Innovative Human Resource Practices In Indian Banks: A Study From Hr Manager’s Perspective

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ABSTRACT
Banking sector is one of the vital financial pillars of Indian economy. The liberalization policy has affected the competitiveness of banks due to the global pressures resulting into combination of Human Resource Management with business policies. The survey by Boston Consulting Group (BCG) and Indian Bank’s Association (IBA) report that the Indian banking industry will face two upcoming challenges that is an economically viable solution for financial inclusion and human resources framework in next one decade. While the first challenge demands unusual innovation and experimentation, the second threatens to cripple the ability of the largest segment of the banking industry from being able to innovate and stay competitive. The unique complexities of the public sector make conventional HR solutions ineffective. The initiatives like “Pradhan Mantri Jan-Dhan Yojana” by the Honourable Prime Minister of India, banks contribution in the financial inclusion has boosted up, but the employee’s expectations from the industry have also arisen. This calls for a need to innovate the earlier HR practices of the banks so that the employee productivity can be enhanced. This paper aims to provide an insight to such innovations, related to Human Resource Management with the help of a primary study based on the viewpoints of HR managers of six different Indian banks both from public and private sector. These innovative HRM practices have been listed under seven different heads of HRM namely recruitment & selection, training and development, performance management, compensation management, career development, employee motivation and employee security. A few of the earlier studies have also been referred for the final conclusions. The level of implementation of these innovations may not be satisfactory, yet the implementation has been started and the favourable results in the productivity will make these banks feel how important these are for their growth. It has been found that convergence of practices of new and innovative HR areas will benefit the banks to become more competitive.

Keywords: Innovations, Human Resource Management, Banking, Practices, Indian Banks

I. INTRODUCTION
Today's increasing complex and volatile business environment characterized by globalization, liberalization and the transnational invasion have created enormous challenges to organizations. Efficient human resource management is one of the most essential requirements for survival in this competitive world. HRM practices refer to organizational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfilment of organizational goals (Tiwari and Saxena, 2012). Basically, HRM deals with planning, acquiring the right people, retaining/developing the people, and managing people separation/exit (Chakraborty, 2012). Therefore, the major challenge for any organisation is to manage its human resources in such a manner that it can justify their need for the right jobs. Innovation is something that leads to reduction in cost of operations. It definitely results in increasing profitability and a better life for society. Schumpeter (1934) talked about innovations in production. These innovations either bring rise in demand or rise in supply. Innovations can be made in any field. In HRM innovative practices are developed to retain the employees, to motivate them and to increase their loyalty as well as commitment to the organisation. Therefore, the Innovative Human Resource Practices, here, refer to all such new and improved practices and activities which have been adopted by the organisations keeping in mind the competitive era. Many researchers have named different human resource management practices under separate heads on the basis of its functions (Pfeffer, 1998; Ahmad and Schroeder, 2003; Budhwar and Boyne, 2004; Tessema and Soeters, 2006; Vlachos, 2008; Tiwari and Saxena, 2012; and many more). The counting of such studies and their names given to several heads of HRM practices can't be done on fingers. Therefore, the researcher has used seven heads to the present study to cover the wide framework of HRM activities and practices to the maximum.
Figure 1 Human resource innovations in different Heads

Source: Compiled by author

Recent trends in the banking industry of India show that the banking sector is growing in size and sophistication to meet the needs of a modern economy and global environment. Now, it is the high time to transform the HR processes and implement some new age concepts termed as “Innovations”. Some fresh ideas are needed so as to make the banks more productive and competitive. The time is ripe for leaving the old baggage and taking bold measures (Chakrabarty, 2012). Even the employees’ demands are touching new heights due to labour union influences and some other factors. Therefore, HRM innovations are the need of the hour for banks. The present paper has been mainly focused on providing insight to such innovations related to Human Resource Management in the detail.

II. BRIEF REVIEW OF LITERATURE

The concept of innovative HRM evolved in the early 1900s with an increased emphasis on a proactive, integrative and value-driven approach to human resource management (Butler et al. 1991; Schuler 1992). The term innovation with regard to HRM has been used in many studies in the last few years. Many experts have suggested in their studies that the innovative HRM views human resources as assets for investment and the management of human resources as strategic rather than reactive, prescriptive and administrative (Buyens and De Vos, 2001). Different names have been given to the HRM practices that can be used for further studies. Pfeffer (1998) proposed seven HRM practices that were: employment security; selective hiring; self-managed teams and decentralization of decision making; comparatively high compensation contingent on organizational performance; extensive training; reduced status distinctions and barriers and extensive sharing of financial and performance information throughout the organization. A few researchers have found out that the human resource practices, such as resourcing, employee development, reward system, and employee relationship, should be developed in such a way that they get complemented with one another. These practices were named as “bundles” of human resource practices (Kochan and Dyer, 1993; Walker, 1993; and Cusworth and Franks, 1993).

In one of their studies Budhwar and Boyne (2004), in India, categorised HRM practices under four heads named recruitment and selection, employee compensation, training and development, and employee relations. Compton (2009) mentioned that human resource strategies must include recruitment and selection, education and development, performance management, succession planning, remuneration and finally retention of key players.

Concept of innovative HRM has not been directly proposed or studied in past researches. However, a study related to HRM issues in banking sector (Jyothi and Jyothi, 2008) concluded that Banks in near future will have to address compensation issues, flexible work schedules, outsourcing and retaining talent for which they require enhanced skills, new knowledge and behavioural adjustments of human resources. This clearly indicates the need of innovations in HRM. To address this gap, this paper is aimed to identify such HR related innovations so that the same can be used to conduct further studies in the same context.

III. MATERIALS AND METHODS

3.1 Objectives

The study has been aimed at exploring the Innovations related to HRM adopted by Indian banks. Moreover, this study has also been targeted to design a questionnaire based on these innovative HRM practices that can be used for further studies.

3.2 Research Methodology

This study is basically exploratory and descriptive in nature because the researcher has explored the new HRM practices on the basis the perceptions of the bank employees. For conducting this study, Chhattisgarh state of India was taken. Six banks comprising three from each category were chosen for conducting the present study. The banks under public sector are State bank of India, Punjab National Bank, Bank of India, while private sector banks taken are ICICI Bank, HDFC Bank, and Axis Bank. Non random sample particularly Quota sample and purposive sampling techniques have been used for the selection of the sample.

Banking news reports, articles, reports of RBI, journals, and various websites have been the source of secondary data. The concept of Innovative HRM practices was discussed with the panel of experts and they were asked to list the innovative HRM practices prevailing in their respective banks.
through the process of personal interviews. On the basis of the results of this process, a questionnaire will be designed which can list down all the innovative HR practices and can be used for further studies.

IV. LIMITATIONS OF THE STUDY
The main limitations of the study have been related to time, sampling, hesitation and biasness among the employees in their views. Moreover, other banks operating in Chhattisgarh have not been taken in this study due to time and cost constraints. Foreign banks have also been excluded in this study.

V. RESULTS AND DISCUSSION
The main objective of this study was to identify the innovative HRM practices adopted in public and private sector banks of India. After an extensive survey of the literature and from the responses of the interviews, a list of innovative HRM practices was shortlisted under seven heads which have been found in the Indian Banking sector. The banks under the study are employing these innovative HRM practices related to recruitment & selection, training and development, performance management, compensation management, career development, employee motivation and employee security.

5.1 Innovative Recruitment & Selection Practices
This factor includes all those innovative HR practices which aim at attracting maximum number of highly talented applicants and selecting the best to achieve competitiveness (Khan, 2010). The seven innovative HRM practices identified under this head have been explained below:

Figure 2: Innovative Recruitment & Selection Practices

i) Pre –Defined and clear outlay of Recruitment and Selection
Respondents of the present study told that one of the major innovative HRM practices under this head is that there is a well-defined recruitment and selection policy in the banks. Earlier, only a few banks had a pattern of recruiting people through employee referrals. But now a day, a pre-defined policy of hiring people is available in most of the banks.

ii) Selection of Professionals
Banks have also started selecting professionally qualified personnel, e.g. MBAs, CAs, Agricultural officers etc. for different posts. Earlier, only private sector banks were employing such professionals for their various departments, but now, public sector banks have also started using this practice. Moreover, need for giving special training for such employees has also been reduced to a certain level.

iii) Selection According To Service Attitude
Banks are giving due weightage to the service attitude and competence in the selection procedure these days. This policy is being adopted by the HR department of the banks keeping in mind the fact that employees with positive service attitude will work more efficiently and increase the business ultimately.

iv) Holding on Policy
One of the major problems that the bank employees were facing in earlier times was that if they left the organisation due to any work pressure or other reason, then they were not stopped or held on by any employer. But now, even the regional or circle managers of the banks use a “Retention” policy for the employees so that they may not leave the bank quickly.

v) Availability of Bank Communities on Social Networking Sites
Availability of bank communities on social networking sites is found to be another innovation in the recruitment process. Popularity of the social networking sites has forced all the sectors to have this facility enabling the members of the community to seek the necessary information and to be in touch with each other.

vi). Checking the Profile of Candidates on These Sites
These days, most of the banks, especially private sector, have started using social networking sites for the purpose of recruitments. With the help of these communities, the HR department checks the candidate’s profile on social networking sites to decide the candidature for the job.

vii) Result Oriented Policy of R&S
In the present scenario, the HR department of banks has also started formulating a result oriented recruitment and selection policy for their banks.
This policy helps them to keep only those employees who are increasing the bank’s profit and fire out or demote the other ones. Even the public sector banks also don’t give promotions to those whose past records in terms or branch business are very poor.

5.2 Innovative Training & Development Practices

This factor includes all such practices that generate tangible outcome and intangible results in terms of enhanced self-esteem, high morale, and satisfaction of employees due to acquisition of additional knowledge, skills, and abilities (Khan, 2010). Following are the five innovative Training and Development practices found in the present study:

**Figure 3: Innovative Training & Development Practices**

![Innovative Training & Development Practices](source: Compiled by Author)

i) Test of Trainees

Use of written examination for selecting employees for training is one of the major innovations mentioned by most of the respondents of the present study. This helps the employees to be free from any kind of biasness. ICICI Bank and SBI are organising such tests for higher level employees’ training too.

ii) Customised Training

Special and separate/customised training programs have also been designed for different levels of employees in the banks. State bank of India is practising this practice for more than one and a half decades. Other banks are also following this innovative HR practice. However, the implementation level might be low in their cases.

iii) Continuous Training Need Assessment

In some of the banks, continuous training need assessment of employees by the HR department is also practised. With the help of continuous training need assessment, only those employees, who are actually in the need of the training, are sent for the training. Aggarwala (2003) has also explored this innovative practice in one of her studies.

iv) Encouragement to Apply Training Learning

Employees are also being encouraged to apply the techniques learnt in their training program. They are given a chance to apply the information acquired by them during the training practically so that they may not forget it ever.

v) Arrangement of Special Projects

To make the learning effective, some banks have the practice of selecting the staff for special project teams meant for bank’s effectiveness. Private sector banks like HDFC and Axis bank are sending their employees for special projects training so that they can acquire some specialised skills and knowledge.

5.3 Innovative Performance Management practices

Appraising is a general process of facilitating interpersonal relationship between employees and managers through performance related discussions (Wilson & Western, 2000). This category includes the new practices related to goal achievement in an efficient manner, their appraisals and job assessments. In the present study, six innovative HRM practices related to Performance Management were found which are:

**Figure 4. Innovative Performance Management practices**

![Innovative Performance Management practices](source: Compiled by Author)

i) Performance Matrix

The very common innovative HR practice of performance management has been that the performance matrix or some other competency mapping models being used for employee’s
performance reviews. All private sector banks under the study are following this innovation in the performance management practices for a long time. This has enhanced the performance as well as the morale of their employees.

ii) Goal Review Based Appraisal
The respondents under the study also exposed that goal reviews and competency review systems, the two common methods, are being used for appraising the performance of employees. This helps to match the performance of the employees with the earlier set goals of the individuals and organisations.

iii) Appraisal on Fair Objective Data
In this study, it was found that the employees are being assessed for their fair objective data. These data may relate to their deposits, advances, NPAs, or profit per employee. These objectives and fair data helps the employers to appraise the employees without any biasness and good performers are benefitted from this.

iv) 360 Degree Performance Appraisal
Another innovation is that they are reviewing the performance from multiple sources e.g. superiors, juniors, peers etc., i.e., 360 degree performance review system, which was not prevalent earlier, is being implemented in most of the banks. The same practice has also been discussed by Aggarwala (2003) in her study on innovative HRM practices.

v) Option to Challenge the Appraisal
These days, the employees of a few banks have the power to challenge their appraisal done by the HR department or by their superiors, if they disagree on some issue. But for this, they need to represent to the higher levels with solid proofs and evidences.

vi) Full Awareness of the Performance Appraisal Policy
Moreover, there is a complete awareness of the Performance Appraisal policy of HR department among all the staff members so that they are well aware of what they have done and what they should not have done. Bernardin and Russel (1993); Landy & Far (1980) and Webb (2004) have also favoured this innovation in their studies.

5.4 Innovative Compensation Management Practices
Compensation is all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship (Milkovich and Newman 1999). An effective set of choices about compensation systems plays a major role in determining firm performance (Dreher and Dougherty 2005). Explanation given below is related to the four innovations under this head found during the present study:

i) Announcing Special Incentive to the Talented Employees
Special incentives are given to talented employees to encourage better performance. Using incentive compensation to stimulate better performance and to provide promotion opportunities through an internal labour market increases satisfaction and self-actualization (Harel & Tzafrir, 2001). Same has also been confirmed by Gerhart & Milkovich (1992) in one of their studies.

ii) Special Increments on Regular Basis
One major innovative practice of compensation has been identified that is there has been a provision of special increments for better performance of the employees. This gives the employees an enough salary growth. Park et al. (1994) and Trevor et al. (1997) also found that salary growth had a pronounced effect on turnover.

iii) Special Festival Advance
These days, the HR department has also started one new scheme of providing special festival advances to the bank employees on either discounted rates or without any interest so that they can fulfil their family requirements on the festivals without bearing any special burden. The HR personnel of these banks are of the view that, due to provision of this scheme, the employees are demanding fewer leaves in the festive season.

iv) Customised Perks
In last couple of years, the perks have also been customised to the individual needs. This practice is gaining popularity in other Indian organisations too (Aggarwala, 2003). Banks under the study are also using this innovative HR practice.
5.5 Innovative Career Development Practices

Those innovative career goals, formulating and implementing strategies and monitoring the results are categorised under this head (Greenhaus 1987). These help the employees to groom themselves and manage their careers. Verburg et al. (2007). Following are the five Career Development related innovations:

![Innovative Career Development Practices](image)

**Source: Compiled by Author**

i) Availability of Educational Opportunities at Workplace

Education related opportunities are being provided at the workplace for the career enhancement of the bank employees. This has increased their dedication towards work in their present organisations. A few private banks just like AXIS bank are also providing opportunities to their employees to get enrolled to professional courses so as to enhance their skills as well as degrees. This boosts up their morale for work.

ii) Easy Approval to the Job Applications

This study identified that one latest innovation in the career development of employees is that the applications sent for the career opportunities outside the bank are being approved by the HR department and regional managers quickly, which were either verbally denied by the top management or delayed for approval. But now a days, these applications are easily approved so that employees can think of their career development.

iii) Promoting on the Basis of Merit

Banks are also organising written tests and interviews for the promotion process so that merit can be one of the criteria for promotions. A well-planned career development system along with internal advancement opportunities based on merit, results in high motivation among employees, which has an impact on firm performance (Milkovich and Boudreau, 1998).

iv) Providing timely Promotions

Fast track promotion process is also one common innovative practice identified in the study. Earlier the employees had to wait for years to get promotions. But these days, they get faster promotions, even in two to three years. Public sector banks like Punjab National Bank and Bank of India are using this technique to refill the higher posts quickly. This helps the employees to develop their career in their own bank and they don’t even think of leaving the bank for getting better opportunity outside in other banks or organisations.

5.6 Innovative Employee Motivation Practices

The effectiveness of talented employees will be limited if they are not motivated to perform their jobs (Delaney and Huselid, 1996). This factor of HR practices includes all those innovations relating to motivation of the employees through new ways. In the present investigation, nine innovative motivation practices have been identified. Accordingly, the employees can be motivated in the new ways:

![Innovative Employee Motivation Practices](image)

**Source: Compiled by Author**

i) Using Music at Work Place

Use of music at workplace, to improve the performance, is one major innovation found in the study. SBI has introduced the concept of playing light music in its branches so that a calm and soothing environment can be provided to the employees as well as to the customers. Other banks too have started following this practice.

ii) Providing Day Care Centers

There is an arrangement of day care centres in most of the surveyed banks for the children of employees, so that they have no difficulty in maintaining work life balance. In these day care
centres, they can drop their children while they are at work. This won’t even divert their minds towards their family while working. Young mothers remain satisfied when their little ones are not far away from them.

iii) Work Autonomy

In the last few years, greater work autonomy is also being provided to the bank employees. This helps them to work according to their best possible capability without any interference and they try to give their best. This is a kind of brain storming exercise through which the employers can get best out of the minds of their employees.

iv) Making Available ESOPs

Availability of Employee Stock Option Plans is a practice which has been innovated in the banking sector for a last few years so that the employees feel that they are also the owners of the banks. This feeling makes the employees more loyal to their organisation.

v) Providing Loans at Discounted Rates

Availability of loans and advances at discounted rates to all the employees is also another common innovative HRM practice leading to motivation of the employees. They can get loans on simple interest for getting vehicles, constructing house or even educating their wards. This helps the employees financially and motivates them to increase their efficiency.

vi) Giving an Option of Flexible Working Hours

Some of the banks are also providing flexible working hours to enhance the productivity of employees. Banking hours are generally common everywhere, but a few banks have started giving an option of flexible working hours in two different shifts so that the employees can work according to their comfort. HDFC bank is an example. This practice was also identified by Kundu & Malhan (2009) in one of their studies.

vii) Organizing Stress Management Programs

Arrangement of stress management programmes, art of living classes, yoga sessions etc. are distinct innovations which have not been there in the banking system earlier. These practices are the best boosters and relaxers for the bank employees who are mostly under work pressure.

viii) Encouraging Team Building Attitude

By encouraging team building attitude in the employees, the HR department of banks has started a new practice of motivating them. They work in teams and learn new skills. This increases their confidence and hence they feel more motivated.

ix) Giving Best Employee Awards

Announcement of best employee awards was a common practice in the private sector banks, but these days, the public sector banks have also started the same practice to motivate their employees. A few banks have recently introduced the practice of writing the best employee’s name on the display board in the regional centres or even in the branches of their banks. Better-motivated employees lead to higher individual achievement and improved organizational performance (Huselid, 1995; Pfeffer, 1994; Delaney et al., 1989).

5.7 Innovative Employee Security Practices

The exercises which make the employee feel highly secured in his present job are the best suited for this category. These practices when implemented through new ways may help an employee to feel most satisfied in his job. A total of five Innovative Employee Security practices found in the present study were:

i) Sufficient Retirement Benefits

Providing proper retirement benefits is another HR innovation revealed by the employees under the study. Unlike earlier days, now the employees get enough gratuities, pension and other retirement benefits which can secure their rest of the life after leaving the job.

ii) Option of Voluntary Retirement

Another innovation explored under this study was that for last few years, VRS has also become common in banking sector. Now, the employees of the banks can also enjoy the benefits of this scheme if they need earlier retirements from their work. This doesn’t interrupt their other retirement benefits.

iii) Insurance of Dependents

Banks also give the facility of dependent’s insurance which gives a sense of security in the minds of employees for their family too. This
motivates them by satisfying their social as well as security needs.

iv) Provision of Sabbatical Leaves

One innovative practice adopted by the HR department of the banks is that there is a provision of “sabbatical leaves” (part time leave from organisation with 50% or less salary in case of crisis) for employees. This helps in reducing the employee turnover rate in the banks. Infosys started giving sabbatical leaves to its employees in India so that they may get job security. This was followed by HDFC bank and then the others also started using this HRM practice.

v) Proper Grievances Procedures

There is a provision of written as well as operational grievances procedures. The existence of the formal mechanism of dispute resolution reduces employees’ fear of being unfairly treated and increases their perception of equitable treatment resulting in a more dedicated workforce and better performance (Arthur, 1992).

VI. CONCLUSION

In the present competitive world, the banking sector, especially of the developing economies like India, is facing lot of tough competition, talent crunch, and skill shortage. All these have made the banks feel that the internal customer is also more important equally with external customers, so every bank is trying to devise innovative HR practices to attract best talent and give them comfortable environment to work with, that enables the banks to retain talents. Chakrabarty (2012) has highlighted in one of his speeches on HRM in banks that it is the people, people and people that make an organization achieve competitive advantage in this tough and competitive world. In the present study, forty nine innovative HRM practices have been identified which are being used by the Indian public sector and private sector banks. A few of these practices had been in use for past many years in many of these banks. However, the results of this study have provided with many new innovative concepts and terms related to HRM. Concepts like hiring professionals, sabbatical leaves policy, professional courses in banks, training tests, ESOPs, social networking profiles, and a many professional courses in banks, training tests, and some secondary financial data.

The banking sector is the financial pillar of the Indian economy. No doubt the level of implementation of these innovations may not be satisfactory, yet the implementation has been started and the favourable results in the productivity will make these banks feel how important these are for their growth. It has been found that convergence of practices of new and innovative HR areas will benefit the banks to become more competitive in the global market. Thus, all these innovative practices are a must in this sector to move on in the dynamic business environment.

All these practices might have been implemented differently in different banks. The respondents were only from the HR department, thus some of the responses might had influence of the departmental biasness. Thus, a further study on exploring different perceptions of other employees of the banks can give more conclusive remarks. Future research can also be done covering a wider area and more respondents with cross cultural extensions even across the country. Researchers might also want to look at the differences, if any, in the adoption of innovative HRM practices from developed and emerging market perspectives. Industry wise comparisons can also be done using some secondary financial data.

REFERENCES


