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Impact of HR practices in banking sector in India

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Abstract

There are many studies, especially from an Indian perspective, that examine the various components of human resource management in the banking industry. In the following overview, we will attempt to dissect these fragmented efforts in academia. For many years, the banking industry has been leading the study of the importance of human resource management as a factor in the success of management and organization. At one time, management experts and academics were curious about the correlation between HRM activities and bank productivity; today, HRM strategies are more often seen as dependent rather than independent factors. As one of the most visible parts of the financial system, banks are important to the economic and social development of any country. Human resources roles serve an important purpose in an organization and are closely related to employee performance. HR policies in the private sector are significantly more progressive than their public sector banking counterparts. Developments in the services sector are expected to pose new challenges to HR activities in the Indian banking sector as new entrants enter the market. Human capital management in Indian banks must be fully integrated with the strategy of banking organizations if they are to achieve long-term success and growth.

Keywords: HRM, banking, industry, employee and performance

1. Introduction

Human resource development has become an increasingly important topic in recent years. Human resource management is essential for the effective and fruitful functioning of any business, institution or office. The need to invest in human capital to meet ever-greater and new demands to improve the quality of life of the masses is inevitable in an evolutionary period in which global expansion struggles to achieve a higher standard of living. Human resource development focuses on improving productivity by promoting learning and using new methods in the workplace. Human resource development has therefore become a key program for all businesses to increase output efficiency and productivity as well as achieve qualitative improvement at various levels of the workforce. Human resource management is the foundation of any business and financial institutions are no exception. Since banking is primarily a service industry, its customers are usually individuals. The efficiency of the financial system is largely dependent on the productive and successful human capital employed by financial institutions. The friendly demeanour and friendliness of the bank's employees will increase productivity and customer retention. Human resource management has undergone a certain metamorphosis over the past three decades. Over time, human resources have become increasingly important in this arena. At that time, finding and keeping good employees was considered the most difficult task in business.

There are many studies, especially from an Indian perspective, that examine the various components of human resource management in the banking industry. In the following overview, we will attempt to dissect these fragmented efforts in academia. For many years, the banking industry has been leading the study of the importance of human resource management as a factor in the success of management and organization. The impact of HRM practices on organizational effectiveness has been a major area of research for the past 15 years, with findings pointing to a positive correlation between HRM practices and organizational performance. At one time, management experts and academics were curious about the correlation between HRM activities and bank productivity; today, HRM strategies are more often seen as dependent rather than independent factors. As one of the most visible parts of the financial system, banks are important to the economic and social development of any country. There is no modern civilization without a reliable and safe banking sector because banks play a crucial role in the economy. There have been many periods in the history of the Indian banking industry, from pre-nationalization and post-liberalisation.

1.1 Public Sector Banks

Public sector banks are those that are under direct government supervision.

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These financial institutions are owned by governments around the world. In 1969 and again in 1980, the Indian government nationalized 20 banks. As their name suggests, these banks primarily focus on the common good. Nationalized banks and Indian State Bank and their affiliates form one group while private banks form the other. There are a total of 19 government banks and 8 subsidiaries and affiliates of the State Bank of India. A nationalized bank refers to a bank in which the government possesses more than 50% of the shares. Presently, India is home to a total of 12 public sector banks, which have undergone nationalization and are currently governed and managed by the government. Public sector banks accounted for the lion's share of growth in deposits and the financial sector. Government banks control the Indian commercial banking system. These public institutions must be further classified as State Bank of India, Nationalized Bank or Regional Rural Bank.

1.2 Private sector Banks

This category includes privately owned and operated banks. A person's influence on these institutions is directly proportional to the number of shares in those banks that they own. Private sector banks were created as a response to the success of public sector banks and the need to meet the demands of the economy. Since public sector banks were only owned by the government, they were limited in their ability to generate profits and improve their financial position. The main difference is that private banks require RBI approval before making any changes in the Interest Rate Act, while public banks are completely exempt from these restrictions. Top 10 Best Private Banks in India 2023.

2. Review of literature

Review of related literature is an important research effort as it provides a comprehensive understanding of what is already known about the topic. It helps to avoid duplication of what has already been done and provides useful directions and helpful suggestions for research work.

Joyce & Vijai, (2020) [5]. There is a dearth of literature that discusses the state of human resource management in the banking sector. At a time when many organizations are considering expansion through merger or acquisition, this assessment is more important than ever. By focusing on a subset of Indian banks, this study aims to fill the knowledge vacuum by analyzing HRM activities and their impact on employee job satisfaction levels.

Sharma, Sakhuja, & Nijjer, (2022) [4]. Human resource management activities such as training and incentives, performance appraisal rules, procurement process and human resource planning and recruitment strategies have been identified as priorities for the Indian banking industry. It was also noted that important HRM initiatives adopted by banking organizations included employee diversity and competitive compensation schemes.

Madaan & Singh, (2019) [2]. The impact of human resource management initiatives on the learning propensity of bank employees was investigated by the authors in the state of Kerala, India. Two public and two private banks provided 100 respondents (managers and administrative employees) to the study. Information was collected using a standardized questionnaire.

The authors examined the influence of strategic human resource management operations and positive interaction

through mergers and acquisitions in the Indian banking sector. The HRM practices of two different Indian banks (one public sector bank and one private sector bank) were analyzed using a case study approach. Through this research, it was found that a public sector bank experienced a decline in efficiency because human resource management practices and positive working relationships were not being used effectively.

2.1 Objectives of the study

- To explore the HRM practices prevailing in Banking sector.
- To quantitatively measure the HRM practices prevailing in Banking sector.

2.2 Hypothesis of the study

- **H0₁**: There are no significant HRM practices prevailing in Banking sector.
- **H0₂**: There is no significant quantitative measure of HRM practices prevailing in Banking sector.

3. Research Methodology

Data from both primary and secondary sources was gathered. Publicly available resources provided the secondary data, while employees in the many districts of Bihar provided the original data. Simple random sampling was used to contact 500 respondents for this study but only 387 were considered usable for analysis. It was thought to use a structured questionnaire with 8 questions and a 5-point Likert scale for initial data collecting.

4. Result and Discussion

Table 1: Banking Sector

Banking Sector	Frequency	Percentage
Public Banks	261	67.44%
Private Banks	126	32.55%

The above Table analysis of the banking sector stated that the majority of respondents working in public sector banks (n=261, 67.44%) followed by private sector banks (n=126, 32.55%).

Table 2: Age-wise

Age	Frequency	Percentage
18-25	39	10.07%
26-35	76	19.63%
36-45	90	23.25%
46-55	123	31.78%
Above 55	59	15.24%

The above Table stated the age distribution analysis and documented that the majority of employees working in the organisations were of the age of 46-55 years (n=123, 31.78%) followed by 36-45 years (n=90, 23.25%). The employees above 55 years of age (n=59, 15.24%) are found to be the least in the study.

Table 3: Gender-wise

Gender	Frequency	Percentage
Male	126	32.55%
Female	261	67.44%

The above Table found the gender analysis and documented that the majority of respondents in the study were Female (n=261, 67.44%). Only males who participated in the study were few (n=126, 32.55%).

Table 4: Marital Status-wise

Marital status	Frequency	Percentage
Single	117	30.23%
Married	150	38.75%
Others	120	31%

The above Table documented the marital status and stated that the majority of respondents were married (n=150, 38.75%) followed by single (n=117, 30.23%). Others were found to be the least (n=120, 31%) in the study.

Table 5: Educational Qualification-wise

Educational	Frequency	Percentage
10 th	57	14.72
12 th	74	19.12
Graduation	77	19.89
PG & Higher	123	31.78

The above Table stated the educational qualification and documented that the majority of respondents holding professional degrees (n=123, 31.78%) followed by Graduation (n=77, 19.89%). PG and Higher qualifications found to be the least in the study (n=56, 14.47%).

Table 6: Annual Income of Respondents

Annual income	Frequency	Percentage
Up to 1,00,000	96	24.80%
1,00,001 - 2,00,000	88	22.73%
2,00,001 - 5,00,000	79	20.41%
5,00,001 – 10,00,000	73	18.86%
Above 10,00,000	51	13%

The above Table documented the annual income of the family and stated that up to Rs. 100000 is the annual income of the majority of respondents (n=96, 24.80%) followed by Rs. 100001-200000 (n=88, 22.73%). Above 1000000 (n=51, 13%) annual income was found to be the least in the study.

Table 9: One-Sample Test

	One-Sample Test					
	T	df	Sig. (2 tailed)	Mean Difference	95% confidence Interval of the Difference	
					Lower	Upper
Training	63.304	386	.000	1.302	1.26	1.34
Development	63.307	386	.000	1.306	1.27	1.35
Employee compensation	139.366	386		4.445	4.38	4.51
Human Resource Planning	131.048	386	.000	4.312	4.24	4.38
Work Environment	103.581	386	.000	4.269	4.19	4.35
Employee Satisfaction	119.337	386	.000	4.348	4.28	4.41

The above Table analysed the t test statistics and documented that “Employee compensation” (t=139.366) is the most prevailing HRM practices in the banking sector

Table 7: Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Training	387	1	5	1.30	.460
Development	387	1	5	1.31	.461
Employee Compensation	387	1	5	4.44	.711
Human Resource Planning	387	1	5	4.31	.810
Work Environment	387	1	5	4.27	.921
Employee Satisfaction	387	1	5	4.14	.846
Valid N (listwise)	387				

The above Table analysed the descriptive statistics and documented that “Employee compensation” (Mean=4.44 and standard deviation=.711) is the most prevailing HRM practices in the banking sector followed by “Human resource planning” (Mean=4.31 and standard deviation=.810). “Training” (Mean=1.30 and standard deviation=.460) was found to be the least HRM practices prevailing in banking sector.

Table 8: One-Sample Statistics

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Training	387	1.30	.460	.021
Development	387	1.31	.461	.021
Employee Compensation	387	4.44	.711	.032
Human Resource Planning	387	4.31	.810	.036
Work Environment	387	4.27	.921	.041
Employee Satisfaction	387	4.30	.740	.033

The above Table analysed the one sample statistics and documented that “Employee compensation” (Mean=4.44 and standard deviation=.711 and standard error= .032) is the most prevailing HRM practices in the banking sector followed by “Human resource planning” (Mean=4.31 and standard deviation=.810 and standard error= .036). “Training” (Mean=1.30 and standard deviation=.460 and standard error= .021) was found to be the least HRM practices prevailing in banking sector.

followed by “Human resource planning” (t=131.048). “Training” (t=63.304) was found to be the least HRM practices prevailing in banking sector.

Table 10: ANOVA

Subject		Sum of Squares	Df	Mean Square	F	Sig
Training	Between Groups	1.197	4	.299	1.422	.000
	Within Groups	104.201	383	.211		
	Total	105.398	387			
Development	Between Groups	1.585	4	.396	1.875	.000
	Within Groups	104.597	383	.211		
	Total	106.182	387			
Employee Compensation	Between Groups	9.832	4	2.458	5.020	.001
	Within Groups	240.896	383	.490		
	Total	250.728	387			
Human Resource Planning	Between Groups	6.510	4	1.628	2.511	.000
	Within Groups	320.818	383	.648		
	Total	327.328	387			
Work Environment	Between Groups	7.912	4	1.978	2.360	.000
	Within Groups	414.104	383	.838		
	Total	422.016	387			
Employee Satisfaction	Between Groups	23.351	4	5.838	11.554	.000
	Within Groups	250.097	383	.505		
	Total	273.448	387			

The above Table analysis and stated that all the variables understudy are significant and less than .005. Therefore, all the factors under study, namely “Training, Development, Employee Compensation, Human Resource Planning, Work Environment and Employee Satisfaction” are the most influential and prevailing HRM practices in the banking sector.

4.1 Hypothesis testing

After applying ANOVA, descriptive statistics and t test, the results of the study documented that the null hypothesis is that there are no significant HRM practices prevalent in the banking sector; there is no significant quantitative measurement of HRM practices prevalent in the banking sector is rejected and the alternative hypothesis that significant HRM practices are prevalent in the banking sector; significant quantitative measurement of HRM practices prevailing in the banking sector is accepted.

5. Conclusion

Human resources are undoubtedly the most important factor in the success of any business. They serve as its basic foundation and are necessary to achieve its goals. HR strategies that focus on performance appraisals, fair compensation, and excellent training opportunities are critical to maintaining employee and customer satisfaction. The study concludes that HR operations in the Indian banking sector have progressed over the previous few decades. Human resources roles serve an important purpose in an organization and are closely related to employee performance. HR policies in the private sector are significantly more progressive than their public sector banking counterparts. Developments in the services sector are expected to pose new challenges to HR activities in the Indian banking sector as new entrants enter the market. Human capital management in Indian banks must be fully integrated with the strategy of banking organizations if they are to achieve long-term success and growth.

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