

# HRD Climate in Indian Banking Sector

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### Abstract

Organizations had been longing for sustainable excellence for long without giving the due share of attention to the human capital which was perhaps the much neglected, though most important, facet of an organization. Now when the excellence is driven by the human capital an organization has, it becomes important to study the various practices related with the human resource development efforts of an organization in a given climate which results to an extent in the expected outcomes. This study is an empirical attempt to examine the various HRD practices, HRD climate and HRD efforts' outcomes in the context of Indian Banking Sector.

### Keywords:

Human Resource, Human Resource Development, Human Resource in Banks, Organizational Climate.

### Introduction

For the development and growth of any organization, human resource is the basic requirement and most important resource. Therefore, the continuous attraction, development and retention of the human resources become a pre-requisite for excellence (competitive advantage) for every organization. The development of an organization depends mainly upon the essential organizational climate and a proper human resource development mechanism so that it may bring favorable outcomes.

Human Resources Development (HRD) in a business or an organization is the sub system of the Human Resource Management. Climate means the atmosphere in the company, especially a supportive atmosphere that allows staff members to develop their skills for the benefit of the company on one hand and for themselves on the other hand whereas the HRD Mechanism refers to the various tools (Performance Appraisal system, Potential Appraisal, Training, Feedback counseling etc) that may be used for the development of the personnel and as a result, there comes favorable/unfavorable outcomes. According to Saraswathi (2010), human resource development in the organizational context is a process by which the employees of an organization are helped in a continuous, planned way to:

- Acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles
- Develop their general capabilities as individuals and discover and exploit their own inner potentials for their own and/or organizational development processes
- Develop an organizational culture in which supervisor-subordinate

relationships, team work and collaboration among sub units are strong and contribute to the professional well-being, motivation and the pride of employee.

HRD acquires special meaning in the banking industry due to variety of factors; a stable labour intensive industry, high job security of employees, quality of banking services and the objectives of banks in achieving its socio-economic goals are (Khandelwal, 1996). Banks have a strong industrial relation orientation which necessitates more and more focus on improving the HRD efforts to influence people.

### Review Previous Similar Studies

Benjamin & David (2012) in their study found that HRD climate had a strong influence on the level of effective commitment and therefore suggested the Nigerian Banks to inculcate openness, confidence, trust, autonomy, pro-action and authentication into their organizational climate. A favorable climate influences directly the behavior of managers in an organization which creates a sense of belongingness in them and also enables them to perform. A study of 52 organizations shows that the average extent of favorable climate was about 54% in these organizations which is rather low (Rao & Abraham, 1986).

HRD climate was significantly more developmental in IT industry when compared to the automobile industry (Agarwala, 2002), good in a private sector undertaking in India (Mishra & Bhardwaj, 2002), highly satisfactory in engineering institutes in India (Rodrigues, 2004), moderate in Dubai based and Indian organizations (Srimannarayana, 2007; Pillai, 2008; and Srimannarayana, 2008).

One study revealed that the focus of HRD in Indian organizations is on the development of the competencies of people. It also emphasizes the development of an organizational climate that would facilitate and sustain the process of employee development and commitment. Mufeed and Hamdani (2013) conducted their research on HRD mechanisms in the health care sector of Jammu & Kashmir and found the HRD Climate and HRD Mechanisms dissatisfactory.

Origo and Pagani (2008) considered job rotation system as an effective operational system to improve human capital performance and productivity (accelerated operations, saved time and resources). Kilam and Kumari (2012) in their study on career planning & HRD climate found that well-established private sector in India and the foreign banks had better career planning & HRD system as compared to that of Indian Public Sector Banks. The study by Pillai (2008) found the HRD climate existing in banks as moderate. His study further found that a supportive HRD climate in banks stimulated the learning orientation of the employees.

As per the study of Kumar and Patnaik (2002), HRD Climate had a positive association with job satisfaction, meaning that the job satisfaction is a resultant of favourable HR practices. Mishra and Bhardwaj (2002) conducted a study which indicated that the managers in general showed a favorable attitude towards HRD policies and practices of the organization. They were satisfied with the developmental policies of top management as well as were happy with the prevailing HRD climate in the organization.

Kumudha and Abraham (2008) conducted a study on organizations' career management in banks and found that the programs related to self-development, information about job

openings, opportunities to learn new skills and retirement preparation programs greatly influence the feelings of career satisfaction. Salokhe (2002) conducted a study of the HRD climate in selected banks which revealed the existence of a remarkably good HRD climate in the scheduled, co-operative and public sector banks.

Another study conducted on banking sector of J&K for determining its HRD climate showed that there existed an intimate degree of trust. Yattoo (2001) highlighted the need for high degree of expertise, professional competence, managerial excellence and involvement of staff at all levels. Abraham (1988) observed that there was a wide gap between the belief of top management and their practices with regard to HRD.

### Objectives & Methodology

The present study aims at pursuing the following three major objectives.

- To study the HRD climate in Indian Banking Sector
- To study the HRD instruments used in Indian Banking Sector
- To study the HRD process outcomes in Indian Banking Sector

For the first objective, researcher has formulated and examined the following hypotheses.

H<sub>01</sub>: Indian banks (public or private) don't differ as far as the clarity of their organizational structure, policies and responsibilities to their employees is concerned.

H<sub>02</sub>: Indian banks don't differ as far as employee encouragement efforts are concerned.

H<sub>03</sub>: Indian banks don't differ as far as the nourishment of mutual trust among their employees is concerned.

H<sub>04</sub>: Indian banks don't differ as far as fairness of rewards to employees is concerned.

H<sub>05</sub>: Indian banks don't differ as far as outcomes of work environment are concerned.

H<sub>06</sub>: Indian banks don't differ as far as facilitating capability of open climate is concerned.

Single cross-sectional descriptive research design has been considered suitable for the study. The sample size (100) is derived from previous similar studies (Holloway, 2012; Solkhe & Chaudhary, 2011; and Saraswathi, 2010). Adopting convenience sampling method and using closed ended structured questionnaire, the data were collected from the employees working at different levels in selected private and public sector banks of Malappuram district of Kerala. For the purpose of getting 100 usable responses, the researcher received 126 (out of 183) filled questionnaires. For the purpose of analysis, researcher considered only 100 neatly and unambiguously filled questionnaires. These responses were transferred into SPSS 20.0 and this data was analyzed and results of the descriptive statistics (mean and standard deviation), simple % analysis (pie-charts) and two independent sample t-test were interpreted to give a meaningful and sense conclusion. Reliability was tested using Chronbach's  $\alpha$  while for the validity, the researcher relied on the content validity.

### Analysis of Respondents' Profile

Around 80% of the respondents have maximum up to five years of

experience and even in this 80%, more than half of the respondents (approximately 53%) have less than 3 years of working experience. Majority of the respondents were found working on either at entry level positions (46%) or at most at middle level management position (48%). Also, majority of the respondents (approx 56%) were from public sector rather than private sector banks. Most of the banking organizations (60%) have below 15 employees. Moreover, among the selected banks, only 13% are operating in urban areas while the remaining 87% are operating in semi urban locations.

### HRD Climate Instruments

In the context of Indian banking sector, highest mean values of *welfare provision for the employees* and *training & development* (4.2000 and 4.0526) show that these two HRD climate instruments are relatively better in comparison to other such instruments. Lowest mean value suggest that there is an urge for the banking organizations to focus more upon their *potential appraisal efforts*. On the basis of standard deviation, one can say that *supervision* is having the most representative mean value as it is the lowest of all standard deviations for all HRD climate variables.

**Table-1** Mean values of various HRD Climate Instruments

| HRD Climate Instruments | Mean | St. Dev | HRD Climate Instruments | Mean | St. Dev |
|-------------------------|------|---------|-------------------------|------|---------|
| Job Environment         | 3.94 | .93     | Supervision             | 3.67 | .71     |
| Welfare Provisions      | 4.20 | .72     | Review                  | 3.96 | .80     |
| Organizational Climate  | 3.54 | 1.01    | Career Planning         | 3.01 | .93     |
| Rewarding System        | 3.62 | .80     | Potential Appraisal     | 2.83 | 1.08    |
| HRD Instrument          | 3.12 | .94     | PA Competency           | 3.59 | .78     |
| Communication           | 3.40 | .80     | PA Outcomes             | 3.52 | .78     |
| T & D                   | 4.05 | .75     |                         |      |         |

### HRD Climate Situations

Prior to conduct t-test to examine the null hypotheses, the researcher went for testing the reliability using coefficient alpha value as well as validity of the scale using content validity. The coefficient alpha value for this study (0.801) indicates satisfactory internal consistency reliability (Malhotra, 2008). For validity, the

researcher sought the help of three experts; one from academia and two from corporate. On the basis of the significance values for all the six dimensions of HRD climate which are all greater than 0.05, the researchers failed to reject all of the null hypotheses. Non-rejection of all the null hypotheses means that no significant differences were observed among banks irrespective of their nature regarding their HRD climate.

**Table-2** HRD Climate situations Vs Nature of Banks

|                                    |                             | Levene's Test |      | t     | df     | Sig. (2-tailed) |
|------------------------------------|-----------------------------|---------------|------|-------|--------|-----------------|
|                                    |                             | F             | Sig. |       |        |                 |
| Structure & Policies               | Equal variances assumed     | 1.097         | .298 | 1.392 | 93     | .167            |
|                                    | Equal variances not assumed |               |      | 1.368 | 81.199 | .175            |
| Employee Encouragement             | Equal variances assumed     | .824          | .366 | .678  | 93     | .500            |
|                                    | Equal variances not assumed |               |      | .676  | 81.199 | .501            |
| Nurturing of Mutual Trust          | Equal variances assumed     | .121          | .729 | .933  | 93     | .353            |
|                                    | Equal variances not assumed |               |      | .933  | 88.200 | .353            |
| Reward System                      | Equal variances assumed     | 2.420         | .123 | 1.866 | 93     | .062            |
|                                    | Equal variances not assumed |               |      | 1.900 | 90.334 | .061            |
| Work Environment                   | Equal variances assumed     | 7.979         | .006 | .648  | 93     | .519            |
|                                    | Equal variances not assumed |               |      | .621  | 69.442 | .537            |
| Openness of organizational climate | Equal variances assumed     | 4.550         | .171 | .987  | 93     | .561            |
|                                    | Equal variances not assumed |               |      | .964  | 92.546 | .574            |

### HRD Climate Outcomes

All human resource development instruments are exercised in a given human resource development climate to result into some outcomes which should benefit the organization in one way or the other. Table-3 exhibits that the HRD Outcomes which have higher

mean values are the mutual respect (3.8737) and good support (3.8421) in the organization i.e. the HRD efforts in the given organizational climate result in developing mutual respect and evoking good support among the employees. Also the standard deviation value for these two dimensions confirms their representativeness.

**Table-3** HRD Climate Outcomes-Descriptives

| HRD Climate Outcomes       | Mean | St. Dev | HRD Climate Outcomes         | Mean | St. Dev |
|----------------------------|------|---------|------------------------------|------|---------|
| Attraction & Retention     | 3.55 | .90     | Clarity of roles             | 3.78 | .77     |
| Better role designing      | 3.52 | .88     | Internal resource generation | 3.52 | .93     |
| Encouragement & Motivation | 3.31 | .96     | Good support                 | 3.84 | .76     |
| Problem solving abilities  | 3.55 | 1.00    | Organizational Performance   | 3.76 | .75     |
| Human capital Utilization  | 3.72 | .85     | Mutual Respect               | 3.87 | .95     |
| Job satisfaction           | 3.48 | .89     |                              |      |         |

### Findings, Conclusions & Recommendations

The welfare provisions and the training & development system of the banking sector are good. Other HRD instruments i.e. job environment, organizational climate, rewarding system etc. are of average nature. Potential appraisal systems' mean value is found to be lowest; bank management should make extra efforts on this factor. No significant differences were found between public and private banks related to any of the HRD climate variables. The results of the present study show that the outcomes of HRD instruments in a given climate of Indian banking sector is average and there is lot of scope for improvement.

### Limitations & Directions for Future Research

Major limitation of this study is that it restricts itself only to the concept of HRD climate in the context of Indian banking sector only. Other limitations include the method of determination of sample size, sample size, use of convenience sampling, time and resource constraints. The researcher expects that if these limitations are taken into consideration in future, the studies may come up with some more refined results.

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