fundamental objective of the study is the identification of core areas and challenges confronting the Indian Banking scenario with respect to compensation practices. In a nutshell, the study aims to provide an insight into the current problems associated with Indian Banks and look for viable and feasible solutions in addition to the well-researched ground work already available.

The study hold immense importance as in the modern economic scenario, which is plagued by the instability and interdependence of financial sector, Indian banking sector has stood the test of time and has earned appreciation across the world for its sound fundamentals and effective management. The Indian Banking Services have become an extensive base for the world to invest, reap and save for the long term benefits. In the domestic economy, Indian banks have played a multifaceted role ranging from being agents of financial inclusion to prime movers of credit flow across the nation's diverse length and breadth.

The current compensation system adopted by the banks is a result of years of wide ranging negotiations, recommendations of expert committees, deliberations over probable outcomes and long-felt concerns of the banking employees. However, compensation is actually a two-edged sword, where there is often a trade-off between the cost borne by the employer on one hand and satisfaction obtained by the employees, on the other. Nonetheless, it is extremely vital to recognize the fact that human resources should be an asset and not a liability for an organization. This is the foundational principle, on the basis of which, compensation structures in the industry are usually designed and deployed. It therefore becomes imperative that we create more compensation facilities to the employees which in turn will boost their work efficiency and serve as motivating instrument.

For this, we need to view the patterns of evolution of compensation practices historically, with reference to the Indian context. The evolution of compensation structure can be traced back to the times when banks were the prized possessions of the elite. During these monopolistic times, the government had absolutely no role in determination of compensation structures. The employees, on the other hand, lacked not only the voice to raise their grievances but they also did not possess sufficient alternatives to choose from. The wages and salaries were decided by the managements of these privately owned banks. With the emergence of IBA (Indian Banks' Association), the compensation structure underwent a massive change.

In the early seventies, interestingly, the slabs of officers at banks were at par with the 'Group-A' officers of the Government of India, which led to the creation of a flutter amongst certain sections. Irrespective of that, today, the new-generation private banks have surpassed even these structures. This has leads to certain concerns being raised by the public sector banks-dominating the Indian financial sector, which rightfully deserves credit for the sector's resilience and its rock strength to bear the financial avalanche of recent years. There is a lot of difference in the emoluments between the new generation private sector banks and of the public sector banks covered by Indian Banks' Association (IBA). The concerns are primarily about bridging the gap between productivity and profitability, so that, a sustainable and an operationally feasible compensation structure can be developed on a long-term basis.

A Brief History of Banking in India

The first bank, in India, The General Bank of India was established in the year 1786. (Kothari. R, 2010) [91]. From 1786, till today, the journey of Indian Banking System and along with it, the evolution of current salaries and wages in the banking industry has been segregated into four distinct phases, for the purpose of appropriate analysis: The Phase I describes the early phase of Indian banks-1786 till Independence of India, Phase II discusses the banking sector reforms: 1947-1969, Phase III enumerates the Nationalization of banks to Liberalization of the Indian banking sector: 1969-1991, and last phase which is Phase IV deals with the new phase of Indian banking system with reforms after 1991. The Salient features of these stages have been discussed in brief.

Phase I: The beginning of banking sector in India started with the establishment of The Bank of Hindustan for undertaking various banking operations. However, this bank could not survive due to the failure of its parent firm to live up to its commitments. The Indian government by then had also realized the need for developing modern banking in India. Thereby it established The Bank of Bengal in 1809 in the form of a Presidency Bank. Thereafter two other Presidency Banks, namely The Bank of Bombay and the Bank of Madras, were established in 1840 and 1843 respectively. These banks continued to stay afloat irrespective of the heavy losses they stared at. At a point, the Bank of Bombay had run out of liquidity, however, it was saved from going adrift by timely government intervention. From the employees point of view the situation was not very favorable for the bank employees as they were made to work on the terms and conditions of the employers which were employer centric in nature. The working hours were not fixed and no overtime was paid. The wages and salaries were independent of the market conditions. Also the employee performance and cost of living were just based on the management's will.

During that time many banks had sprung up like mushrooms and had failed mostly due to indulgence in speculation, massive mismanagement, heavy fraud and absolute failure of their parent companies. The employees of these banks became jobless due to the failure of these banks. The Indian Government had realized that there was an acute need for a national bank to run the accounts of the government efficiently. Bearing this in mind, the Imperial bank of India was established in 1921 by the amalgamation of all the three presidency banks. The first concrete proposal emerged as a result of the recommendation of the Hilton Yong Commission (1926) and the bill, to constitute The Reserve Bank of India, was introduced in the Legislative Assembly in January, 1927. In due course of time, The Reserve Bank of India, as we know it today, also came into existence in the year 1935.

The period leading up to the independence was a difficult period for Indian banks. A large number of small banks sprang up with low capital base, although their exact number was not known. The organized sector consisted of the Imperial Bank of India, Joint-stock banks (which included both joint stock English and Indian banks) and the exchange banks dealing in foreign exchange. During this period, a large number of banks also failed. This was due to several factors. This period saw the two world wars and the Great Depression of 1930. Although global factors contributed to bank failure in a large measure, several domestic factors were also at play. Low capital base, insufficient liquid assets and inter-connected lending were some of the major domestic factors. When the Reserve Bank was set up in 1935, the predominant concern was that of bank failures and of putting in place adequate safeguards in the form of appropriate banking regulation. Yet, even after more than twelve years after the establishment of the Reserve Bank, the issue of strengthening of the Reserve Bank through a separate legislation did not come through. The major concern was the existence of non-scheduled banks as they remained outside the

purview of the Reserve Bank. Banking was more focused on urban areas and the credit requirements of agriculture and rural sectors were neglected. These issues were pertinent when the country attained independence.

The pre-independence period was largely characterized by the existence of Private Banks organized as joint stock companies. Most banks were small and had private shareholding of the closely held variety. They were largely localized and many of them failed. They came under the purview of the Reserve Bank that was established as a central bank for the country in 1935. But the process of regulation and supervision was limited by the provisions of the Reserve Bank of India Act, 1934 and the Companies Act, 1913. The indigenous bankers and moneylenders had remained mainly isolated from the institutional part of the system. The usurious network was still rampant and exploitative. Co-operative credit was the only hope for credit but the movement was successful only in a few regions. During this phase the various banks' employees had disputes on the issues of wages and salaries, promotions and working conditions. There were no uniform service conditions for the employees working in the industry. The state governments referred the disputes for adjudication with the intention of giving some relief to the bank employees. These were known as Awards. The first adjudication took place in 1946 when Justice H. U. Devatia was appointed as an adjudicator in 1946 to resolve the dispute between Bank of India Ltd. and its employees. This marked the end of phase I of Banking Industry in India.

Phase II: In the post-independence era, India chose to have a mixed economy system to encourage the parallel growth of public and private sectors to thrive with the competitive zest and to work together for the economic development and reconstruction after a long colonial rule. To make the functioning and activities of public banks more efficient, Government of India came up with the Banking Companies Act, 1949, which was later changed to the Banking Regulation Act, 1949. Once financial operatives and structures had been put in place, this phase gave way to the beginning of another era. The government was taking various initiatives in the banking sector to build a sound economy. Like, in 1955, the government nationalized the Imperial Bank of India and a new name "State Bank of India" was given to it (RBI, 2014) [245]. It started offering extensive banking facilities, especially for the rural and semi-urban areas, which at that point, were facing immense neglect and were considered to be the bastions of poverty. Thereby, with focus changing from an elite clientele to the remotest villages in the country, banking services were extended to all of India after 1969.

The banking scenario that prevailed in the early independence phase had three distinct disquieting features. One, bank failures had raised the concerns regarding the soundness and stability of the banking system. Two, there was large concentration of resources from deposits mobilization in a few hands of business families or groups. Banks raised funds and on-lent them largely to their controlling entities. Three, agriculture was neglected insofar as bank credit was concerned. A major development during this period was the enactment of the Banking Regulation Act empowering the Reserve Bank to regulate and supervise the banking sector. These powers become necessary as banks continued to fail even after the Independence, although the number of banks that failed declined. The Reserve Bank was fairly successful in improving the safety and soundness of the banking sector over time as several weak banks (most of which were non-scheduled) were weeded out through amalgamations or liquidations. As a result, the number of non-scheduled banks declined sharply from 475 in 1951 to 20 in 1967 (RBI, 2008). The banking sector grew steadily due to the impetus from the 'multiplier' effect of large public investments that led to higher incomes and structural changes in the economy during this period.

With the advent of planning for economic development and the growing social awareness of the role of bank credit in the economy, it was felt that the then commercial bank lending system had little social content and that it aided concentration of economic power. It was felt that the system was unresponsive to the needs of the weaker sections of the economy, small industry and agriculture, as it concentrated on lending to large customers. Although the Indian banking system had made considerable progress in the 1950s and the 1960s (RBI, 2008), the benefits of this did not flow down to the general public in terms of access to credit. This was primarily due to the nexus between banks and industrial houses that cornered bulk of bank credit, leaving very little for agriculture and small industries. Such an distribution of bank credit was not consistent with the goals of achieving equitable allocation of credit and the relative priorities set out in the Five Year Plans. The credit gaps between the requirement and supply of institutional credit were not necessarily filled by the co-operatives (RBI, 2008). Efforts, therefore, were made to increase the flow of credit to agricultural development.

Phase III: A milestone in the Indian banking sector was achieved in 1969 when, 14 commercial banks in the country were nationalized (RBI, 2008). The scenario in the Indian financial sector changed radically after 1969, but soon after, a series of problems erupted in the governance of banking. These included- the negligence of banking prudence, constant government interference through monetary policy changes, and mutualisation of advances to different sections of borrowers (Kumar, 2003) [75, 95]. These factors led to the gradual rise of inefficiency and distortion in the banking sector. With these initiatives, 80 percent of the banking sector in India came under government ownership. The various banks' trade unions demanded immediate nationalization of the entire banking. The government nationalized six more banks in 1980 in addition to the fourteen banks in 1969 (RBI, 2010). With this, the Government of India brought over 91 percent of the banking industry within the purview of the public sector. During this time unions had become very strong, there were various employee-employer disputes. The quality of services had declined because of the militant unionization in banks. Also, the pay and benefits at this time were decided by the government.

In mid-1980s a series of small steps were initiated towards *liberalization* aimed at improving profitability, health and soundness of banking sector. As part of this process, the Reserve Bank took a number of initiatives towards liberalization. With a view to providing some relief to borrowers with a good credit record and at the same time to provide flexibility to banks in the matter of interest rates charged to their borrowers, the ceiling on all lending interest rate was removed, subject to a minimum rate. Banks were given discretion to charge differential rates judiciously to categories other than those being provided credit at concessional lending rates. The process of expansion in the banking network in terms of geographical coverage and heightened controls affected the

quality of banks assets and strained their profitability. In response to these developments, a number of measures were undertaken in the mid 980s for consolidation and diversification and, to some extent, deregulation of the financial sector. These measures of mid-1980s were, however, small steps considering the kind and extent of controls/regulations that came to prevail. From the bank employees' perspective these years were favorable, as more jobs were created do to the expansion of nationalized banks, establishment of IBA in the year 1966 was a major landmark in the history of compensation management as pay scales were formulated, organizational hierarchy of the nationalized banks was laid, promotion policies and other service conditions were decided. Major reforms occurred in the next phase following structural reforms initiated by the Government in the early 1990s.

The banking sector in India also suffered from severe structural problems, which were later highlighted by *Narasimham Committee* as well. Policy induced rigidities such as excessive central direction to the banks severely affected the viability of banking sector. By early 1990s the banks in India had turned out to be inefficient, unproductive and financially unsound. If we compare with International standards of that time Indian banks were extremely unprofitable, in spite of rapid growth in deposits. The performance of the banking sector was also adversely affected by state policies that controlled banks from 1960s to mid 1980s, such as, statutory preemption that required banks to hold government securities, interest rate controls, direction in relation to where funds be utilized and state monopoly with entry restrictions that left no scope for effective competition, affecting efficiency and customer orientation.

Before turning our attention to the major reforms post 1991, it is worth examining the *economic environment and the immediate events* that led to them. The distortions were not confined to the banking sector alone. The problems in other parts of the economy also had repercussions on the problems of the banking sector. The *Balance-of-payment* crisis due to current account deficit, expansive fiscal policy, faulty exchange rate policy, deterioration of fiscal discipline coupled with unproductiveness of nationalized banks created a need for major reforms. In the 1980s, India's fiscal deficit rose from 6 to 8.4percent of GNP and the reason was higher public spending by the India's central bank. As a result, inflationary pressure grew and the government so as to obtain additional funds to pay for public consumption increased CRR and SLR, which in turn, led to a crowding out of private investment. This expansive fiscal policy resulted in increase in current account deficit from 25percent of exports in 1982-84 to 40percent of exports in 1985-90. (Cheema and Aggarwal, 2003) [29]. India had to borrow from *International Monetary Fund (IMF)* and from commercial sources to cover the shortfall in balance-of-payments. Deficit was also as a result of India's exchange rate policy, which had resulted in almost complete stagnation of exports. The full extent of structural problems was exposed at the beginning of Gulf War in 1991. The war had led to increase in oil prices and for the export of Indian goods Iraq was cut off as an export market. Remittances dropped and foreign exchange reserves dropped to less than the cost of two weeks' imports. This period also witnessed a general slowdown in world trade which further aggravated the problem for India. Despite the second stage of nationalization, a need for liberalization in banking was felt, which finally took place in the year 1991, marking another milestone in the Indian banking history. This milestone was soon to welcome another phase of India's financial story.

Phase IV: In 1991, under the chairmanship of M. Narasimham, a committee was constituted, which worked for the liberalization of banking practices. The main aim of Narasimham Committee for introduction of policy reforms was to make the banking industry more competitive, profitable and vibrant in the long run. In simple words, the committee was supposed to infuse life into an ailing and increasingly stagnating banking industry. This is precisely what led to the liberalization of Indian banking industry in 1991, after which many foreign and private sector banks entered the industry. This gave rise to an environment of competition, enhanced productivity and increased vibrancy in banking operations. Other achievements in the post-liberalization phase include operational freedom to banks, deregulation of interest rates, reduction in the Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR), introduction of international norms of accounting, income recognition, etc (Shrivastava, Pandey and Vidyarthi, 2007) [192].The planned relaxation in the policy of Foreign Direct Investment with respect to the voting rights of the Foreign Investors with certain limitations has today encouraged more foreign banks to enter the banking sector of India, and thus, has marked the next stage of development the banking sector of India (Guba, 2012) [58].

Notwithstanding the liberalization process started in 1991, the effect of the process took a decade for Indian banking industry to respond to a structural adjustment. Indian banks witnessed an unstable era in the form of intense competition in the second phase of Liberalization, post 1997-98. It created intensive competition through easier entry and greater foreign participation. It opened many opportunities for growth because of the removal of artificial barriers on pricing and output decisions, investments, mergers and acquisitions, Joint Ventures, technology imports, import of foreign capital etc. It enabled corporations to expand, diversify, integrate, and globalize more freely. Economic restructuring also had a reflective impact on effective management of organizations and employees' performance (Som, 2006) [201] in the face of superior competition (Khandwalla, 2002).

All this had direct implications for *HRM* in the Indian banking sector (Krishna and Monappa, 1994) and banking personnel specialists were under pressure to bring about large-scale structural changes in their organizations in order to cope with the challenges brought by economic liberalization. Banks have now become highly careful in regard to certain broad areas of HRM policy, like, careful investment in recruitment and selection, provisions for training and employee development, performance management and appraisal and appropriate payment systems including some form of incentive bonus component.

Over staffing was one of the ills recognized by the second Narsimham committee report (April 1990). *Voluntary Retirement Scheme (VRS)* in Public Sector Banks was formally taken up by the Government of India in November 1999, with a view to rightsize the over staffed banks. As per the recommendation of the Ministry for Human Resources committee, the Government permitted the Indian Banks Association (IBA) to circulate the voluntary retirement scheme to Public Sector Banks as per their individual manpower planning. It became operational after adoption by the respective bank's Board of Directors. The scheme remained open till March 31, 2001.

The scheme envisaged to assist banks in their efforts to optimize the use of human resources and achieve a balanced age and skills profile in tune with their business strategies. It also enabled banks to rationalize labor, strength, attain cost effectiveness and go well into strides once again. The schemes was offered by 18 Public Sector Banks (PSBs) employing 7,35, 977 employees out of which around 14 per cent opted for Voluntary Retirement Scheme. The scheme followed guidelines issued by Indian Bank's Association. Banks had been asked to undertake a complete manpower planning exercise before offering VRS. Employees referred to VRS as *"golden handshake"*, trade unions called it *"Voluntary Retrenchment Scheme"* (Suri & Poonam, 2003) [212].

Today, the country has many public and private banks conducting businesses concurrently. Efforts are being by banks put to give a satisfactory service to customers. Phone banking and net banking have been introduced. The entire system has become much more convenient and swift as compared to its precedents. 'Time' is of utmost importance in all monetary transactions and banking being a part services sector is now envisaged as being more 'Customer Oriented' and 'People Friendly'.

Owing to consistent and regulated efforts, the financial system of India, as it stands today, has shown a great deal of resilience in the face of severe crunches. It has been sheltered from crises triggered by external macroeconomic shocks, which other East Asian countries have often suffered and given in to. This has been possible, solely due to a flexible exchange rate regime, high foreign exchange reserve, the not-yet fully convertible capital account, and the limited foreign capital involved, which in itself has been an outcome of the will to reform and the zeal to restructure.

It is in this context it becomes imperative to study how different banks in a developing country and emerging world market like India, through their innovative compensation practices strive to attract and retain the best talent. It would also be interesting to analyze and compare how different banks in this post reform competitive environment, through their compensation packages, are able to achieve motivated and performing work force. In the Indian context it would also be important to draw a comparison between public sector banks and private banks in terms of the compensation practices they adopt to achieve these organizational objectives. Comparing public and private banks holds immense importance not only because of the different practices they adopt, but, also due to the fact that public banks compensation practices come from a different historical background of achieving social objectives.

Human Resource Practices of the Indian Banking Sector

The employees of any organization are most important, especially in a financial institution. The whole edifice is based on the confidence of the public and its unending patronage and support in the form of deposits. The management recognizes that the employees constitute an important section of the concern and it ensures positive relationship between the employer and the employees in the interest of more productivity and efficient functioning. The patronage and support of public transactions with a bank are to be channelized through peaceful and cordial relations between the bank management and its employees. The harmonious relations can be achieved by resolving the disputes or grievances through negotiations and bipartite settlements which are to be held in congenial atmosphere. These recent means of easing the tension between the employees and the management are the result of planned efforts pursued with long endurance and adjustability. In the absence of set of guidelines to hold deliberations and to arrive at a settlement, the employees had to wait for the right time to express their problems and to resort to informal meetings with the management at latter's will. But now, the employees could achieve a major breakthrough by establishing institutional and formal means to get their grievances redressed.

Human resources are increasingly being recognized as a potential area of core competence by the Indian financial sector. Skill development is being visualized as the pivot around which the twin objectives, of staff retention and manpower quality, revolve. This is being achieved through in-house training agencies as well as hiring expert agencies and individuals, external to the organization.

Regarding employment, public sector has shown a greater rise as compared to the private sector. However, there is a difference in the composition of recruitments in the public and the private sector. While private sector is increasingly moving towards an officer-oriented system, public sector banks' workforce is still constituted substantially by the clerical staff. The massive technological investment by the private sector vindicates its choice of high-skilled human capital in the form of officers. The former anyway, replaces the crowding of labor at clerical level. Adopting the officer-oriented system has facilitated multi-tasking, promotion of flexibility and provision of long-term profitability. This distinction in composition has major repercussions on the performance and practices in the organization. These practices subsume all the practices regarding compensation including rules governing pay and pay raises, practices that revolve around performance of employees, training, hiring, staffing and selection, job designs and benefit structures.

Analyzing the differences, in public sector banks, compensation is seen to be structured in such a way that there are lower differentials between employees, long-term tenure is rewarded, and there is a high base pay. On the contrary, private and foreign banks include fewer rewards for tenure, larger pay differentials, and individual incentives are high. Regarding the practice of hiring and selection, public sector banks invest heavily in screening, whereas, the practices in other banks are more market based. Public sector banks place a lot of emphasis on training, whereas in the private and foreign banks training is emphasized according to necessity. In terms of staffing, in the non-public sector banks the staffing policy is hire and fire at will, dictated one with a contractual workforce and a good job performance for survival in the bank is a must. Public sector banks, on the other hand, are committed to employment security and have a full time workforce. In private banks, definite and strictly monitored targets drive the employee's career progression. Finally, in terms of the practice of work organization, Public sector banks have relatively narrow jobs with a steep hierarchy, whereas, the other banks have broader jobs and a relatively flat hierarchy (Errol D'Souza, 2002) [31, 40].

The Human Resource Management is influenced by the internal labour market (Doeringer and Piore, 1971) in public sector banks, where, the major human resource allocation policy is promotions, as there are limited ports of entry and top management positions are decided by merit and the frequency of promotions depends on vacancies. However, the way promotions are structured, they neither perform a sorting

function – allocation of individuals to their best use, nor they provide incentives to employees to exert the effort consonant with the higher salary that goes with the higher position. This is because the pay structure in Public sector banks is compressed due to the nature of the wage setting process, where unions bargain to minimize the distance between their earnings and that set by the government for the Chairman and Managing Director. Also, work culture gets adversely affected as those who do not have the opportunity to be offered a higher level job put in lesser effort and even collude to shirk. Deregulation and increased competition in such a scenario does not act as a disciplining force for enhancing the efficiency of public sector banks. With the implicit insurance by government of support in times of financial difficulty the public sector banks sensitivity to efficiency has been reduced which has resulted in growth in establishment costs at the expense of provisioning and expenditures on technological up-gradation. It is only when public sector banks perceive that the government will not be underwriting their decisions and that they face a hard budget constraint, will they have an incentive to tackle the problem of establishment costs and be able to upgrade technologies, provide better quality services, and become more efficient. The motivation for employees in an efficiently run organization cannot be solely based on rewards such as power and prestige as these are not linked to the performance of an organization. The challenge for public sector banks accordingly is to upgrade technology, downsize, shift the composition of the employees towards officers, introduce multitasking, and a stronger link between pay and performance (Errol D'Souza, 2002) [31, 40].

The HR Practices, as visualized today, form a relation with the salary and wage settlements of the Indian banking industry. For the achievement of this purpose, the entire banking industry has been organized into a single entity which deals with various aspects of its management and functioning. Indian Banks' Association, commonly referred to as IBA, has become a platform for both - the employees and the employers to come together and deliberate upon the multi-faceted problems which have the potential to hamper cordial employer-employee relations. IBA primarily interacts with AIBEA i.e. All India Bank Employees Association, BEFI or Bank Employees Federation of India and NCBE i.e. National confederation of bank employees in order to pursue collective bargaining on issues of mutual importance.

Currently, the issues which have been brought forth concern wage settlement and service conditions. Further, these banks yearn for an opportunity to negotiate on crucial issues such as productivity, trade union practices, redeployment of staff, quality of discipline and other specific problems. The current arrangement, has in fact promoted rule orientation and standardization. This has led to rigidities in job roles, culture of entitlement, restrictive mobility, and restrictive practices. By placing the performers and non-performers on the same pedestal, the arrangement in fact, ends up incentivizing the non-performers while penalizing the performers. This ultimately hampers the appropriate customer service delivery. There is a need to strive from a culture of standardization to a one that stands high on the pillars of professionalization and innovation in the arena of human resource.

In the midst of this structure, Reserve Bank of India (RBI), as the principal employer, functioning on behalf of the government, conducts a staged intervention at different levels and ensures fluidity in communication, thereby leading to a continuation in accordance with government policy. The Ministry of finance also needs to ensure that the recommendations rendered at different times, by a variety of committees and working groups which have been appointed for the same are kept in view and adhered to. In addition, the principal governing body also issues instructions which form the basis of Industry-HR interaction. As has been viewed in the past, these instructions have formed a viable basis for setting up institutes, organizing training, conducting research and multiple other similar initiatives. Fundamentally, the Ministry of Finance acts as a supervisor-cum-governing body that has a defined mandate. It includes ensuring and assuring the development, and improving and fulfilling the needs and requirements of both industrial operative structures and human resources. The Indian banking sector has, in this regard, come a long way. Currently, the presence of these mechanisms has proved to be a boon in the arena of consistency, efficiency, profitability and enhanced productivity.

In comparison to public banks, the other Public Sector Undertakings (PSUs) have respective Wage Boards for the determination of their wages, salary and benefits. The origination of Wage Boards in India dates back to the year 1931, when the Royal Commission on Labour suggested the establishment of a separate body for determination of workers' wages, called Wage Boards. In the 1950s and 1960s, when the organized labour sector was at a nascent stage its development without adequate unionization or without adequate bargaining power, government in appreciation of the problems which arise in the arena of wage fixation due to absence of such bargaining power, constituted various wage boards. This plan was finally put into action in 1957 with the inception of the first Wage Board. According to Singh (2007) [196], the purpose of Wage Boards is to provide better climate for industrial relations, represent consumers/public interests, standardize the wage structure throughout the industry concerned, and align the wage settlement with social and economic policies of the government. It is a tripartite forum that consists of equal representatives of employers and workers and an independent Chairman.

Compensation and wages, along with working conditions have been the prime elements of most of the strikes which took place, after independence. In fact, they fall under the most important drivers of motivation as illustrated by various renowned motivation theories. The compensation structure as we see today has evolved over decades and is primarily a result of numerous reactive processes. There were the times of 1940's when the employees worked without a voice or without the guarantee of rights, in unfavourable conditions. They had stretched working hours and low remuneration. To add on to their woes, there existed a constant underlined fear of losing the job, thus making the situation go from bad to worse. This was challenged by the landmark strike called by the Bank of India's staff union. This brought about the Divatia Award which made various provisions, thus giving employees a number of facilities such as pay scale, gratuity, annual leave etc that were absent hitherto.(Economic Weekly, 1950) Subsequently, the Industrial Disputes (Banking and Insurance Companies) Act in 1949 brought banks under the overall control, regulation and supervision of the central government. This also led to the much sought after, uniform human resource practices from then onwards.

At the fag-end of 1960's, strong and aggressive unions ruled the roost. They vociferously raised issues pertaining to wages,

salaries, promotion and welfare measures. The workers had an upper hand in the background of overall socialistic fervour and equitable society. The militancy however began to decline by mid-80s. The liberalization of the financial sector and SBI managements' agreement with its union in 1989 on computerization, replaced the hitherto prevalent one-sided bargaining process by introducing the concept of decentralized bargaining. The unions started losing their support base in employees as also the attitudinal change amongst unions started showing.

A Brief Review of Studies done on HR issues of Bank Employees in India

Public sector banks in India have quite often been chosen by researchers for their interest in pointing out areas of improving efficiency and productivity in the banking system. Ramanujamin 1979 [163] undertook such a research to review the recommendations of James Raj Committee on the functioning of public sector banks in India and concluded that employees training on soft skills and customer orientation were one of the prominent areas where public sector banks were lagging. Insufficient training initiatives had created a paucity of trained staff in the Indian banking sector. Moreover, lack of supervision was also identified as a key problem. Ramanujam also reviewed the Committee's observations regarding work environment and confirms that work environment does affect employee efficiency. It was found that in public sector banks, the head offices are usually well-furnished and offer luxuries to the employees, but on the other hand, the branch offices lack even the basic amenities (Ramanujam, 1979) [163].

In 2008 a first-hand research effort was made by the College of Agricultural Banking where a group of Indian bankers were taken to Thailand and Malaysia to identify the gaps in Indian banking system and learn best practices followed by banks in the selected countries. The participating banks were mostly the public sector banks in these countries. The study found that banks usually adopt a 'one size fits all' approach towards employees which is incorrect. The study brought into focus that generation gaps exist among employees working together as a team in banks and these gaps must be recognized because employee motivation differs according to age. It was also established by the research that Indian banks need to develop a bond between employees of different ages and create a family like environment in the organization for enhancing operational efficiency (Bhattacharjee, 2008) [18].

Another research undertaken to study employees' experience with nationalized banks in India conducted by Bargal *et al.* included a primary survey of employees of public, private as well as foreign banks in India. The study found that liberalization of the Indian economy proved to be a turning point for banks from both organizational as well as employees' perspectives. The employees made complaint about overburdening and stress due to shortage of manpower. Liberalization increased the numbers of banking transactions but recruitments were not made accordingly causing overburdening of the bank staff. Moreover, voluntary retirement scheme was also stated as an important reason behind this by the employees. The study also identified lack of trust among employees because the promises made to them were not fulfilled. The employees also revealed dissatisfaction regarding lack of growth and insufficient training opportunities offered by their banks. Existing training was not considered sufficient in times of rapidly changing technology.

An attempt to explore the difference in job satisfaction levels of employees working in public and private sector banks of India was made by Shrivastava and Purang in 2009 [191] under their research. The study included a primary survey of the employees and identified that the difference lies in their basic opinions about job satisfaction. It was found during the study that the factors in a job that satisfy employees of a private bank and those of a public bank differ from each other. While public sector employees shown satisfaction about the higher job security that their job offers, the employees of private sector banks perceived greater satisfaction in pay, growth opportunities and social status that their job offers.

A study by Errol D'Souza on human resource practices in public sector banks in India in the nineties established that in public sector banks, the compensation structure of the employees is designed in such a way that salary differentials among staff at managerial levels are very low. The study claimed that in private and foreign banks, the difference in salary among staff are very high i.e. there is a complete range of salaries from high to low. Moreover, the study also concluded that in public sector banks, the emphasis is laid on higher basic salary whereas in private sector and foreign banks, emphasis is laid upon higher incentives. The study also identified differences in other human resource practices among these banks in terms of training of employees and staffing policies. Public banks according to the study lay more emphasis on employee training as compared to private and foreign banks and offer more job security also. The study claimed that in private and foreign banks, employee training is organized only when needed and there is little job security (D'Souza, 2002) [31, 40].

Although banks have well understood that building human capital is the most essential ingredient of success today, there are still several human resource problems confronting Indian banks. One of the primary areas of concern is human resource training and development (Singh, 2013) [197]. A number of new banking products are being launched by banks on a regular basis to meet changing requirements of the target audience but the employees are not provided enough training on new products offered by their banks. Meeting the clients with partial knowledge on products put employees into a situation of embarrassment and affects their confidence negatively.

Another major HR issue especially in public sector banks relates to lack of motivation among employees. The employees are neither well rewarded for good performance nor they are punished for poor performance. This kind of a workplace culture discourages employees to perform and compel performers to switch to private and foreign banks where performance is rewarded (Dhanorkar, 2010) [39].

Rao and Varghese (2009) [166] identified in their research the major Human Resource Development challenges in India and compensation was among them. They established that India lacks skilled manpower and this compels firms across industries to poach employees further leading to attrition and affecting employee development. Although the industry compensation standards may be fixed, these factors create differences at the organizational levels.

In addition to these above stated HR issues, Bhatnagar and Sharma (2007) find out, an important fact, that, HR managers are not directly involved in strategy formulation and they hardly get any representation on the Board of Directors. Further the study concluded that there are differences in the perceptions of

line managers and HR managers which should not be there. According to Bhatnagar and Shamra (2007), HR managers are the 'nerve centre' of an organization and there should be proper division of jobs between line managers and the HR managers. The HR managers should be freed from routine jobs and rather must be made to focus more upon strategic issues.

Scope for future research

The study was only based on the secondary sources. The future research can be done by using primary sources of data like interviewing the bank employees and HR experts. Also there should be more emphasis of public sector banks promotion and advancement policies. The future of any economy lies in proper functioning of its banks which is only possible if right talent is hired and retained.

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