

An Empirical Study of Human Resource Management in the Private Sector and Public Sector Banks-Selected Case Study (Punjab National Bank & ICICI Bank)

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Abstract

The term transformation in Indian banking sector started with the inception of the reform period & IT revolution and this change has seen unprecedented growth in the banking sector which has also affected the HR composition also. The banks are striving for leveraging synergies and this can only be achieved with proper and efficient HRM. The objectives of study is to examine the trends of human resource in the selected banks, to examine profit per employee & cost per employee and to compare which bank is able to utilize human resource in the best possible manner. The study period taken into consideration is of 10 years i.e. 2006-2015. The main parameters of study are: Growth in the number of employees, Business per employee, Net Profit per Employee, Ratio of wage bill to intermediation cost, Ratio of wage bill to total expenses, Ratio of wage bill to total Income. The performance of ICICI bank is better than PNB.

Key Words: ICICI-Industrial Credit investment Corporation of India, PNB-Punjab National Bank, HRM- Human Resource Management.

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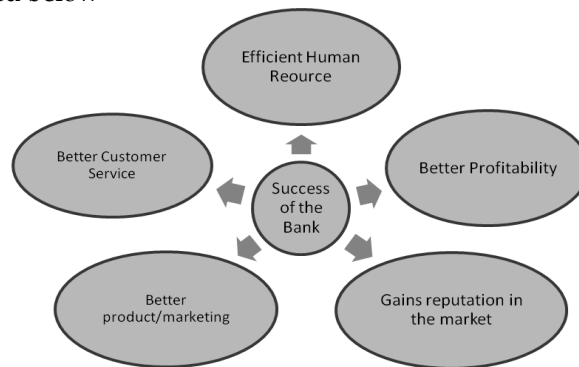
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1. INTRODUCTION

Indian Banking Sector has been one of the most important sectors of the country. Sea changes can be witnessed in this sector with ups and downs and from traditional banking to click banking. Adoption and wide use of technology in the banking landscape has resulted in the change in the composition of human resource in the banking sector.

Ever since reforms have been started in the banking sector in 1991, Indian banking sector is passing through a neo-transitional development phase. The deregulation has played a very important role in improving the overall profitability of the banking industry. Increase in competition has made the banks more conscious about relationship banking. Hence, human resource plays a very important role for providing satisfactorily services to the customers with a smile in order to cultivate and maintain long-lasting relationship with their customers. Banking sector mostly is labour intensive irrespective of the improvement in the level of technology. Hence, technology is only an aid but the prime factor which can turn the tables is human resource. As it is the most sensitive and effective factor of production, it is very essential to give due importance to human resource in order to sustain effectiveness which can be understood with the figure displayed below-



Hence, the major issue in today's time in managing transformation is Human Resource Management (HRM) which guides, motivates and directs the human resource to adapt to transformation as an opportunity and then manage the same in such a manner that optimum utilization with multiple synergies can take place. It is only possible by adding value to individuals, teams and the organization as a human system which is only possible with effective HRM.

The different aspects of HRM are mentioned below:

- Human Resource Planning;
- Placement;
- Induction, Transfer and promotion;
- Training;
- Management development;
- Career Development and Planning;
- Job analysis;
- Job Design and Human Engineering;

- Performance Appraisal;
- Human Resource Audit;
- Employees' Health, Safety and Welfare;
- Total Quality Management;
- Human Resource Development'
- Quality of working Life and
- Quality Cycle

Hence, HRM is a complex task of synergizing the minds, emotions, efforts and time of human resource in the best possible manner.

2. REVIEW OF RELATED LITERATURE

Bogdanova(2008) stated that HRM practices try to develop and allocate human capital in the best possible ways in order to achieve long-term goals. They provide with many benefits and good environment that would raise employees' morale and lead to job satisfaction and increase their profitability.

Chansarkar(2004) emphasized on the present position of human resource in banks covering various dimensions like low level motivation, underemployment, disguised unemployment, conflicts, promotion etc. and gave suggestions pertaining to the points raised the present position of the HRM in banks.

Jeet and Sayeeduzzafar (2014) found out that estimated regression model identified that the HRM practices like training, Performance Appraisal, Team Work and Compensation etc., have significant impact on job satisfaction. On the other hand, Employee participation has no significant impact on job satisfaction of the employees of HDFC bank.

Kohli(2002) found that no bank can function without a wide range of skills and appropriate attitude building the right skills and work culture of the staff.

Sahoo(2003) analyzed the problems in the reskilling and its need to solve it. The biggest challenge for the banking system is to equip the personals with the requisite knowledge and skills for coping with the new millennium banking. The banks need skilled people from branch to board level, if the banks want to survive long.

Verma, S. (2005) highlighted the major challenges regarding HRM of banking sector and suggest some effective policies for improving HRM practices in the banks. They concluded that HRM is a very important mechanism through which the Indian financial sector and banking sector can perform in the competitive market. Suggestions to follow better HRM were also given.

3. OBJECTIVE OF THE STUDY

- To examine the trend of human resource employed in the selected banks.
- To examine profit per employee
- To examine the cost per employee
- To compare optimum utilization of human resource in PNB and ICICI bank

4. RESEARCH METHODOLOGY

One each bank from private sector and public sector has been chosen for the study. The list is given below:

S.No.	Public Sector Banks	Private Sector Banks
01	PNB	ICICI Bank Ltd.

4.1 Justification of Selection of Samples

The above banks are reputed and established banks having branches all over in India covering the huge market share in the banking sector. The selection has been made on the following ground-

- These banks are listed in BSE and NSE.
- International ratings given by the agencies (ICRA & CRISIL)

4.2 Source of Data- The study has based on the secondary information that have collected from the annual reports of the banks, RBI –Bank wise statement relating to banks and other websites concerning the topic.

4.3 Period of study- The period of study covers a span of 10 years i.e. 2006-2015.

4.4 Bank Transformation and HRM: The recent bank transformations are responsible for the reduction of the employees in the banking sector. The reason for this transformation is because of the reforms and IT revolution in the banking sector. Three parameters of bank's performance, significantly affected by the downsizing of bank employees, have chosen. These parameters are:

- Human Resource efficiency (Business Per Employee)
- Operational Profitability(Net Profit Per Employee)
- Cost per employee

Due to the introduction of more and more technology, Indian banking has gone under churning which resulted in the reduction of employees leading to disguised labour, resulted in improved profitability and productivity but has also increased labour cost which is not an indicator of effective management.

4.5 Problems Faced by HRM

1. The workforce shows resistance in the adoption of the latest technology. The most difficult task of HRM is to motivate the employees to adapt to the changes taking place in terms of technology.
2. Employee retention is another issue of concern. Developing hard core loyal employee is just like an impossible mission as in this competitive era as more doors are opened for employees to join and excel in terms of compensation.
3. The above discussed problem has increased labour turnover ratio. A lot of cost is involved in terms of time and money involved in the recruitment, selection and orientation of new employees. Losing good employees may also lead to the loss of good customers due to the close interaction of staff and employees.
4. The other problems are:
 - Low standard of job performance
 - Attitudinal problems towards work and management
 - Absence of team work and the sense of shared responsibility.
 - Lack of clarity in job responsibilities
 - Breakdown in personal relationships

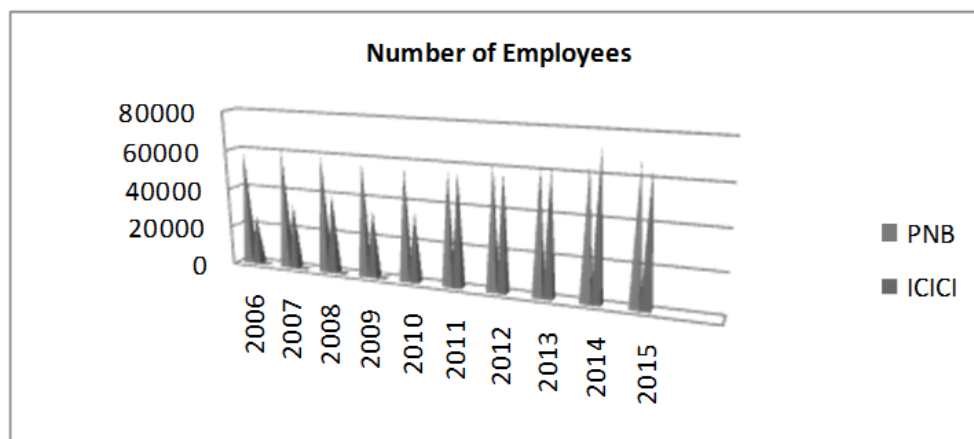
4.6 Growth in Human Resource of the selected banks

Number of Employees: Inception of IT into banks has reduced the human resource. Labour intensive techniques are replaced by capital intensive techniques. The change can be analyzed with the help of the following data:

Table 1: Number of Employees

Year	PNB	ICICI
2006	58047	25384
2007	60542	33321
2008	59329	40686
2009	58205	34596
2010	56928	35256
2011	57020	56969
2012	62127	58276
2013	63292	62065
2014	65541	72226
2015	68290	67857

Source-www.moneycontrol.com



Initially in the year 2006, the numbers of employees were more than PNB bank but slowly and gradually the growth rate of number of employees in ICICI bank is more than PNB. The main cause may be aggressive marketing strategy with more expansion and diversification plans during the study period. Human resource declined in the year 2008, 2009 and 2010 in PNB and decrease in number can be seen in ICICI bank in the year 2009. The reason behind was the global economic crises, increasing operating cost, increase in trend of downsizing employees through VRS and shift in the taste and preferences of the customers from branch-banking to net-banking but it started reviving again from the year 2011 and 2012.

4.7 Human Resource Efficiency and Operational Profitability

Business per employee and net profit per employee measure how effectively and efficiently a particular bank is utilizing its employees. In general, relatively high business per employee and

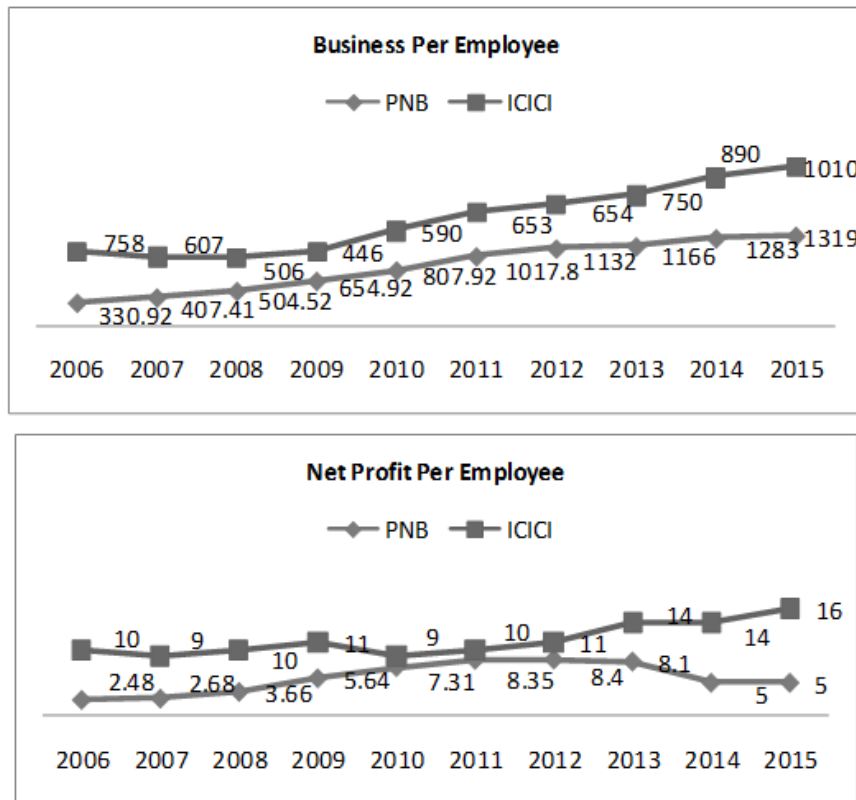
net profit per employee represent a positive sign and it helps in finding new ways for optimum utilization of available human resource so that the economies of large scale can be achieved.

Table 2: (Value in Lakh)

S. No.	Business Per Employee		Net Profit Per Employee	
	PNB	ICICI	PNB	ICICI
2006	330.92	758.00	2.48	7.39
2007	407.41	607.00	2.68	6.13
2008	504.52	506.00	3.66	4.97
2009	654.92	446.00	5.64	4.18
2010	807.95	590.00	7.31	5.98
2011	1017.80	653.00	8.35	7.37
2012	1132	654.00	8.4	8.1
2013	1166	750.00	8.1	8.0
2014	1283	890.00	5.0	10.0
2015	1319	1010.00	5.0	12.0

Source- Statistical Data Relating to Banks

4.8 Graph Representing growth in Business per Employee



Both the banks have shown impressive growth during the study period. The data of business per employee is showing an upward trend in both the banks except for the year 2009 in case of ICICI Bank. The term business in banks means the growth in deposits and advances. If the business of the bank increases, it will indicate increase in the efficiency of the bank employees. Upward trend indicates the selected banks are able to utilize its human resource in a proper and well directed manner.

Net Profit per Employee shows the operational profitability of the banks. If the ratio increases, it indicates increase in the operational efficiency of the employees. The performance of ICICI bank is better than PNB as net profit per employee of ICICI bank indicate better position than PNB.

Analysis of Cost Factor: Three parameters are taken into consideration:

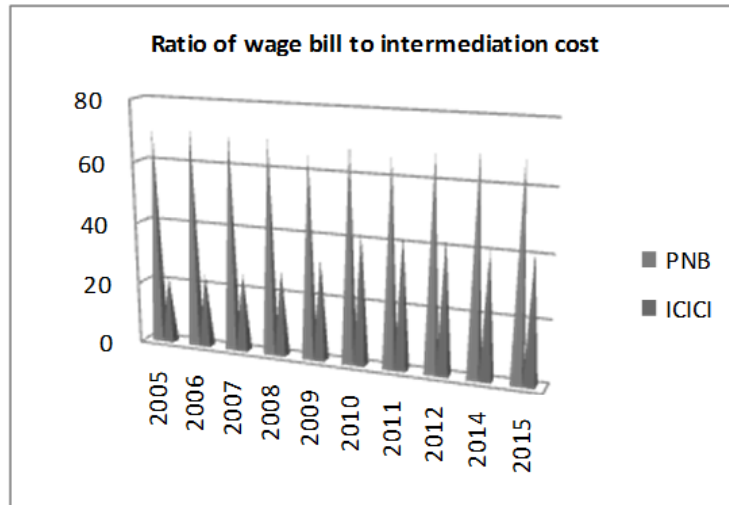
- Ratio of wage bill to intermediation cost(Indicated as A in the table)
- Ratio of wage bill to total expenses(Indicated as B in the table)
- Ratio of wage bill to total income(Indicated as C in the table)

Year	PNB			ICICI		
	A1	B1	C1	A2	B2	C2
2006	69.96	26.64	19.48	21.64	7.41	5.85
2007	70.72	25.16	18.70	24.16	7.01	5.59
2008	69.82	20.08	15.14	25.49	6.57	5.25
2009	69.53	17.72	13.15	27.99	6.62	5.10
2010	65.54	17.63	12.47	32.86	8.21	5.80
2011	70.10	20.71	14.58	42.57	11.95	8.64
2012	67.45	15.71	11.61	42.78	11.47	8.56
2013	69.50	16.12	12.31	43.20	11.05	8.04
2014	69.72	17.88	13.62	40.94	11.10	7.73
2015	69.93	18.25	14.05	41.32	11.43	7.75

Source: Statistical Data Relating to Banks

4.9 Ratio of Wage Bill to Intermediation Cost

Intermediation cost is total operating expenses and wage bill is payment to provision for employees. Operating expenses are costs associated with the operation and maintenance of the business to generate income. The wage bill to operating expense ratio shows the percentage of the total operating expense used to meet personnel costs. PNB's ratio of wage bill of intermediation cost is more than ICICI bank indicating that the personnel cost of PNB is more than ICICI bank.



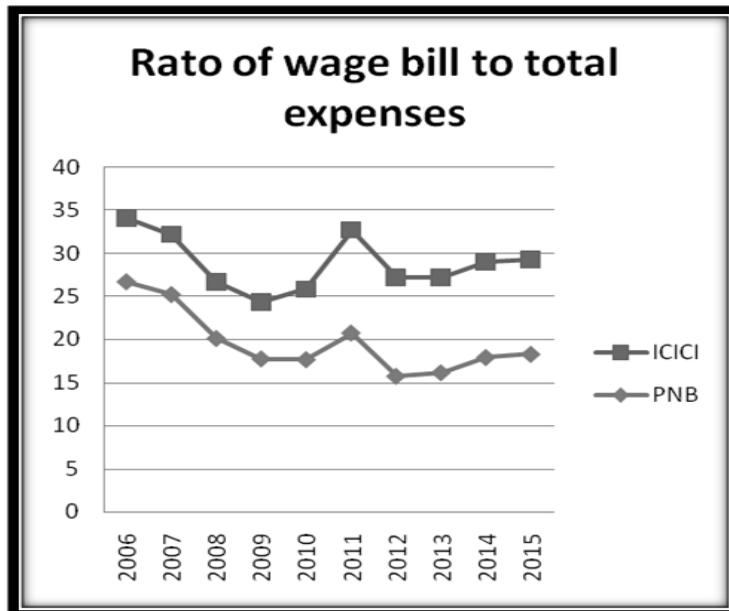
4.10 Ratio of Wage Bill to Total Expenses

The above data clearly reveals the ratio of wage bill to total expenses is more in PNB than ICICI Bank.

The personnel cost remains higher in PNB than ICICI bank.

The personnel cost remains higher in PNB due to more employees which dominate the cost parameter.

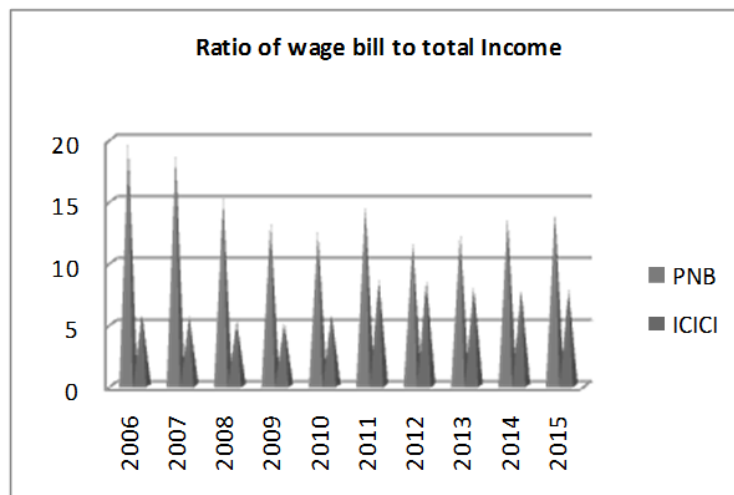
ICICI bank's ratio of wage bill to total expenses also increased with the increase in the number of employees but it remained less than PNB.



4.11 Ratio of Wage Bill to Total Income

The ratio of wage bill to total income is less in ICICI bank whereas PNB tried to control it. In 2006, the PNB has got the highest 19.48 & brought down to 11.61 in 2012. One reason can be declined in the number of personnel in the previous years and it started increasing again and reached 14.05 in 2015.

In 2006, ICICI bank's ratio of wage to total income was 5.85 and it rose to 7.75 in 2015. Hike can be seen due to increase in the number of employees due to expansion plans of ICICI.



5. FINDINGS

HRM is quite important for any growing organization which wants to succeed in a fast competitive economy. Hence, it becomes inevitable for the banks to place right person at the right job if they want to grab the opportunities knocking at their door. It is very important for the banks to think and take qualitative measures to grow and develop the key assets of the banks. The findings are summarized below:

- The growth rate of human resource in ICICI is more than PNB. The recession period in 2008-09 has resulted in increase of operational expenses. Most of the banks opted for VRS or retrenchment of employees. Moreover, IT revolution has also led to the decline in human resource.
- Increase in HR can be seen due to the expansion strategy of the banks. Now banks strive to reach the remotest area. Hence, it utilizes more human resource in order to cater to the ever-increasing demands of the customers.
- Aggressive marketing strategy due to hike in competition and the policy of reaching at customers' door is also responsible for the hike in human resource. The shift can be seen aftermath 2011.
- The banks also opt for outsourcing of services in order to concentrate on core-competencies. Hence, it has also affected the HR Composition of the banking sector.
- The performance of ICICI is better than PNB indicating ICICI is able to harness human resource in order to attain operational efficiencies better than PNB.

- Ratio of wage bill to intermediation cost in PNB is more than ICICI bank.
- The personnel cost remains higher in PNB due to more employees which dominate the cost parameter.
- Ratio of wage bill to total income is on hike in case of ICICI and PNB but PNB again has a high graph than ICICI bank.

6. SUGGESTIONS

- Coordinated and synchronized relationship between employee's tasks, resources and managerial activities can lead to all round growth of the banks with which the economies of large scale can be achieved.
- Appropriate strategies for appointing right person at the right job at right time may improve the efficiencies of the employees.
- Operational cost can be reduced if proper training is imparted so that the employee can perform aptly in the dynamic business situations and can meet the challenges of globalization, quality improvement and competition.
- Participation of the employees in terms of suggestions must be welcomed.
- HRM must strive to increase the productivity so that the maximum output can be achieved with minimum input. With this, the cost factor can be controlled.
- The performance of HR both qualitatively and quantitatively needs to be assessed and then in case of deviations remedial measures can be taken into consideration.

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