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Impact of Hr Practices on Dccb Bank Chittoor-Performance Appraisal

Srivalli BR

Introduction to HR Practices:

1.1 HRM PRACTICES: COOPERATIVE BANKS

Cooperatives were the pioneers in the field of rural credit in India. The entire rural credit delivery was more or less a preserve of the cooperative credit institutions from 1904 to 1969, when the nationalization of Commercial Banks and the subsequent emergence of Regional Rural Banks in 1975 heralded the adoption of the Multi Agency Approach to rural lending. Even today, the cooperative credit structure has the largest outreach and delivers credit to the largest numbers of clients in the rural areas in comparison to other institutions, although the quantum of credit delivered is second to commercial banks.

The DCCB as the name suggests has an area of operation covering a single district. In any district, the banking system would comprise Commercial Banks, Regional Rural Banks, Cooperative Banks and other agencies like SFC, MFIs, Non Formal Credit institutions and Non Banking Credit agencies. In such a situation, how does a DCCB position itself in the market? This is an issue that needs to be understood by the chief executive of the DCCB. With the available resources and the unique strengths of the DCCB, a market needs to be developed which is appropriate, adequate and profitable. There is room for all, but the capacity to identify ones' niche market enables a bank to be focused and devote its resources to that activity rather than spreading out the resources too thinly across several activities or worse still just drifting along without any clear business plan.

Human Resource Management is important for banks because banking is a service industry. Management of people and management of risk are two key challenges facing banks. How the banks manage the people and how the banks manage the risks determines their success in the banking business. Efficient risk management may not be possible without efficient and skilled manpower. Banking has been and will always be a "People Business". Though pricing is important, there may be other valid reasons why people select and stay with a particular bank. Banks must try to distinguish themselves by creating their own niches or images, especially in transparent situations with a high level of competitiveness. In coming times, the very survival of the banks would depend on customer satisfaction. Those who do not meet the customer expectations will find survival difficult. Banks must articulate and emphasize the core values to attract and retain certain customer segments. Values such as "sound", "reliable", "innovative", "international", "close", "socially responsible", "Indian", etc. need to be emphasized through concrete actions on the ground and it would be the bank’s human resource that would deliver this.

The practices of managing human resources at the officers' level are different in the public sector banks and the other banks. The practices regarding compensation, i.e., rules governing pay and pay raises, benefit structures and the practices that centre around training, staffing, hiring and selection, and job design differ substantially. To mention a few differences, public sector banks, structure compensation in such a way that there are lower differentials between employees, long-term tenure is rewarded, and there is a high base pay. In the private and foreign banks there are larger pay differentials, fewer rewards for tenure, and individual incentives are high. Public sector banks place a lot of emphasis on training whereas in the private and foreign banks training is emphasized according to necessity. In terms of staffing the public sector banks are committed to employment security and have a full time workforce whereas in the non public sector banks the staffing policy is a hire and fire at will dictated one with a part time workforce.

The key challenges faced in HR management in any organization and which is all the more relevant for public sector banks today:

1. Planning
2. Acquiring
3. Retaining
4. Managing the people

(a) Planning

As the economy grows at a steady rate of around 7-8%, incomes rise and demographic dividends start accruing, the Banking industry is expected to take a quantum leap forward. But this growth will need a large number of people and considering that there are retirements in lakhs, a defining moment is being presented before the Nationalized Banks to transform. Are the banks ready to handle the new bunch of employees who will be culturally so different from their predecessors of the post nationalization era? It all begins with having a manpower plan. How many banks can claim to have a proper manpower plan that captures the type of people it requires, the level at which they are required, clearly defined roles for everyone, etc. Manpower plans should follow a lifecycle approach, that is, from the time of recruitment of an employee to his retirement. Further, this needs to be integrated with the Business Plan and strategy of the bank. Are we having a Business Strategy or Business Plan needs to be addressed first.

While planning the banking people requirement it is very important to develop their “employer brand”, that is, their reputation as an employer to attract, engage and retain talented candidates and employees. Banks will have to plan for the following:

- A steady, carefully calibrated recruitment programme,
- As rapid technological changes transform business – continuous skill up-gradation.
- A new generation of the workforce will be working alongside an older generation as a team. Banking, in my opinion is a team work and this new situation will require cultural adjustments and therefore, change management

(b) Acquiring the right people:

Unfortunately, it is the same limited talent pool that will be targeted by Banks, Financial Institutions, Insurance, Telecom and other industries which are on fast growth track and in need of talented manpower. While my friends in the Banking Industry are busy developing “on-line” application forms and “on-line” tests, we need to probably question if we are even targeting the right kind of talent pool. The study on how many people in remote villages, at the taluka / tehsil level, appear for the recruitment tests that are conducted. Because, these might be the people who could be best suited to drive our financial inclusion agenda. While we are busy testing the people for problem solving skills on paper, Professor Debashis Chatterjee, Director of IIM Kozhikode says that these do not necessarily mean problem solving skills on the ground. Our recruitment tests do not focus on testing the psychological abilities of candidates to ensure that only the ones with right attitude towards the job are selected. This is why we often end up with people having brilliant minds but incapable of actually delivering on the tasks assigned.

Banks need to seriously look at lateral recruitment as an option to induct specialists at various levels with specific skill sets and experience pool. While we have often heard of people leaving banks to join finance, legal, accounting firms, etc. seldom have we heard of people leaving these professions to join banks. This needs to change.

The right people will come only if they are paid competitive salaries. However, too much pay also involves moral hazard issues and invites adverse attention of external stakeholders. As we will see later, the salary structure in the PSBs appears to be distorted. There has to be discrimination in salaries of people.

(c) Retaining/ Developing the People:

It may be able to get the most suited people for our work but then the challenge is to retain these people and to develop them. There are several dimensions to this issue such as training/ re-skilling of employees, performance measurement, promotion policy, transfer policy, talent management, communication, etc. here are briefly dwell on some of these issues:

(d) Training/ Re-skilling:

The nature of business requires massive re-skilling of the existing workforce and continuous skill up-gradation. Khandelwal Committee has recommended major up-gradation of in-house training facilities of banks. With a lot of service providers in the market, should It is not majorly utilize their services? In-house training facilities should be used for courseware development on IT / electronic platforms. The courseware should facilitate skill development. Again, there will have to be discrimination in the training that each employee has to be provided - based on his /her requirements and the need of the institution, not as a routine, not as a measure of reward alone.

It is also important here to understand why people work? In the olden times, in agrarian societies, people worked for livelihood. Times changed and came the industrial age. Livelihood was not the only reason of working. As Henry Ford famously said "Why is it every time to ask for a pair of hands, they come with a brain attached?" The people then understood that apart from livelihood, there is something else required. This something else was termed 'Job Satisfaction'. It have moved on further and are now in the 'Knowledge Age' and in this age, in my opinion, people work for 'Empowerment' more than anything else.

The best development of people is through empowerment. People at all levels in the organization must feel empowered. For this, It need to cut layers of bureaucracy that It have created over the years and adopt an effective way to delegate. It have made some beginning in this direction in the RBI.

Performance Management:

Block Level Bankers' Committee (BLBC) BLBC is a forum for achieving coordination between credit institutions on one hand and field level development agencies on the other. The forum prepares and reviews implementation of Block Credit Plan and also resolves operational problems in implementation of the credit programmes of banks. Lead District Manager of the district is the Chairman of the Block Level Bankers' Committee. All the banks operating in the block including the district central co-operative banks and RRB, Block Development Officer, technical officers in the block, such as extension officers for agriculture, industries and co-operatives are members of the Committee. BLBC meetings are held at quarterly intervals. The LDO of RBI and the DDM of NABARD selectively attend the meetings of the BLBCs. The representatives of Panchayat Samitis are also invited to attend the meetings at half yearly intervals so as to share their knowledge and experience on rural development in the credit planning exercise.

District Consultative Committee (DCC) Constitution of DCC DCCs were constituted in the early seventies as a common forum at district level for bankers as well as Government agencies/departments towards coordination of activities in implementing various developmental activities under the Lead Bank Scheme. The District Collector is the Chairman of the DCC meetings. Reserve Bank of India, NABARD, all the commercial banks in the district, co-operative banks 5 including District Central Cooperative Bank (DCCB), RRBs, various State Government departments and allied agencies are the members of the DCC. The Lead District Officer (LDO) represents the Reserve Bank as a member of the DCC. The Lead District Manager convenes the DCC meetings. The Director of Micro Small and Medium Enterprises Development Institutes (MSME-DI) is an invitee in districts where MSME clusters are located to discuss issues concerning MSMEs.

The performance of the credit plans is reviewed in the various fora created under the lead bank scheme at district level follows DCC (District Consultative Committee) & District Level Review Committee (DLRC).

This is the most important area of Human Resource Management, the foundation of which is discrimination. Unfortunately, current systems are unable to discriminate and differentiate between performers and non-performers. In fact, it is impossible to identify who are the performers and who are the non-performers. if any bank has even attempted to identify who are, say, the bottom 25% people in their banking organization. In any organization typically there would be some 10-15% of people who would be the high performers. HR managers often focus on this segment and try to cater to their needs first. Instead, focus should be on the remaining 85% as any improvement in their performance would have a significant impact on the organization's performance. With all the efforts a student who always scores above 90% marks in his class, will benefit by only a few percentage. The one who scores only 45%, however, has the potential of doubling his marks.

The results of not having a proper performance management system are disastrous. It are all having to deal with the problem of people who are "promotable" but not "postable" and people who are "postable" but not getting promoted. This is because It have failed to discriminate between performers and non-performers. HR systems may have failed to appreciate performers. A fair, transparent and objective mechanism for performance management is a must for all banks because an effective Performance Management System is the key to talent management and succession planning. In RBI and other registered banks under RBI It is shortly going to introduce a new Performance Management System that will work on goal setting, potential appraisal of performers and developing a talent pipeline.

It has also going to face major challenges on the Talent Management front. In coming times, the work force will get complex and there will be a need to juggle a wide variety of people with varied needs and preferences, resulting in an array of relationships between the organization and those who work for it. Peter Drucker had, more than a decade ago, expressed the need for what he called "non-traditional" work relations: flexible schedules, contract arrangements, virtual teams, etc.

Managing in the knowledge era:

It is living in the knowledge age where our existing management theories, which are oriented towards being more productive in the industrial society and the ethics around it, will need to undergo a 360 degree change. the key driver that motivates people in the knowledge era is not livelihood or job satisfaction but is the feeling of empowerment. When it talk of talent management today, it is about managing knowledge workers and there are some prerequisites for it:

- They cannot be treated as subordinates, but as associates
- They cannot be managed, but led
- They will work flexi-time and flexi-place but would need a 'home base'
- Above all, they cannot be purchased or bribed, they have to be empowered.

The new generation, in the age of knowledge workers, is going to be different. It need to rewrite our employment contracts. There should be a variety of people working with us on variety of options – part time / contractual / regular – regular in regular job / regular on flexi-hours, etc.

A Performance Management System should throw up future leaders. A leader is expected to do three things:

1. Plan (the tasks)
2. Inspire (people)
3. Deliver (on results).

Systems/ Processes:

The hallmark of any effective HR system/ process is that it should be objective and transparent. These traits are essential for the manpower to repose trust in the organization's systems/ processes. No HR function can be effective if it does not enjoy the trust and confidence of its constituents.

Two key stakeholders in the HR management process are Board/ Senior Management and Unions. How much time do Board members spend on HR related issues? Perhaps, not enough. Structurally, it is important that Board/ senior management is actively involved in HR matters involving all its manifestations. Organized employee unions are an important part of the democratic process and form an effective channel for communicating with employees down the line. It is important to involve them in the HR process without allowing them to have an overbearing influence.

Communication:

Communication with employees is a vital part of the HR process as it helps enhance transparency in HR practices, thereby imparting credibility to them. When dealing with human beings, it is important to be objective, transparent and non-discriminatory and this must be effectively communicated. The employee must say that the management has all the above qualities. The Board must spend time on devising ways and means for this communication – lay down appropriate structures for the purpose. All forms of modern communication channels including intranet, corporate e mails, etc. can be adopted to reach out to employees. However, despite these developments, the traditional channel of communicating through unions continues to be relevant as employees attribute greater credibility and reliability to messages received through their unions. The Banks have a clear cut advantage in this respect – they already have a participative process. Representatives of the employees sit on the Board itself and hence, it requires better practice of participative management in the real sense of the term.

(d) Managing people separation / exit:

Except maybe a last few years, so far most of the people leaving us were due to retirements. Things will change, unless It are doing all the other things that, people will also leave us for other opportunities – and believe me, there are going to be plenty of them – not only from competitor banks and financial sector but also from outside the financial sector.

The need to introduce a system of exit interviews to determine why people are leaving our organization – whether there are any inherent system/ structure failures? Have It not been able to empower the people enough? It should not try to block their exit but, as a part of the manpower planning process, should be able to identify substitutes who can step in and ensure non-disruption of important functions, in the event of the exit of a key person. The place of an experienced person could always be filled in through lateral recruitment of a person with matching skills/ experience.

While the banks are facing a crunch of manpower – can It use our retired people in some way – It are paying them pension and reasonable medical benefits already – can some contracts not be worked out for them? Again, can It not provide some empowerment to them to leverage on their inherent loyalty? They could be useful in brand building efforts, or perhaps, in our financial inclusion initiatives. It is, definitely, an avenue that could be explored.

HRM in DCCBs

Managing Human Resources in a DCCB is one of the greatest challenges of senior management. The geographical area of operation being limited and the staff local, intimate relations with the clients develop short-temporary postings in which works to the advantage of the DCCBs as compared to the Commercial Banks. The recruitment and promotion policies are generally approved by the cooperative department, (Registrar of Cooperative Societies) entry level positions in DCCBs such as field supervisors are filled both by the promotion of secretaries of PACS and by open market recruitment. For the officer cadres also, the vacancies are filled from both the feeder cadre and by direct recruitment. In view of the precarious financial position of many DCCBs there was a freeze on recruitment. This has caused impediments in filling up vacancies arising from retirements and depletion in staff further aggravating the problems of the CCBs. Fresh recruitment of professionally qualified staff and increasing use of technology can ease the situation considerably.

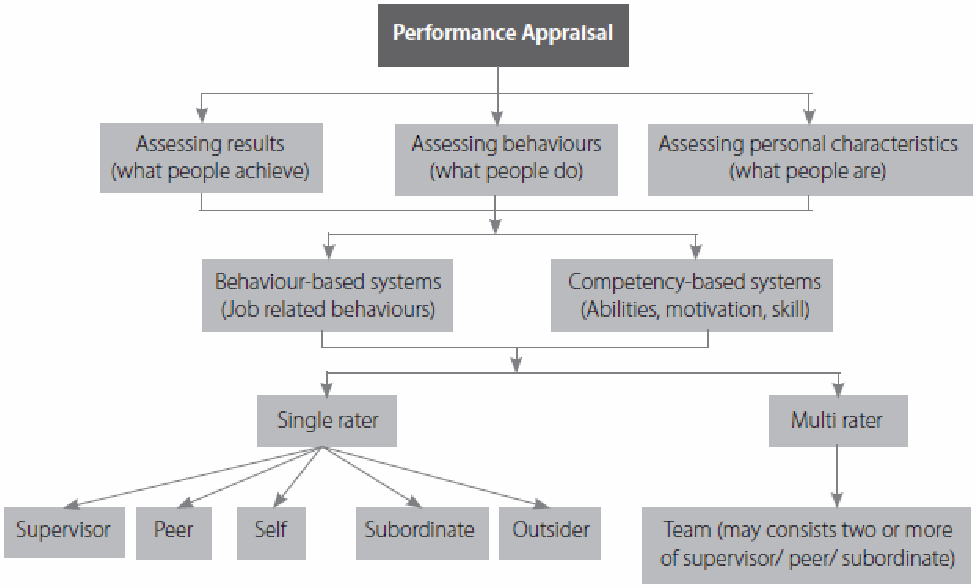
As DCCBs do not have the opportunity to recruit staff on an ongoing basis, it is essential that the capacity building of the available staff is given a high of attention. The banking industry like the Indian economy is moving very fast, and to keep pace with the changes, the cooperatives will have to provide continuous exposure to their employees the best and the latest happenings though participation in training, seminars and workshops.

PERFORMANCE APPRAISAL IN DCCB BANKs

Performance appraisal is the systematic, periodic and an impartial rating of the employee's excellence in matters pertaining to his present job and of his potentialities for a better job. In cooperative banks, probationer's performance has been monitored and appraised informally. Clerical employees' diaries, entries to the service register and review of work done periodically are the methods used for appraisal of probationers. However, appraisal is not implemented seriously for permanent employees. All the employees are in favour of introduction of performance appraisal though there is no systematic appraisal followed, right now.

Despite the slogans about employees being their most important asset, many managers haven't systematically analyzed how and where human capital drives successful strategy execution in their organization. Yet this is an important threshold question for cooperative organizations. Performance appraisal is a systematic approach to tracking individual performance against the targeted objectives of the organization and identifying strength and opportunities for improvement. It involves more than giving an annual performance review. While a periodic formal review may be part of the performance appraisal process, good performance management is an ongoing process, a once–a– year event.

Generally, the cooperative banks in India are able to get self appraisal from their employees. Each individual employee has to submit a self appraisal to the immediate superior in the prescribed format. In the case of public sector banks this format is reviewed by the boss and sent to the higher-ups with recommendations for increments, promotions, rewards and incentives. But in the case of cooperative banks especially urban cooperative banks which are classified on Grade I and II by RBI is eligible to get increments to their employees whereas the Grade III and IV banks as Classified weak banks and the employees of these banks are not able to get any increments in their salary. Moreover, various performance appraisal techniques are used to evaluate the performance of their employees by public and private sector banks. But cooperative banks have not used any sophisticated methods to evaluate their employees' performance. This is the major reason for poor performance of employees in cooperative banks.



Source: Employee Performance Appraisal Using Data Envelopment Analysis by TR Manoharan (Google)

DATA ANALYSIS: PRESENTATION OF GENERAL INFORMATION

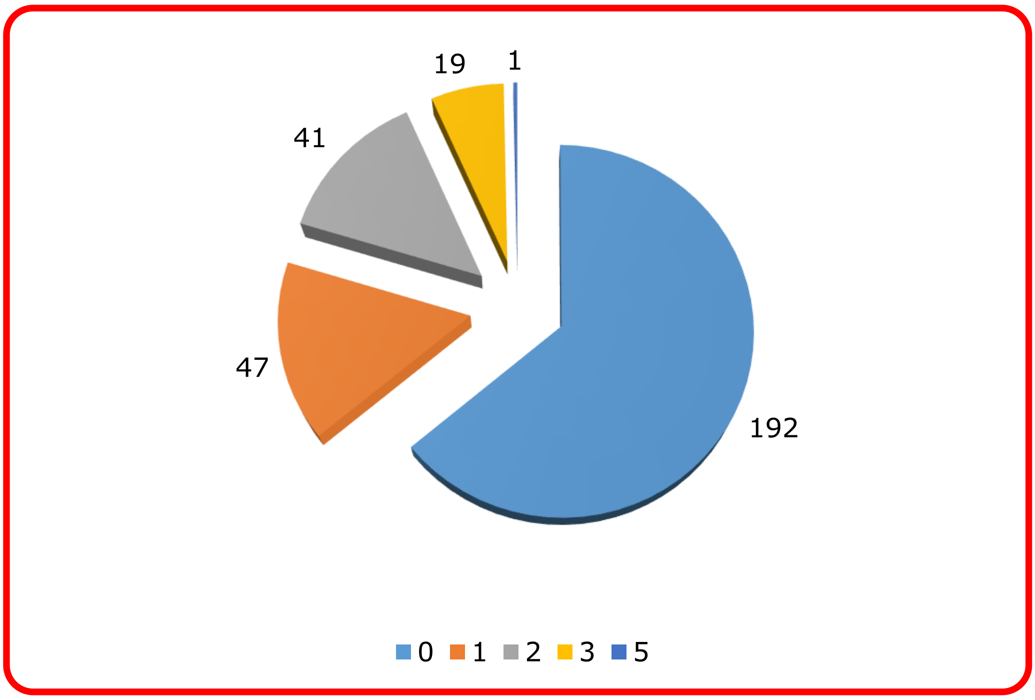
4.19.6 Promotions Received

The following table details the number of promotions received by the employees during their carrier with the bank. It is observed that majority of respondents of 192(64%) have not received any promotions during their career. 47(15.6%) of the respondents received one promotion followed by 41(13.6%) of respondents received two promotions.

Table 4.6: Promotions received by Employees

Number of Promotions Received	Frequency	Percentage
0	192	64
1	47	15.6
2	41	13.6
3	19	6.3
5	1	0.3
Total	**300**	**100**

Fig.4.6: Promotions received by Employees



Assessing Reliability

Cronbach's Alpha is an index of Internal Consistency. Internal Consistency is significant test before analysis. Internal consistency tests whether the items of operational variable are measuring the same. The Cronbach's alpha is measured on the same scale of Pearson's Coefficient ranging from 0 to 1. Higher the Cronbach's alpha higher the consistency, Higher alpha means higher variance of data, considering the various range of groups in analysis.

Table 4.8: Reliability Statistics for HRM practices and outcomes

Sl.No	HRM Practices	No of Items	Cronbach's Alpha
1	Recruitment and Selection	13	0.67
2	Performance Appraisal	14	0.72

3	Training and Development	19	0.61
4	Transfers	10	0.82
5	Promotions	10	0.78
6	Incentives	12	0.84
7	Employee Satisfaction	8	0.69
8	Organizational Commitment	6	0.75

Acceptable standard alpha value should be equal to or greater than 0.6, to indicate the internal consistency of the items of the instrument. In our study all the variables are well above the standard value. Incentives have high internal consistency with 12 items have 0.84 Cronbach's alpha followed by transfer practices with 10 items have 0.82 Cronbach's alpha.

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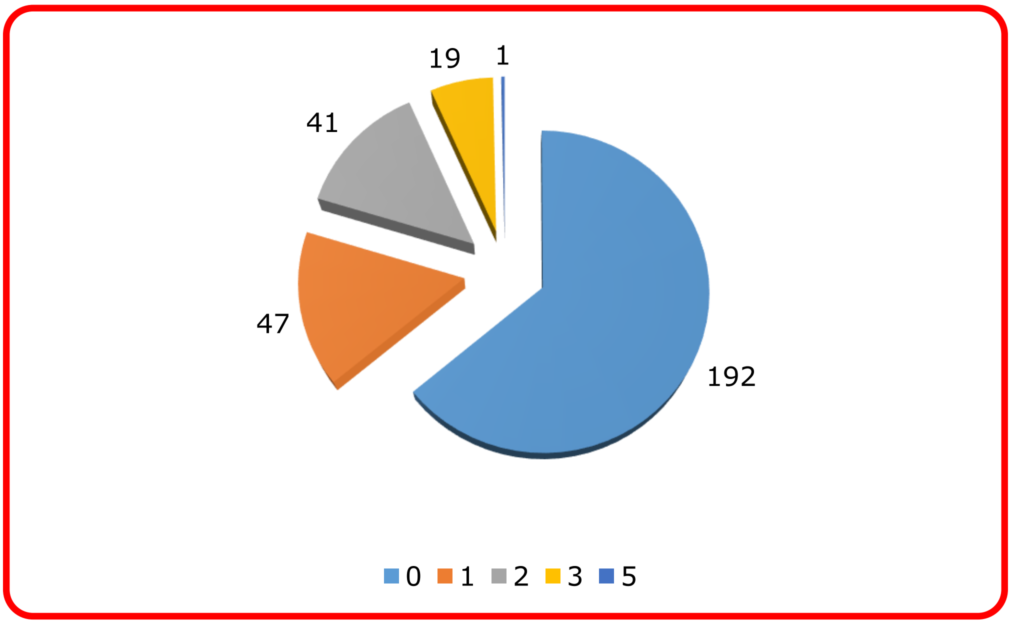


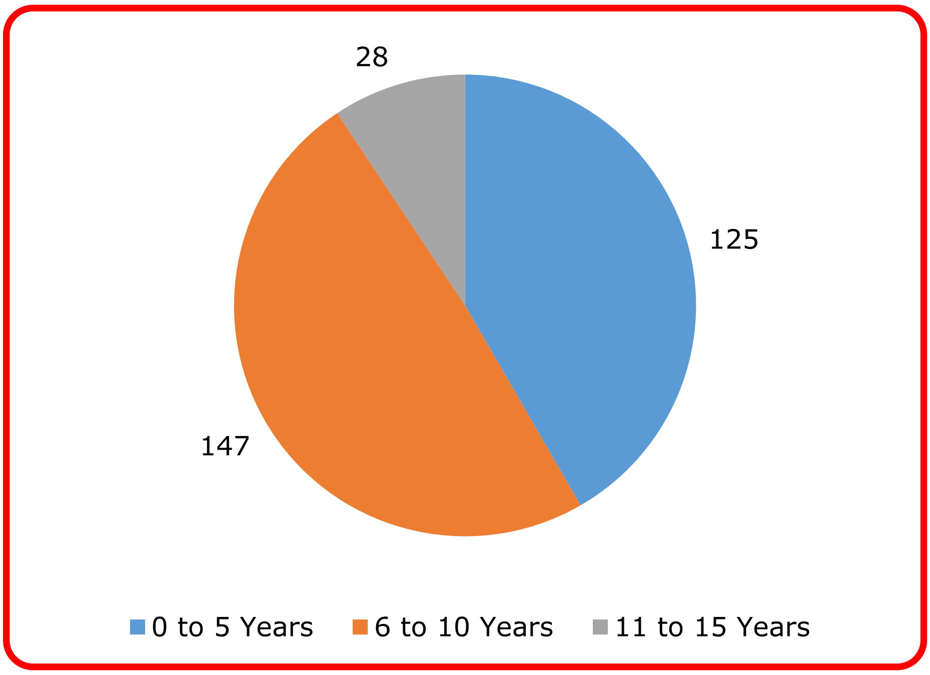
4.19.7 Experience of Respondents

The following data explains the experience of the employees. It is understood from the data that majority, 147(49%) of the respondents have experience between 6 to 10 years. 125 (41.6%) of respondents have 0 to 5 years of experience followed by 28 (9.3%) respondents have 11 to 15 years of experience.

Table 4.7: Experience of Employees

Year of Experience	Frequency	Percentage
0 to 5 Years	125	41.6
6 to 10 Years	147	49
11 to 15 Years	28	9.3
Total	**300**	**100**

Fig.4.7: Experience of Employees



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