

# **A Conceptual Study on Innovative Hr Practices in Indian Banking Sector**

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## **ABSTRACT:**

*The Indian economy had undergone significant policy shifts in the early 1990s. This new model of economic reforms included LPG i.e, Liberalization, Privatization and Globalization. Liberalization also deals with the working style of the people and hence organizations needed to innovate the HRM practices in an effort to ensure their survival in a highly competitive environment Innovative HR practices are proposed to enhance effectiveness and efficiency in different organizations and to retain talented workforce in the Organization for a longer period of time. The existing business environment requires companies as well as their HR teams to think creatively and come up with the new approaches to survive the downturn and bind the employees together. So we can say that there is a do or die situation. Innovative approaches would motivate the employees in different sectors especially the Indian Banking Sector to utilize their set of skills and knowledge through discretionary effort realizing Bank's business strategy. This approach to HRM is likely to contribute to improved economic performance of the firm as well as the economy as a whole. This paper tries to focus on whether the introduction of innovative HR practices leads to favourable or unfavorable outcomes among the employees in the Banking sector. The HR practices in Indian Banking sector such as employee sourcing and human resource development initiatives are remarkably different from the manufacturing and other service sector companies. The study tries to find out the answer for the research question: Do the various innovative HR practices in the Banking Sector bring out human resource outcomes like organizational commitment among its employees?*

**Keywords:** *Innovative HR practices, organizational commitment.*

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## **I. INTRODUCTION:**

In the current scenario HRM (Human Resource Management), HRD (Human Resource development), OD (Organizational Development) &OB (Organizational Behaviour) together distinctly plays a very important role in the smooth working of any organization. The initial goal of the bank is to bring in proper integration of HRM strategies with the business strategies. It must create team work and commitment among the employees to improve the efficiency of its human capital. Apart from the operational skills, today, the bank calls for the 'soft skills' to attend the needs and requirement of the customers at the counter as Customer is considered as 'King' today. Banks have to understand that the investment and technology are important pillars, but human capital, is the most valuable resource for the achievements of the goals set by the organization. So the long term goal of any organization is to transform them from the domestic to the Global one and thus it requires the combination of new technologies, better processes, treasury management, product diversification, internal control, external regulations and human resources at the most. The main challenges faced by the Indian Banks are to set a benchmark against the international standards and to make new norms at the different phases of business cycle. There is a need for introduction of new technology, skills and intellectual capital formation. The most important need in this service industry is naturally the HRD. During the early phase of banking development in India after independence, opportunities for employment of the educated man- power were relatively limited. But in the recent years, this situation has changed dramatically. Certain rigidities have also developed in HRD within the banking system as this system is public sector as its structure gives preference to the seniority over performance, and it is not the best environment for attracting the best talent.

## **INNOVATION AND HRM**

Innovation is the novelty, creativity, change, transformation and that adds some value for the user. To cope up with the current economic condition innovation is the best way. Organizational innovation refers to new and creative ways where work can be organized and completed successfully within an organization, in order to encourage and promote competitive advantage. It encompasses how organizations and specifically individuals, manage work processes in such areas as customer relationships, employee performance and retention, and

knowledge management. Organizational innovation has been viewed as an effective weapon for an organization to survive in this competitive business environment. One of the ways to amplify the organizational innovation is through effective HRM practices. In this era of globalization the organizations are becoming more competitive, dynamic, innovative and productive. The HR practices in Indian Banking sector such as outsourcing and human resource development initiatives are remarkably different from the manufacturing and other service sector companies.

## **II. LITERATURE REVIEW**

Organizational Commitment is the strength of a person's attachment to an organization (Grusky, 1966, p. 489). Researchers have suggested that reciprocity is the mechanism underlying commitment (Angle & Perry, 1983; Scholl, 1981) and that the employees will be committed towards their organization in reciprocation for the organisation having fulfilled its psychological contract (Angle & Perry 1983; Robinson, Kraatz & Rousseau, 1994). By fulfilling obligations relating to pay, job security, and career development, employers are creating a need for employees to reciprocate, and this can take the form of attitudinal reciprocity through enhanced commitment and consequently influence employees to stay with the organization (Becker & Huselid, 1998; Capelli, 2000; Furnham, 2002; Oakland & Oakland, 2001; Wagar, 2003)

The greatest challenge today is to design a holistic system that provides the good work environment. This is similar to the idea that it is necessary to implement "bundles" of HRM practices (MacDuffie, 1995; Youndt, Snell, Dean & Lepak, 1996) to positively influence organizational performance (Huselid, 1995). The HR Factor has been very important for the growth of any industry, because the industry works on the human resources (HR) augmentation mode (Upadhya & Vasavi, 2006). This means that the returns of an organization are directly related to the number of projects accomplished and the number of people working on a project (T Schang, 2001). A study by Edgar and Geare (2005) also suggest that high levels of employee commitment is related to "appropriate" HRM practice and results from investing in HRM practices which benefit employees (not the number of HRM practices implemented) and whether they are being treated fairly.

### **RATIONALE OF THE STUDY:**

By studying HR innovations adopted in banking sector, the study intends to study relationship between acceptance and its impact on employees. Due to changing scenario, it has been found that some innovations can greatly affect the rapid growth of industries. Therefore, new practices in HR can lead to positive impact on organization commitment. Hence the study tries to find out how innovative HR practices can affect the organization commitment among the employees.

### **OBJECTIVES OF THE STUDY:**

- The extent to which HR managers believe that innovation in HR practices are important for achieving goals of the organization.
- The major challenges faced in banking sector.
- To study the Human Resource management outcomes in Banking Sector as consequences of innovative HR practices.

## **III. RESEARCH METHODOLOGY:**

The instant study is based on secondary data available in public domain.

### **CHALLENGES FACED BY BANKING INDUSTRY:**

Here are some of the challenges that the HR function in India faces:

- The first and the most important challenge that HR function in India faces is to convert the abundant population into useful human resource.
- Training and development of human resource to match ever changing industry demands requires HR to develop new and innovative ideas that suit individual as well as the Bank's criteria.
- Employee motivation and satisfaction is another area of concern for the HR today. In order to reduce the attrition rate, HR needs to realize that monetary needs are not the only motivational drivers for an individual but a sense of belongingness must be imbibed in employees.
- With the increase in number of job options available nowadays, the HR function of an organization must take care that they hire those people who believe in long-term commitment to the organization. The HR then must take up the challenge of retaining them by developing retention techniques like Holiday plans fun-at-work etc.
- The growing importance that companies are nowadays giving to cost cutting has posed HR with the challenge to minimize expenditure on HR not compromising on the productivity.



recognized during the period when the employee renders the service. The Bank operates a Provident Fund scheme. All eligible employees are entitled to receive benefits under the Bank's Provident Fund scheme. The Bank contributes monthly at determined rate (currently 10% of employee's basic pay plus eligible allowance).

#### **SOME OF THE INNOVATIVE HR POLICIES FOLLOWED IN THE GOVERNMENT SECTOR BANKS:**

##### **Bank of Baroda:**

This bank is conducting Grooming and etiquettes programmes for front-line employees and also for employees selected for overseas posting in order to improve their service levels and qualitative interaction with customers and various stakeholders better. SEED (Self efficiency and effectiveness development) programme being run for frontline staff of the Bank in order to improve their service skills and servicing efficiency.

##### **State Bank of Patiala:**

This bank provides 3-4 days training to their retiring employee along with their spouse to how to manage the funds and where to invest after the retirement so that they may not face any kind of problem related to funds in the near future. This is an innovative step taken by the banks in 2015 for the employees.

The bank is not only working upon technology but also has taken a small step to improvise the culture of the organization. Daily there is a prayer for 4 minutes before the routine activities.

##### **Punjab National Bank:**

In the light of the large scale human resources gaps that Bank is likely to face in the next few years need for Succession Policy has been felt. The Policy envisages mapping of the 'existing pool' against the 'future requirement' from the projected business figure to ensure that adequate number of officials are available in the pool and also to foresee the surplus / deficit in the pool for ascertaining the requirement of succession in a particular vertical.

#### **IV. CONCLUSION**

Today the major challenge for banks as well as any other organization is how to develop their social framework that generates the intellectual capital as the essential drivers of change. Taking the Indian banking industry to the heights of excellence, especially in the face of the a forehead-detailed emerging realities, will require a combination of new technologies, better and innovative processes, internal control and audits and external regulations and the most important Human Resources.

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