A Comparative Study on Human Resource Management Practices between Sri Lankan and Indian Public Sector Banks

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Abstract
This study was designed to explore and compare Human Resource Management practices in Sri Lankan and Indian Public Sector Banks. Human Resource Management (HRM) is a developed concept. It has tremendous relevance to service sector like Bank. Human input is the single largest input to the banking industry. The level of efficiency/productivity of this input gets reflected in the quality of service offered by the banks to its customers, as also in its ultimate growth, productivity and profitability. Human Resource Management Practices have been studied extensively among Manufacturing, Service and Small Medium Enterprises. However, only a few studies have addressed the HRM practices in banking industry. Even these researchers have not compared Human Resource Management Practices in Sri Lankan Public Sector banks (SLPBs) and Indian Public Sector Banks (IPSBs). The investigation is based on a questionnaire survey of 730 employees. It consists 281 respondents from SLPSBs and 449 respondents from IPSBs. To measure the HRM Practices, a structured questionnaire was used to collect data. The key area of analysis includes staffing, training, compensation, performance appraisal, and employee relations. Data were analyzed employing descriptive statistics and t-test with the help of SPSS. The study reveals that Public Sector Banks in both countries practice HRM but the extent of practices vary from one to another. Further, the statistical results show a number of similarities and differences in HRM systems of Sri Lankan and Indian public sectors Banks and there is a gap between Sri Lankan and Indian public sector banks on its HRM practices. Moreover, Sri Lankan public sector Banks adopted more rational approach than their counterparts in respect of compensation.

Keywords: Human Resource Management Practices, Public Sector Banks

Introduction
Globalization, privatization, free trade and liberalization are increasing the competition to the business organizations. A key challenge confronting organizations is to achieve sustained competitive advantage in the short term and also to prepare for long-term success. The primary source of competitive edge, in addition to access finance or capital, depends with the organization, and the people.

People are the most important and valuable resources of any organization. Dynamic people can build dynamic and growth oriented organizations. Effective employees can contribute to the effectiveness of the organization. Competent and motivated people can make things happen and enable an organization to achieve its goals. In this respect organizations should continuously ensure that the dynamism, effectiveness, competency and motivation of its people should remain at a high level.

Literature Review
HRM has now advanced to become a recognizable (and recognized) disciplinary field in which theories and models are generated and their propositions tested by rigorous empirical research. With HR being central to the success of companies, strategies need to be formulated in which the human assets of the firm are the central feature. HRM involves all management decisions and actions that affect the nature of the relationship between the organization and employees (Beer et al., 1984).

HRM is a new way of thinking about how people should be managed as employees in the workplace. Pinnington and Edwards (2000) believe that in much the same way, as there are many different roads to success, HRM is not one theory but an evolving set of competing theories. HRM as a tradition of thought on managing people is most commonly traced back to the seminal work written by American academics in the early 1980s (Beer et al., 1984; Fombrun et al., 1984).

The rising importance of people to the very success of the business is causing businesses to regard specific HR concerns as people-related business issues. It seems unlikely that organizations will survive in an increasingly competitive environment if they ignore people related business concerns (Schuler and Walker, 1990). Progressive organizations worldwide have treated their people as their most important asset and probably have therefore become what they are today. Since people are becoming such a critical factor, in the future, the winning organizations will be those that are able to manage their HR effectively (Dumaine, 1993).

In this new millennium, experts are of the view that the internal customer i.e. the human asset would be playing a major role in driving the 21st century organization. HR practices in business organizations can be broadly studied and compared with global trends (Harish Kumar, 2002).

The world market is becoming an increasingly difficult place in which to operate for today’s businesses,
making creativity a valuable virtue. This has caused the corporate focus to shift from financial resources to intellectual resources. The employees have evolved from a resource to be exploited to an asset that needs to be nourished, guarded and developed. This is in line with experiences from leading companies that “maintain a work environment conducive to the well-being and growth of all employees and they measure employee satisfaction (Evans and Lindsay, 1999). The change is also reflected in the move from personnel administration/management to HRM (Cornelius, 1999).

Staffing
It is one of the HRM activities that involves in getting the right person on the right spot (employee skill and organizational structures) contribute to higher productivity and increased market value of the company. Moreover, staffing programmes have a slight negative impact on employee turnover (Huselid 1995). Staffing is also concerned with promotion of employees. Promotion is advancing an individual from one rank in the organization hierarchy to another (Lawrence et al., 1998).

Newell and Shackleton (2000) refer to recruitment as the “process of attracting people who might make contribution to the particular organization”. Within this definition, we can highlight two crucial issues. First, there is a need to attract people, thus implying that people do have a choice about which organizations they wish to work for. Second, the contribution that people will make to an organization is not totally predictable. Employees will potentially attempt to retain significant discretion with respect to the effort they are prepared to make and their commitment to the organization.

Training
According to the Manpower Service Commission (1981), quoted in Reid and Barrington, (1997) training is a planned process to modify attitude, knowledge or skill behaviour through learning experience to achieve effective performance in an activity or range of activities. Its purpose, in the work situation, is to develop the abilities of the individual and to satisfy the current and future needs of the organization.

When learning events are planned in a systematic fashion and are related to events in the work environment, they are called training programmes. From this point of view, the training process is defined as the systematic acquisition of skills, rules, concepts, or attitudes that result in improved performance in the work environment (Goldstein, 1993).

Compensation
Compensation is the total package of tangible returns (financial rewards, services, and benefits) provided by the organization to employees in return for their labour. The compensation package includes two basic components: a) direct compensation and b) indirect compensation or benefits (Milkovich and Newman, 1993). The compensation system includes the process by which the total compensation is designed and administered.

Direct compensation encompasses (a) base pay (the fixed position of pay that includes wages or salary), (b) base pay add-ons (such as overtime pay, cost of living-adjustments, and shift premiums), and (c) pay for performance (Bonuses, merit pay, and incentive pay). Indirect compensation comprises of services or benefits provided to employees. Some benefits, such as social security benefits, are mandatory benefits and are legally required of all employers. Other benefits are offered at the discretion of employers and may include paid time off (vacations), health insurance plans (health care expense), deferred income and income continuation plans (pension plans), and income equivalents child care benefits and employee discounts (Henderson, 1994). A study (Velnampy, 2006) reported that Sri Lankan workers preferred most, Wages and salaries, Retirement benefits, Promotion, Performance related pay, and Challenging job. Conversely, stock option, and accommodation are the least importance to workers. Another study of Velnampy(2006) shown that the perceived level of incentives and motivation have significant relationship among the public sector employees and the monetary incentives have a significant effect on employee motivation than the nonmonetary incentives.

Performance Appraisal
Performance appraisal is the process of identifying, observing, measuring, and developing human performance in organizations (Carol and Schneir, 1982). This description is a widely accepted definition of appraisal (Cardy and Dobbind, 1994). Each of the components of this definition refers to an important portion of the appraisal process. The identification component refers to the process of determining what areas are to be focused on. Identification typically involves job analysis as a means of identifying performance dimensions and developing rating scales.

Performance appraisal is a central HRM function, since it is an input or component of so many other HRM activities (Landy et al., 1982). Subjective performance ratings are the common criteria against which performance is evaluated. The rating may also be used to assess the effectiveness of a training program or the validity of a selection mechanism.
Employee Relations

Farnham (2000) defines employee relations as: “that part of managing people that enables competent managers to balance, within acceptable limits, the interest of employers as buyers of labour services and those of employees as suppliers of labour services in the labour market and workplace. Within this framework, the main task of those responsible for managing the employment relationship is to develop appropriate institutions, policies and rules to promote “good” working relationship with those whom they employ. This means preventing unnecessary conflict between management and employees over those matters in which both parties have mutual, though sometimes, diverging, interests.”

Another topic directly related to employee relations is industrial relations. A union can significantly alter a company's human resource management policies because of its bargaining power, which is supported by labor law. Human resource managers must first possess enough knowledge of basic labor law in order to avoid creating a legal liability for the company, second to implement the terms of labor agreements fairly and impartially, and last to hear and resolve employee grievances (Gomez-Mejia et al., 2001).

HRM practices in the Banking Sector

HR are more important in the service organizations than in goods producing industry, as their cost of labour is relatively a high proportion of the total cost of production. Moreover, employees on the front line in the service sector are in contact with the customer, and the customer satisfaction depends upon employee performance.

Banking, in the service industry, delivers its service across the counter to the ultimate customer. The activities of banking industry are all about “relationship”. Hence, banking industry has to provide better services with a smile to the customers in order to cultivate and maintain long lasting relationship with their customers. Notwithstanding the level of technology, banking is primarily a labour intensive service sector. Hence it will not be possible for the banks to sustain effectiveness unless human resource management is given prime importance because the technology is only an aid to human effort and not a substitution thereof. If the technology is the equalizer, then the human capital shall be the differential in future.

The Human Resources are the most important element for the progress of banking. Though technology can replace manual intervention, the thinking process is the exclusive preserve of human beings. With changing times and technology, banks would require employees with special skills in the areas of risk management, treasury, product development, customer relationship management and IT services. The technology can improve speed and quality of performance, but at the same time it can also unleash the risk factor. It is rightly said: “We are trying to apply third generation ideas on second generation organizations which are unfortunately run by first generation managers”.

It is a recognized fact that HR occupies a unique and sensitive position in the banking sector; no meaningful change is possible without the involvement of their employees. Therefore, if banks have to undertake any significant changes to adapt themselves to new competitive environment, one of the most crucial initiatives lie in organizing and preparing its HR to the requirement of competitive banking. Human asset being an intellectual asset, the new source of competitive advantage can be defined as the sum total of knowledge, skills and competencies that an organization possesses. The fundamental principle of human resource management is to treat people as a valuable asset. Good HRM is to attract the best talent, retain and motivate them (Sangwan, 2005).

The performance of the banks (as any other service sector organization) highly depends on their HR. Hence, efficient and effective HR practices of selecting the right people, who would maximize value and minimize cost within the organization (Nanayakkara, 1999), remains a challenging task.

The core function of HRD in the banking industry is to facilitate performance improvement, measured not only in terms of financial indicators of operational efficiency but also in terms of the quality of financial services provided. Factors like skills, attitudes and knowledge of the human capital play a crucial role in determining the competitiveness of the financial sector. The quality of HR indicates the ability of banks to deliver value to customers. Capital and technology are replicable but not the human capital, which needs to be valued as a highly valuable resource for achieving that competitive edge. The primary emphasis needs to be on integrating human resource management strategies with the business strategy. HRM strategies include managing change, creating commitment, achieving flexibility and improving teamwork. The other processes representing the overt aspects of HRM, viz. recruitment, placement, performance management, are complementary (Vepa Kamesam, 2004).

Only one asset holds the power to differentiate banks in the competitive environment i.e. a dedicated, productive and innovative workforce. No longer an organization can afford to underestimate and demoralize their workforce to succeed at the expense of those who help and make success possible. Respect human dignity and have faith in every employee as resource and potential asset while achieving organizational objectives efficiently. In short, banks have to invest in their work force.
Objectives of the study
The present study is undertaken with the following objectives:
- To explore the HRM practices of the public sector banks in India and Sri Lanka.
- To compare the HRM practices of the public sector banks in India and Sri Lanka.

Hypotheses developed
HRM practices as a composite as well as its dimensions will not significantly differ between PSBs in India and PSBs in Sri Lanka.

Hypotheses developed

H1.1: HRM practices as a composite will not significantly differ between PSBs in India and PSBs in Sri Lanka.
H1.2: HRM practices dimension, “Staffing” will not significantly differ between PSBs in India and PSBs in Sri Lanka.
H1.3: HRM practices dimension, “Training” will not significantly differ between PSBs in India and PSBs in Sri Lanka.
H1.4: HRM practices dimension, “Compensation” will not significantly differ between PSBs in India and PSBs in Sri Lanka.
H1.5: HRM practices dimension, “Performance Appraisal” will not significantly differ between PSBs in India and PSBs in Sri Lanka.
H1.6: HRM practices dimension, “Employee Relations” will not significantly differ between PSBs in India and PSBs in Sri Lanka.

Methodology
Sample and data collection
The researcher could enlist cooperation for data collection from two public sector banks in Sri Lanka. The study targeted 400 responses from the Sri Lankan public sector banks. 200 questionnaires were distributed for each of the bank. In this study four provinces such as North-East Province (NEP), Western Province (WP), Central Province (CP), and Southern Province (SP) were selected out of the nine provinces in Sri Lanka. From the provinces four regional offices and twenty-five branches from each bank were selected.

Three public sector banks from India extended cooperation for this study. It was targeted to elicit 600 responses from the Indian Public Sector Banks’ employees- 200 from each of the banks. Questionnaires were distributed to their training colleges, which are Regional Training Colleges (RTC) where the staff of the four states Viz., Tamil Nadu (TN), Kerala (KE), Karnataka (KA), and Andhra Pradesh (AP) in India attended training programmes. The participant responded to questionnaires. This method was adopted as Indian Public Sector Banks were not in favour of the approach adopted for Sri Lankan Banks. Only permanent employees were asked to complete the questionnaire.

As it was agreed to keep the names of the participating banks confidential, the banks from India are named as IPSB1, IPSB2, and IPSB3. The banks from Sri Lanka are named as SLPSB4, SLPSB5.

The researcher was able to obtain 730 usable responses comprising 449 (61%) from India and 281 (39%) from Sri Lanka. Out of the 449 responses, 158 were from PSB1, 170 from PSB2 and 121 from PSB3. Out of 281 responses, 122 were from PSB4 and 159 from PSB5.

Measures
This study focuses on the Human Resource Management practices. By keeping in mind the research objectives of the study, the survey method has been chosen to collect the data. The data were collected by the use of a structured questionnaire. This instrument consists of five dimensions such as staffing, training, compensation, performance appraisal, and employee relations. It was designed to test employee’s perceptions about HRM practices.

The present study consists of fifty items related to HRM, which are grouped according to the individual variables (staffing-09, training-13, compensation-12, performance appraisal-10, employee relations-6). The responses were noted in five-point scale from 1 for “strongly disagree” to 5 for “strongly agree”.

The construct validity of the dimensions was established by Confirmatory Factor Analysis (CFA). The reliability of the dimensions was ascertained by findings of the internal consistency of the measures by using the Cronbach’s coefficient alpha.

Result and Discussion
To establish whether HRMP and its dimensions differ significantly between IPSBs and SLPSBs, t-test for equality of means (independent sample) was applied. Means, Standard deviation and t-value were computed for HRMP and its dimensions in order to test the hypotheses. The result in this regard is presented in Table 1.

Table 1
**Table 1**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Indian Banks</th>
<th>Sri Lankan Banks</th>
<th>t- Value</th>
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<tbody>
<tr>
<td></td>
<td>N=449</td>
<td>N=281</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
<td>SD</td>
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<td>Staffing</td>
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<tr>
<td>Employee Relations</td>
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<td>HRM</td>
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*P<0.05, **P<0.01

**Human Resource Management Practices**

Table 1 shows that Human Resource Management Practices (mean=3.61) for IPSBs is found to be more than their counterparts in SLPSBs (mean=3.47). The “t” value also suggests that such mean variation is statistically significant. This indicates that the IPSBs give more attention towards HRM practices than SLPSBs do.

**Staffing**

The result in Table 1 shows a significant difference in the mean scores of SLPSBs (mean=3.45) and IPSBs (mean=3.71) for staffing. Compared to SLPSBs, IPSBs conduct competitive examination to recruit staff for the supervisory level.

Indian Public Sector Banks use both methods of recruitment i.e., internal and external markets. Usually, for clerical and officer posts, external market is used through advertising etc. On the other hand, the managerial/executive positions are filled up through promotions and transfers i.e., for higher positions the internal labour market is usually relied upon. In some of the Indian banks, the practice of recruiting specialists such as technical employees, management trainees etc. directly from the reputed institutions through campus interviews have been started. Some banks are also utilizing the services of consultants and employment on contract basis.

Public sector banks in Sri Lanka get their clerical employees from Central Government employment exchange. These banks occasionally recruit management trainees through open advertisement and tests along with interviews.

**Training**

It is evident from the Table 1 that training practices (mean=3.86) of IPSBs are found to be more than their counter parts in SLPSBs (mean=3.51). The t-values indicate that the mean differences are statistically significant. This indicates, that the IPSBs give more attention towards training than SLPSBs do.

Training is more in IPSBs because the training system in the banking industry has a strong structural base, and has capabilities to handle training in large numbers. The system has also developed several innovative activities in the training area such as on-location training, manager to messenger programme, etc compared to SLPSBs. Further the IPSBs have a good support to training efforts from apex level training institutions such as National Institute of Bank Management (NIBM), Bankers Training College (BTC), and College of Agricultural Banking (CAB). The IPSBs have more than three hundred individual bank level training colleges and training centers as compared to SLPSBs.

The biggest achievement in the area of HRM in Indian Public Sector Banks has been the development of strong training system. In the eighties, when new financial institutions appeared, large number of employees left banks for greener pastures. Further, in 1991, many new foreign and private banks entered the banking sector. Thereby a number of capable employees left public sector banks, in 1995-96. In the computerization phase through the Voluntary Retirement Scheme (VRS) of 2000-2001, more than one lakh employees opted out. Still banks were able to manage their manpower required due to the strong training system (Sangwan, 2005).

Training is given emphasis by all banks, although not much systematic training need analysis is carried out. SLPSBs have separate training colleges. However, the linkages between these training institutions and the mainstream activities of the banks are not effectively established. The training colleges conduct training programmes for relatively junior level bank staff. For most of the senior level training, banks depend on external agencies, especially foreign training organizations. Training establishments of some of the bigger banks complain of under utilization.
Compensation
The survey results regarding the compensation, in IPSBs and SLPSBs indicates compensation is mostly based on seniority or work experience. In Table 1 compensation (mean =3.63) of SLPSBs is found to be more than their counter parts in IPSB’s compensation (mean =3.49). The t-value also suggests that such mean variation is statistically significant. This indicates, that the SLPSBs give more attention towards compensation than IPSBs. Compensation is a noteworthy aspect of the SLPSBs; it may be due to the Sri Lankan banks giving more returns to the employees as compared to IPSBs. The IPSBs should reward their professionally qualified employees by scale up-gradation and special increments besides motivating and encouraging them to acquire new knowledge. Common pay structures based on number of years of service with the bank put in etc need to be phased out in a planned manner.

Performance Appraisal
The results in Table 1 show that performance appraisal (mean =3.64) of IPSBs are found to be more than their counter parts in SLPSBs performance appraisal (mean =3.48). The t-values indicate that the mean differences are statistically significant. This indicates that the IPSBs give more attention towards performance appraisal than SLPSBs do.

In SLPSB’s performers and non-performers are considered on par. This needs to be rectified so that the meritorious are given their due. The employee appraisal system should be of 360-degree rating system i.e. an employee to be watched or rated by all who have interacted with him during the review period. Performance appraisal based on quality of output, potential of the employee within the organization etc. need to be incorporated across all grade, cadres and levels. This will not only ensure maximizing productivity, but also go a long way in motivating star performers aligning with the long-term mission and vision of banks.

Face to face performance evaluation discussions are now part of most of Sri Lankan banks’ performance management systems. Some Sri Lankan public sector banks have started using 360 degree or Balance Scorecard types of performance evaluation. Be it management by objectives, up-down and peer ratings, or whatever system, the management make sure the evaluation results are clearly related to the reward system.

Employee Relations
With regard to employee relations, it appears from table 1 that in IPSBs it (mean=3.36) differs from counterparts in SLPSBs (mean=3.31). However, the t-value indicates that such mean difference is not statistically significant. Employee relations also differ but not significantly between IPSB and SLPSBs. It is also more in IPSBs than SLPSBs; this may be due to the management and unions constantly responding to the employee needs (economic, social and psychological) as compared SLPSBs.

The findings consistently show that HRM practices and its dimensions, except “compensation”, are perceived more strongly by the employees of IPSBs than their counterparts in SLPSBs. Attention to staffing, training and performance appraisal are noteworthy aspects of the IPSBs.

There are significant differences in most facets of HRM practices between IPSBs and SLPSBs. This result reveals that HRM practices in Indian public sector banks, except compensation, are better than in Sri Lankan public sector banks.

From the results of the t-tests, it is evident that the mean scores of HRM practices and its dimensions, except employee relations, differ significantly between IPSBs and SLPSBs.

The results of the study do not provide adequate support to the following null hypotheses and hence they are rejected.

H1: HRM Practices as a composite as well as its dimensions will not significantly differ between PSBs in India and PSBs in Sri Lanka.
H1.1: HRM Practices as a composite will not significantly differ between PSBs in India and PSBs in Sri Lanka.
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H1.5: HRM practices dimension, “Performance Appraisal” will not significantly differ between PSBs in India and PSBs in Sri Lanka.

Based on the results, the following hypothesis is accepted because the HRM dimension- “Employee relations” does not significantly vary between IPSBs and SLPSBs.

H1.6: HRM practices dimension, “Employee Relations” will not significantly differ between PSBs in India
HRM practices and its dimensions of the Indian public sector banks except compensation are more than those of the Sri Lankan public sector banks.

Conclusions
This research compared HRM in Indian Public Sector Banks and Sri Lankan Public sector Banks. We anticipated no significant differences in the HRM practices of IPSBs and SLPSBs, but the research found little support for this supposition (see table 1). Results suggest that HRM practices in IPSBs except compensation, are more rationale and structured than in SLPSBs.

Considering the present dynamic business environment (responsible for increased competition by Globalization), the results of this research and the existing Sri Lankan HRM literature, SLPSBs need to pursue more rationalized HRM practices.

The results show that HRM practices in IPSBs and SLPSBs are different. For HR professionals, the study provides information regarding the context-specific nature of HRM that can be used to develop new HR programmes and policies for firms operating in Sri Lanka. Further, similar research should be conducted in Private Sector Banks in order to establish whether HRM policies and practices differ between the Indian Private Sector Bank and Sri Lankan Private Banks, and to identify whether such differences are uniform or vary with national context.

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References


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