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**HRD CHALLENGES AND OPPORTUNITIES IN  
PUBLIC AND PRIVATE SECTORS BANK**

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# HRD Challenges and Opportunities in Public and Private Sectors Bank

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**Abstract – “Human resource Practices in Public and Private Sector Bank” is centered on the public and private Bank. This paper has assessed the current state of Human resource in public and private sectors Banks. In this article we focused that in the highly competitive world; success of any organization depends on its human resource. Banks are no exception to this. A satisfied, happy and hardworking employee is the biggest asset of any organization, including banks [Suman, Seema and Rachna, 2012].**

**Keywords: Human Resource Development, Public and Private Bank**

## INTRODUCTION

Human resource management is ‘the procedure of planning, organizing, scheming and directing worker related activities in an organization to enable people to acquire required competence for delivering current and future jobs efficiently’.

In recent time, we have witnessed that the World Economy is passing through some intricate circumstances as bankruptcy of banking & financial institutions, debt crisis in major economies of the world and euro zone crisis. The scenario has become very uncertain causing recession in major economies like US and Europe. This poses some serious questions about the survival, growth and maintaining the sustainable development. However, amidst all this turmoil India’s Banking Industry has been amongst the few to maintain resilience. The tempo of development for the Indian banking industry has been remarkable over the past decade. It is evident from the higher pace of credit expansion; expanding profitability and productivity similar to banks in developed markets, lower incidence of non-performing assets and focus on financial inclusion have contributed to making Indian banking vibrant and strong. Indian banks have begun to revise their growth approach and re-evaluate the prospects on hand to keep the economy rolling. Bank of Hindustan was set up in 1870; it was the earliest Indian Bank. Later, three presidency banks under Presidency Bank’s act 1876 i.e. Bank of Calcutta, Bank of Bombay and Bank of Madras were set up, which laid foundation for modern banking in India. In 1921, all presidency banks were amalgamated to form the Imperial Bank of India. Imperial bank carried out limited number of central banking functions prior to establishment of RBI. It

engaged in all types of commercial banking business except dealing in foreign exchange.

## REVIEW OF LITERATURE:

Banking industry is the back bone for growth of any economy. The journey of Indian Banking Industry has faced many waves of economic crisis. Recently, we have seen the economic crisis of US in 2008-09 and now the European crisis. The general scenario of the world economy is very critical. It is the banking rules and regulation framework of India which has prevented it from the world economic crisis. In order to understand the challenges and opportunities of Indian Banking Industry, first of all, we need to understand the general scenario and structure of Indian Banking Industry. Deepti Bhargava, 2010 concluded in her research that Human resources play an integral role in achieving an innovative and high-quality product/ service. Tessa and Soeters (2006) have conducted study on eight HR practices including compensation, training and other aspects. Literature indicates that the performance of the private and foreign banks have been stronger than that of public sector banks (IBA, 2008). 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 study HRM challenges faced by public sector banks are analyzed

and suggestions made by the experts in the field are summarized.

### CHALLENGES FACED BY INDIAN PRIVATE SECTORS BANK:

Developing countries like India, still has a huge number of people who do not have access to banking services due to scattered and fragmented locations. But if we talk about those people who are availing banking services, their expectations are raising as the level of services are increasing due to the emergence of Information Technology and competition. Since, foreign banks are playing in Indian market, the number of services offered has increased and banks have laid emphasis on meeting the customer expectations.

Now, the existing situation has created various challenges and opportunity for Indian Commercial Banks. In order to encounter the general scenario of banking industry we need to understand the challenges and opportunities lying with banking industry of India. Rural Market: Banking in India is generally fairly mature in terms of supply, product range and reach, even though reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region. Consequently, we have seen some examples of inorganic growth strategy adopted by some nationalized and private sector banks to face upcoming challenges in banking industry of India. For example recently, ICICI Bank Ltd. merged the Bank of Rajasthan Ltd. in order to increase its reach in rural market and market share significantly. State Bank of India (SBI), the largest public sector bank in India has also adopted the same strategy to retain its position. It is in the process of acquiring its associates. Recently, SBI has merged State Bank of Indore in 2010. Management of Risks: The growing competition increases the competitiveness among banks. But, existing global banking scenario is seriously posing threats for Indian banking industry. We have already witnessed the bankruptcy of some foreign banks.

### CHALLENGES IN PUBLIC SECTOR BANKS:

According to many experts from the banking sector, human resource management is the main area of focus for trans-formation 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 challenges of the experts and senior level managers from the banking industry in this regard are given below. Recruitment and Selection : Mohan Deshmukh, 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." Employee unions: 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.

### CONCLUSION:

In this paper we found that analysis showed that, controlling for the characteristics of the market in which the branch is located, as well as unobserved fixed branch and manager characteristics, employees' perceptions of the performance feedback and recognition system at their branch—that is, the incentives dimension of a high performance work system—had a positive and statistically significant relationship with branch performance, as measured by its sales of loans, that was robust under alternative specifications. Some of the fixed effects results showed a positive effect of the quality of communications between the manager and the staff and among staff members, a component of the "opportunity to participate" dimension of a high-performance work system. The fact that the HRM variables remained statistically significant even when manager dummy variables were included in the regressions indicates that the results are not due to unobserved personality characteristics of particular managers. The results were also unaffected by the inclusion of a variable measuring the branch's performance prior to any change in its human resource management environment.

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