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# CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	<b>ROLE OF SELF-AWARENESS IN STRATEGY FORMULATION PROCESS</b> <i>KURIAN MATHEW</i>	1
2.	<b>CHALLENGES OF HUMAN RESOURCE MANAGEMENT IN PUBLIC SECTOR BANKS IN INDIA</b> <i>DR. AMIT KUMAR BANSAL &amp; SARITA BANSAL</i>	5
3.	<b>PRODUCTIVITY OF AGRICULTURAL EXTENSION PACKAGE (CASE OF WOLAITA ZONE)</b> <i>TADELE TAFESE HABTIE</i>	9
4.	<b>PATTERN OF POPULATION GROWTH DURING 1901 TO 2011 IN THE INDIAN HIMALAYAN REGION</b> <i>DR. B. R. PANT</i>	13
5.	<b>A STUDY ON RURAL CONSUMER AWARENESS AND BRAND PREFERENCE OF INSTANT FOOD PRODUCTS (WITH SPECIAL REFERENCE TO VADAKARAPATHY PANCHAYATH)</b> <i>DR. P. S. CHANDNI &amp; JENIFERSARA.D</i>	27
6.	<b>ROLE OF MICRO-FINANCE INSTITUTIONS IN DEVELOPMENT FOR UNDERPRIVILEGED IN HARYANA STATE AMONGST WOMEN: AN EMPIRICAL STUDY</b> <i>RAVI DUTT &amp; DR. R. K. SHARMA</i>	32
7.	<b>IMPACT OF TOURISM ON INDIAN ECONOMY</b> <i>DR. JASJEET GILL</i>	37
8.	<b>FACTORS DETERMINING WOMEN SHOPPING BEHAVIOUR</b> <i>SHILPA BAGDARE</i>	40
9.	<b>REVIEW OF CHANGES IN AGRICULTURE SECTOR IN PUNJAB</b> <i>DALVIR SINGH</i>	44
10.	<b>EFFECT OF BANK CREDIT ON FINANCIAL PERFORMANCE OF FIRMS IN INDIA</b> <i>DR. NEELAKANTA N. T.</i>	52
11.	<b>FACTORS INFLUENCING PASSENGERS' SATISFACTION TOWARDS SERVICES PROVIDED BY KADAMBA TRANSPORT CORPORATION WITH REGARD TO SHUTTLE SERVICES IN GOA</b> <i>GOURI K. MANERKAR</i>	55
12.	<b>A DESCRIPTIVE STUDY ON THE CHALLENGES FACED BY THE MANAGEMENT IN PSEUDO-MODERN ERA</b> <i>SAI JANANI &amp; A. ABIRAMI</i>	58
13.	<b>COMPARATIVE ANALYSIS OF INDIAN Vs. GLOBAL SMARTPHONE MARKETING STRATEGY IN INDIAN MARKET</b> <i>ASHISH KUMAR, VARUN KHARE &amp; DR. KOMAL CHOPRA</i>	60
14.	<b>RECURRING FAILURES IN CORPORATE GOVERNANCE: A GLOBAL SYNDROME?</b> <i>KRISHNA A KAPADIA</i>	66
15.	<b>A REVIEW PAPER ON LEADERSHIP AND POLITICAL COMMITMENT TO GREEN ECONOMY: THE CASE OF ETHIOPIA</b> <i>YESUNEH GIZAW CHERNET</i>	71
16.	<b>ENGINEERING EDUCATION IN INDIA: YESTERDAY AND TODAY</b> <i>SONY KURIAN</i>	76
17.	<b>FINANCIAL REGULATORY ARCHITECTURE: A REVIEW OF LITERATURE</b> <i>MANAS SHANKAR RAY</i>	79
18.	<b>CASUAL WORKERS AND THEIR WAGES</b> <i>MAMTA LAMBA</i>	83
19.	<b>ISSUES AND PROSPECTS OF FDI IN RETAIL SECTOR IN INDIA</b> <i>SADHANA SINGH</i>	90
20.	<b>IMPACT OF FOREIGN DIRECT INVESTMENT (FDI) ON ECONOMIC GROWTH</b> <i>CHIRANJEEV RANGA</i>	94
	<b>REQUEST FOR FEEDBACK &amp; DISCLAIMER</b>	97

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**CHALLENGES OF HUMAN RESOURCE MANAGEMENT IN PUBLIC SECTOR BANKS IN INDIA**

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**ABSTRACT**

*In the contemporary context, the Indian management mindscape continues to be influenced by the residual traces of ancient wisdom as it faces the complexities of global realities. One stream of holistic wisdom, identified as the Vedantic philosophy, pervades managerial behavior at all levels of work organizations. Human Resource Management has evolved considerably over the past century, and experienced a major transformation in form and function primarily within the past two decades. Driven by a number of significant internal and external environmental forces, HRM has progressed from a largely maintenance function, to what many scholars and practitioners today regard as the source of sustained competitive advantage for organizations operating in a global economy. In this article, we would be discussing the various issues that HR is facing in today's corporate scenario. A few challenges they have been able to overcome successfully but a lot of issues still need to be dealt with. We would be discussing issues HR is facing in the present and some strategies which, if adopted, can help the HRM to sustain better in the challenging and dynamic scenario.*

**KEYWORDS**

HRM, public sector banks.

**1. INTRODUCTION**

*R should not be defined by what it does but by what it delivers results that enrich the organization's value to customers, investors and employees".*

*– David Ulrich*

HR has been at the proverbial crossroads for far too long. Walking the fine line between demonstrating strategic value and providing traditional HR services, the industry remains stuck, as the business environment around it grows increasingly global and complex. It's a known fact that the pressure on organizations to excel, has resulted in organizational introspection to identify the keys to excellence and developing HR is one such key. The emergence of the global economy, overcapacity in many industries, monumental improvements in the power of computers and telecommunication tools, and the emergence of the knowledge economy are among the forces that are resulting in fundamental change in the design of HR arena of activities.

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

**HRM CHALLENGES IN PUBLIC SECTOR BANKS**

According to many experts from the banking sector, human resource management is the main area of focus for transformation of public sector banks. Narasimham committee (1991) on financial reforms has enumerated a number of problems relating to HRM in banking such as over manning, low man power productivity, indiscipline, restrictive practices, lack of management commitment to training etc. Some views of the experts and senior level managers from the banking industry in this regard are given below.

**RECRUITMENT AND SELECTION**

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

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

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

Janmejoy Patnaik (2004), Chief Manager (HRD), Central Bank of India opines that "recruitment policy should go beyond writing eligibility criteria. Man power planning and recruitment policies should be reviewed and institutionalized." "The average officer/employee age, recruitment norms, succession planning, compensation in PSBs in comparison with private sector banks is not favorable. Currently, the recruitment is based on general examination and formal process. Salary is uniform and there is no lateral hiring"- Dr. Janmejaya K Sinha (2004),

Vice President and Director, Boston Consulting Group. Anil, K. Khandelwal (2005), CMD, Bank of Baroda, also felt that "recruitment is not in tune with requirement". Training and development

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

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



## PERFORMANCE APPRAISAL

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

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

## PROMOTION

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

## COMPENSATION

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

According to Mohan Deshmukh (2004) "linkages of performance with rewards/punishments are not established. Productivity norms are not worked out on some rational and generally acceptable basis". J & nmejoy Patnaik (2004) opined that "compensation in most of the banks now follow low wages high employment model. The emerging model of banking would lead to some of the major paradigm shifts in core values....man power planning, recruitment, training and development, talent retention, succession planning, performance compensation, reward and punishment mechanisms are to be reviewed/institutionalized." DrJanmejaya K Sinha (2004) stated that as for incentive, the present status is tenure based fixed compensation and poor measurement. Anil, K. Khandelwal (2005) argues; "PSBs need to develop such compensation standards, which can provide a linkage between risk and reward, performance and payment. Though the current system of industry level wage settlement provides lesser leeway, slowly and surely the compensation system would have to be repositioned to take care of specific organizational needs".

## WORK CULTURE

A. K. Purwar (2004), Chairman, State bank of India stressed on customer focus. "Greater customer centric focus calls for greater employee involvement and motivation and change in mindset. Long used to working in a protected environment, staff in public sector banks is widely perceived to have low motivation and low involvement, and the lack of distinction between high performers and poor performers with no reward and punishment system has only added to the lethargy. Banks need to build a service culture using technology in a customer friendly manner. This requires reorienting HRD strategies in banks on an urgent basis and banks need to emphasize right size, right skills and right attitude". Other challenges in HRM are as per following:

1. Over manning
2. Low man power productivity
3. Employee unions

## OVER MANNING

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

## LOW MAN POWER PRODUCTIVITY

"In the banking industry the factor of non performers being let free should be properly addressed" - R. S Raghavan (2004)

According to Krishnamurthy, K.Y. (2004), "The entire gamut of public sector rules like reservations in recruitments, promotions and unionization have left us with lots of "Humans" but not adequate 'Resources'."

A.K. Purwar (2004) stated, "Long used to working in a protected environment, staffs in public sector banks are widely perceived to have low motivation and low involvement, and the lack of distinction between high performers and poor performers with no reward and punishment system has only added to the lethargy".

## EMPLOYEE UNIONS

According to G. S. Bhaskara Rao (2004), Management Specialist, Central Bank of India "HRM practices and policies in Indian banks have been evolved primarily through reactive processes, and were the matters of bilateral agreements between the managements and the representative Unions. The post-nationalization period had witnessed a phenomenal growth in the number of trade unions, encouraged by the management's continued patronage by way of leaving all matters. Relating to HR to the prudence of unions. Till the advent of financial sector reforms, the concept of "human" as an "asset" was not assigned much importance and the role of HRM was mainly focused towards maintenance of personnel, and thus was not attuned to the emerging business priorities".

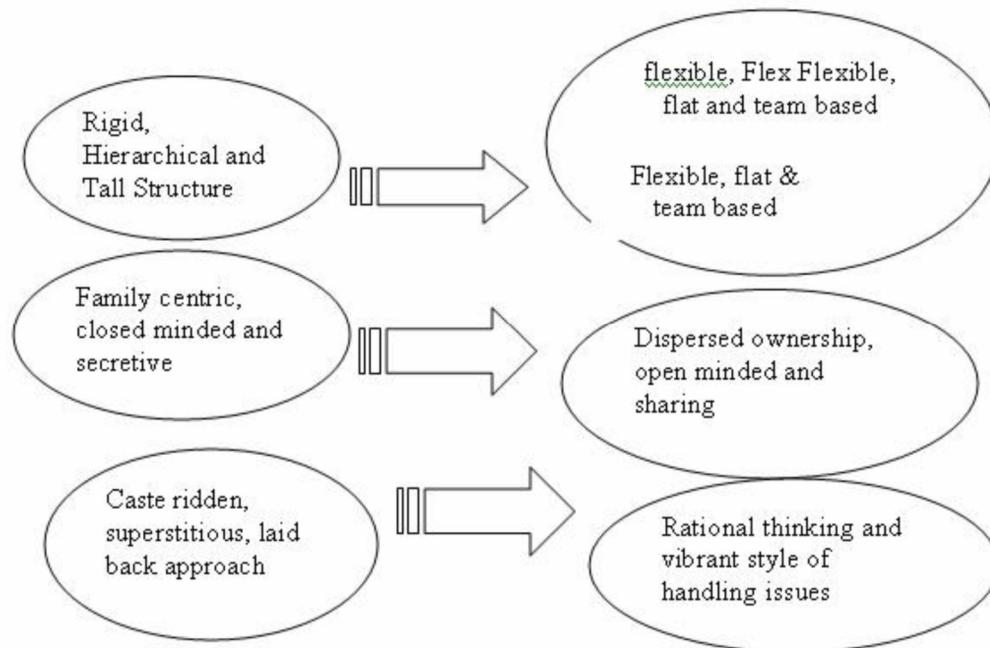
## THE COMMON CHALLENGES AND PITFALLS ALONG THE WAY

Forging leaner and higher capability HR functions and practices will not be easy in many organizations, Lambert. predicts. Firstly, it is clearly desirable that the key decision makers share an understanding of what they really want, and thence understand the realities of delivering real change in terms of resources and time – they will have a part to play, he says. Secondly, there may be generational issues at work, he adds. For example, is the HR leader sufficiently forward looking and change oriented to lead transformation? Is he or she sufficiently dispassionate about people and processes to effect real transformation, while still recognizing what is sensible to keep? Another common challenge is the paucity of business centered and transformation oriented talent available to fill the more demanding posts of the leaner, meaner functions of the future.

"HR leaders' need both to inspire high achievers with rounded experience to join, while ensuring the skill and knowledge is sufficiently high, and longer term career prospects look rosy, "Another challenge is to strengthen the will and ability of line managers to become more effective people leaders, and to require less hand holding by HR executives, at whatever level, he adds. Achieving this shift starts with HR's exertion of influence on leadership role models. "Of course, the context is potentially dizzying market and organizational change. HR needs to have the strength both to steer this and to effect more personal transformation – its own key executives need to be role models in their own right. "The crucial challenge for HR is to understand that change is endemic to society – and that business must accept the need for continuous renewal, Haffenden says. Understanding this enables HR to advance an organization's change agendas focused on the business context and how to create the type of organization where people flourish. Here, organizational development gets the context right and develops a flexible organization model while HR drives the people strategy. "The irony is that success in organizational renewal often leads to ossification and preserving the status quo because of complacency. This is the biggest danger that even good HR functions face. In addition, all functions face the challenge of using technology and its HR applications," Haffenden says If we look at the same situation in the Indian context, a project report on "Challenges in Modern Human Resource Management" (Vineet Kumar Sarawagi, 2010) explored HRM issues at companies like TCS, Godfrey Philips, Birlasoft and Indian Tobacco Company and found certain challenges faced by various companies, such as, maintaining workforce diversity, motivating employees (at TCS) communication, performance management, competency

development, compensation, career development (Birla soft), attrition, recruitment and training, retention (Indian Tobacco Company). These Indian firms are compelled to think globally which is difficult for managers who were accustomed to operate in vast sheltered markets with minimum competition from the domestic or foreign firms. Indian firms need to move from one end of the continuum to the other end as can be seen below:

FIGURE 1: THE COMMON CHALLENGES AND PITFALLS ALONG THE WAY



### THE HR PROFESSIONAL OF THE FUTURE

HR professionals will need to take a number of steps – both internally and externally – to ensure that the credible future of the function is ensured. “Perhaps the most important requirement is a combination of persistence, courage and influencing skills,” says Lambert. “This, combined with the knowledge of what are the right things to do, makes for a winning combination, as described to us, for example, by CEOs of HR leaders that they admire. “There are also some important skill areas that HR has been slow to address, and which are only recently starting to get the focus they deserve. “I would pick out firstly organizational design, which starts with jobs and roles and must incorporate a high level understanding of organizational economics, working processes and corporate identity,” Lambert says. Another much observed gap is knowledge of how to use and deploy technology – both for HR’s own use and to ensure that people issues are at the heart of technology decisions, investment and implementation. The third area for improvement is project management, Lambert says. There are disciplines and standards to be learnt that are still foreign to many personnel generalists. At the same time, the prevalence of change initiatives does mean that this is an area where HR has to learn the necessary tools and techniques. Focusing on this consciously as part of an HR skills program helps to make this a less painful journey, according to Lambert. Finally, there is the field of evaluation and measurement. So often the lyrics are along the lines of ‘it’s too hard to measure’ or ‘we’re working on it’ or ‘really, it’s an act of faith’, Lambert says. “This is changing – the methods and skills are clearly observable at work in the best managed organizations, which drastically reduces the tendency to adopt fashions without establishing a business case, and allowing bad behaviour to persist in parts of organizations like rotten apples that queer the barrel. However, for most in HR this still remains a steep hill to climb. “Haffenden echoes Lambert’s comments, and says there are a number of factors which define a HR professional of the future: · Demonstrable expertise in areas like OD, reward, learning and talent management. Becoming more business aware – understanding not just financial statements but, more importantly, globalization, competitiveness and commercial realities. Proven integrity, honesty and loyalty – so HR professionals can act as an organization’s confidante. Powers of analysis and judgment for circumstances, events and people – the need here is to size up situations accurately and apply solution.

### SUGGESTIONS

While pointing out the problems relating to the human resource management in public sector banks, the experts and high level HR committee which has representations from Indian banker’s association, Government of India, State bank of India and other Public Sector Banks, have suggested several measures for overcoming deficiencies. A summarized account of the measures suggested by them is as given under.

### RECRUITMENT AND SELECTION

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

### PROMOTION

- Faster promotions for meritorious officers and reducing the span to reach top management level from 25 years to 20 years.
- Merit and performance based promotions by reducing minimum eligibility years for CAIIB candidates and those who have served in rural areas.
- Written test and performance based promotions up to Scale IV.
- Reducing the maximum age limit at entry level for the officers.
- Capping the age for internal promotions from subordinate to non subordinate and from non subordinate to officer cadre.
- Career management system to make employees aware about availability of various career streams.
- Recognition of employees performing well will send right signals and boost morale of the work force.

- There is an urgent need to bring down the waiting period in each scale. Suitable fast track promotion policies for skilled specialized officers and performing general officers should be evolved.

### COMPENSATION

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

### TRAINING AND DEVELOPMENT

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

### TRANSFER

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

### WORK CULTURE

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

### CONCLUSION

It is the prerogative of the HR professionals to remove these misconceptions by acting as a vital link between the strategic and operational functions in an organization. Thus, if an organization has chosen to invest in an HR department as part of its strategy to deal with the human issues of the enterprise, it should also make sure that the HR department has a "business plan" to achieve the same. This HR business plan sets out the vision, strategy, priorities, core capabilities, and required competencies of the HR department. Through appraisal of the plan the firms' executives can assess and measure whether or not they are getting an appropriate return from their investment in HR department. The HR business plan should certainly be supportive of the business human resources. The key word here is 'investment', not expenditure or cost.

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