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## RESEARCH ARTICLE

### Human Resource Policies in Banking Sector in India: An Empirical Exploration of Selected Banks

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#### Abstract:

Employees are considered to be the valuable assets of the organization as the source of ideas for innovation, quality and other important inputs needed to compete in the modern competitive world comes from employees and not from inanimate machines. Therefore, organizations are making attempts to provide better HR policies so that employees work with zeal and enthusiasm in the accomplishment of organizational goals. The present study examines the impact of human resource policies on the performance of employees in banking sector in India. A sample of 109 employees from some selected banks namely State Bank of India, Punjab National Bank, Canara Bank and Allahabad Bank has been selected for the study. Data have been collected through questionnaires designed on a five point Likert scale from Aligarh, Agra, Mathura, Ghaziabad and Delhi. Mean, Standard deviation and linear regression has been used as the statistical tool for analysis. The analysis of data highlights that there is a significant impact of HR policies on the performance of employees banking sector.

**Key Words:** HR policies, employee's, performance, regression, banks.

#### Introduction:-

Human Resource refers to the individuals or personnel or workforce within an organization responsible for performing the tasks given to them for the purpose of achievement of goals of the organization. Human resources are the set of individuals who make up the **workforce** of an **organization**, **business sector**, or **economy**. **Human capital** is sometimes used synonymously with human resources, although human capital typically refers to a more narrow view (i.e., the knowledge the individuals embody and economic growth). 'Human resources' in a general way are the people and their characteristics at work either at the national level or organizational level. Human resources are knowledge, skills, creative abilities, talents and attitudes obtained in the population. It represents the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees. Human resource is essential imperative for the prosperity and growth of an organization. Their performance is certainly an issue of concern for the management of all organizations who retain them.

#### Human Resource Policies:-

Human Resource (HR) Policies are the principles, rules and guidelines formulated or adopted by an organization to reach its long term goals. HR policies are systems of codified decisions, established by an organization, to support administrative personnel functions, performance management, employee relations and resource planning. Each company has a different set of circumstances, and so develops an individual set of human resource policies. The establishment of policies can help an organization demonstrate, both internally and externally, that it meets requirements for diversity, ethics and training as well as its commitments in relation to regulation and corporate governance of its employees. HR policies can also be very effective at supporting and building the desired organizational culture.

Human Resource Policies include the following policies:

- Performance Appraisal
- Training and Development
- Career Planning
- Career Development

- Organizational Development
- Role Analysis
- Employee Welfare and Quality of Work Life
- Self-Renewal and Institution Building
- Rewards
- Quality Circles, Task forces and Assignment Groups
- Employee Counseling and Coaching

In order to measure the impact of HR policies on the performance of employees, the present study has taken three HR policies namely performance appraisal policy, training and development policy and reward policy.

#### **Performance Appraisal:-**

Performance appraisal is systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development. It is a formal, structured system of measuring and evaluating an employee's job, related behaviour and outcomes to discover how and why the employee is presently performing on the job and how the employee's can perform more effectively in the future so that the organization can benefit most. It is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for purposes of administration including placement, selection for promotions, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally.

#### **Training and Development:-**

Training and development is a key ingredient in banking sector for organizational performance improvement. It enables employees to develop skills and competencies necessary to enhance bottom-line results for their organization. It ensures that randomness is reduced and learning or behavioral change takes place in structured format. It helps in increasing the job knowledge and skills of employees at each level and helps to expand the horizons of human intellect. It is an attempt to improve current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge. The purpose of training need assessment is to add value to an organization. The Human Resource Development department has to play a more proactive role in shaping the employees to fight out the challenges. The banks not only have to make plans and policies and devise strategies, the actual functionaries have to show willingness, competence and effectiveness in executing the said policies and strategies. In commercial organizations like banks, HRD departments have the advantages of not being excessively burdened with day-to-day problems of running the banks or ensuring profitability of individual transactions. They are in positions to take strategic and long term view of the competitive advantage

#### **Reward:-**

Reward is the appreciation of work in the form of bonus, promotion, salary increment, control of preferred job assignment etc which enhance the morale of employees and motivate them to work with more zeal and enthusiasm. It increases the productivity and leads to maximum utilization of resources. Rewards are of two types namely intrinsic and extrinsic. Intrinsic rewards are those which are received by the individuals themselves as a result of satisfaction on job. Extrinsic reward on the other hand is in the form of direct compensation to be linked with the assessment of performance of employees at work.

#### **Review of Related Literature:-**

**Jain (1996)** in his paper entitled "*HRD Practices in Indian Industries*" highlighted the impact of HRD policies and practices on organizational effectiveness. The author studied the conceptual framework of HRD by undertaking the past and present patterns of HRD practices in two public undertakings namely BHEL and NFI and also studied the relationship between HRD variables, personal history factors and effectiveness variables. **Gupta (1997)** in his research paper highlighted the multi-dimensional concept of HRD. He found that HRD has three dimensions i.e. the human aspect, resource aspect and the development aspect. The author further discussed the mechanism of Training and Development, Performance Appraisal and Career advancement in the working of HRD system in the Banking sector of India. **Pattanayak (2001)** in his study highlighted that human resource plays a very significant role in strategic planning and the success of corporate organizations depends largely on entrepreneurial behaviour. **Mishra & Bhardwaj (2002)** examined the nature of HRD climate on managers in private sector organizations located in eastern parts of India. A sample of 107 managers has been taken for the study. The author applied t-test to verify the results and found that the HRD climate prevailing in private sector organizations was good and satisfactory. **Ashraf**

(2003) in his research paper explained the importance of HR in managing, operating, planning and promoting tourism industry in the global scenario. **Singh (2003)** in his study revealed that the strategic alignment of HR planning, selection, performance evaluation, compensation, development, staffing policies plays a significant role in increasing the efficiency of human resource and helps an organization to prosper and generate better results. **Pillai (2008)** in his paper examined the HRD climate and its influence over the employees working therein and revealed that a favorable climate highly influences the attitudes and perceptions of the employees. **Medlin & Green (2009)** has pondered that goal setting, employee engagement and high level of workplace optimism collectively improves the performance of an individual of an organization. **Solkhe & Chaudhary (2011)** critically reviewed the relationship of HRD Climate and job satisfaction on 71 executives from various departments of a public sector undertaking. The findings of the study found that HRD climate has an impact over job satisfaction. **Khan (2015)** in the paper titled, “*An Empirical Analysis of HR policies on the Performance of Employees in Banking Industry: A Case Study of State Bank of India (SBI)*” probed the influence of human resource policies on the performance of employees in State Bank of India (SBI). The author used multiple regression as the statistical tool to measure the impact of HR policies like recruitment and selection policy, training and development policy and incentive policy on the performance of employees. The study found that there is a significant impact of HR policies on the performance of employees in SBI. **Sami & Khan (2016)** in their research entitled, “*HRD Practices in Indian software Companies*” investigated the differences in HRD practices in software industry in India. The sample size of the study was 134 employees working in four selected software companies within the territory of India. Data have been collected through questionnaires designed on a five point Likert scale. The author has applied one way Analysis of Variance (ANOVA) to measure the differences in HRD practices on the variables like quality of work life, organizational development, training and development, performance appraisal, participative management among the employees in selected software companies. The research revealed that there is a significant difference in quality of work life, performance appraisal, participative management but no significant difference exists on the variable training and development among employees in selected software companies.

### **Objectives of the study:-**

Following are the objectives of the study:

1. To elucidate the concept of Human Resource policies in brief.
2. To analyze the impact of HR policies on the performance of employees in selected banks.
3. To examine the impact of performance appraisal (one of the variable of HR policies) on the performance of employees in selected banks.
4. To investigate the impact of training and development (one of the variable of HR policies) on the performance of employees in selected banks.
5. To measure the impact of reward (one of the variable of HR policies) on the performance of employees in selected banks.

### **Hypotheses of the Study:-**

Following are the null hypotheses of the study:

H<sub>01</sub>: There is no significant impact of performance appraisal on employee’s performance in selected banks.

H<sub>02</sub>: There is no significant impact of training and development on employee’s performance in selected banks.

H<sub>03</sub>: There is no significant impact of reward on employee’s performance in selected banks.

### **Research Methodology:-**

The target population of this study consists of A and B grade employees of selected banks. The size of the sample is 109 respondents. The questionnaire designed on a five point Likert-scale (5-highly satisfied to 1-highly dissatisfied) was used for collecting data from the different branches of selected banks in Aligarh, Agra, Mathura, Ghaziabad and Delhi. The questionnaire consists of two parts: first part of the questionnaire was containing information of the respondents about their demographic background and second part was containing questions regarding employee performance. Moreover, various statistical tools such as mean, standard deviation and linear regression have been used to analyze the results through SPSS 19.

### **Research limitations:-**

- a) The data is based on individual opinion which may bring in some bias.

- b) The survey has been conducted among 109 employees of some selected banks namely SBI, PNB, Canara Bank and Allahabad Bank in Aligarh, Agra, Mathura, Ghaziabad and Delhi and therefore the findings of the study are not applicable to other banks.
- c) The sample consisted of managerial personnel only.

## Hypothesis Testing:-

### Hypothesis 1:-

*H<sub>01</sub>: There is no significant impact of performance appraisal on employee's performance in selected banks.*

*H<sub>a1</sub>: There is a significant impact of performance appraisal on employee's performance in selected banks.*

The impact of performance appraisal on employee's performance in selected banks has been measured by applying linear regression. The independent variable is performance appraisal and dependent variable is employee's performance. Here the null hypothesis is that there is no significant impact of performance appraisal on employee's performance and the alternative hypothesis states that there is a significant impact of performance appraisal on employee's performance in selected banks.

**Table 1: Regression Analysis of Performance Appraisal and Employees Performance**

Model	R	R Square	Adjusted R Square	Standard Error
1	0.794 <sup>a</sup>	0.660	0.658	2.40159

a. Predictors: (Constant), Performance appraisal

Table 1 shows the regression analysis of performance appraisal and employee's performance. R square shows the amount of variation in one variable (employee's performance) that is accounted by another variable (performance appraisal). The above table shows the value of R square is 0.660. It means 66 percent variation in respondent's performance is explained by the performance appraisal and the rest of the variation (1-R<sup>2</sup>) is an unexplained variation in employee's performance due to variables that has not been considered in this model.

**Table 2: Coefficients of Performance Appraisal and Employees Performance**

Model-1	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant) Performance Appraisal	1.014	1.094		0.147	0.883
	0.833	1.026	0.794	39.295	0.000

a. Dependent Variable: Employees Performance

Table 2 shows the values of unstandardized and standardized beta coefficients and t value. An unstandardized beta coefficient gives a measure of contribution of each variable to the model. A larger value indicates that a unit change in the predictor variable has a larger impact on the criterion variable. The results show that the value of unstandardized beta coefficients is 0.833 which is an indication of positive impact of performance appraisal on employee's performance. Besides, this impact is strong and statistically significant because the significant value is 0.000 which is less than 0.05 at 95 percent confidence interval. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of performance appraisal on employee's performance in selected banks.

### Hypothesis 2:-

*H<sub>02</sub>: There is no significant impact of training and development on employee's performance in selected banks.*

*H<sub>a2</sub>: There is a significant impact of training and development on employee's performance in selected banks.*

The impact of training and development on employee's performance in selected banks has been measured by applying linear regression. The independent variable is training and development and dependent variable is employee's performance. The null hypothesis is that there is no significant impact of training and development on employee's performance and the alternative hypothesis states that there is a significant impact of training and development on employee's performance in selected banks.

**Table 3: Regression Analysis of Training and Development and Employee's Performance**

Model	R	R Square	Adjusted R Square	Standard Error
2	0.812 <sup>a</sup>	0.715	0.714	1.54159

a. Predictors: (Constant), Training and development

Table 3 shows the regression analysis of training and development and employee's performance. R square shows the amount of variation in one variable (employee's performance) that is accounted by another variable (training and development). The above table shows the value of R square is 0.715. It means 71.5 percent variation in respondent's performance is explained by the training and development and the rest of the variation ( $1-R^2$ ) is an unexplained variation in employee's performance due to variables that has not been considered in this model.

**Table 4: Coefficients of Training and Development and Employee's Performance**

Model-2	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	1.475	2.0879		12.014	0.445
Training and Development	0.877	1.0415	0.812	17.524	0.001

a. Dependent Variable: Employee's Performance

Table 4 shows the values of unstandardized and standardized beta coefficients and t value. An unstandardized beta coefficient gives a measure of contribution of each variable to the model. A larger value indicates that a unit change in the predictor variable has a larger impact on the criterion variable. The results show that the value of unstandardized beta coefficients is 0.877 which is an indication of positive impact of training and development on employee's performance. Besides, this impact is strong and statistically significant as the significant value is 0.001 which is less than 0.05 at 95 percent confidence interval. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of training and development on employee's performance in selected banks.

### Hypothesis 3:-

*H<sub>03</sub>: There is no significant impact of reward on employee's performance in selected banks.*

*H<sub>a3</sub>: There is a significant impact of reward on employee's performance in selected banks.*

The impact of reward on employee's performance in selected banks has been measured by applying linear regression. The independent variable is reward and dependent variable is employee's performance. The null hypotheses is that there is no significant impact of reward on employee's performance and the alternative hypothesis states that there is a significant impact of reward on employee's performance in selected banks.

**Table 5: Regression Analysis of Reward and Employee's Performance**

Model	R	R Square	Adjusted R Square	Standard Error
3	0.868 <sup>a</sup>	0.764	0.762	2.68459

a. Predictors: (Constant), Reward

Table 5 shows the regression analysis of reward and employee's performance. R square shows the amount of variation in one variable (employee's performance) that is accounted by another variable (reward). The above table shows the value of R square is 0.764. It means 76.4 percent variation in respondent's performance is explained by the reward and the rest of the variation ( $1-R^2$ ) is an unexplained variation in employee's performance due to variables that has not been considered in this model.

**Table 6: Coefficients of Reward and Employee's Performance**

Model-3	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	1.769	1.0865		-1.451	0.547
Reward	0.975	1.4512	0.868	22.742	0.002

a. Dependent Variable: Employee's Performance

Table 6 shows the values of unstandardized and standardized beta coefficients and t value. An unstandardized beta coefficient gives a measure of contribution of each variable to the model. A larger value indicates that a unit change in the predictor variable has a larger impact on the criterion variable. The results show that the value of

unstandardized beta coefficients is 0.975 which is an indication of positive impact of reward on employee's performance. Besides, this impact is strong and statistically significant as the significant value is 0.002 which is less than 0.05 at 95 percent confidence interval. Therefore, the null hypothesis is rejected and it can be said that there is a significant impact of reward policy on employee's performance in selected banks.

**Table 7: Summary of Hypothesis Testing**

No	HYPOTHESES	R square	Beta	Sig. Value	Results
1	There is no significant impact of performance appraisal on employee's performance in selected banks.	0.666	0.833	0.000	Rejected
2	There is no significant impact of training and development on employee's performance in selected banks.	0.715	0.877	0.001	Rejected
3	There is no significant impact of reward on employee's performance in selected banks.	0.764	0.975	0.002	Rejected

### Conclusion:-

Human Resource policies provide the framework by which employees are expected to behave in the organization. These policies are written statements of the company's standards and objectives and include all areas of employment, including recruitment, selection, compensation, termination, benefits and employee relations. HR policies play a vital role in an organization because employee's performance is directly correlated with HR policies. It has been revealed that managerial personnel in banks work with zeal and enthusiasm if the policies of an organization with respect to training and development, performance appraisal and reward are properly designed. This study investigated the impact of human resource policies on the performance of employees in banking sector in India. A sample of 109 employees from State Bank of India, Punjab National Bank, Canara Bank and Allahabad Bank has been selected for the study. Data have been collected through questionnaires designed on a five point Likert scale from Aligarh, Agra, Mathura, Ghaziabad and Delhi. Linear regression has been used as the statistical tool to measure the impact of HR policies on the performance of employees. All the three hypotheses have been rejected meaning thereby HR policies have significant impact on the performance of employees in banks under study.

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