

**PERSONNEL MANAGEMENT PRACTICES
IN THE KERALA - BASED SCHEDULED COMMERCIAL BANKS**

**Thesis Submitted to the Cochin University of
Science and Technology for the Award of the Degree
of Doctor of Philosophy in Management under
the Faculty of Social Sciences**

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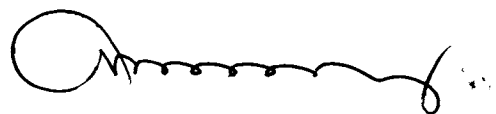
**Certified that the thesis "Personnel
Management Practices in the Kerala-based Scheduled
Commercial Banks" is the record of bonafide research
carried out by Shri. K.J. Antony under my guidance.
The thesis is worth submitting for the degree of
Doctor of Philosophy in Management.**


Dr. C.M. GEORGE

DECLARATION

I declare that the thesis "Personnel Management Practices in the Kerala-based Scheduled Commercial Banks" is the record of bonafide original research work carried out by me under the supervision of Dr.C.M.George, Professor, School of Management Studies, Cochin University of Science and Technology, Cochin-22. I further declare that this has not previously formed the basis of the award of any degree, diploma, associateship, fellowship or other similar title of recognition.

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ANTONY K.J.

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"If you are planning for One year,
Plant Seeds.

If you are planning for Ten years,
Plant Trees.

If you are planning for Hundred years,
Plant Men.

If you are planning for Thousand years,
Plant Ideas".

- N.S.Rajadhyax.

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LIST OF ABBREVIATIONS USED IN THE THESIS

BPS	-	Bipartite Settlement
BTC	-	Bankers' Training College
CAIIB	-	Certified Associate of the Indian Institute of Bankers
CSB	-	The Catholic Syrian Bank Ltd.
FBL	-	The Federal Bank Ltd.
IBA	-	Indian Banks' Association
IBPS	-	Institute of Banking Personnel Selection
NBL	-	The Nedungadi Bank Ltd.
NIBM	-	National Institute of Bank Management
PCB	-	The Parur Central Bank Ltd.
RBI	-	Reserve Bank of India
SIB	-	The South Indian Bank Ltd.
SIBSTC	-	Southern India Bankers' Staff Training College
TCBIC	-	Travancore-Cochin Banking Inquiry Commission (1955)

CHAPTER 1

INTRODUCTION: THE PROBLEM AND RATIONALE OF THE STUDY

Banking is a service industry. It is also highly labour intensive and with wide impact over the whole economy of any country. If this sector is managed with efficiency, imagination, vigour and entrepreneurial spirit, it can provide the necessary dynamism for the rapid growth of practically all sectors of the economy.

1.1 THE PROBLEM

The banking industry is different from other industries in several ways. It is a labour intensive multi-purpose service industry. The bulk of its working funds consists of borrowed funds. Its activities are rigidly watched and regulated. The rates for deposits and advances are standardised by the Reserve Bank, whereas for subsidiary services there is little leverage to show concessions. Hence, for the successful marketing of services and for improving profitability, banks will have to solely depend on the efficiency and quality of service.

There are different steps to be taken for the effective functioning of any organisation. They include, selecting the right persons for the right jobs, training and developing them in appropriate skills, compensating them in commensuration with the skill and effort put in, and motivating them towards higher levels of performance.

There is widespread public criticism against banks as regards the deterioration in customer service, mounting arrears of house-keeping, erosion of profitability, etc. Banks seem to have accepted these as inevitable evils of the explosive growth of banking

offices since nationalisation of the fourteen major commercial banks in 1969. As observed by the Banking Commission in 1972: "With the rapid growth and the shift in the emphasis on the objectives, banks have been largely pre-occupied with the problems of recruitment, training and staff relations on the one hand and the need to exercise proper supervision and control over the increasing number of offices on the other. As a result, the question of improvement in the standards of service does not seem to have received sufficient attention of bank managements".¹

The new branch licensing policy of the Reserve Bank, covering the Seventh Five Year Plan period, focuses on ensuring efficient banking service in the country. The guidelines regarding the Branch Licensing Policy for 1985-1990 states: "It is felt that the banking system in the country has been put to severe strain on account of the phenomenal expansion since 1969. The massive geographical expansion, coupled with large scale growth in the volume of business and clientele, has brought in its wake certain attendant problems affecting the operational efficiency of banks. Banks have been facing difficulties in recruitment, training and placement of staff/officers. There is paucity of experienced staff with the requisite skills and expertise, in many offices. Due to these deficiencies, banks have been finding it extremely difficult to effectively supervise the functioning of their branches. As a result, operational efficiency, housekeeping, customer service etc. in banks have deteriorated. There has been an adverse effect on the profitability of banks. The major task before the banking industry is, therefore, to consolidate the working of the existing branches".²

There is a general impression that the banking sector of the country is an isolated island of higher wage rates, and that the banks have not benefitted in any way from the attractive pay offered to the employees. It is substantiated by the Committee on Functioning of Public Sector Banks when it observed in 1978: "It has been one-way traffic all the time, banks having got nothing, not even in the matter of better discipline in return for better emoluments to the workmen staff. We can only express the hope that Unions will come to realise that they have a duty to the public and that one way or the other, they must get together with the management and induce their members to turn in a full days work for a full day's wage".³ But, organisational effectiveness and performance efficiency cannot be achieved by wishful thinking. The role of personnel management is to plan, develop, administer, evaluate and reform policies and programmes designed to make expeditious use of an organisation's human resources.

The adoption of well-conceived, well designed and well implemented personnel management systems has thus become imperative in the banking sector for two reasons: (a) ensuring that banks are able to attract and retain employees of appropriate aptitude and attitude for effective and efficient performance, and (b) stimulating and motivating these employees to discharge their duties diligently and ardently.

The Banking Commission observed in 1969: "One diseconomy of scale is the labour losing motivation due to sense of insignificance...But, it is possible through the adoption of appropriate personnel management policies, to reduce the incidence

of such diseconomies".⁴ Hence the importance of, and need for review and appraisal of personnel policies and practices. The following factors also emphasize the necessity of such evaluation: (a) Our understanding of the principles and philosophy of personnel management is continuously growing and as a result the policy and practice of personnel management are also constantly changing. (b) With the banking scene changing and becoming more complex, changes have also become necessary in the contents of personnel function. (c) In the past, an employment in bank was not considered attractive on any account. Relatively low wages, long working hours, lack of job security, no fixed increments, and lack of promotion opportunities made the bank employment a career which young men chose for want of better alternative. An entirely different type of manpower comprising bright young men and women, a substantial number of whom possess excellent academic qualifications and achievements, now constitute the human resource of banks. Such changes in the profile of bank employees also call for appropriate changes in the policy and practice of personnel management.

In essence, personnel management function is of cardinal importance, requiring a sophisticated and scientific approach. In a labour-intensive, service industry like banking, productivity and ultimate profitability of the entire organisation depend considerably on the effectiveness with which personnel management function is executed, and the prudence with which personnel problems are handled. It is true that there is no ready made solution applicable to every case. Problems of management of personnel are as complex and as unpredictable as

human beings themselves, but it is possible, in the light of wider experience and research, to indicate the correct approach to a given problem and the framework within which a solution can be sought.

1.2 OBJECTIVES OF THE STUDY

This study is designed:

1. To know the personnel management practices in Kerala-based scheduled commercial banks.
2. To identify the similarities and dissimilarities in the practices, and to examine the factors responsible for such similarities/dissimilarities.
3. To understand the current status of personnel management function in the banks.
4. To evaluate the practices in the light of the principles and theories of personnel management so as to identify the strengths and weaknesses.
5. To suggest changes/improvements for making the personnel management system more effective and efficacious.

1.3 HYPOTHESIS

As this study does not seek to prove or disprove anything, no hypothesis is formulated.

1.4 SURVEY OF LITERATURE

Organised and formal research into banking and related areas did not really take roots in India until early seventies. However, a few studies on the practices in personnel management areas like

recruitment, compensation, promotion etc. have been carried out even before this period, through the mechanism of Tribunals and Commissions. Before 1949, banking was a State subject and the studies of tribunals were restricted to the particular States only. In 1949, the Central Government took over exclusive jurisdiction in the matter of settlement of disputes in banking companies having offices in more than one State, and the Sen Tribunal was constituted in the same year. This is the first study carried out at national level. Regarding the banks of Kerala, the first study was conducted by the Travancore-Cochin Banking Inquiry Commission (1956) under the Chairmanship of Sri.K.Ramunni Menon. This Commission was appointed by the Government of India, on the recommendations of the Bank Award Commission, to study comprehensively the problem of the banking system in Travancore-Cochin State. However, an earlier study on the banking system and related aspects in Travancore was carried out by the Travancore Banking Enquiry Committee which submitted its report in 1930. The establishment of the National Institute of Bank Management in 1969 to carry out research into banking-related areas gave stimulus to research activities in different areas including personnel management and industrial relations. Particular mention may be made of the following official studies:

1. The Award of the Sen Tribunal appointed in 1949 could be considered as the first formal study on personnel management practices in national banks. This study covered only those banks which had offices in more than one State and was aimed at resolving certain disputes between banks and their personnel,

regarding service conditions.

2. The award of the Sastry Tribunal (popularly called Sastry Award) appointed in 1952 also studied the personnel management practices relating to areas like recruitment, selection, training, promotion, transfer, compensation etc.

3. In 1954, the Labour Appellate Tribunal while dealing with the appeals preferred from the Sastry Award made a comprehensive examination and evaluation of the practices.

4. A further study was held by the one-man-commission consisting of Shri.P.B.Gajendragadkar in 1955. (This Commission is popularly referred to as Bank Award Commission).

5. The Travancore-Cochin Banking Inquiry Commission under the Chairmanship of Shri.K.Ramunni Menon studied in 1956, the special problems relating to banks in Travancore-Cochin State, including those resulting from implementation of Sastry Award. The Commission made a detailed study of the personnel practices in these banks.

6. Award of the National Industrial Tribunal (Bank Disputes) (1962) with Shri. Justice Kantilal T. Desai as presiding Officer (popularly referred to as Desai Award), makes an evaluation of the personnel management practices in those days.

7. Report of the Tripartite Committee for Non-award Banks, appointed by the Government of Kerala in 1958, under the Chairmanship of Shri.P.Ninan Koshi, includes a study of personnel management practices in the non-award banks of Kerala.

8. Report of the Committee for Standardisation of Pay scales, Allowances and Perquisites of Officers in the Nationalised Banks (1974), popularly referred to as 'Pillai Committee' - comprises a

study on the practices in nationalised banks relating to management of personnel belonging to officer cadre.

9. The Banking Commission (1972) appointed by the Government of India studied various aspects of the banking system in the country. The terms of reference to the Commission included: 'to review the existing arrangements relating to recruitment, training and other relevant matters connected with manpower planning of bank personnel and to make recommendations for building up requisite professional cadre of bank personnel at all levels of management'.⁵

In addition to the aforesaid studies of comprehensive nature, different committees and Working Groups appointed by Government/Reserve Bank also have made studies covering the specified areas. They include:

1. Report of the Working Group on Training and Development of Higher Banking Personnel (1969) under the Chairmanship of B.N. Adarkar.
2. The technical study on development of managerial and other personnel, conducted by B.K. Aggarwal for the Banking Commission (1972).
3. Report of the Committee on Functioning of Public Sector Banks, Reserve Bank of India, 1980.
4. Report of the Working Group to Review the Training Arrangements in Banks, Reserve Bank of India, 1980.

These and other literature on the subject surveyed and referred during the course of this study are given in the bibliography.

1.5 UNIVERSE AND SAMPLE OF STUDY

The universe of this study is the eight Scheduled Commercial Banks based in Kerala. They are arranged in Table 1-1 in alphabetical order giving the place of registered office and the class of bank. The classification of the banks into 'A' Class and 'B' Class has been made following the norms laid down in the Fourth Bipartite Settlement. According to this settlement, for the purpose of salary scales and other service conditions of non-officer staff, banks are grouped into two classes - banks with working funds amounting to Rs.85 crores and above, and all foreign banks are included in 'A' Class; and banks with working funds below Rs.85 crores are included in 'B' Class.

TABLE 1-1
LIST OF KERALA-BASED SCHEDULED COMMERCIAL BANKS

Sl. No.	Name of Bank	Place of Registered Office	Class
1.	The Catholic Syrian Bank Ltd.	Trichur	A
2.	The Dhanalekshmi Bank Ltd.	Trichur	B
3.	The Federal Bank Ltd.	Alwaye	A
4.	The Lord Krishna Bank Ltd.	Kodungalloor	B
5.	The Nedungadi Bank Ltd.	Calicut	B
6.	The Parur Central Bank Ltd.	North Parur	B
7.	The South Indian Bank Ltd.	Trichur	A
8.	State Bank of Travancore	Trivandrum	A

Among these banks, State Bank of Travancore is in public sector and all the other seven banks belong to private sector. Out of the total eight banks, four each belong to 'A' Class and 'B' Class. It was intended to select five of these banks for detailed study - three 'A' Class banks and two 'B' Class banks. Accordingly all the banks were requested for permission for collection of data, but permission was granted by only five banks. In spite of reminder letter, permission was not granted by the other three banks. Therefore the five banks which granted permission for collection of data were fixed as the sample banks. Three of these banks belong to 'A' Class and two belong to 'B' Class. Thus the following five banks constitute the sample of this study:

Name of bank	Abbreviation used in this report
1. The Catholic Syrian Bank Ltd.	CSB
2. The Federal Bank Ltd.	FBL
3. The Nedungadi Bank Ltd.	NBL
4. The Parur Central Bank Ltd., and	PCB
5. The South Indian Bank Ltd.	SIB

1.6 LIMITATIONS

As State Bank of Travancore, the lone public sector bank based in Kerala did not grant permission for collection of data, this study had to be confined to private sector banks only.

1.7 METHODOLOGY

Almost the entire data used for this study are primary and were collected from the files and other records of the concerned banks. For this purpose, intensive case study of each of the sample units was made. Documents perused for collection of data include correspondence, notes in files, circular letters and circular memos, texts of agreements with employees' unions, service records of employees, statements and reports drafted by the banks - both published and unpublished, explanatory notes for items in the agenda for Board Meetings, etc. Interviews with personnel executives, senior managers and other employees were held to supplement the data collected from documents.

Though the study is contemporary, historical approach is also followed wherever found appropriate.

1.8 PLAN OF THE STUDY

According to Edwin B. Flippo, Personnel Management is the planning, organizing, directing and controlling of the procurement, development, compensation, integration and maintenance of people for the purpose of contributing to organizational, individual and societal goals.⁶ This study covers the areas of procurement, development, compensation and maintenance. The 'Integration' part has been excluded because of the constraints of time, and also for the reason that these functions are more closely related to 'Industrial Relations', which this study has not intended to cover. Thus, this report has chapters dealing with the following functional areas of personnel management:

1. Determination of human resource requirements, covering
Job Analysis and Human Resource Planning.
2. Recruitment and Selection.
3. Training and Development.
4. Performance Appraisal.
5. Promotions, and
6. Compensation.

The plan followed in presenting the report on each functional area is: discussion of the theories and principles first, followed by an account of the recommendations and suggestions of the different statutory and non statutory studies. Thereafter, description of the practices in the sample banks is made. This description precedes the analysis and evaluation of the practices in the light of the principles discussed in the earlier part of the chapter. Each chapter ends with statement of the findings coming out of the analysis, and the suggestions for improvement.

A substantial part of the data used in this study are unpublished, and some are also of confidential nature. Hence the names of the banks are not revealed at certain places in order to conceal their identity, and to preserve the confidential nature of the data. As the focus of the study is on practices in the specific areas of personnel management rather than on individual banks, it is considered that this would not affect the objects, analyses or findings of the study in any manner.

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CHAPTER 2

COMMERCIAL BANKING IN INDIA

In the tertiary sector of Indian economy, banking industry occupies an important place. In terms of employment that it provides, there is no parallel to it in service industries. Today, banks are not just financial institutions but more than that they are serving as catalysts in the development process of the country. They have become social institutions taking care of social problems through various kinds of schemes. With the nationalisation of the major 14 banks of the country in 1969 and an additional six banks in 1980, the role of commercial banks became more critical.

2.1 ORIGIN OF BANKING

The word "bank" is said to be derived from the Italian word 'banco', a bench. The early bankers, the Jews in Lombardy, transacted their business at benches in the market place. When a banker failed his 'banco' was broken up by the people, whence our word 'bankrupt'.¹ The earliest reference to banking appear to be the accounts of lending and borrowing of money 3000 years ago in the temples of Greece and Rome. The priests were the custodians operating deposits, advances and interests. Their growing dishonesty and embezzlements led to the decline of faith on the part of the investors and the system died a natural death.²

The origin of banking in India is very old. On the basis of the information recorded in ancient texts, it can be said that

indigenous banking was in existence in India from very early times. The practice of money lending, one of the principal functions of a modern banker existed in the Vedic period. There is repeated mention of 'Rna' or debt in the Vedic literature. There is a reference in Ramayan that among the people of Ayodhya who accompanied Bharata to the jungle to request Rama to return to Ayodhya was also a 'Vridhipajivi' i.e. a member of the money lending or banking community. According to B.K.Bhargava,³ the banker in the Smriti period performed most of the functions which modern banks perform. He accepted deposits; granted loans against pledges and personal security; granted simple open loans; acted as his customer's bailee; subscribed to public loans by granting loans to kings; acted as the treasurer and banker to the state and issued and managed currency of the country. The first joint stock bank established in the country was the Bank of Hindustan founded in 1870 by the famous English agency house of Messrs Alexander and Company.⁴

2.2 DEVELOPMENT OF BANKING IN INDIA

The oldest establishment among the existing scheduled banks is the Allahabad bank which was established in 1865 with European management. The first bank with Indian Management is the Oudh Commercial bank in 1881, followed by Ajodhya Bank in 1884, Punjab National Bank in 1894, and Nedungadi Bank in 1899. There were only five establishments during the nineteenth century, and 12 between 1901 and 1914.⁵ Around the turn of the century a great spurt was witnessed in banking activity in the country. With the spread of

Swadeshi Movement in the country in 1906, the number of banks with capital and reserves of over rupees five lakhs doubled from nine to 18 in seven years from 1906 to 1913. Among the banks established during this period were the now famous Bank of India, Central Bank of India, Bank of Baroda, Bank of Mysore etc.⁶

Varadachary⁷ traces the progress of Indian banking system as follows: 'The principle of limited liability applied in 1860 gave an impetus to the development of banking in India. The Swadeshi Movement which began in 1906, encouraged the formation of a number of commercial banks, but several of them failed, as they were riddled with defects like combination of trading with banking, dishonest management, speculative investments and poor liquid resources'.

'A major development in commercial banking was the establishment of the Imperial Bank of India, originally intended to be gradually developed into a full-fledged central bank. In 1926, however, the Hilton Young Commission recommended the creation of a separate Central Bank to be called the Reserve Bank of India, leaving the Imperial Bank entirely free to perform commercial banking functions. After the establishment of the Reserve Bank in 1935, the Imperial Bank ceased to function as a banker to the Government. However, at places where the Reserve Bank had no office, it acted as the Reserve Bank's agent to transact Government banking business and maintain currency chests and small coin depots'.

'The Imperial Bank was taken over on July 1, 1955 and converted into the State Bank of India. Towards the end of the fifties, the State Bank took over former State-associated banks as its

subsidiaries. This integrated structure consisting of the State Bank and its subsidiaries, now redesignated as Associate Banks, occupies a unique position in the Indian banking system'.

'Yet another experiment in commercial banking was the setting up of Regional Rural Banks in October 1975 with a view to meeting the credit needs of rural areas, particularly those of the small and marginal farmers, landless labourers and small artisans in an adequate measure'.

The Sastry Award (1953) gives an account of the position of early fifties:⁸ "The number of offices per million population is 230 in United Kingdom, 127 in USA and only 14 in India. There is also an unequal distribution over geographical areas. More than three-fourths of the number of banking offices are concentrated in the States of Bombay, Madras, Punjab, Uttar Pradesh, West Bengal and Travancore-Cochin. In 1951, there were altogether 4178 banking offices out of which 2,660 belonged to the scheduled banks and 1518 to non-scheduled banks". The great disparity and uneven strength of banks at this time is revealed by the fact that two-thirds of the total number of banks held barely 5 percent of the total capital and reserves and three percent of the total deposits of all the Indian Banks put together.⁹ After the nationalisation of the major 14 banks of the country in 1969, more bank offices were opened to cover the largest population under banking. The branch expansion programme of a commercial bank in India is governed by the policies of the Reserve Bank announced from time to time.

In 1972, the Banking Commission recommended: Unless there are some exceptional circumstances, it is not necessary for the present to establish new commercial banks either as independent

units or subsidiaries of existing banks, except the rural subsidiary banks.¹⁰

Table 2-1 presents the commercial banking statistics of the country at a glance. Table 2-2 shows the number of offices of scheduled commercial banks in India and the share of southern region and Kerala. Table 2-3 gives a picture of the number of commercial bank branches in India and Kerala and its are-wise distribution on 31-12-1986.

TABLE 2-1

INDIAN COMMERCIAL BANKING STATISTICS AT A GLANCE

	1951	1956	1961	1966	1969	1979	1985	1986
Number of Banks	566	423	292	100	85	136	267	27
Number of Bank offices	4151	4067	5012	6593	9005	31556	52015	5328
Population per office ('000)	87	98	88	76	60	21	15	1
Number of bank employees in Scheduled Commercial Banks ('000)	NA	79	115	170	220	573	893	92

Sources: (a) For data upto 1969: Report of the Banking Commission p.42
 (b) For the data for 1979: Suneja's Banking Year Book and Who's Who 1983-84.
 (c) For the data for 1985 and 1986: Statistical Supplement to IBA Bulletin Vol. IX No.11 p.306

Note: 1. Number of banks in 1979, 1985 and 1986 includes Regional Rural Banks. They were first established in October 1975.

2. NA = Data not available.

TABLE 2-2

REGIONAL DISTRIBUTION OF OFFICES OF SCHEDULED COMMERCIAL BANKS

	1969	1980	1986
All India	8826	34131	53364
Southern Region	3101	10740	14805
Share (in percentage)	35.13	31.47	27.74
Kerala	512	2303	2729
Share (in percentage)	5.80	6.73	5.11

Source : IBA Bulletin Vol. IX No.11 p.315.

TABLE 2-3

AREAWISE DISTRIBUTION OF COMMERCIAL BANK BRANCHES AS ON 31-12-1986.

	Total in India	Total in Kerala
Rural	29718	625
Semiurban	10567	1667
Urban	7195	281
Metropolitan/Port Town	5785	152
Total	53263	2725

Source : IBA Bulletin Vol. IX No.11 p.315.

The annual list of 500 major banks in the world published by The Banker, London contained the names of eight Indian Banks in 1987. State Bank of India, the largest of the Indian banks was ranked 91st in the list followed by Industrial Development Bank of India as the 336th. However, in 1988 the list contained only seven Indian banks, and the ranks also came down to 94 for State Bank of India, and 338 for Industrial Development Bank of India. The Guinness

Book of Records 1984 listed State Bank of India as the bank with most branches - 9316 branches on 1st January 1983.

The organised sector of the Indian banking system consists of a number of institutions, the notable among them being the Reserve Bank, the commercial banks, the co-operative banks and the regional rural banks. State Bank of India and its associate banks, other nationalised banks, private sector banks, regional rural banks and foreign banks constitute the structure of commercial banks in India. Thus, commercial banks function both in private and public sectors. More than 90 percent of the banking in India is at present in the hands of the Government of India.¹¹

2.3 BANK FAILURES

The history of banking in India, perhaps, presents a most tragic tale. During the period 1913 to 1943 India has suffered the loss of Rs. 960 lakhs of paid up capital and no less than 949 banks failed.¹² During the years 1934-45 not less than 715 banking companies were either wound up or liquidated.¹³ The number of bank failure in India from 1913 to 1961 was 1671.¹⁴

The actual causes leading to failures have been many. They include mismanagement due to inexperience, overtrading, low cash reserves, investments in less liquid securities and in some cases no investment at all, unsecured loan to officers and directors, offering of unbusiness like rates of interest in order to attract deposit, general instability of economic conditions and the lack of a strong central bank with a unified control of currency and credit.¹⁵ The Government of India and the Reserve Bank resorted to different measures to check bank failures and to provide a

strong base for the commercial banks of the country. Sn. 11(3) of the Banking Companies Act 1949 provided that a banking company having places of business in more than one State should have paid up capital and reserves of not less than Rupees five lakhs and those having places of business in one State, Rupees one lakh in respect of the principal place of business plus Rs. 10,000/- for each of its other places of business in the same district plus Rs. 25,000/- for each place of business outside the District.¹⁶ Although Sn. 277 I of the Indian Companies Act 1913 prescribed Rs. 50,000/- as the minimum paid up capital for every banking company incorporated on or after the 15th January 1937, this provision did not improve matters appreciably, as it did not affect the large number of banking companies incorporated prior to that date.¹⁷

During 1960-69 about 118 banks were subjected to amalgamation in the whole of India under the advice, inspiration, guidance and control of the Reserve Bank.¹⁸

2.4 REGULATION OF BANKING

Banks serve as the repositories of the cash resources of the public and as purveyors of finance to commerce and industry. A bank, unlike a manufacturing concern obtains a very large proportion of its working capital from the depositors and only a small proportion from the shareholders. For these reasons banking has to be regarded as a public service and its activity must be regulated in public interest.¹⁹ The need for some special banking law in certain respects was felt for long and was pointedly brought out first by the Travancore Banking Enquiry Committee of 1930. However, this did not materialise till 1938 when a special banking regulation

was enacted.²⁰ In pursuance of the recommendation of the abovesaid committee, the Government of the erstwhile Travancore State enacted in 1938 the Travancore Companies Act imposing certain restrictions on banking companies including one prohibiting them from conducting chitties. The Government of the then Cochin State also simultaneously issued a Royal Proclamation in 1937 imposing similar restrictions on banks except as regards prohibition of chitties.²¹

During the last four decades, following the enactment of the Banking Regulation Act, 1949, the commercial banking system in India has undergone a marked transformation. Under this Act, the Government of India/Reserve Bank can regulate the functioning of commercial banks in the country. These regulations include regarding, the use of the words "bank", "banker" or "banking" as part of the name of a company (Sec.7 (1); conduct of banking business (Sec. 22); opening of branch offices (Sec. 23); advance policy including interest and other terms (Sec. 21); directing the functioning of banking companies or any banking company in particular (Sec. 35A) etc.

Though commercial banks grew considerably in stability and strength there still existed certain weak points in the system, and credit gaps not filled by these institutions. The scheme of social control over banking was introduced in 1968 with the main objectives of achieving a wider spread of bank credit, preventing its misuse, directing a larger volume of credit to flow to priority sectors and making it a more effective instrument of economic development.²²

2.5 NATIONALISATION OF BANKS

Although the banking system had taken certain steps for achieving the objectives of social control, the progress made in this regard was not adequate. With a view to ensuring that banks were adequately motivated towards a speedy achievement of the social purposes such as meeting the legitimate requirements of the weaker sections of the society, 14 major Indian scheduled commercial banks were nationalised on July 19, 1969.²³ One of the objectives of nationalisation of banks was to reorient their lending policies so that credit flows to certain sectors of economy in accordance with the national planning priorities.²⁴ The second phase of nationalisation took place on 15th April, 1980 when the Government of India acquired six private sector commercial banks whose demand and time liabilities exceeded Rs. 200 crores as on 14th March, 1980. However, nationalisation of banks has a longer history in the country. In pursuance of the recommendations of the Committee of Direction for All India Credit Survey (1951-52), the Imperial Bank of India was nationalised in 1955, bringing into existence the State Bank of India, which marked the initiation of public sector banking in India. The State associated banks were taken over by the State Bank of India as its subsidiaries in 1959.²⁵

2.6 BANKING IN KERALA

The Nedungadi Bank started by Sri.Appu Nedungadi in 1899, but registered only in 1910 is the first bank in Kerala. The first registered bank in Kerala was the Travancore Permanent Funds. The Travancore National Quilon Bank that went into liquidation in 1938.

was the most leading bank in Kerala with about 80 branches all over India.²⁶ The earliest form of crude banking that established itself was the institution of Kuries or Chitties. Since the demand from productive activities for money and credit was larger than what could be met from Kuries and Chitties, other forms of banking activities were started. The earliest bank to be established in the Travancore-Cochin area was the Travancore Bank Limited at Thiruvalla by about 1900. This initial effort was subsequently emulated by other enterprising people and when the new Companies Regulation of 1917 (I of 1092 ME) was passed there were six banks in existence.²⁷ The number of banks in the Travancore State increased from five in 1917-'18 to 274 by 1932-'33, which was the highest number of banks in the State at any time. A good many of these new banks in Travancore were mostly located in the central taluks, especially Thiruvalla. A particularly powerful impetus to banks was given between 1927 and 1930 which period coincided with the peak level of world prosperity. Thus during these years alone, the net addition to banks was about 200. The number of banks in 1929-'30 was 258 which constituted about one-fifth of the number of banks then existing in the whole of the erstwhile British India.²⁸ Table 2-4 shows the number of banks working in the erstwhile Travancore and Cochin States at the end of each year in the Malayalam era.

It is true that we have not got figures for the Cochin State for the years prior to 1929, but considering that the number of banks in the Cochin State in 1929 was 64, it may be assumed that there was also simultaneously considerable banking activity in the Cochin State. Most of the banks there were largely centred in

TABLE 2-4
NUMBER OF BANKS WORKING AT THE END OF EACH YEAR

	Travancore State	Cochin State
1092 ME (1916-17)	6	NA
1096 ME (1920-21)	43	NA
1104 ME (1928-29)	195	64
1105 ME (1929-30)	258	NA
1108 ME (1932-33)	274	NA
1112 ME (1936-37)	241	155
1130 ME (1954-55)	85	68

Source : Travancore-Cochin Banking Inquiry Commission-Report, Par.65

Trichur, a commercial town with extensive rural areas lying all round which had also their own banks.²⁹ Table 2-5 presents the district wise distribution of banking offices in Travancore-Cochin State in 1955.

TABLE 2-5
DISTRIBUTION OF BANKING OFFICES DISTRICT-WISE IN 1955

District	Number of banking offices
Quilon	152
Kottayam	111
Trichur	252
Trivandrum	56
Total	571

Source : Travancore-Cochin Banking Inquiry Commission (1955)
Report, paragraph 118.

The total number of banks in the State as on 31st December, 1955 was 153. Although the erstwhile States of Travancore and Cochin merged with the Indian Union in 1947, the banks confining their activities to the new State were brought within the ambit of the Banking Companies Act, 1949 only in 1951, when the Part B States Laws Act, 1951 was passed.³⁰ The total paid up capital of commercial banks in 1928-29 was around Rs. 42.5 lakhs averaging Rs. 0.22 lakh per bank which was about one-eighth of the average paid-up capital of a commercial bank in British India in the corresponding period. While the highest paid-up capital of a bank next to the Travancore State-aided Bank was Rs. 3.29 lakhs the lowest stood at Rs. 700 only. Out of the total number of banks, five had a paid-up capital above Rupees one lakh.³¹ The Bank Award Commission pointed out that the Travancore-Cochin State was definitely "over-banked" and that the position of most of the banks was "illiquid".³² The Commission also suggested weeding out of the unsound banks to strengthen the banking system in the State. It observed: "It is our firm belief that the banking system in the State can be considerably strengthened through weeding out of the extremely unsound banks and through rectifying the defects in the banks which are not so unsound....To facilitate the weeding out process, the remedy of amalgamation viz. the complete fusion of two or more banks to form a new institution suggests itself....Under these conditions we suggest that the banks should explore the possibilities of amalgamation wherever feasible in all earnestness".³³

There were 482 bank failures in India during the period 1939-'45. Out of these 185 were in Travancore-Cochin area - 132 in Travancore and 53 in Cochin.³⁴ Similarly, the total number of

non-award banks in Travancore-Cochin area stood at 143 at the time of the Bank Award Commission (1955) but came down to about 90 by the end of 1958, which shows that many of the small and uneconomic units have been eliminated.³⁵ The Chairman of The Federal Bank Limited observed in his presidential address in 1968: The greatest of the banking crisis after 1960 in the banking industry had happened in and around Central Travancore. Out of the 160 banks in the old Travancore, only three could survive the ordeal.³⁶

The number of Kerala-based scheduled commercial banks now comes to eight. Table 2-6 lists these banks in alphabetical order. It also shows the nature of ownership, year of promotion and class of each bank.

TABLE 2-6

KERALA-BASED SCHEDULED COMMERCIAL BANKS IN 1988,
WITH YEAR OF PROMOTION

Sl. No.	Name of Bank	Ownership	Year of promotion	Class of Bank
1.	The Catholic Syrian Bank Ltd.	Private sector	1920	A
2.	The Dhanalekshmi Bank Ltd.	"	1927	B
3.	The Federal Bank Ltd.	"	1931	A
4.	The Lord Krishna Bank Ltd.	"	1940	B
5.	The Nedungadi Bank Ltd.	"	1899	B
6.	The Parur Central Bank Ltd.	"	1930	B
7.	The South Indian Bank Ltd.	"	1929	A
8.	State Bank of Travancore	Public sector	1945	A

2.7 UNIQUE FEATURES OF KERALA BANKING

Kerala had to its credit a most fertile soil for banking development right from the historical times.³⁷ There were only five banking establishments in the whole country during the nineteenth century. One of these was Nedungadi Bank established in 1899, at Calicut.³⁸

The Travancore-Cochin Banking Inquiry Commission observed in 1955:³⁹ "The average number of people per banking office at present works out to 15,891 which is incidentally the smallest figure as compared to any other State in India, while for India as a whole the corresponding figure is 87,765. The Travancore-Cochin State thus stands foremost in regard to the number of banking offices with PEPSU as the second, having one banking office for an average of 45,970 persons. This will be more pronounced if it is seen in juxtaposition to the similar figures in respect of the foreign countries as for example in the UK, the average number of people per banking office works out to 4,600, in the US 7,600 and in Japan 15,900 which almost approximates to the figure in respect of the Travancore-Cochin State".

The business conducted by the banks in Travancore State was not limited only to the twin functions of acceptance of deposits and dispensing credit; the business of Kuries or Chitties formed a substantial portion of their total business which would be evident from the fact that as many as 166 banks were conducting Kuries during the thirties.⁴⁰

Another noteworthy feature of banking development in the Travancore-Cochin State is that banks were not concentrated only

in cities and larger towns, but were generally spread out into the rural interior of the State.⁴¹ As observed by the Travancore-Cochin Banking Inquiry Commission (1955):⁴² "Whereas in Bombay State only 73 out of a total of 577 offices or 13 percent, are in places with a population of less than 10,000 and in the Madras State 135 out of a total of 780 bank offices or about 18 percent; no less than 197 bank offices or 35 percent (out of 571) are located in places with a population less than 10,000 in the Travancore-Cochin State".

The Commission identified the reason for the large number of banks in the State as follows: 'People in this State, more than elsewhere in India, are split up into numerous castes, creeds and communities, and in spite of the great advance in education in the State, this difference has continued to remain. There are numerous banking institutions with different shades of religion and castes catering to their respective communities'.⁴³

Certain developments in Kerala banking have been instrumental in bringing about some measures of vital importance and lasting influence on the banking system of the country. For example, as observed by the Banking Commission (1972):

(a) The failure of the Laxmi Bank and the Palai Central Bank highlighted the risks of loss of the savings of depositors of banks. This ultimately resulted in the enactment of the Deposit Insurance Corporation Act, 1961, which led to the establishment of the Deposit Insurance Corporation in January 1962.⁴⁴

(b) The failure of the Travancore National and Quilon Bank Ltd., in 1938 also drew attention to the urgent need for comprehensive banking reform and legislation. In November 1939, the proposals for a comprehensive Banking Act were submitted to the

Government by the Reserve Bank.⁴⁵

(c) The process of weeding out substandard non-viable banks which started with the recommendations of the Travancore-Cochin Banking Inquiry Commission was accelerated after the failure of two Scheduled Banks in 1960 (Laxmi Bank and Palai Central Bank). A number of small local banks which had developed at small towns, were absorbed into larger banks with the result that as the number of smaller banks declined, the number of branches of bigger banks increased.⁴⁶

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CHAPTER 3

PERSONNEL MANAGEMENT

In the life of a corporation, today's success is largely a product of three types of executive actions taken yesterday: selecting the right people, placing them in right jobs, and seeing to it that they were able to grow to meet both their own needs and those of the organisation. Personnel management is the planning, organizing, directing, and controlling of the procurement, development, compensation, integration, and maintenance of people for the purpose of contributing to organizational, individual and societal goals.¹

The essence of personnel management is dealing with human relationships within an organisation. Roethlisberger has gone so far as to say that the job of a manager is neither managing men nor work but "administering a social system".² Thus, the role of personnel management is not to tell people how their work should be done but to create an environment in which people can do their work most productively.

3.1 ORIGIN AND DEVELOPMENT

Personnel function began as an employment and record-keeping function. Later as workers began to organise, it took the administration of labour agreements. The personnel department then moved in more directions -

1. It became the keeper of the corporate conscience, and concerned itself with the morale of the employees.

2. It became scientific and introduced systematic techniques for employee selection, salary administration and other activities connected with personnel.
3. It began to concoct programmes that proved to be more fashionable than useful.³

The role of personnel manager has thus changed through time. At first, the personnel manager was an instrument of top management in procuring and maintaining an effective work force. As knowledge expanded, in executing this role the manager began to understand the necessity for ascertaining and accommodating the needs of the human beings who constituted that work-force. He constantly searched for programmes which would support the accomplishment of both organisational and individual objectives.

It is pertinent at this stage to review the genesis of the personnel function in our country. On the basis of the recommendation of the Royal Commission on Labour (1929), employers' organizations and enlightened employers appointed the first 'labour officers' in India in the early thirties to assist employers in recruiting and dismissing employees and promoting harmonious relations between employers and employees in industrial undertakings and plantations.⁴

During the Second World War, the need for enlisting labour support for the war efforts was considered imperative. As a result, welfare officers were appointed by Government as well as industry. The Factories Act, the Mines Act and all similar legislations contained provisions for appointment of welfare officers. They were to deal with working conditions, canteens, ration shops, recreation facilities, medical facilities, workers' housing and

similar welfare activities. With the enactment of the Industrial Disputes Act in 1947, with provisions for ordering ~~when~~ adjudications, the function of welfare officers changed to handling disputes and adjudication relating to conditions of service. Welfare officers soon became industrial relations officers and they began to participate in collective bargaining, conciliation and adjudication.⁵ Thus personnel management came to be recognised as a specialist function in a large number of organisations so much so that intra-disciplinary specialisation like Industrial Relations, Training etc. have set in. The recent trend of having Personnel Managers in senior ranks in the company to deal with matters connected with supervisory and managerial staff, their training and development, evolving personnel policies etc. have taken the personnel functions beyond the sphere of activities of what might be called the "Labour Officer".

3.2 SIGNIFICANCE OF PERSONNEL MANAGEMENT

The most valuable asset of a company consists of its human resources generating the needed manpower. It is therefore necessary to retain good employees and use them to their fullest potential. It is in this area that personnel management can give maximum assistance. Personnel function is integral to the whole organisation. Since all decisions in an organisation are made by human beings and are put into operation by human beings, they are affected by all these decisions one way or the other. Personnel function is all pervasive, transcends all other managerial functions and is ubiquitous. In this sense, every manager is unavoidably a personnel manager.

The personnel function is responsible for furthering the organisation, not just maintaining it. Recent researches in behavioural sciences and on the negative side, quixotic experiments and experiences in our own country, have also shown that ultimately it is the management of human resources which plays a key role in opening up new opportunities for increasing productivity and promoting the growth of the enterprise and those who work in it. Environmental changes take place according to a basic law known as the Second Law of Thermodynamics. This law states that non-living systems increase their entropy, or disorder, over time. A perceptive personnel management programme seeks to minimise entropy and maintain as much disorder as is practicable. This is done by an ever-continuing attempt to reduce disorder and decay by periodical evaluation of existing systems, planning for growth, modification, and feed back aimed at resisting the natural tendency of the environment towards disorder.⁶

Productivity is not a function of labour productivity alone. The organisational philosophy, the personnel management style, the work atmosphere etc. have significant role in raising or lowering productivity. The various internal and external forces continually pose many challenges to the personnel function of any organisation. Among the many changes that are occurring, the following four will illustrate the nature of the personnel challenge:

1. Changing mix of the work force
2. Changing values of the work force
3. Changing demands of employees, and
4. Changing demands of Government⁷

3.3 SCOPE OF PERSONNEL FUNCTION

The focus of personnel management is on people at work. It is indeed a wide area and covers a broad spectrum of activities. It is difficult to generalize about the range of personnel functions performed in an organisation owing to a variety of factors such as attitudes, philosophy, organization needs and so on. It would be appropriate to examine certain classifications of personnel functions:

(1) Broadly speaking, the functions of personnel management fall in the following areas: (i) organisational planning and development (ii) staffing (iii) Training and development (iv) wage and salary administration (v) motivation (vi) employee services (vii) employee record (viii) labour relations and (ix) personnel research.⁸

(2) The labour field today has three main areas of professional disciplines - Labour Welfare, Industrial Relations and Personnel Administration which together have formed the new profession of personnel management. These areas are being looked after by three professional functionaries - Welfare Officer, Labour Officer and Personnel Officer.⁹

(3) The personnel function can be divided into two parts - (i) Technical personnel service to the line organisation, and (ii) Advising line and top management. Technical personnel service to the line organisation would include - 1) Recruitment and placement 2) Training and development 3) Wage and salary administration 4) Industrial Relations, and 5) Health and Welfare.¹⁰

(4) We traditionally speak of the three 'R's of Personnel Management, namely, the areas of Recruitment, Retainment and Retirement. Besides, a purposeful policy will widen its scope beyond the traditional three 'R's of Personnel Management. It will begin at the

pre-recruitment stage by taking responsibility for attracting potentially promising candidates for employment by the scouting process, campus visits and other means. It will also extend its jurisdiction beyond retirement by assuming some responsibility for ex-employees' health and housing.¹¹

(5) The primary technical functions within personnel management are selection and placement, training and development, compensation and motivation. These core areas are the critical elements in a comprehensive personnel programme. Not only should there be a continuous improvement of this body of technology, but also a continuous reassessment of its validity for given needs and purposes.¹²

(6) Academically it is possible to split the personnel management function into three: (a) The welfare aspect concerned with working conditions and amenities such as canteens, creches, housing, personal problems of the workers, schools and recreation; (b) the labour or personnel aspect concerned with recruitment, placement of employees, remuneration, promotion, incentives, productivity etc. (c) The industrial relations aspect concerned with trade union negotiation, settlement of disputes, joint consultation and collective bargaining. In practice, these three aspects are bound to merge into one another, as all are concerned with the human element in industry as distinct from the mechanical. Human beings and their problems seldom fit into the neat categories of the scientist and the statistician.¹³

The preponderance of legalistic approach to industrial relations with its numerous statutes and evergrowing case law, has resulted in an emphasis on the legal aspects and consequences of

every move in the sphere of personnel administration. Rightly or wrongly, personnel management today has a rather unduly heavy weightage given to legal aspects as compared to behavioural sciences.¹⁴

The Banking Commission observed in its report: "To create a sense of belonging in the employees, an organisation has to motivate them by providing satisfaction of social and self-esteem needs besides giving them salary, allowances, bonus, other monetary incentives, proper physical working conditions and reasonable security of service. Various methods used for motivation are acquainting the employees with the goals and objectives of the organisation through conferences, meetings and induction training; encouraging their social activities by providing facilities for clubs, sports, cultural activities and annual gatherings; and creating conditions conducive to job satisfaction by decentralising powers, and introducing an element of responsibility in a larger number of jobs (eg. authorising ledger keepers to pass cheques for small amounts)."¹⁵

In many companies the personnel staff is advisory by virtue of the organization structure. If it is to be effective, however, it cannot take the attitude, "I told them, what more can I do?" In the long run the staff must realise that its reason for being is to see that sound personnel programmes are installed, not merely conceived.¹⁶

The Committee on Functioning of Public Sector Banks (1978) envisaged a critical role for the unions. It suggested: "To our thinking, the first step to improve efficiency would be to organise a high level dialogue between the managements and the unions on the

whole question of work norms to be subject to biennial revision and the unions should be induced to undertake responsibility for getting work done in accordance with agreed norms instead of merely protecting the interests of their members".¹⁷ As observed by Jacob Mankidy, 'areas like recruitment, promotions, etc. are also now being included in the individual bank's agreements with their unions. Once these are also covered by contracts, management's area of operation will be limited mainly to administration and implementation'.¹⁸

3.4 PERSONNEL MANAGEMENT: A LINE FUNCTION

As Glenn Gardiner, a former President of the American Management Association rightly says, "By centralising the personnel function in a personnel department too many people have assumed that you can centralise human relations. This was perhaps the error in the thinking of the production people and general managers who felt that it would be very helpful if we could just put all our personnel head-aches into one hat and let somebody else worry about them for all of us. The personnel function is by no means a one man function or a one department function. Your production problems and your personnel problems are one and the same".¹⁹

Although certain personnel activities may have to be organised in a staff department for administrative convenience. The personnel function is largely the responsibility of line management. The philosophy, attitudes and skills of these persons, reflected in this daily work behaviour are the ultimate determinants of the quality of human relations in the organisation. (McGregor David).²⁰ Some of the leading companies have a slogan that the effectiveness

of the Personnel Department is determined by their creating conditions where the line managers become their own personnel managers.²¹

The role of the supervisor in the scheme of motivation management is very important. In fact, it is the first line supervisor who is the vital link between the organisation and the worker. As observed by the Committee on the Selection and Training of Supervisors (UK-1962), The Supervisor is the representative of management on the shop floor and has to interpret the decisions of management to the employees for whose control he is responsible.²²

As in any other business organisation, power and authority were traditionally centralised in every bank. When banks started growing into mammoth organisations with a large network of branches, power and authority concentrated at top levels came to be diffused to the lower rungs. Delegation of power and authority to lower level managers was unavoidable for effective functioning. In many banks there were days when sanctioning of leave to a Clerk was the sole prerogative of the bosses in central offices, though today any branch manager or second officer of a branch exercises such powers with regard to the employees working under him. The present trend in banking circles is towards decentralisation consistent with the requirements of efficient decision-making and prompt execution.²³

The Working Group on Customer Service in Banks recommended: 'Every Branch Manager/Head of office should be made disciplinary authority in respect of minor misconduct. This is essential for reestablishing the authority of Branch Manager for enforcing elementary discipline and creating an atmosphere of responsibility

in office'.²⁴ But Jacob Mankidy gives a caution: Unlike other organisations, banks' offices are widely scattered all over the country and it has been the experience of most banks that trade unions use pressure tactics as strategy to get things done at some remote branch which would gradually be spread to other branches.²⁵

The personnel powers delegated to the branch managers and other controlling officers in the sample banks relate to sanctioning of ordinary leave and disbursement of salary. Regarding issues necessitating disciplinary action, the controlling officers can send report to the head office which would initiate such action, if found necessary. In FBL, all the branch managers and controlling officers are delegated the power to take disciplinary actions against award staff. However, no exercise of such power has come to notice. They too prefer to report such matters to the head office.

3.3 PERSONNEL DEPARTMENT

As was pointed out above, the personnel function is a line responsibility and a staff function. It cannot possibly be performed effectively by the personnel manager or the personnel department alone. However, one particular department in an organisation is so closely and for most of its time engaged in personnel activities that it is called the personnel department. The special concern of the personnel department is the management of people as a major sub process in the total process of management.²⁶

In the early years of development of banks, the number of personnel was small and hence there was no necessity to have a separate department to look after personnel. Wherever existed,

they were mainly to keep track of employees, disburse their payments and keep record of the same. Another major role the staff departments had to perform was disciplining of employees in case of misconduct. Gradually these staff departments also became the legal wings of banks in order to fight employees in a more legalistic manner by safeguarding the banks' interests. This was probably necessitated by the growing organisational strength of employees.²⁷ Until almost 1965 the staff departments did only the 'maintenance' function of personnel, and 'personnel management' in the developmental sense of the term was neglected by Indian Banks. An analysis²⁸ of the situation reveals the following reasons, for this state of affairs:

1. Banks were comparatively smaller in size and it was easier for a top manager or managers to know almost every employee personally and manage the affairs relating to them easily.

2. Job security was almost absent and hence employees did not want to risk jobs by questioning their employers. Hence managements thought it was not necessary to spend any effort in this area.

3. Any dispute which arose later between management and employees was referred to judicial industrial relations machineries and the management thought their responsibilities were completely over.

4. Lack of knowledgeable persons at the top who could look into the area of personnel management from the point of view of a human resources utilitarian approach.

Many Banks now have elaborate personnel departments and several of them have separate training divisions, management

development divisions, industrial relations divisions etc.

All the five banks studied have a separate department which spends most of its time dealing with matters relating to employees. The responsibilities of these departments relate to manpower planning, recruitment, placement, performance appraisal, promotion, compensation, disciplinary action and industrial relations. The functions relating to internal training of employees are entrusted to a training establishment within the bank. In FBL there is a separate department to handle matters relating to disciplinary action and industrial relations.

3.6 PERSONNEL MANAGER

The executive who is in charge of personnel department is usually referred to as personnel manager. He is very often entrusted with the responsibility to plan, develop and administer policies and programmes designed to make expeditious use of the organisation's human resources.

The Royal Commission of 1929-31 broadly indicated the role of the Labour Officer in India, the Factories Act, 1948 laid down the duties of the statutory Welfare Officer under its rules in 1951-52, and the modern Personnel Officer assumed personnel functions as assigned to him by his employing organisation. The Personnel Manager, as the head of the Department, is shouldered with the responsibility of the entire personnel function. He is concerned more with developing the policies and programmes regarding employment, wage and salary administration, training and development, placement, industrial relations, safety and health, employee benefits and services, etc. He is responsible for

formulating industrial relations objectives and policies of his company.²⁹

A good manager tries to plan his activities in such way that he 'makes things happen'. There are some managers to whom things happen, whilst there are others who do not even know what happened.³⁰ The Personnel Manager should be an individual of singular breadth and influence, sensitive equally to the needs and capabilities of people and to the requirements of the business.³¹ He must have a keen sense of social justice and be fully appreciative of the rights and interests of men at work as well as the economic necessities of management. The Personnel Managers' first concern is to assist the general management achieve its goals through procuring, developing, compensating, motivating and maintaining a competent labour force.

In large and complex organisations, the line executives are usually specialists in their own areas of activity and do not possess the necessary expertise in human relations. They consequently need the assistance guidance and advice of a staff personnel specialist in the effective performance of the personnel function. Since all the line executives have to deal with human beings, the personnel function is integral to the whole organisation. In this sense, every line executive is unavoidably a personnel manager. It may be emphasised that in all these areas of personnel administration, the personnel executive acts only in a staff capacity; he has no authority to command except, of course, in his own department.³²

The Personnel Manager must be a person of sufficient calibre who can report with confidence to top line officials and talk

intelligently with highly skilled departmental heads with a view to help them solve their management problems. With the enactment of voluminous labour legislation in India, legal technicalities have assumed disproportionate significance in personnel function in Indian industry. As a result, employers tend to employ personnel officers with a legal background.³³

According to the Royal Commission on Labour (1929-31) 'the Labour Officer should be subordinate to no one except the general manager of the factory and should be carefully selected. Integrity, personality, energy, the gift of understanding individuals and linguistic facility are the main qualities required. No employee should be engaged except by the Labour Officer personally in consultation with the departmental heads and none should be dismissed without his consent, except by the manager himself after hearing what the labour officer has to say. It should be the business of the labour officer to ensure that no employee is discharged without adequate cause; if he is of the right type, the workers will rapidly learn to place confidence in him as their friend'.³⁴

The status of the Labour Officer needs clarification in Indian industry. The legal requirement tends to put him in an anomalous position - a sort of third force between management and labour, often trusted by neither.³⁵ Personnel management is clearly a management function and not a "third force" as described in the Factories Act and as practised in some industries.³⁶ However, in general, the personnel manager should be a catalyst in the organisation rather than merely an 'implementor' of policy decisions and/or a fire fighter for the management.³⁷ In certain large

organisations the Personnel Manager is also a member of the board and would correctly use the designation 'Personnel Director'.

In all the banks studied, the executive with full-time charge of personnel functions is the head of Personnel Department. In four banks, he belongs to the general stream of officers and no professional qualification or experience is considered necessary. Any officer of the particular grade could be posted as the head of personnel department, and there is no specified minimum/maximum period of holding the post. All the present incumbents of the post in these banks had started their career in clerical cadre of the general stream. But in the fifth bank, the head of Personnel Department possesses special qualification and experience in personnel management, and was specially appointed to a higher grade in officer cadre.

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CHAPTER 4

FORECASTING HUMAN RESOURCE REQUIREMENTS

It is imperative that every organisation forecasts its future human resource needs so that steps can be taken in advance to ensure that these needs are met in time. Decision concerning determination of human resource requirements involves two processes:

(1) Determining the kind or quality of personnel needed. This is done through Job Analysis, and

(2) Determining the quantity of personnel required to operate the organization properly. This function may be called Human Resource Planning or Manpower Planning.

Hence, this chapter is divided into two parts: the first part deals with Job Analysis and the second part, with Manpower Planning.

4.1 JOB ANALYSIS

In order to hire personnel on a scientific basis, it is appropriate to establish in advance a standard of personnel with which applicants can be compared. This standard is essentially the minimum acceptable traits necessary for satisfactory performance of the job duties.

Establishing such traits or qualities entails (1) the design of the job and (2) a study of the job duties and responsibilities to determine human abilities required for execution. The establishment of the job is a part of the organizing process. The study of job content to determine human requirements is termed "job analysis".¹

Job analysis plays a key role in the areas of planning, staffing, employee development and employee maintenance.

Early work in job analysis and design coincided with the industrial revolutions in Europe and America. Charles Babbage in Europe and Frederick Taylor in the United States were the first individuals to point out that work could and should be studied in a systematic manner and in relation with a number of scientific principles.²

4.1..1 Definition

For better appreciation of the subject, a few definitions of job analysis are given below:-

(1) Job analysis is the process by which data in regard to each job is systematically observed and noted. It provides information about the nature of the job and the characteristics or qualifications that are desirable in the job holder.³

(2) Job analysis is the process of studying and collecting information relating to the operations and responsibilities of a specific job.⁴

(3) Job analysis is the process of determining the nature or content of a job by collecting and organising information relevant to a job.⁵

(4) Job analysis is the process of obtaining all pertinent facts and parameters regarding the position under question. This analytic procedure is important in order to fully comprehend the entire scope of the work being done as well as the contribution the job is making to the outcomes of the organisation.⁶

(5) In general terms, job analysis is what it says - the analysis of the job in terms of the content and requirements of the job. It is not at all concerned with the abilities of the worker

who does the job.⁷

McCormick and Tiffin (1974) have defined job analysis as "the collection and analysis of any type of job-related information, by any method, and for any purpose". When we look at the possible uses of job-related information, it should be clear that this definition, although global, is accurate.⁸

A complete job analysis contains information relating to the following five factors, plus any others deemed appropriate to fully describe the nature of the job: (1) work products-what the job seeks to accomplish (2) necessary worker activities or behaviours required by the job (3) equipment used (4) factors in the work environment and (5) personal characteristics required to do the job.⁹

From the few definitions given above, it follows that a job analysis attempts to provide information in seven basic areas -

1. Job identification: its title including the code number, if
2. Distinctive or significant characteristics of the job: its location, setting, supervision, hazards and discomforts.
3. What the typical worker does: specific operations and tasks that make up the assignment.
4. What materials and equipment the worker uses.
5. How the job is performed.
6. Required personal attributes: experience, training, apprenticeship, physical strength, co-ordination or dexterity, physical demands, mental capabilities, aptitudes, social skills etc.

4.1..2 Job Analyst

The personnel management specialist responsible for conducting job analysis is called job analyst. Large organisations often employ full-time job analysts; smaller organisations may hire them as consultants. All job analyses however are not conducted by job analysts. In fact, the responsibility for conducting job analyses is often assumed by other personnel management professionals trained in the use of job analysis methods. The job analyst requires the ability to be impartial, to make written descriptions in a precise form and to understand not only the job evaluation system but also the inter-relationship between the various departmental functions of the organisation i.e. the manner in which the different jobs depend on each other.¹⁰ As a result, he requires a wide training within the industry in general and within the unit under study in particular.

In many organisations, successful job design requires the joint efforts of personnel specialists, industrial engineers and behavioural researchers. Today we are beginning to recognize that job analysis and job design must be the joint efforts of not only trained specialists in personnel and industrial engineering, but also included must be the opinions and inputs of managers and rank and file workers.¹¹

4.1..3 The Process of Job Analysis

Specifically, responsibility for conducting a job analysis includes (1) choosing an appropriate method, (2) conducting the analysis, and (3) preparing job descriptions. Choosing an appropriate method of job analysis involves consideration of how the data will be used.

The various purposes of job analysis data require the collection of different kinds of information. Job analysis is a vital step in job evaluation and is of utmost value in a whole range of personnel and organisational activities which include training, safety, placement and methods improvement and each of these applications requires variations on the basis job analysis theme. The process of analyzing a job after its design is essentially one of data collection. Various approaches can be utilized in studying a job, and the four currently most popular are (1) questionnaires (2) written narratives (3) observation and (4) interviews.¹² For the conventional methods of job evaluation, the job analyst seeks answers to the following basic questions: (1) What does the employee do? (2) How does the employee do the job? (3) Why is the job done? (4) What skills are involved?¹³

There are several ways in which information about a job can be had: (1) Employees on the jobs (2) Other employees including supervisors who know the jobs (3) Independent observers (4) Interview. Generally, it is preferable to use a combination of the several methods to get information about the job. Whatever be the method adopted, an objective data-gatherer would avoid introducing his own ideas and also avoid describing the employees performing the job rather than the "job" itself, for many of the employee's personal traits may have little or no relevance to the "job".¹⁴

A survey of 899 firms (in US) ranging in size from under 500 employees to over 1,00,000 revealed that the most widely used method was interview; 85 percent reported using this research method for both salaried and hourly workers. The second most popular was observation, which was used more widely for hourly employees.

Questionnaires and written narratives were about equally divided in popularity, ranking behind the other two. In addition, there were many miscellaneous sources of information such as old job descriptions, time and motion studies and daily diaries or logs.¹⁵

The first and immediate product of job analysis process is the job description. As its title indicates, this document is basically descriptive in nature and constitutes a record of existing and pertinent job facts. A job description is an organized, factual statement of the duties and responsibilities of a specific job. In brief, it should tell what is to be done, how it is done, and why. It is a standard of function, in that it defines the appropriate and authorized content of a job. A job description will generally describe the work performed, the responsibilities involved, the skill or training required, conditions under which the job is done, relationships with other jobs and personal requirements on the job.¹⁶ A job description should be based on current facts and not on tradition.¹⁷

4.1..4 Role Analysis

Dissatisfied with somewhat simple and sterile nature of existing job descriptions that highlight formal duties, various critics have suggested that job analysis should be extended to include role analysis. The concept of role is broader than of job. A role would consist of the total pattern of expected behaviour, interactions and sentiments for an individual holding an assigned job. Mere listing of official duties will not necessarily reveal the behavioural expectations of multiple and various groups that impinge upon the job incumbent. The job descriptions for two supervisors

in two different companies may look the same, but the role requirements could be substantially different.¹⁸

4.1..5 Problems in Job Analysis

Work studies of one kind or the other have generally been greeted with suspicion by employees and their unions. The suspicion is generally based on the method and it is seen as an instrument to enhance output without commensurate remuneration. In some cases, therefore, negotiated joint committees of management and unions have been set up to undertake these studies.¹⁹ When job analysis is conducted in order to assign relative monetary value to jobs, workers who feel that it may affect their pay or status are often motivated to distort information about the job, most likely inflating their importance.²⁰

There are many difficulties to be overcome in preparing job descriptions. For example, it is essential to avoid loose terminology which could allow for a variety of interpretation, and equally to avoid the inclusion of worker analysis. Similarly job descriptions can often exaggerate the responsibility involved in jobs and can be too detailed or too brief.²¹ A job description is not intended to catalogue all duties involved with the result that an employee would feel justified in declining to perform any work not included in the description. It should be regarded as an outline of the minimum requirements of the job, thus preserving flexibility of operations.²²

4.1..6 Organisational uses of Job Analysis

Job analysis and design must be performed before organisations can translate statements of purpose and long and short range goals and

objectives into duties and tasks that the members of an organisation actually perform. The manner by which individual workers in the organisation are provided with instructions on how to complete the requirements of their jobs and positions is a fundamental and beginning point for many subsequent personnel decisions. Such aspects of the personnel process as performance appraisal, training and development, wage and salary administration, all hinge on the analysis and designing of how work is to be completed.²³ It would be appropriate to examine here the observations of some authors about the multifarious utilities of job analysis:

1. The outcomes of prudent and complete job design will help to ensure that the organisation achieved its goals and objectives in the most efficient and effective manner while at the same time giving the highest level of regard to the psychological and emotional needs of the employee.²⁴

2. Job analysis lies at the very heart of pay structuring and, indeed, is part of the basic core of personnel management. It is ideal for all of the jobs in the organisation to be analysed and described in a uniform fashion. If this is done, one can obtain a very broad, overall view of the inter-dependence of various jobs, departments and divisions. The job descriptions provide the ingredients necessary for devising a truly integrated organisation and this objective is absolutely basic to work analysis, personnel management and operational effectiveness in general.²⁵

3. Job analysis which reveals qualitative demands of a job is frequently used to ascertain job specifications such as training time, aptitudes, temperaments, interests, physical capacities and

working conditions. It provides the personal requirements for accomplishing the job effectively.²⁶

4. Job information is the basis of many management activities. For instance, without it, recruitment would be almost impossible, training would have no goal and salary no basis. It is therefore, necessary to collect the important parts of a job which identify it and distinguish it from other jobs.²⁷

5. Job analysis plays a key role in the areas of planning, staffing, employee development and employee maintenance.²⁸

6. Whether job knowledge is gained formally or informally, job analysis is necessary for scientific management of personnel.²⁹

7. The early approaches to job analysis and design provided huge savings with regard to labour expense and training costs to the organisations of that era. These savings were in the form of transferring unskilled workers into productive members of an organisation's labour force in a very brief period of time.³⁰

A National Job Analysis Methods Survey (in US) of 899 firms showed that 75 percent used the results of the job analysis process in making job specifications, approximately 60 percent for training, over 90 percent in setting wage and salary levels, approximately 60 percent in appraising personnel on salaried jobs as compared with 44 percent on hourly jobs, 70 percent in transfers and promotion, 50 percent in organizing, 36 percent in orienting new employees, 25 percent in counselling, 33 percent for conducting labour negotiations and 43 percent for handling grievances.³¹

Given below is an account of the organisational uses of job analysis in relation to the major personnel functions:

1. Human Resource Planning: Job analysis information plays a crucial role in human resource planning. Job analysis provides information on the nature of a job and the skills required to do it. In assessing the needs of an organisation human resource planners use job analysis data to compare skills required for particular jobs with the actual skills of employees in the organisation. To the extent that actual skills do not match required skills of present jobs, organisations can take several actions to reduce the discrepancy.

2. Recruitment and selection: Job analysis provides information on personal qualifications necessary to perform job-related behaviours. Analysing required job behaviours helps define what types of employees to recruit - what skills, abilities, knowledge and experience are needed to do the job. As job analysis points out those qualities, requirements, interest etc. which are essential or desirable for successful job performance, it is basic to an objective and scientific recruitment process.

In selection, job specifications provide standards for testing the qualifications of applicants to successfully perform in a given position. The criteria used for selection should test the applicant on behaviours necessary to the job and not on characteristics irrelevant to acceptable performance. A job analysis method for selection purposes must provide detailed and complete information on personal qualifications for jobs. There is precious little use in interviewing candidates for any job, be it floor sweeper or company executive unless the requirements of the job have been accurately assessed and the interviewer has a profile of the ideal candidate for the post.³²

In the US, the guidelines on employee selection procedures issued by the Equal Employment Opportunity Commission require the employers to use job analysis methods in the validation of selection procedures.³³

The Banking Commission (1972) suggested:³⁴ 'It is necessary to identify the job elements specific to the type of work and after analysing them to construct suitable tests for judging the candidate's ability'.

3. Induction: In the case of induction, where the over-riding objective is to ensure that the new employee clearly understands his role in the organisation and what is expected from him, the job description acts as a valuable source of reference.

4. Placement: Regarding the utility of job analysis in proper placement of employees, the Banking Commission (1972) recommended as follows: "The appraisal reports together with job analysis (which determines the duties and responsibilities assigned to each job) should be used for proper placement of personnel in posts suited to their skills, interests and abilities".³⁵

5. Compensation: Relative money worth of job can be determined by a suitably designed system of job evaluation. The immediate objective of job evaluation process is to obtain internal and external consistency in wages and salaries. The wage structure is internally consistent if wages and salary differentials are based on relative difficulty and complexity of the job. Jobs requiring greater skill, knowledge or experience, and involving greater responsibility or effort should be paid at higher rates, than jobs requiring less of these factors. This is done by using job evaluation system which is based on careful analysis and detailed description

of jobs. In the great majority of companies there are serious inconsistencies in the wage scale that are often far more apparent to the employees in the ranks than to the department heads and officers. These inequities are usually brought out by a thorough going job evaluation programme when carried to the place of being tied in with the wage scale. Job evaluation is essential to any sound wage administration programme.

Quoting from the summary of the First Five Year Plan, the Sastry Tribunal (1953)³⁶ observed: "The most important question which affects labour is the one relating to their wages and salaries. The worker must have his due share in the national income, and the standardization of wages should be accelerated and extended. The differences in wages between various jobs should be ironed out as far as possible, except when they are justified by differences in skill, training and experience, mental and physical requirements, attendant hazards etc. Furthermore a scientific assessment should be attempted of the relative workload in-different occupations and industries". The National Commission on Labour (1969)³⁷ recommended that steps should be taken to standardise job classifications and reduce differentials wherever necessary to suitable limits on a scientific basis. The Pillai Committee (1974)³⁸ also underlines the importance of job analysis in wage determination when it says: 'An integral part of the national wage structure should be the establishment of wage differentials based on real differences in skill, functions and conditions of work instead of leaving them to be determined by the relative strength of workers and employers concerned'.

6. Training: The design of training programmes is greatly

eased by combining job analysis and worker analysis. A series of training courses which focus on the key area of responsibility identified in job descriptions can be constructed so that individual employees at anyone hierarchical level can be prepared for upward movement through the system, or made more proficient in dealing with key responsibilities at their existing levels. Job descriptions provide information regarding knowledge and skills required to perform job duties. Job specifications serve to identify certain objectives of training programmes. For training purposes, job analysis methods must specify necessary job behaviours and the standards of performance employees must achieve.

7. Promotion: Job information helps in charting the channels of promotion. Comparison of job descriptions for different-level jobs in an organisation can be used to chart the logical progression of an employee from one job to another. To be useful for career planning purposes, a job analysis method must provide comparable data on jobs so that similarities and differences between jobs at different levels are evident.

8. Performance appraisal: Job specifications can serve as criteria against which to appraise employee performance. The criteria used to appraise performance must be related to job content and not to extraneous factors. Job analysis is a mechanism by which to demonstrate whether or not appraisal criteria are related to the job. Instead of rating an employee on characteristics such as dependability and initiative, there is now a tendency toward establishing job goals and appraising the work done toward these goals. In this type of appraisal a job description is useful in defining the areas in which job goals should be established.³⁹

9. Labour relations: In labour relations, job descriptions are used in bargaining with labour organisations over pay, working conditions, and ways in which certain jobs are done. Job evaluation would reduce the area of collective bargaining by systematising the determination of internal consistency which is concerned with proper wage differentials. When rate differentials are based on objective consideration of the relative difficulty and complexity of the jobs, employee dissatisfaction caused by perceived inequities tends to decline. When job evaluation programme are properly kept up-to-date and merit rating is effective, many of the wage problems will be handled in due course.⁴⁰

10. Organisation: Finally, job analysis and descriptions can be used as basic building blocks for organisation restructuring, where responsibilities are moved from one job to another and individual jobs are rationalised to allow for optimal use of skills and abilities.

4.1..7 Job Analysis System in the Banks

CSB carried out a job evaluation in 1979 with the object of gradation of officers' positions in the bank. It constituted a committee comprising experts from National Institute of Bank Management and representatives of the management and officers' association, for the purpose. Job-related information was collected from descriptions of present assignments and through interviews with a few officers holding different positions. The committee also recommended appropriate pay scales in consultation with the management. Except this, no formal job analysis or job evaluation has been carried out by any of the banks.

The personnel management practices followed by the banks exhibit how the absence of job analysis gets reflected in their personnel management system. Certain practices in these banks are stated below:

1. In PCB, officers of the highest grade hold posts of three levels; chief officer, deputy chief officer and regional manager, officers of the lower grade also hold three levels of posts - regional manager, branch manager and second officer,⁴¹ officers of the lowest grade occupy posts of branch manager and second officer, and employees in clerical cadre also are posted as second officers. Thus, officers of same grade are posted as subordinate and controlling officers, and posts of same status are occupied by officers of different grades. In the bank all subordinate staff except one, get one or another special allowance as per the terms of an agreement between the bank and its employees. Special allowance scheme was introduced by Sastry Award and continued in later awards and settlements to remunerate employees undertaking special responsibilities or additional work. However, in this bank the seniormost peon at each branch/department is paid daftry allowance and the second seniormost is paid cash peon allowance irrespective of the nature of his work. Thus in the whole bank, there is only one peon who does not get any such special allowance.

2. In one bank, the top-most executive is in pay scale III. In other banks, many of the branch managers are in this scale of pay, and all the departmental heads are in higher pay scales. In these banks the top executive is in Scale VI or VII and in public sector banks even the manager of a branch with a working fund (Deposit + Advance) of Rs. 7.5 crores is in Scale III. The Pillai

Committee recommended Scales VII and VI for the top executives, Scales V and IV for senior management, Scales III and II for middle management and Scale I for junior management in public sector banks.⁴²

3. The post of Special Assistant/Head Clerk is a clerical post of higher grade originally created by some banks to assign works of supervisory nature. The post also attracts a special allowance. Creation/continuance of this post has been an issue of many an industrial disputes in these banks. One bank categorically told the employees' union that it would not like to create these posts. Another bank assured the employees' union that 45 posts of Special Assistants would be maintained. However, it was decided that they need not be assigned duties of Special Assistants. It was also agreed that the posts of Audit Clerks in the grade of Special Assistant would be abolished when the present incumbents retire. In the third bank also, the post of Special Assistant is retained and in 1987, at the instance of the union, the number was raised from 50 to 60. In another bank, the post was introduced at branches with 12 clerks or more by an agreement signed in 1985. In the fifth bank there is a higher number of Head Clerks/Special Assistants - 18 percent of the total clerical staff. They are also delegated supervisory and signing powers. In all the banks appointments of Special Assistants are mainly on the basis of seniority.

4. In CSB all the officers of the first two grades, who score above a specified point under a seniority-cum-merit criterion are eligible for automatic promotion to the higher grade, irrespective

of vacancy. In PCB, the number of posts in each grade of officer cadre is decided on the basis of a ratio fixed through negotiation. SIB has agreed with the officers' association that 20 percent of the total managers shall be of higher grade. It is also agreed that a minimum of five promotions shall be made to higher grade every year.

5. In NBL the qualification prescribed for recruitment of clerks is S.S.L.C. in the case of candidates who are relatives of subordinate staff, graduation for relatives of other staff, and B.Sc. with 60 percent marks or B.A./B.Com. with 45 percent marks for general candidates. While for the general candidates an objective type competitive test is administered by some professional recruitment agency, for the relatives of employees only a test of the conventional type is held by the bank. In PCB, the qualification prescribed for officers and clerks is the same - graduation with second class. The academic qualifications prescribed by different banks also show much divergence. For example, the minimum qualification prescribed by the banks for clerical cadre varies from mere graduation to B.Sc. with first class and for officer cadre, between second class graduation and first class post graduation in science. The qualification prescribed by certain banks for their clerical staff is higher than that prescribed by certain other banks for their officers. Similarly the qualification prescribed by one bank for subordinate staff in the seventies (S.S.L.C. in first class) was higher than the qualification prescribed by some other banks for their clerical staff (S.S.L.C. with 50 percent marks in English and Mathematics). The qualification prescribed for

clerical staff is graduation or above in the banks studied, while in public sector banks it includes matriculation.

6. The service code of FBL says: 'The particular capacity in which the officer may be transferred or posted shall not in any way affect his ranking or seniority, nor the ranking or seniority shall in any way affect the placement of a particular officer'. Similarly, the service rule of CSB states: 'Manager's post is not a promotion post unless there is change in grade. It is only a functional position for which appropriate perquisites will be granted. Officer of any grade can be a manager'. At the same time the rule in NBL is that branches will be graded according to size of business and will be managed by officers of Scale I, II or III according to the grade of the branch.

7. Clerical staff of banks can be grouped into different classes according to qualification and remuneration-matriculate clerks who start from the first stage of the pay scale, graduate clerks who get special increments, and CAIIB clerks who get further additional increments. There is much difference in the total pay drawn by the clerks of these different categories. This differentiation is based purely on the qualifications of the employees and is not related to the task performed by them. Placement of clerks to particular desks is by rotation. At the same time, the Indian Banks' Association instructed the member banks to pay clerks with the Government Diploma in Architecture, the two additional increments due for graduation only if the employee is required to work in a capacity where his technical knowledge would be useful.

8. Negotiation and settlement is the general procedure for determination of salary structure in all the banks. For the award

staff it is national negotiation since 1966, and for officers it was largely bank-level negotiations till recently. But now, regarding officers of the first three lower grades also, salary scales are determined through negotiations at industry level.

9. In the clerical recruitment of 1983, CSB prescribed the following qualifications for the different posts with the same pay scale:

Clerk-cum-cashier	: Graduation
Clerk-cum-typist	: Graduation with Typewriting High
Clerk-cum-stenographer	: Graduation with Typewriting High and Shorthand Lower.

Similarly, qualification prescribed by PCB for recruitment as clerk-cum-cashier is graduation and for clerk-cum-typist it is graduation and Typewriting (Higher), though both the posts carry the same salary scale.

10. In late seventies NBL used to pay a stipend of Rs. 450/- p.m. to officer trainees. But clerical staff who got selected as officer trainees were given their pay in clerical cadre plus Special Assistant allowance at the rate of 1/5 for every year of service in clerical cadre. Under the current practice also such candidates are paid their salary in clerical cadre while others get only a much lesser stipend. In this bank, an agreement of 1980, provided that in the pay scale of Rs. 320 - 1,340 for officers, those promoted from clerical cadre would start from Rs. 620/-

11. The Service Code of FBL states: 'Any officer may be posted to any of the branches or to any of the departments at head office in whatever capacity and under whatever designation the management determines, provided that the basic pay and dearness allowance of

the officer shall not be adversely affected'.

12. In one bank, it was proposed in 1987 that officers may be granted stagnation increments 'because public sector banks have such a system'. In another bank, the salary scales of officers were revised in 1987 'conditionally and informally'. The condition was that 'it would be effective only if at least one other bank in Kerala adopts a structure which is at least equal to this'. In 1987, SIB adopted for its senior officers the corresponding pay scales in nationalised banks by lowering the starting and the maximum points by two stages. The IBA also had adopted this principle for determining the salary scales of other officers in private sector banks.

13. One bank which was upgraded to 'A' class as per the norms under a previous bipartite settlement stood downgraded to 'B' class as per the revised norms under a new bipartite settlement. Now, the employees who were in service before the signing of the new bipartite settlement are paid their salary in 'A' class scales, and the new employees are paid under 'B' class bank salary scales.

4.2 HUMAN RESOURCE PLANNING

Formal planning systems as viewed in the perspective of managing large scale organisations are a relatively new arrival on the managerial scene. Overall "master planning" or "corporate planning" was given impetus principally by World War II when organisations engaged in war work realised that the end of hostilities would mean that they could no longer sell a large proportion of their output to the government and they would have to find new customers, if not new products, if they hoped to stay in business.

An incipient need for manpower planning was also evident at this time. After 1940, many organisations experienced manpower shortages as a consequence of production needs during World War II period, which ran from late 1941 to almost the end of 1945 and the entry of millions of young men and women into the armed forces. This period was preceded by a long depression and marked the prewar defence mobilisation period. In the depression, manpower problems were considered essentially employment problems because of the large number of unemployed persons. In the defence period manpower shortages developed in various industries. The idea of "post war planning", as it was then called, gradually spread from organisations concerned mainly with war production to companies producing entirely for civilian markets because it was evident that peace and the end of war time shortages would change their environment drastically. As a result, corporate planning was added to the list of important managerial functions for many organisations. Even without this push it is likely that formal corporate planning would have developed rapidly at this time, primarily as a consequence of industrial growth, technological change and social trends. Industry had grown and the labour force had correspondingly increased. Automation further increased the need for long-range planning.⁴³

4.2.1 Definitions

Human resource planning or manpower planning is the process of forecasting future human resource needs of an organisation so that steps can be taken to ensure that these needs are met.⁴⁴ According to Geisler, manpower planning is the process - including forecasting, developing and controlling - by which a firm ensures that it has the

right number of people and the right kind of people at the right places at the right time doing work for which they are economically most useful.⁴⁵ Eric W. Vetter defined it as 'the process by which the management determines how the organisation should move from its current manpower position to its desired manpower position'.⁴⁶ Through planning, management strives to have the right number and the right kinds of people at the right places, at the right time, doing things which result in both the organisation and individual receiving maximum long-run benefit. Basically manpower planning involves locating 'a job for a man' and 'a man for a job', both are interlinked.⁴⁷

Manpower planning, essentially, is a pragmatic approach to an imaginative question viz., the projection of past and present trends, current situations and future requirements in order to determine how many men, at what levels of skill and knowledge are or will be required. It is based on an acknowledged assumption that manpower is an important asset that really can be planned, obtained, allocated, budgeted and controlled by the undertaking. Manpower planning, in its broader sense, must also include recommendations for proper wages, working conditions, and just and fair treatment at the work place so as to create and maintain an environment at the work place which will motivate the men to give their best. Manpower planning cannot be conceived or drawn up in isolation, it has to interact with and be interacted upon, by various management disciplines - personnel policies, technology, marketing strategies, industrial relations etc.⁴⁸ The objects of planning are prediction and control. Planning is a way of avoiding collisions and ensuring

a useful fit of one system with another. It is a synchronizing, reconciling, co-ordinating, orchestrating activity. As the degree of uncertainty varies, so does the style, the scope and the efficacy of planning change.⁴⁹

4.2.2 Significance of Human Resource Planning

Unfortunately, whereas a great deal of attention is paid to the requirements of money, machinery, raw materials etc., hardly any thought is given to manpower requirements. Frequently projects flounder for this reason alone. Buildings are put up, machinery installed and then there is a frantic search for personnel. It is the duty of the personnel department to see that this does not happen. One of the assumptions made in a less developed country like India with surplus labour is that there is large number of trained manpower available for any specific skill requirement. It is generally not so. This misconception of easy availability of labour is somewhat misleading for the manpower planner because specific manpower shortages will hinder fulfilment of expansion, diversification or technological changes.⁵⁰

Change may solve some problems, it creates new ones. Students of management seek to understand these problems, to anticipate them and to be prepared with appropriate solutions. The American Management Association's Annual Personnel Conference of 1967 aptly summarised this scholarly objective in its motto: "planning today avoids crises tomorrow".⁵¹ Organisations need human resource planning in order to meet the demands of changing job requirements occasioned by a rapidly changing technology which leads to the introduction of new equipment, products and processes which invariably result in

changes in jobs and job structure. The fact that technology forces changes in jobs and the job structure of organisations means that organisational needs for personnel must change accordingly. And, since a certain amount of time is involved in training present employees in new skills and/or recruiting new employees with specialized skills, planning to meet the demands of future job requirements is essential if organizations are to survive and remain competitive.

Human resource planning can provide a competitive edge to employers if human resource needs can be forecast so that steps can be taken to ensure an adequate supply to meet the changing needs of an organisation. Manpower planning is to be given greater importance in large labour intensive organisations. Once employed, it is difficult to terminate an employee's service even in recessionary conditions or even sometimes to transfer him from one unit/department to another due to union resistance.⁵²

In banks, there is an added need for manpower planning in both dimensions - qualitative and quantitative. The rapid growth in the number of branches and in the volume of deposits and advances naturally led to an increase in the volume of work in banks. This required additional manpower. Not only that volume of work had grown but the nature of work had also changed. The expansion of banks into rural areas demands manpower with appropriate attitude and skills to carry on rural banking and development.

The committee on Functioning of Public Sector Banks (1978)⁵³ observed: 'Estimates of the overstaffing in the public sector banks vary, but most managements admit that they could comfortably do without around 25 percent of their present staff, provided they

are allowed freely to deploy the remainder according to exigencies of work and the staff diligently attend to their duties for the full period for which they are paid'. In spite of such a situation, at the end of December 1985 more than 20 percent of the branches of public sector banks were found to be in arrears in balancing books and nearly 250 lakhs of entries were unreconciled in the inter-branch accounts.⁵⁴

Human resource planning serves many organisational and managerial purposes. Two major purposes are: (1) to aid in setting organisational goals and objectives, and (2) to examine the effects of alternative human resource policies and programmes and recommend implementation of the alternative that contributes most to organisational effectiveness.⁵⁵

4.2.3 Problems in Human Resource Planning

The viability of a human resource plan will depend on the extent to which top management of an enterprise supports this kind of activity. It would also depend on the ability of the human resource planner to provide inputs to top management, which will facilitate acceptance and implementation of a human resource plan. Top management, more often than not are supremely indifferent towards personnel matters. They are busy people and have time only for 'more important' things; but there is nothing more important, nor is an organisational or project plan complete unless it includes a personnel plan.⁵⁶

The manpower planner has to take into account, the various factors of uncertainty - political, social, economic and technological - which will have some influence on the planning process. Some of these will act as constraints which will have to be taken as

given, by the manpower planner.⁵⁷ For example, The Ministry of Finance has in a communication to banks, put a ceiling on further expansion of staff strength to utmost 1.5 percent per annum over the staff position obtaining in December 1986. Manpower plans also suffer from inaccuracy as it is difficult to prepare long range forecasts accurately.⁵⁸ In white-collar jobs, besides quantity of output, qualitative inputs also are necessary. Formulating work-load norms for white-collar employees where the jobs are not so precise and repetitive, poses some problems.

In a bank, like any service industry, the problem of planning assumes added complications, inasmuch as the output cannot be exclusively measured by counting units of production and also because of the fact that the efforts put in for achieving certain levels of performance may not be quantifiable. As observed by Desai Tribunal (1962), 'in banking industry, it is very difficult to fix standards of work by means of time and motion studies, by piece rate method or by incentive method of wage payment'.⁵⁹

Manpower planning is an enormously complex undertaking with no hope of total or ultimate success. This complexity is however, a challenge to ingenuity and persistent efforts at mitigation - not an excuse for withdrawal. Many a manpower plan has failed (and will fail) because of unforeseen fluctuations of a political or economic nature, but it does not follow that businesses must regard themselves as wholly at the mercy of external forces. If its manpower requirements are upset by any reason a company should investigate to see the forces at the root of the matter. To undertake careful manpower planning without having taken similar care to

provide as stable an environment as possible is to shine your shoes for a trip through a swamp. If a proper beginning to effective manpower planning in the firm is to be made, the old excuses for inaction and the old moralistic bromides will have to be swept aside. This is management's job and management will have to do it.⁶⁰

4.2.4 Human Resource Planning Process

Any plan is essentially today's design for tomorrow's action. Inasmuch as tomorrow's possibilities depend upon the circumstances prevailing then, planning is inevitably bound up with forecasting and projecting. Manpower planning is a series of activities consisting of (1) forecasting future manpower requirements (2) inventorying present manpower resources (3) anticipating manpower problems by projecting present resources into the future and (4) planning the necessary programmes of recruitment, selection, training, deployment, utilisation, transfer, promotion, development, motivations and compensation so that future manpower requirements will be met.⁶¹

Basically, human resource planning process involves comparing forecasts of an organisation's future human resource needs with projections of its available supply for the same point in time. Thus, an organisation's net employee requirements can be determined. Net requirements reflect either shortages or surpluses of certain labour types. When shortages and surpluses are identified, planners can suggest alternative approaches to ensure that human resource needs are met. Thus the human resource planning process has five steps:

1. Forecast future human resource needs
2. Project future human resource supply
3. Compare forecast needs with projected supply
4. Plan policies and programmes to meet human resource needs
5. Evaluate human resource planning effectiveness ⁶²

Organisational goals and objectives serve as a starting point for forecasting future human resource needs. Before embarking on the manpower planning exercise certain parameters have to be set and decisions taken by top management and the manpower planner to work on specifics, taking into account the situational aspects which have to be provided for in a manpower plan. The basic exercise that has to be undertaken is to arrive at the scale of business activity over a time period.

In making a projection of manpower requirements, selecting the predictor - the business factor to which manpower needs will be related - is the critical first step. Selecting the right predictor in relation to the business is a difficult process. To be useful, the predictor should meet two requirements. First, it should be directly related to the essential nature of the business so that business planning is done in terms of the factor. The second requirement is that changes in the selected factor be proportional to changes in the manpower required in the business. In some cases it might even be necessary to have more than one factor - different factors for different categories of labour.⁶³ The immediate result of the work load analysis is a determination of the number of personnel necessary to execute that amount of work during some specified period. For the forecast to be useful,

it has to be made category-wise depending on the tasks that have to be carried out and the special qualifications, training or experience required.

The next major step in the human resource planning process is comparing forecast needs for human resources with projections of internal supply. By subtracting projected supply from forecast needs, planners can determine an organisation's net employee requirements for a future point in time. After net employee requirements are determined, planners generate and evaluate alternative human resource policies and programmes designed to handle anticipated shortages and surpluses. Considerations are presented to management, along with recommendations for human resource policies and programmes. Thus manpower planning also includes, planning the necessary programmes of recruitment, selection, training, deployment, utilization, transfer, promotion, development, motivation, and compensation so that future manpower requirements will be met.⁶⁴

It is a generally accepted practice in planning to reduce the area of uncertainty. Therefore, the number of people who will definitely leave having reached the retirement age should first be taken into account. After that, unpredictable turnover should be assessed. This has to be based on past experience. But a straight projection of the past turnover rate will be misleading. Developments may take place in the future as a consequence of which past experience will not necessarily apply. In assessing this factor, there is no substitute for judgment based on knowledge of the environment. An enterprise functions in an environment and it is

bound to be influenced by it, either specifically through legislation which it is bound to comply with, or sometimes indirectly. But it is a factor to be reckoned with. Macro issues concerning factors like national population trends, economic growth rates, educational plans, overall supply and demand for various categories of manpower, etc. will certainly have an impact on the manpower plans of the enterprise.⁶⁵

Every component of the personnel plan has to be compatible with policy. It is not really possible to create a realistic plan without clearly stated policies regarding recruitment, promotion, termination, inter-departmental transfers, retirement and training. Policy formulation, therefore, is an essential prerequisite for planning.⁶⁶

4.2.5 Human Resource Information System

An effective manpower information system must be part and parcel of the manpower planning process. By keeping an inventory of existing personnel in an enterprise, by skill, level, training, educational qualifications, work experience and salary, it will be possible, to utilise the existing resources more productively in relation to job requirements before further manpower additions are made. The necessary information can be obtained from several sources, including job analysis, performance appraisal data and educational and training programme completion records.⁶⁷

4.2.6 Period of Plan

The first step in planning is to decide on a plan period i.e. the time span for which the plan is to be made. There can be no fixed

rule about this, but it would not be unreasonable to say that a plan period of less than three years or more than ten years is not realistic. The process of recruitment, training and placement often takes three years or more. Although a plan shorter than three years may be sometimes indicated, in most cases it would not be a feasible proposition. At the other end of the scale, ten years is about outside limit. It is a general principle in planning that accuracy and length of the plan period are inversely related. So the need for long term planning and the need for reliability are conflicting criteria. A balance has to be found, determined by factors applying to a particular situation. But forecasting beyond ten years involves a little too much of crystal gazing. It would be wise in most cases to settle for less.⁶⁸

Having decided on the time span, say five years, it should be running spans of five years and not in blocks. In other words, every year a five-year-plan should be made. Only in this way can the plan be kept realistic and functioning. The environment changes fast. Business has to bring about internal adjustments in order to speedily and effectively adapt to these changes.

4.2.7 Lead Time

For every part of the plan, allowances should be made for lead time. It takes time to recruit and train skilled workmen. Unless suitable time is allowed the result will certainly be adversely affected. At the same time, there may be situations of extreme urgency when the lead time has to be shortened and crash programmes initiated even at the cost of quality to a certain extent. Any

rigidity of approach is undesirable. A balance between conflicting requirements of standards and time available has to be achieved. Practicality has to be given precedence over perfection.⁶⁹

4.2.8 Review of Plans

A manpower plan is not a static one-shot plan. To be useful over a period of time for the organisation, the data has to be continually updated and the various factors adjusted to reflect the changes that constantly take place. Daniel Grey states: "What I shall mean by planning is this: continuous reconstruction of expectations and intentions by a coalition having various unstable goals in an uncertain environment. Plans in this sense are always unfinished, always changing, they always contain a mixture of competing rationalities, are not routinely administrable, are not in any ultimate sense provable or programmable, require continuous review and corrective feed back and are bargainable. Putting the definition this way suggests what skills are needed by manpower policy-makers, and deprives unsuccessful planners of many of their most cherished excuses".⁷⁰

4.2.9 Evaluating Human Resource Planning Effectiveness

Organisations should evaluate their human resource planning efforts to determine their effectiveness in helping to achieve organisational goals and objectives. Evaluating in terms of costs and benefits is difficult. Though planning has definite costs, its benefits are more intangible and difficult to measure. Benefits are often expressed not in positive terms, but in terms of avoidance of costly problems such as labour shortages, which can result in lost sales

or other lost business opportunities. There are also benefits associated with avoidance of over supply of labour.⁷¹

Since human resource planning seeks to forecast human resource needs, an obvious measure of planning effectiveness is how well human resource needs are anticipated and met. One measure of effective anticipation of human resource needs is the number of job vacancies in an organisation and how long they remain vacant. Large number of jobs standing vacant for long periods of time indicate an organisation's failure to plan effectively for its human resource needs. The effectiveness of human resource planning can also be evaluated according to its purposes. Pertinent questions include these: (1) How useful is human resource planning in setting organisational goals and objectives? (2) Does the planning process provide management with the information it needs to make sound decisions affecting policies and programmes? and (3) Is management willing to consider inputs from the planning process in setting organisational goals and in making policy and planning decisions? It is difficult for any planning process to achieve its aims without the co-operation and blessing of management.⁷²

4.2.10 Executive Talent Planning

The process of manpower planning comprises the preparation of personnel inventories, forecasting manpower requirements and arriving at the net requirements for different categories of employees. On the basis of the knowledge of all existing personnel regarding their performance in the present job, their potential for holding higher positions and the specific skills already acquired

by them, a plan can be prepared to move suitable existing personnel from one job to another. Such career planning is concerned essentially with structuring employees' aspirations for upward movement through the organisation, and moderating these aspirations if they are found unrealistic.⁷³ Manpower planning helps in formulating management succession plans as a part of the replacement planning process which is necessitated when job-change plans for managers are formulated. Besides, this exercise would provide enough lead time for identifying and developing managers to move up the corporate ladder. The necessity of managerial succession plan has been underlined by different commissions and committees:

(a) The Banking Commission (1972): 'The question of management succession has recently assumed greater importance in banks in view of a number of retirements at various levels and the creation of new posts. It is therefore necessary for banks to formulate specific programmes for grooming suitable people to occupy executive posts. Career planning involves arranging the experience of officers in such a way that they acquire the knowledge and skills for future posts they might be called upon to hold, through planned job rotation and appropriate training. Maintenance of 'Management Chart' showing the names and other details such as age, experience, date of retirement etc. of the present incumbents holding important positions and similar details relating to back-up candidates for these positions will be helpful in this regard'.⁷⁴

(b) The Pillai Committee (1974): 'The career paths of officers in the banks will have to be carefully chalked out and followed up not only in the interests of the officers themselves, but also in

the interests of the institutions so as to avoid succession gaps which are now prevalent in several banks. This could be attended to in well organised manpower planning cells'.⁷⁵

(c) The Committee on Functioning of Public Sector Banks (1978): 'The general feeling of insecurity on the part of the top managerial personnel of public sector banks appears to have led to certain amount of personal lobbying, using political influence for retention of or promotions to high offices or seeking extensions of tenure. The unpredictable manner in which the appointments and tenure of the head of nationalised banks was decided tended to undermine management authority'.⁷⁶

Owing to the length of executive development cycle, determination of needs must be made years in advance to permit adequate time for education, training and development. The executive talent planning programme has four basic elements - (1) organisation planning of executive needs (2) Executive inventory and analysis (3) Executive recruitment (4) Executive development.⁷⁷

4.2.11 Human Resource Planning in Indian Banks

In India's banking sector, there exists two tiers of planning - central planning by the Reserve Bank of India (macro-level planning), which lays down broad targets and strategies in respect of banking and monetary development in the country to be followed by the banking system as a whole, and planning within individual banks (micro-level planning), the latter being largely subsidiary to and within the framework of the former.⁷⁸ Formal planning at individual bank's level is of a relatively recent origin and has been emphasised

particularly since bank nationalisation in 1969. Manpower planning and development activities were introduced around 1970 for aiding the banks in efficient functioning, and separate manpower planning and development units were introduced in some of the banks, while others undertook these functions within the existing personnel departments.⁷⁹

Ever since the nationalisation of the major commercial banks in 1969, the need for human resource planning has been underlined by various bodies connected with banking in the country. The Banking Commission (1972)⁸⁰ recommended: 'Banks should maintain proper inventories of their existing personnel on branch, regional and circle level, formulate business plans, and on that basis make estimates of the requirements of personnel of different categories to serve as a guide for planning their recruitment and training programmes. More concrete plans on a short-term basis (say for one or two years) and broad estimates for longer periods should be made. The plans should be reviewed at periodical intervals in the light of actual employment situation and business development'.

A seminar of bankers on 'Manpower Development in Banks' held in 1975 suggested that banks shall prepare a long-term manpower plan on a rolling basis covering a period of five years at a time. The seminar observed: "Four major components form the manpower development policy. These are (a) manpower information (b) career planning (c) manpower planning and (d) work organisation".⁸¹

The Committee on Functioning of Public Sector Banks (1978) suggested that banks should make advance manpower planning for both recruitment and training to take care of the planned expansion in

branches and in the concerned types of business.⁸²

In 1985, the Reserve Bank directed the individual public sector banks to prepare an Action Plan covering the period 1985-87 (November 1985 to December 1987) indicating clearly specific goals in respect of different aspects including organisational structure, delegation of powers, personnel, training, computerisation and mechanisation, etc. The Governor of the Reserve Bank personally discussed with the chief executives of individual public sector banks in detail the progress achieved vis-a-vis the quarterly targets in the Action Plan. In addition, the Finance Minister personally started monitoring the performance of individual banks at quarterly intervals in which the banks were ranked in respect of various parameters.⁸³

4.2.12 Human Resource Planning Practices in the Banks

Four of the banks studied have formal human resource planning system. It was formally introduced by these banks in late seventies to estimate the number of employees to be recruited/promoted. The fifth bank that does not have the system is the smallest of the five banks and has not made any appointment to its staff either by recruitment or by promotion in the last six years.

4.2.12.1 The Planner

In all the four banks human resource planning is now a function of staff department. However, in early eighties all the banks had entrusted this function to planning departments. Two of the banks made use of consultancy services of the National Institute of Bank Management for developing the formula for assessment of staff

requirements and for drafting the first plans.

The duty of the Staff Departments in relation to manpower planning is confined to submitting the draft of the estimate of additional staff requirements, to the top management for consideration. The assessment is made on the basis of the business plans of the bank. In all the banks the human resource plan is drafted by some junior officer belonging to the general stream of officers. He carries out this work as one of the various duties assigned to him.

4.2.12.2 Period of Plan:

In FBL human resource plan is usually prepared every year and is drafted and approved before the issue of notification for recruitment. In SIB there is no regularity with regard to the period, and the plan is drafted when it is decided to effect a recruitment. In CSB also there is no regularity with regard to the period of plan. There are periods without plans, and the plans drafted were for periods varying from one year to three years. Where the period is more than one year, the plan is for the entire period without division by shorter periods. NBL is bound by an agreement to declare the number of vacancies to be filled during each year, before 31st March of that year. Hence, human resource plan is almost regular in this bank and is usually placed every year before the Board of Directors in March. However, recruitment under the plan is only in two to three years.

In all the banks, the plan is drafted and approved at the beginning or middle of the plan period. In none of the banks it is ready before commencement of the plan period.

4.2.12.3 Drafting and Approving

In three of the banks the draft of the plan (including forecast of needs) is prepared by the Staff Department and is submitted before the Board for approval. But in NBL it is a process in different stages - The management's expectations in regard to the levels of business for the coming year is spelt out by the top management in the form of policy guidelines. On this basis the regional controllers and branch managers fix their levels of business, and work out the requirements of additional staff. The Staff Department consolidates these estimates into a master plan and places before the Board. The Board approves it after necessary modifications.

4.2.12.4 Areas covered

The human resource plan of the banks relates to forecast of vacancies in subordinate cadre, clerical cadre and junior officer cadre. After having ascertained the total number of vacancies, it is apportioned on the basis of nature of appointment viz. recruitment and promotion. In all the banks the ratio of apportionment is fixed by agreement with employees' unions, and the duty of the human resource planner with regard to this is restricted to making the apportionment in the agreed ratio. Regarding vacancies in higher grades of officer cadre there is no advance planning, and appropriate decision is taken as and when the vacancy arises. Thus manpower planning in these banks is in essence limited to an estimate of the appointments by recruitment and promotions as mentioned above. The plan envisages no other programme of action.

4.2.12.5 Forecasting Human Resource Needs

The human resource planning system of banks has two aspects:

(1) assessment of the requirement of personnel for the whole organisation, and (2) assessment of the requirement at each office. Though generally speaking the total need of the organisation should be the sum total of the needs at different offices, the method of assessment of the total need is different in the banks.

4.2.12.5.1 Corporate forecasting. The methods of assessment of corporate needs by the different banks are stated below:

FBL: The various steps in the assessment are as follows: (a) The total working funds (i.e. deposits plus advances) of the bank is estimated for the plan period. This is the total of the working funds of branch offices. (b) The total staff required for the estimated working funds is calculated on the basis of the national ratio between working funds and total staff. The national ratio is taken as the standard because this ratio for all banks including public sector banks would be better than the prevailing ratio of the bank. (c) The number of personnel in each cadre is determined applying the bank's prevailing ratio between officers, clerks and subordinate staff. (d) The number of officers in each grade is decided by the management at its discretion. This aspect is not covered in manpower plan.

SIB: Here, the corporate need is estimated on the basis of rough assessments for the different offices. The sum total of the requirements so estimated for different offices only forms the basis, and the number finally approved depends purely on the management's

judgement. For example, in 1985 the additional officers required was estimated at 277 on the above mentioned basis, but the additional posts sanctioned were only 25. Similarly in 1986, Staff Department proposed appointment of 125 additional sub staff, but the Board sanctioned only 50.

CSB: The various steps in the forecast are: (a) Deposit at the end of the plan period is estimated. (b) A standard rate of deposit per employee is fixed taking into account the rates of public sector banks and other private sector banks. The rate is usually fixed higher than the prevailing rate of the bank and the rates of other private sector banks, but lower than that of public sector banks. (c) On the basis of the standard rate of deposit per employee the total staff required is calculated. (d) This total staff requirement is apportioned between the three cadres - officers, clerks and subordinates - following a standard staff pattern. The standard is fixed by making slight modifications over its own existing pattern. A staff pattern with a lower number of clerks and subordinate staff per officer is considered as better by the bank. For example, in the manpower plan for 1986, the bank planned for a modification from the existing ratio of 1:2.67:0.95 (between officers, clerks and subordinate staff) to 1:2.5:0.9.

This principle followed by the bank in improving the staff pattern suffers from an inconsistency. A target of lesser number of clerks per officer in a predetermined number of total staff means a higher proportion of officers and less of clerks in the total staff. This would not be a staff pattern directly leading to saving in cost or economy in operation.

NBL: The regional managers report the requirement of additional staff in their respective regions in order to enable the head office to draft the manpower plan. They submit the total number without furnishing the details of how it has been arrived at. The head office though does not take into account such assessments at face value, the manpower plan is based on them but after making the modifications which are found appropriate. This bank aims at a staff pattern with a larger number of clerks per officer.

PGB: There is no formal manpower planning in this bank. However, in an agreement with the union, the management has promised to conduct a study to examine the need for additional staff and to take prompt action based on the study.

In all the banks, after ascertaining the number of additional employees required, the number of appointments by open recruitment and by promotion are decided on the basis of the terms of agreements with employees' unions. None of the banks has norms to estimate the requirement of executives and senior officers.

4.2.12.5.2 Branch estimates: The methods adopted by the different banks to estimate the requirements of staff at branch offices are as follows:

FBL: The number of clerical staff required is ascertained taking into account the number of vouchers, number of deposit accounts, deposit amount, number of advance accounts and advance amount at the branch. Each of these items is awarded a weightage as fixed on the basis of experimental studies held in selected branches. The number of officers is determined on the principle of 'span of control' which assumes that an officer can supervise the work of

four subordinate officers or clerks. The grades of officers depend on the grade of the branch as decided on the basis of volume of working funds. The number of subordinate staff is fixed at the national ratio between officers and subordinate staff. The span of control of the branch manager is fixed as three as he is responsible for the general administration as well.

SIB: There is a minimum complement of staff fixed for a branch office depending upon the class of area. For this purpose branches are classified into rural, semiurban, urban, first area and metropolitan area branches. While the minimum staff in a rural branch comprise one officer, two clerks and one subordinate staff; that in a metropolitan branch include three officers, four clerks and two substaff. Additional staff are provided on the basis of working funds and also for special works like direct clearing.

CSB: There are no specific norms for allotting staff to branch offices. However, the influencing factors are working funds and the special businesses at the branch. Assessment of work load, made by branch inspectors during internal inspection is also considered.

NBL: Branches are classified according to the area of situation into rural, semi urban and urban/metropolitan. Staff requirement is assessed on the combined basis of class of branch and working funds. Allotment of staff is more at urban/metropolitan branches, less at semi urban branches and the least at rural branches.

For example, the allotment of staff for a branch with working fund between Rs. 15 lakhs and Rs. 25 lakhs is as follows:

	Manager	Accountants	Clerks	Substaff	Total
Rural branches	1	Nil	3	1	5
Semi urban branches	1	1	3	1	6
Urban/Metropolitan branches	1	1	3	2	7

PCB: In this bank no norms have been adopted for the purpose. Decisions are taken by executive judgement after taking into consideration all factors that have a bearing on the matter.

To summarize, the methods of forecasting and assessing human resource requirements of branch offices and of the whole organisation vary from bank to bank. In assessing the requirement of staff at branch offices two of the banks give weightage to the location of the branch and working funds. The other two banks do not have any specific criteria. However one of these gives some consideration to the working funds at the branch, and in the other, judgement of the concerned executive decides the matter. But in the fifth bank there is a comprehensive formula giving consideration to all relevant factors like number of vouchers, number of deposit and advance accounts, and amounts of deposit and advance. In this bank the principle of span of control, and the national ratio between officers and subordinate staff are also made use of.

Two of the banks draft the corporate plan based on branch level plans. The third bank drafts it on the basis of estimated working funds, national ratio of staff to working funds, and the prevailing staff pattern. In the fourth bank the plan takes into

account the estimated deposits, deposit-employee ratio of other banks, and the desired improvements in staff pattern. One bank does not have manpower planning system.

The above analysis shows that there is no uniformity among the banks regarding the method or criteria used for human resource planning. The workload is related by the banks largely to deposits and advances. Staff pattern of other banks also influences the assessment of staff requirements. Another influencing factor is location of the branch.

4.2.12.6 Execution of Plans

Both the plans - corporate as well as branch level - have gaps in implementation in all the banks. None of the banks makes allotment of staff to branches based on its formula. The secrecy about the methods and norms for assessment of human resource requirements also makes the banks free from any commitment in the matter. The number calculated on the basis of the formulae forms the ceiling in most cases and the actual allotment of staff depends on three factors as identified by some of the personnel managers - executive judgement, ability of the branch manager to exert pressure, and influence of an aspirant for posting to a particular branch.

4.3 FINDINGS

1. Job analysis as a tool of personnel management has not taken roots in the banks of Kerala.

2. An organisation structure based on job analysis, job classification and job grading is strange in these banks. As a result the organisation set up in the banks is characterised by

inconsistencies and irregularities. Subordinate officer and controlling officer being of the same grade, posts of the same level being occupied by officers of higher and lower grades, officers discharging similar duties being in widely different grades in different banks, creation and maintenance of posts and positions merely to oblige to the demands of employees' organisations, etc. are examples.

3. Recruitment system is not based on job specifications and job descriptions. This has led to indiscriminate prescription of qualifications. Prescribing much more than the required qualifications, prescribing a higher qualification for a lower post and vice versa in different banks, prescribing different qualifications for different categories of applicants for the same post, prescribing different qualifications by different banks for similar posts, prescribing the same qualification for officer and clerical posts in the same bank, etc. are some features of the recruitment system in these banks.

4. Placement of employees is not always based on the grade, skill or aptitude of the employee. The service rules of certain banks even specifically state that the ranking or seniority of an employee shall not in any way affect the placement of the employee. The basis for placement of employees on posts that attract special allowance is generally seniority and not suitability.

5. Job evaluation techniques have not been applied in determination of compensation rates. The salary scales for award staff and officers of the first three grades are determined by negotiations and settlements at industry level. Relative strength of the bar-

gaining parties at the negotiation table, wage rates prevailing in other organisations and for other cadres etc. play a dominant role in the decision. The emoluments of an employee depend upon his cadre, grade, service and qualifications, and not on the work done by him. As the service code of a bank states: 'any officer may be posted in whatever capacity and under whatever designation the management determines, provided that the basic pay and dearness allowance of the officer shall not be adversely affected'.

6. Four of the banks have a system which they refer to as manpower planning. The plan in these banks comprises of an estimate of the number of vacancies in the three lower cadres, and division of this number for recruitment and promotion. Thus the programmes contemplated in manpower plan include only recruitment and promotion of personnel.

7. Manpower planning has not gained recognition as a function of professional specialisation.

8. Very often a manpower plan is drafted when it is decided to effect a recruitment. As a result in most of the cases there is no definite plan period, or regular preparation of plans. In no case, there is preparation and approval of plans prior to commencement of the plan period.

9. There is no uniformity in the norms and methods followed by these banks for assessing human resource requirements. The methods vary from crude to complex. However, all the banks take into account 'deposit amount' as one important factor having a direct correlation with manpower requirement.

10. The banks which accept location of the branch as a relevant factor follow an assumption that for the same quantum of business, workload is more in urban branches and less in rural branches.

4.4 SUGGESTIONS

1. In spite of the practical difficulties in carrying out job analysis and job evaluation, they are of immense practical value in finding solution for most of the personnel management problems in an organisation. It imparts validity and credibility to managerial decisions. Adhocism and imitation can be replaced by decisions based on judgement and evaluation. Introduction of job analysis system would help the management in identifying the inconsistencies in its personnel management system, and in convincing the employees' unions the soundness of its decisions. Hence it is desirable for all banks to carry out job analysis system and to base personnel management decisions on its findings. It is also necessary to have periodic review and revision to cope with the dynamic nature of banking business and industry. Role analysis also could be profitably made use of.

2. The basic objective of human resource planning is to ensure that the firm is provided with sufficient number of employees of appropriate skill at the proper time. Acquisition and development of skills take time. Hence it is desirable that manpower plan is drafted and approved sufficiently in advance.

3. Executive succession plan is an inevitable part of human resource planning. Identifying the successors to executive positions

in advance would be helpful to equip them with necessary training and experience so that they can take over the new assignments with confidence.

4. The promotion programmes under a human resource plan should also anticipate appropriate training and development programmes.

5. It is necessary to identify the predictors that bear a direct relationship with the work load in banks, and to develop appropriate norms and techniques for manpower planning.

6. Manpower planning should be a comprehensive programme covering all areas of personnel management including recruitment, training, promotion, performance appraisal, compensation etc.

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CHAPTER 5

RECRUITMENT AND SELECTION

Once manpower requirements have been determined, recruitment is the next logical step in the staffing process. The function of personnel recruitment is twofold: (1) to discover the sources of manpower to match job requirements and specifications and (2) to attract an adequate number of prospective employees to permit meaningful selection of the required personnel.

Recruitment and selection are two words frequently used in juxtaposition as if they are two different processes. Recruitment, however, includes all activities starting with a search for suitable candidates and ending with the introduction of the selected candidates into the organisation. Selection is a part of this total process. All the activities designed to find out whether a person is suitable for a job collectively constitute the selection process. It usually starts with the scrutiny of the application forms and ends when an opinion is expressed regarding the suitability of a candidate or a number of candidates.¹ In other words, recruitment is collection of applicants while selection is rejection of applicants.

Careful recruitment and selection of employees is particularly important in India for two major reasons: Under the existing legal conditions, it is not easy to discharge an employee even if he is found unsuitable to hold the post. Secondly, the chances of mismatching the job and the person are much higher in India.² Matching the job with the suitable applicant is naturally a two-way process.

Under the present job market conditions of India, the employee's choice is very much limited and he will accept any job irrespective of his suitability. Under these conditions, the pressure to properly match man and job is only one-sided-from employer's side only. An employee once selected soon acquires certain rights that become extremely embarrassing to the company in case a mistake has been made. After some years, these misfits cannot be sent away except for proved misconduct. In their turn, they cannot secure employment elsewhere and this unwanted load has to be carried on by the concern with a lot of misplaced tolerance.³

5.1 RECRUITING: A PERSONNEL FUNCTION

Recruitment and selection techniques have acquired such a high degree of sophistication that a great deal of technical skill is required for discharging this function. The line executive neither has the time nor the skill required for this task. He needs the services of a specialised staff agency to assist him in selecting the right kind of personnel.

The responsibilities for the selection function include (1) developing selection methods and procedures (2) validating predictors (3) implementing selection methods and procedures; and (4) monitoring effectiveness of the selection process.⁴ The performance of a worker at job depends on two factors - skill and will. The line manager may be more competent to assess the skill, and the staff manager in assessing the will. The success of this prediction would depend on two factors, the data used for prediction

and skills of the person or persons who make the predictions.

Regarding public sector banks, the Banking Commission recommended in 1972: 'As the major portion of the banking industry is now in the public sector, there should be a common agency for recruitment of staff for these banks both at the clerical and junior officers' level (on the lines of those for the U.P.S.C.). This agency could be named as the National Banking Service Commission'.⁵ At present the recruitments for public sector banks are centralised and made through the Banking Service Recruitment Boards with the support of the Institute of Banking Personnel Selection. This idea of a recruitment board exclusively for banks came in the wake of the dissolution of the Banking Service Commission which remained a non-starter since its inception in 1975 as a centralised recruitment agency for all nationalised banks.⁶

In all the banks under study, recruitment function is directly discharged by the top management with the administrative support of personnel department. Duties of the personnel manager/department varied from bank to bank and from time to time. The duties discharged by the personnel departments in connection with recruitment are:

1. Forwarding the notification to the press for publication in papers.
2. Issuing application forms.
3. Receiving the applications from candidates.
4. Tabulating the applications.
5. Issuing intimations to the candidates to be called for written test/interview as directed by the top management.

6. Issuing appointment orders to the candidates selected by the selection board.

All other important works relating to holding of tests, interviews and finalisation of selection are directly carried out by the Board of Directors or Committee of Directors, in all the banks.

5.2 THE PROCESS OF RECRUITMENT

Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation. It is often termed 'positive' in that its objective is to increase the selection ratio i.e. the number of applicants per job opening. Hiring through selection is negative in that it attempts to eliminate applicants, leaving only the best to be placed in the firm.⁷ Recruitment is essentially a matching process - matching the job with the right man, and effective selection cannot be achieved if the vital preliminaries are ignored or avoided. If all applicants performed all jobs equally well, an organisation could fill all its vacancies on a first come - first served basis.

The selection process is a series of methods or screening devices that narrow the selection pool by eliminating less desirable applicants at each stage along the way. In order to hire personnel on a scientific basis, one should establish in advance a standard of personnel with which applicants can be compared. This standard should establish the minimum acceptable qualities necessary for adequate performance of the job duties. Establishing such qualities entails (1) the design of the job and (2) a study of the job duties and responsibilities to determine human abilities

required for execution. The study of job content to determine human requirements is termed job analysis. The ability of selection techniques to predict success on future job performance depends on the existence of a criteria of success against which the potential candidates can be compared. In other words, there should be a measurable standard of personnel and also measurement techniques capable of measuring human qualities and attributes laid down in this standard. The sequential selection process proceeds from collecting relatively general information about an applicant to collecting more specific in-depth information.⁸

Evaluating the abilities of human being is an extremely difficult task. There are no easy shortcuts, and the hiring procedures used by the more advanced firms are long and complicated. Throughout the selection process, it has to be borne in mind that the purpose of selection is not to pass judgement on the general abilities, attributes or capacities of individuals, but only to assess their suitability for certain vacancies or positions in the organisation. In other words, the emphasis throughout should be on suitability, and not only ability. It can even be said that the selectors have no right to pass judgement on a candidate except with reference to their own specific requirements. Everybody has virtues and faults, strengths and weaknesses. Nobody is good for everything and nobody is good for nothing.⁹

Though there is no standard procedure adopted by all firms, the following is an example of a popular method:¹⁰

1. Initial or preliminary interview.
2. Application blank or blanks.

3. Check of references.
4. Psychological tests.
5. Employment interview.
6. Approval by the supervisor.
7. Physical examination.
8. Induction or orientation.

One of the most important elements of an effective recruitment programme is a recruitment policy. The recruitment policy should clearly spell out the objectives and major principles that the management intends to pursue while recruiting its personnel. Operationally, the recruitment strategies should be free from biases towards particular regions, economic classes, social or urban/rural background, etc. It should also take care of the special encouragement to be given to the weaker sections of the society such as Scheduled Castes, Scheduled Tribes etc. Recruitment policy should also take into account the fact that high talent manpower is essential to have and hard to find.

The Banking Commission in its report (1972) describes the recruitment practice then existing in various banks, as follows: "There is a wide variation in the practices followed by various banks in matters relating to minimum qualifications and selection process. Some of the banks have prescribed graduation as minimum qualification for recruitment of clerical staff, while certain others take even matriculates. Several banks allow weightage while testing the eligibility of sons and daughters of their employees. In certain banks, the candidates are selected through examination and interview, while others screen them only through interview".¹¹

The Commission recommended the following selection procedure: 'Selection process should consist of written tests and interviews. Written tests are necessary as the standards of various universities in the country are not uniform and as aptitude tests are to be carried out. Interview should follow the written test and should be restricted to those candidates who have passed the selection test. Its purpose should mainly be to get supplementary information about the aptitude and temperament of the candidate and also about his appearance, deportment, ability to communicate etc. Though personality and social qualities are important, the main criteria for judging a person should be his aptitude and the basic ability to perform the job satisfactorily. It should be obligatory for a candidate to obtain minimum pass marks for each test (including viva voce) to become eligible for selection. The ranking for placement in the waiting list should depend upon the aggregate marks obtained in written test as well as oral examinations'.¹²

Regarding officers, the Commission suggested: 'The selection procedure for junior officers, as in the case of clerical staff, should consist of a written test and interview but accent should be on testing initiative and enterprise, general intelligence and logical thinking. As in the case of clerical staff, standard tests for selecting officer staff should be evolved in the light of experience gained and further research'.¹³

Scientific selection strategy based on systematic job analysis, has only a very short history in Indian banking. In 1971, a Task Force comprising university professors of psychology/education, bankers and the NIBM faculty approached the problem of scientific

selection strategy for clerical recruitment firstly by describing broadly the clerical job in terms of various essential tasks, defining characteristics relevant to them, and recommending suitable tool/techniques to measure these characteristics.¹⁴

There is need to periodically review and update the procedures of selection in order to incorporate the changing nature of technology and its implications to job design, the hopes and aspirations of the people as reflected in the demands and charters of unions, or emerging out of performance appraisal, and organisational analysis exercises. The effectiveness of selection techniques is assessed by the extent to which it can predict success on future job performance. Success of the function of recruitment can be judged by utilising a number of criteria, among which are, in order of increasing importance: (1) the number of applicants (2) the number of offers made (3) the number of hirings and (4) the number of successful placements.¹⁵

5.3 SOURCES OF RECRUITMENT

In general, the sources of employees can be classified into two types, internal and external. Filling a job opening from within the firm has the advantages of stimulating preparation for possible transfer or promotion, increasing the general level of morale, and providing more information about job candidates through analysis of work histories within the organisation. In addition, it avoids the problem of people coming in by one door of the firm while highly similar talent leaving by another. On the other hand, open recruitment has the advantage that newly recruited managers and employees may, in themselves be different from the members of the

work force they join. They may bring with them new ideas and expectations.¹⁶

The Sastry Award deals with this issue, as follows: "As regards the demand that no direct recruitment to supervisory and officers' grades should be made, we are of opinion that it is neither necessary nor desirable to impose any such restrictions on the banks. We however direct that even when direct recruitment to particular posts is decided on, deserving men already in service who come up to the required educational qualifications should also be enabled to compete for such recruitment by a reasonable relaxation of the rules relating to age and other restrictions if any".¹⁷

The Banking Commission observed: "In any society such people (persons who possess executive potential) are comparatively few and sufficient inducement has to be offered to attract them. They have also to be deliberately trained and developed and the process of training has to start at an early age when their minds are fresh and malleable. It is, therefore, necessary that besides the recruitment at the clerical level, there should also be recruitment from outside at junior officers' level".¹⁸

The Commission continues as follows: "The responsibility of bank officers have become onerous, their salaries are comparatively high and enough talent is available in the form of university graduates with brilliant record. In fact, to deny outstanding people an opportunity to join banks at a level which is attractive to them, would amount to a waste of good talent. At the same time, opportunities for competing for recruitment at officers' level should

be kept open to the existing staff in order to avoid frustration and to give a chance to those who, though brilliant, had to join at clerical level due to adverse circumstances. Considering the present conditions of the banking industry, the proportion for internal promotions and recruitment from open market should be two to one for the present, subject to review after a few years".¹⁹

A study by Anil Khandelwal²⁰ revealed that: (1) The directly recruited officers in banks nourish a higher ambition level and zest for self development, and are largely frustrated, (2) They feel that there is no recognition of their abilities and that placement on job is not consistent with their interest, aptitude and background, (3) They feel that compared to the salary paid to them, they do not have adequate decision making power.

Inevitably, the firm should go to external sources for positions whose specifications cannot be met by present personnel, and for expansion. The more commonly used outside sources include advertising, employment exchanges, recommendations of present employees, schools and colleges, casual applicants, etc. Not every firm can afford to develop every source of labour to the fullest extent. Sources utilised should be evaluated and judged in terms of the degree of success in obtaining competent personnel. For each major category of jobs, present personnel can be evaluated in terms of job success. If a correlation is discovered between successful personnel and particular labour sources, those sources should be further developed and exploited.²¹

All the banks studied make direct appointments to officer, clerical and subordinate cadres. Appointments to grades above the lowest in officer cadre are made by promotion from the lower

cadre. Direct appointments to higher grades are very rare, and limited to the appointment of specialists. But in 1960s NBL used to make direct recruitment to 40 percent of the vacancies in Accountant cadre and Agent (Branch Manager) cadre. In 1970s FBL used to make general recruitments to higher grades from post graduates in business administration, engineering, agriculture, law etc. and also from chartered accountants. Till 1970s, in three of the banks, all appointments to officer cadre were by promotions from clerical staff. Now also all banks reserve a certain percentage (varying from 70 percent to 80 percent) of vacancies for promotion of clerical staff. In FBL, if sufficient eligible candidates are not available, the reserved vacancies are filled by direct appointment. However, such vacancies are carried over for one year and if sufficient number of candidates are not available that year also, it lapses. Thus open recruitment to officer cadre is restricted to 20 percent to 30 percent of the vacancies occurring in the lowest grade. Though all the banks used to make occasional recruitment to officer cadre, general recruitments to officer cadre was started by FBL in mid-1960s, NBL in late 1960s, SIB in 1974, CSB in 1976 and PCB in 1978. Table 5-1 shows the present and past reservation rates in appointment to officer cadre in these banks.

All the banks make some appointments to clerical cadre by promoting eligible candidates from subordinate staff. NBL reserves 20 percent of the vacancies in clerical cadre for such appointment. In this bank, the vacancies arising in clerical cadre are filled as follows: 20 percent by promotion of

TABLE 5-1

Appointment to Officer Cadre - Reservation Rates
(in percentage)

Bank	In 1970s			In early 1980s			In 1986-87		
	By Promo- tion	Open rec- ruit- ment	To- tal	Promo- tion	Open rec- ruit- ment	To- tal	Promo- tion	Open rec- ruit- ment	To- tal
FBL	50	50	100	70	30	100	70	30	100
SIB	100	..	100	75	25	100	75	25	100
CSB	100	..	100	70	30	100	75	25	100
NBL	70	30	100	70	30	100	80	20	100
PCB	100	..	100	No reservation.			70	30	100

subordinate staff, 15 percent by recruitment from relatives of employees and 65 percent by open recruitment. In the other banks there is no reservation in clerical cadre, but promotions are made according to availability of suitable hands. The practice in these banks is to promote all the candidates who qualify in a suitability test.

All the banks introduced the system of reservations either by the terms of agreements with employees' unions or by management decision at the pressure of unions.

Table 5-2 shows the proportion of employees appointed by direct recruitment among the total personnel in officer and clerical cadres in the five banks. In the subordinate cadre all appointments are by open recruitment and hence the rate is 100 percent. It could be seen that the proportion of recruited personnel to the total personnel varies between banks, cadres and time. In all banks, the proportion

TABLE 5-2
Ratio between recruited employees and total employees

Bank	FBL		SIB		CSB		NBL		PCB	
	1978	1985	1979	1986	1976	1986	1977	1987	1977	1987
Particulars										
Officers										
Total officers	713	1127	579	1039	312	671	219	418	38	76
Number by direct appointment	453	507	117	205	29	154	54	106	1	15
Percentage of re-cruited officers to total officers	64	45	20	20	9	23	25	25	3	20
Rise in total number (percentage)		58%		79%		115%		91%		100%
Rise in the number by appointment (percentage)		12%		75%		431%		96%		566%
Clerks										
Total clerks	1599	2037*	1228	1957	573	1758	345	766	65	183
Number of recruited clerks	1439	1644*	1166	1764	506	1658	299	568	53	166
Percentage of recruited clerks to total clerks	90	81*	95	90	88	94	87	74	82	91
Rise in total number (percentage)		27%		59		207		122		182
Rise in the recruited number (percentage)		14%		51		226		90		213

* Figures relate to the year 1980.

shows an inverse relationship with the level of cadre i.e. at higher level the rate is low and at the lower level it is high. At the higher grades of officer post, open recruitment is almost nil and the proportion of recruited personnel is near to zero percent. It could also be seen that the rates vary between banks. The latest rate of recruited officers among total officers vary between 20 percent and 45 percent in different banks. The rates in the second half of seventies varied between 3 percent and 64 percent. In banks which had lower rates before, the rates have increased; in the bank which had the highest rate, it has come down; and in the other banks the rates remain unchanged. Regarding clerical cadre, the rates vary between 74 percent and 94 percent of total clerks. Previously, they varied between 82 percent and 95 percent. Here also, the banks which had higher rates (90 percent and 95 percent) previously have recorded fall in the rates.

The above analyses show that the managerial power in recruitment is restricted in the banks by the provisions regarding reservation of vacancies. The degree of freedom gets more and more restricted with rise in the cadre and grade of post. That is, the restriction is almost complete as regards higher grades in officer cadre, less at the first level in officer cadre, further low in clerical cadre and almost absent in subordinate cadre.

5.4 RECRUITMENT ADVERTISING

It is axiomatic that no hiring programme can be effective unless the number of applicants for a given type of work is substantially greater than the number of jobs to be filled. The very word

"selection" implies the choice of the one best qualified individual from among a number of available candidates. Wherever careful selection is applied, it is of paramount importance that there be a relatively large reservoir of candidates from which the final selectees are chosen. Recruitment advertising is a very popular method used by employers to convey information to potential job applicants. Lengthier recruiting messages can more fully describe the nature of a job opening and the necessary and/or desirable qualifications required. The fact that recruiting messages seek and are able to obtain a qualified response means that applicants are to some degree "self-selected" for the jobs to which they apply.²² A well-thought out and planned advertisement for an appointment reduces the possibility of unqualified people applying.

The Sastry Award (1953) suggested that banks, in their own interests should in case of reasonable number of vacancies advertise them.²³ According to the Banking Commission (1972), 'selection procedure is a two way process. While the employer should have an opportunity for the selection of the best of the lot from amongst the applicants, the candidate should also know, with as much clarity as possible, the nature of the job, the service conditions and future prospects. The advertisements for recruitment should, therefore, not only indicate the minimum qualifications for the job but should also describe the range of duties, the service conditions and the future prospects. This is necessary to avoid selecting admirable candidates and then run the risk of getting frustrated for lack of suitable opportunities to use their abilities'.

Till early sixties selection for appointments to the banks' cadre was from among candidates sponsored by directors and senior employees. Notification of any type was not made and banks preferred to make appointments from such candidates because 'if some responsible people who know the candidates assure their suitability, they could be employed with greater confidence and relief'.²⁵

Later, some banks started making notifications at the notice boards of the bank at Head Office and branches. At present, all the banks follow a policy of issuing advertisements in English and regional language dailies for recruitments to officer and clerical cadres. However in 1980-'82 period, one bank made only branch notification for recruitments to officer cadre and clerical cadre since the number of vacancies was low. Certain larger banks make local recruitment to clerical cadre for remote place branches outside the State, without newspaper notification. Except these, all recruitments to clerical and officer cadres are now made after news paper notification. For recruitment of substaff, while two banks notify the vacancies through the banks' notice boards, the others make the selection from casual applicants. One is also making use of the services of Employment Exchanges.

Though all the banks mention the name of the bank in the notification, no description like size, geographical coverage, profitability etc. of the bank is given. Job description is confined to giving of the name of cadre or the job title. Regarding remuneration, FBL states the pay scales and the total remuneration at the highest and lowest pay areas; SIB states the pay scales without mention of total pay (once it also gave the total pay at

the lowest pay area); CSB uses phrases like 'Award/B.P.S. pay scales', 'usual pay scales' etc.; NBL made all the above mentioned types of statements on different occasions, and PCB makes no mention about pay. Only FBL gives at least a brief description of the perquisites and fringe benefits offered. None of the banks make any mention of promotion or other prospects. Regarding selection procedure, some make mention about written test and interview. Subjects or other details about the test are not given by any of the banks, though some mention that the test would be descriptive/objective. Method of selection (i.e. criteria, weightage, process of elimination etc.) are not mentioned by any of the banks. Only one bank tells the number of vacancies in the notification.

On the whole, the details furnished by the banks in their advertisements do not give a potential employee, any clear picture about the institution, the nature of job, remuneration and fringe benefits, future prospects and chances of his being selected. Table 5-3 shows the number of candidates who applied for jobs in some of these banks and the number of job seekers in Kerala. It reveals that only a small portion of the job seekers apply for jobs in these banks in spite of the better service conditions offered. A recruitment notification which is more detailed and giving all relevant information may be capable of obtaining a better response.

TABLE 5-3

Number of job applicants in the banks,
and the number of job seekers in Kerala.

Year of recruit- ment	Number of Applicants							No. of job seekers in Kerala	
	For officer post				for clerical post			Gradu- ates	Post Gradu- ates
	1	2	3	4	1	2	3		
1981	1476	-	-	-	11632	2545	526	77694	7043
1983	1481	1007	-	-	7607	14115	-	88557	7040
1985	2290	2223	1134	179	7856	8847	-	90329	10062

Source for number of job seekers in Kerala: Economic Review 1987
State Planning Board, Government of Kerala, p.113.

5.5 APPLICATION BLANK

The application blank is invariably used as one of the selection tools. Its significance lies not only in that, when filled out, it provides factual information needed for evaluating the candidate's suitability, but it is also used as a basic record of his personal data, if he is hired. The application blank seeks to reveal the more obvious information about the capacities and interests of the applicant. The entries in his own hand without advice or suggestion give information as to his penmanship at least, as to his clarity of understanding, and as to the degree of education he has attained.²⁶

In case there is a large number of applications, inevitably a good deal of elimination has to be done on the basis of the information provided in the application form. How well this can be done depends on the form itself. Therefore, the design of the form is very important. It is not unusual to find application forms

cluttered with questions many of which are irrelevant to the selection process. Any information which will not influence the decision on whether a person should be called for further interviews, or which will not influence the final selection in any way should not be included in the application form.²⁷ The form should be as brief and simple as possible. To the extent possible, elimination on the basis of the application should be done on tangible, quantifiable factors such as age, qualification, languages etc. To exercise judgement on an application form is risky. It should be done, if at all, by senior and experienced persons. In all application forms, it would be a feasible idea to include one or two broad questions in answering which the candidate can reveal his values and attitudes and also his form of expression.²⁸

Many types of application forms are used in practice. Some are brief being used as preliminary applications for a rapid initial screening of the applicants. Thereafter more detailed ones are used with special questions. Weightage can be given to the answers in the application blank according to their importance and the total score of points can then be calculated.²⁹ Some firms have attempted to increase the value of the application blank by studying the relationship between certain biographical data ordinarily requested on the form and success on the job. If the specific value of any of the factual items can be determined, these items can then be weighted. Each firm must develop its own weighted form, taking cognizance of the varying conditions within the organisation. In addition, the blank must be continuously updated.³⁰

In all the banks, a candidate has to apply for jobs in the application form prescribed by the bank. The form of application is

usually shown in the notification. Previously, all the banks had insisted that the application should be in the handwriting of the candidate. Now SIB wants it to be typewritten, NBL wants it in the handwriting of the candidate and PCB requires in addition, a declaration that it has been completed 'in my own hand'. But FBL and CSB do not make any such stipulations. Except SIB all the banks had experimented with the issue of printed application forms to candidates e.g. PCB in 1976, FBL in 1977, CSB in 1982 and NBL in 1985. But to save the effort and cost, all the banks stopped the system after a one-time experiment. But in FBL, the candidates called for interview after the written test, are sent a printed application form which has to be filled in and submitted before interview. Similarly in NBL all the candidates appointed have to fill in the printed application form at the time of joining, for the purpose of service records.

Particulars to be furnished in the application are mainly the bio-data of the candidate. The other particulars asked in the forms of some of the banks include:

1. Blood group of the candidate.
2. Reason for selecting banking as a career.
3. Reason why the candidate consider himself suitable for the post.
4. Brief description of the career since leaving college, emphasising notable achievements.
5. Past and present employment, total pay and reason for leaving.
6. Particulars of highly placed near relatives.
7. Relationship with employees or directors of the bank.
8. Previous applications sent to the bank and the result.

9. Whether a shareholder or related to a shareholder.
10. Business connections of the candidate or of near relatives, with the bank.

Many of the above mentioned information are helpful in assessing the suitability of a candidate. At the same time at least some of them are likely to leave some misgivings about the factors that weigh with the management in selection of candidates. This is specially true when the notification is silent about the selection process. Hence, it may be desirable to include in the application form only relevant details leaving the other particulars to be collected later.

5.6 APPLICATION FEES

All the banks collect a fee from the applicants as application fee or examination fee, in recruitments by issue of notification. The rate of fee is upto Rs. 50/- for officer post and upto Rs. 40/- for clerical post. While some banks fix a lower fee for candidates belonging to scheduled castes and scheduled tribes, others give them total exemption from payment of fee. All the banks exempt clerical staff of the bank applying for officer post from payment of application fee.

5.7 QUALIFICATION

The kind of candidate eligible to apply has to be clearly specified. The specifications should be as broad as is compatible with the requirements of the job. Excessively tight specifications limit the size of the sample from which selection can be made, thus leading to loss of useful material. At every point that a new condition is laid down, the question has to be asked 'is this really necessary?'.

Only when we have got a thorough knowledge of the job, its setting in the hierarchy, and a comprehensive knowledge of what is being taught in the educational institutions, it is possible to establish minimal educational requirements.³¹

Sound personnel practice requires that all stipulated minimum hiring requirements have a foundation of fact rather than intuition. In the US, an employer, has the burden of showing that any given requirement has a manifest relationship to the employment in question. In other words, the employer can stipulate any requirement if it can be proved that such possession results in better job performance than by those without it.³²

It would be opportune to go through a few observations regarding the qualifications and qualities required in a bank employees:

(1) It is well to bear in mind that banks do not require many intellectually highly competent officers, but many officers of very high integrity and devotion to duty to serve the common people. This has a bearing on future recruitment policy with its impact on the question of officers' discontent.³³

(2) We do not think it necessary to lay down conditions regarding the minimum qualifications for recruitment of the staff by banks as the requirements of different banks are not necessarily uniform. Moreover, for certain kinds of work such as that of a cashier in a bank, it is not necessary to employ only persons who have passed the matriculation or an equivalent examination. We recommend that so far as new hands are concerned preference should be given to persons who are holders of recognised degrees or diplomas in commercial subjects provided that in other respects their qualifications are more or less identical.³⁴

(3) Extraordinary brilliance or streak genius is not essential for a bank employee. Persons with average intelligence and willingness to be of service can perform bank operations satisfactorily with proper guidance and training. Selection is important; because service being the prime object of banks, they have to select personnel who can maintain poise and be pleasant even under emotional stress or physical strain incidental to serving customers of all types.³⁵

(4) The minimum qualification for the junior officers' post should be graduation with high second division marks (over 55 percent) and the maximum age limit should be 27 years. The recruitment should be open to graduates in any subject but preference should be given to those holding degrees in Commerce, Economics and Business Administration by allotting to them specified additional marks in the selection test.³⁶

(5) Services in banking are on a different footing. For the non-officer jobs, all that is required is a minimum qualification relating to accounting and language. Basic qualification similar to School Leaving Certificate should suffice for the purpose. Further, for these services, local contact and influence are essential for results; aloofness, which is a virtue for administering of law and order is likely to be a handicap for these tasks. Further, for the types of function to be performed, it is somewhat difficult to devise a competitive examination; aptitude tests are known to favour only smart persons, while those really able for the tasks are likely to be discarded. In view of the characteristics of the banking service it would be essential to restrict recruitment of non-officer staff to persons with the maximum qualifications of SSC.³⁷

(6) In view of the large expansion of the banking industry and the policy of internal promotions followed by banks, large numbers of clerks will be promoted to higher positions in due course. The clerks are thus potential officers. It is, therefore, necessary that for recruitment at clerical and cashier level an applicant should at least be a graduate and of an age not exceeding 24 years. As, however, the banking industry is spreading to rural areas, persons having close acquaintance of rural conditions are likely to be useful. Selection tests should, therefore, be so devised that graduates with rural background are not barred from getting selected.³⁸

(7) The research work done in the NIBM on the subject of clerical selection strategy indicates that the clerical work in a bank, on the basis of job elements analysis, requires ability to compare names and numbers, to perform arithmetical computations like additions, subtractions, multiplications etc., accurately and speedily and to comprehend circular letters written in simple English. Further the ability to get on with people is very important in a bank as employees have to deal with customers, colleagues, subordinates and superiors. The clerical candidate is a potential officer and he should also have sufficient intelligence, power of comprehension, ability to discriminate between relevant and irrelevant material as also between a conclusion and an assumption. He should, in addition, have an adequate measure of common sense and ability to think and deduce logically.³⁹

An important aspect to remember is to ensure that the candidate is neither unqualified nor overqualified. While recruiting

high-calibre personnel, it should also be kept in mind that this type of personnel starts feeling restless if kept too long in subordinate positions. High talent personnel tend to deteriorate or quit if they do not get opportunities to use their talent. With higher education comes high aspirations and on the routine banking jobs, the employees tend to become easily bored.⁴⁰ The Committee on Functioning of Public Sector Banks (1978) observed: "One factor which acts as a damper on motivation of bank employees is the routine and repetitive nature of the work, which employees with high academic qualifications are called upon to perform but for which such qualifications are not necessarily required. What is really expected and required of staff is hard work, integrity and devotion to duty. The committee, therefore, feels that banks should consider recruiting a much higher percentage of personnel at the clerical levels with educational qualification down to matriculation and give them appropriate job training - it would lead to a more satisfied and not frustrated staff".⁴¹ The Careers Research and Advisory Centre, as quoted in the 'Observer' of 14th January, 1968 says: 'The jobs which attract graduates are those which offer them hard training, hard work, responsibility and interest'.⁴²

In India we are faced with a peculiar problem as a result of the educational system in our country. We are producing graduates and post-graduates in millions every year. Every graduate whatever his real worth on a job, attaches a false value to himself due to the educational qualifications he acquired from a university. This self-assumed value system tends to demotivate them on their present jobs.⁴³ Those who had been accepted though overqualified, shortly

after assuming their jobs start talking about exploitations.⁴⁴ From the point of view of the institution, such overqualified persons are less adaptable, more ambitious and less disciplined. From the point of view of the nation, it is a national waste to recruit over-qualified persons. It induces persons to take to advanced education merely for qualifying for a job.⁴⁵ According to Bhatt, for the officer cadre in banks it may be necessary to insist on a banking examination rather than a graduate degree.⁴⁶ Research in organisations has demonstrated that if the employee feels that there is a gap between his estimate of his capabilities and the demands that work makes on his capacities, he primarily copes with this gap by using psychological defences such as withdrawal, aggression, rationalisation and the like (Argyris, 1964; Schein, 1965).⁴⁷

In the early years there was no specified qualifications for appointments in banks. Perusal of service records of retired and senior employees shows that till the sixties there was no policy in any of the banks with regard to the qualifications of candidates, their age, the recruitment process etc. There was also no relation between the cadre of appointment and the qualifications of candidates. While one bank appointed candidates with first class in S.S.L.C. as office boys to be confirmed in subordinate cadre later, another bank appointed an S.S.L.C. failed candidate as Agent i.e. Branch Manager. Integrity and reliability of the candidates were the prime factors that used to influence the decision of selection, and the cadre of appointment.

Ever since the policy with regard to recruitment and other staff-related matters was laid down in the form of Staff Regulations

and Service Codes, the disparity in the qualifications prescribed by banks for recruitment was noticeable. For example, while FBL prescribed a post-graduate degree as the minimum qualification for recruitment to officer cadre in mid-sixties, in PCB it was only a graduation. The qualifications prescribed in various banks for recruitment to clerical cadre during this period are shown in Table 5-4.

Table 5-4

Qualification prescribed for clerks in Mid-sixties,
by different banks.

NBL	- Graduation.
SIB	- Graduation. For relatives of employees: S.S.L.C.
FBL	- S.S.L.C. with first class.
CSB	- S.S.L.C. with 50% marks in English and Mathematics or graduation.
PCB	- S.S.L.C. with 40% average total marks and 50% marks in English and Mathematics.

Tables 5-5, 5-6 and 5-7 show the qualifications prescribed by the banks since the seventies for recruitment to officer cadre, clerical cadre and subordinate cadre respectively. It could be seen that the prescribed qualification for all cadres always varied from bank to bank.

In the seventies the minimum qualification prescribed for the subordinate staff varied between reading and writing knowledge of English and Malayalam, and S.S.L.C. with first class. In the seventies the banks specified only the minimum qualification regarding

TABLE 5-5

Qualifications prescribed by the banks for Officer post
in 1970, 1980 and 1986.

Bank	in 1970	in 1980	in 1986
FBL	Post-Graduate Degree	Post-Graduate Degree or Professional Degree like B.L., B.Sc.(Engg.) etc.	Professional Post-Graduate degree, Professional Degree in first class, M.Sc. first class or M.A./M.Com. 2nd class.
SIB	No direct recruitment	Post-Graduate Degree or first class graduation.	B.Sc. First Class or B.A./B.Com. Second Class.
CSB	No direct recruitment	First Class Degree	B.Sc. with 70% marks or B.A./B.Com. with 60% marks.
NBL	Degree with first class or P.G. Degree in 2nd class.	Degree with first class or P.G. Degree in 2nd class.	B.Sc. First Class B.A./B.Com. 2nd class or P.G. Degree 2nd class.
PCB	Graduation.	Graduation.	Graduation with 50% marks.

subordinate staff, but now there is also a ceiling fixed regarding qualification. In all banks (including FBL which had prescribed a minimum qualification of S.S.L.C. with first class in the seventies) now a candidate is not eligible, if he has passed S.S.L.C. examination.

Table 5-8 shows the lowest and the highest minimum qualifications prescribed by the banks for recruitment to officer, clerical and sub-staff cadres in the seventies and at present. It can be seen that both the highest and lowest levels of minimum qualifications for clerical and officer cadres have recorded a rise. At the same time

TABLE 5-6

Qualifications prescribed by the banks for clerical post
in 1970, 1980 and 1986.

Bank	in 1970	in 1980	in 1986
FBL	B.Sc. with 55% marks or B.A./B.Com. with 50% marks.	B.Sc. with 55% marks or B.A./B.Com. with 50% marks.	B.Sc. with 55% mark or B.A./B.Com. with 50% marks.
SIB	Graduation.	Graduation.	Graduation.
CSB	S.S.L.C. with 50% marks in English and Mathematics, or graduation.	Graduation.	Graduation.
NBL	Graduation.	B.Sc. in second class B.A./B.Com. with 45% marks.	B.Sc. in first class B.A./B.Com. with 45% marks.
PCB	S.S.L.C. with 40% marks (Minimum 50% marks in English and Mathematics)	Graduation.	Graduation with 2nd class.

the highest minimum qualification for subordinate staff came down from S.S.L.C. first class to a pass in Std. VIII and the lowest minimum qualification remains unchanged.

Analysis of the qualifications prescribed by the banks for different posts brings out the following features:

(1) Different banks have prescribed different educational qualifications even for posts of same cadre and grade. Similarly the qualification prescribed by some banks for their clerical staff is higher than that prescribed by some other banks for their officers. In 1970, the qualification prescribed by FBL for recruitment to subordinate cadre was a first class in S.S.L.C. while the qualificati

TABLE 5-7

Qualifications prescribed by the banks for subordinate posts in 1970, 1980 and 1986.

Bank	in 1970	in 1980	in 1986
FBL	S.S.L.C. in 1st class.	Std.VII pass upto S.S.L.C. failed.	Std.VII pass upto S.S.L.C. failed.
SIB	Not passed S.S.L.C.	Not passed S.S.L.C.	Std.V pass upto S.S.L.C. failed.
CSB	Std. V Pass	Std. V Pass.	Std.V pass upto S.S.L.C. failed.
NBL	Studied upto S.S.L.C.	Std. VIII Pass	Std.VIII pass upto S.S.L.C. failed.
PCB	Writing and reading knowledge of English and Malayalam.	Writing and reading knowledge of English and Malayalam.	Writing and reading knowledge of English and Malayalam.

TABLE 5-8

Lowest and highest of the prescribed minimum qualifications for Officer, Clerk and Sub-staff cadres.

	1970's	1986
<u>Sub-staff cadre</u>		
Lowest -	Writing and reading knowledge of English and Malayalam	
Highest -	S.S.L.C. First Class.	Std. VIII Pass
<u>Clerical cadre</u>		
Lowest -	S.S.L.C. with 50% marks in English and Mathematics.	Graduation.
Highest -	B.Sc. with 55% marks.	B.Sc. with 60% marks.
<u>Officer cadre</u>		
Lowest -	Graduation.	Graduation with 50% marks
Highest -	Post Graduation.	Professional Post Graduation/ M.Sc. First Class.

for recruitment to clerical cadre in CSB was only a pass in S.S.L.C. with 50 percent marks in English and Mathematics. Similarly, during the same period, while any graduate was eligible to apply for an officer post in PCB, for clerical post in FBL a high second class (55 percent marks) was necessary for graduates in science subjects. At present, to apply for an officer post in PCB a science graduate need have only second class; but to apply for a clerical post in NBL he should have first class.

(2) Another feature is the discrimination in favour of Arts and Commerce subjects. While in the seventies, only FBL had made such distinction, at present all the banks except PCB have fixed a lower percentage of marks for Arts and Commerce graduates.

(Table 5-9)

(3) The qualifications prescribed by a bank are not consistently high or low for different cadres. For example, a first class science graduate is qualified for an officer post in NBL but not qualified in FBL; but a graduate in science with 55 percent marks is qualified for clerical post in FBL but not qualified in NBL. Similarly, a first class science graduate though qualified for officer post in NBL and underqualified in CSB, a candidate with only a pass in B.Sc. is qualified for clerical post in CSB, but underqualified in NBL.

(4) Within a bank also there is no internal consistency in the qualifications prescribed for different posts and cadres. In PCB, the qualifications prescribed for clerical post and officer post are the same. Similarly, in NBL also for both the posts a science graduate should have first class. (Tables 5-5 and 5-6).

TABLE 5-9

Class and Marks required in Arts/Commerce and Science disciplines
in the Banks for different posts.

Period	Bank	Cadre	Class/Marks for Science	Class/Marks for Arts/Commerce
1970s	FBL	Clerks	B.Sc. with 55% marks	B.A./B.Com. with 50% marks
1980s	FBL	Clerks	B.Sc. with 55% marks	B.A./B.Com. with 50% marks
	NBL	Clerks	B.Sc. with 50% marks	B.A./B.Com. with 45% marks
1986	FBL	Officer	M.Sc. First Class	M.A./M.Com. 2nd Class
1986	SIB	Officer	B.Sc. First Class	B.A./B.Com. 2nd Class
1986	CSB	Officer	B.Sc. with 70% marks	B.A./B.Com. with 60% marks
1986	NBL	Officer	B.Sc. First Class	B.A./B.Com. 2nd Class
1986	FBL	Clerks	B.Sc. with 55% marks	B.A./B.Com. with 50% marks
1986	NBL	Clerks	B.Sc. with 60% marks	B.A./B.Com. with 45% marks

(5) There is no correlation between the class of bank or remuneration rate, and the qualification prescribed. NBL which had prescribed the highest qualification for officers in 1970 and 1980 and which holds the second place in 1986 is a 'B' class bank. It prescribes now the highest qualification for clerks. PCB, the other 'B' class bank has prescribed for clerks a qualification which is higher than that prescribed by two of the 'A' class banks - SIB and CSB. As the pay scales of 'B' class banks are lower than that of

'A' class banks, it comes out that there is no correlation between the remuneration rate and qualifications prescribed.

(6) Under the present system, candidates within a certain range of educational qualifications are not eligible to apply for any of the posts in banks. For example, candidates with qualification above matriculation and below graduation are overqualified for subordinate cadre and underqualified for clerical cadre. In the public sector banks, a candidate with 60 percent marks in matriculation or 50 percent marks in pre-degree examination is qualified for appointment in clerical cadre.

(7) For different posts in the same cadre and with the same salary scale, some banks prescribe qualifications of different level. To illustrate, the qualifications prescribed by some banks for different posts in clerical cadre are shown in Table 5-10.

TABLE 5-10

Qualifications prescribed by some banks for different posts in clerical cadre.

Bank and Posts	Qualifications prescribed
<u>PCB in 1980</u>	
Clerk	- Graduation
Clerk-cum-Typist	- Graduation with Typewriting Higher
<u>CSB in 1983</u>	
Clerk-cum-Cashier	- Degree
Clerk-cum-Typist	- Degree with Typewriting Higher
Clerk-cum-Stenographer	- Degree with Typewriting Higher and Shorthand Lower
<u>NBL in 1985</u>	
Clerk	- Graduation
Clerk-cum-Typist	- Graduation and Typewriting qualification

(8) The banks allow certain relaxations in the prescribed qualifications for specified groups of applicants. Table 5-11 shows such special groups in some banks and the relaxations allowed. These special groups include relatives of employees, dependents of employees who died in harness, and shareholders and their sponsors.

Table 5-12 shows an analysis of the officer staff and clerical staff of the banks, by qualification. The analysis covers only the four banks from which comparable data could be collected. Comparable data could not be collected from FBL regarding clerical staff, and from CSB regarding officers. Though an analysis at length is not possible due to non-availability of perfectly comparable data over the same period of time and by the same levels of qualification, the analysis clearly shows the trend of change in the qualification levels of the officer staff and clerical staff in banks. In all banks except one, the percentages of non-matriculates and matriculates among the officer staff have shown a downward trend. The percentage of undergraduate staff among the clerical staff also shows a downward trend in all banks. But the rate of non-matriculate clerical staff to the total clerical staff has shown a rise in one bank. This is due to the promotion practice in the bank under which a certain percentage of the vacancies in clerical cadre are reserved for promotions from subordinate staff.

It could also be seen that the bulk of the recruited staff in both officer and clerical cadres are with graduation or above, whereas a substantial part of the promoted clerical staff are non-matriculates. In all banks the proportion of staff with graduation and above have increased during the period under review.

TABLE 5-11
RELAXATIONS IN QUALIFICATIONS FOR SPECIAL CATEGORIES OF CANDIDATES
(CLERICAL CADRE)

Bank	Qualification prescribed for general candidates.	Special category	Relaxations
FBL	B.Sc. with 55% marks; other graduates with 50% marks	<p>Relatives of employees</p> <p>Dependent of deceased employees</p> <p>Widow of deceased employee</p> <p>Shareholders and their relatives or nominees</p>	<p>5% relaxation in the marks of qualifying examination</p> <p>S.S.L.C. pass</p> <p>8th Std. pass</p> <p>5% relaxation in the marks of qualifying examination</p>
SIB	Graduation	<p>Dependent of deceased employee</p> <p>Widow of deceased employee</p>	<p>S.S.L.C.</p> <p>Further relaxation at the discretion of the Board</p>
NBL	B.Sc. in first class, B.A./B.Com. with 45% marks	<p>Relatives of officers and clerks</p> <p>Relatives of Sub-staff</p>	<p>Graduation</p> <p>S.S.L.C. pass</p> <p>15% of the total vacancies are reserved for this category</p>

TABLE 5-12
ANALYSIS OF STAFF BY EDUCATIONAL QUALIFICATION

Bank and cadre	Year	Total staff			Recruited staff			Promoted staff		
		Non Matri- culate	Matri- culate	Graduate and above	Non Matri- culate	Matri- culate	Graduate and above	Non Matri- culate	Matri- culate	Graduate and above
		(As percentage of total staff)	(As percentage of total staff)	(As percentage of total staff)	(As percentage of total recruited staff)	(As percentage of total recruited staff)	(As percentage of total recruited staff)	(As percentage of total promoted staff)	(As percentage of total promoted staff)	(As percentage of total promoted staff)
FFICERS										
NBL	1977	N11	46.58	53.42	N11	7.40	92.60	N11	59.39	40.61
	1987	N11	21.77	78.23	N11	3.77	96.23	N11	27.88	72.12
PCB	1977	N11	44.74	55.26	N11	N11	100	N11	45.95	54.05
	1987	N11	25.97	74.03	N11	N11	100	N11	32.26	67.74
FBL	1977	0.50	17.92	81.58	NA	NA	NA	NA	NA	NA
	1985	0.10	7.96	91.94	NA	NA	NA	NA	NA	NA
SIB	1979	1.38	33.51	65.11	N11	N11	100	1.73	41.99	56.28
	1982	0.66	28.36	70.98	N11	N11	100	0.79	33.97	65.24
LERKS										
CSB	1973	NA	59.83*	40.17	NA	NA	NA	NA	NA	NA
	1984	NA	16.07	83.93	NA	NA	NA	NA	NA	NA
NBL	1977	10.14	24.93	64.93	2.68	22.41	74.92	58.70	41.30	N11
	1987	12.79	20.23	66.98	0.70	9.86	89.44	47.47	50.00	2.53
PCB	1977	6.66	36.67	56.67	N11	31.08	68.92	37.5	62.5	N11
	1987	6.01	13.66	80.33	N11	11.45	88.55	64.71	35.29	N11
SIB	1979	7.25	15.72	77.04	2.57	16.30	81.13	95.16	4.84	N11
	1982	6.11	13.47	80.42	0.74	12.74	86.52	76.99	23.01	N11

NA = Data not available.

* Includes non matriculates.

5.8 AGE-LIMITS

The Banking Commission (1972) recommended for recruitment at clerical and cashier level, an age not exceeding 24 years, with suitable relaxation in the maximum age limit in respect of candidates belonging to scheduled castes and tribes.⁴⁸ For junior officers' post it suggested a maximum age limit of 27 years, with relaxations as follows: 'For the candidates who are already in the employment of banks, the age limit should be relaxed by three years. The candidates belonging to scheduled castes and scheduled tribes should also be allowed relaxation in the age limit by the same number of years'.⁴⁹

TABLE 5-13
AGE LIMITS PRESCRIBED BY BANKS FOR RECRUITMENT

Bank	Officers			Clerks			Subordinates		
	1970	1980	1986	1970	1980	1986	1970	1980	1986
FBL	21 and above *	Upto 26	Upto 26	Upto 28	Upto 24	Upto 24	Upto 20	Upto 20	Upto 30
SIB	NA	Upto 28	Upto 28	Upto 25	Upto 30	Upto 30	NA	Upto 25	Upto 28
CSB	NA	Upto 26	Upto 26	Upto 25	Upto 28	Upto 28	NA	Upto 30	Upto 30
NBL	22-30	22-30	22-30	21-30	21-27	21-30	21-30	21-27	21-30
PCB	Upto 30	Upto 30	Upto 26	18-26	Upto 26	Upto 26	18-28	18-28	18-28

* Upper age limit as fixed by the Board from time to time.
NA = Information not available.

Age limits fixed by the banks for recruitment varies from bank to bank, time to time and cadre to cadre. Table 5-13 shows the age

limits fixed by the banks for recruitment to various cadres.

It can be seen that the banks generally prescribed only the upper age limit. The lower limit is presumed to be 18 years, the age required to be capable to enter into contracts. In NBL, both the lower and upper age limits are specifically prescribed and there the lower age limit is higher than 18 years. In FBL, subordinate staff and clerical staff used to be recruited in 1950s even before the age of 18 years in tune with its policy 'to catch them young to the lowest cadre so that they can be groomed for higher and higher responsibilities'. In this bank, subordinate staff below 18 years of age were designated as 'office boys'.

Though some banks allow relaxation in upper age limit for candidates with higher qualifications, there is no correlation between the level of education fixed and the age limit. For example, in FBL and CSB the upper age limit for officer post (prescribed qualification: graduation or above) is 26 years while that for sub-staff (qualification: below matriculation) is 30 years. But in SIB, they are 30 years and 28 years respectively. In CSB, the upper age limit for typist-cum-clerk (Qualification - graduation and typewriting certificate) was 25 years while that for clerk-cum-cashier (Qualification - graduation) was 30 years, in 1979.

It would be interesting to note the grounds on which age limits were changed by some banks. One bank decided in 1978 to reduce the upper age limit for recruitment to clerical cadre because 'a higher age limit causes less efficient hands being recruited'. Another bank raised the upper age limit in 1984 to reduce chances of resignation to join bigger banks and nationalized banks'.

All the banks have provisions for relaxations in upper age limit on various grounds. The circumstances which attract the provisions of age relaxation in various banks include:

1. Candidates with higher qualification.
2. Candidates belonging to Scheduled Castes/Scheduled Tribes.
3. Employees in clerical cadre applying for the post of officer.
4. Dependents of employees who died while in service.
5. In deserving cases, at the discretion of the management.
6. In one bank, there is also relaxation in lower age limit for relatives of employees.

5.9 WRITTEN TEST

The basic assumption underlying the use of tests in personnel selection is that individuals are different in their job-related abilities and skills, and that these skills can be adequately and accurately measured for comparison. The basic principles of testing are:

1. Tests must be selected or designed on the basis of a sound job analysis programme.
2. The test selected or designed for use should be a reliable instrument. Reliability refers to the degree of consistency of results obtained.⁵⁰

There are numerous other principles underlying personnel testing programmes such as the following:⁵¹

1. Tests should be regarded as additional selection instruments and are not to be used as the sole basis of hiring decisions.

2. The administration of tests must be controlled and standardized in order to make test results comparable.

3. In so far as possible, tests should possess face validity in addition to statistical validity; that is the appropriateness of the test questions to the task at hand should be apparent to the candidate.

A variety of tests are used as selection tools. These may be classified as (1) Intelligence Tests (2) Aptitude Tests (3) Achievement Tests (4) Interest tests, and (5) Personality tests. Intelligence tests are a measure of the individual's capacity for reasoning, verbal comprehension, numbers, vocabulary, word fluency etc. They are used to eliminate candidates who are insufficiently intelligent for efficient job performance.⁵² Aptitude tests measure the individual's capacity or latent ability to learn a job if he is given adequate training. They can often make a substantial contribution to a selection programme if they are carefully chosen, adequately validated, carefully administered and, finally, if the test results are closely integrated with findings brought to light through other techniques of the selection programme.⁵³ Achievement tests are used to ascertain whether the individual actually knows what he claims to know. (e.g. a trade or art) Interest Tests help to predict whether a candidate is interested in a particular job or not. Personality tests are designed to measure such personality characteristics as emotional stability, tolerance for conflict, capacity to get along, maturity and psychoneurotic and psychotic tendencies. These are generally used for the selection of personnel for executive jobs. These are the least reliable and most controversial kind of tests. In any case, they need trained experts for their

administration and evaluation.⁵⁴

Although making tests both fair and valid is difficult, stating the basic issues is not. Three questions define the principal problems:

1. How well do members of different ethnic groups perform on the job?

2. How well do they score on tests?

3. Are the tests valid for all groups? (That is, do those applicants who do well on the tests also do well on the job?)⁵⁵

If conducted appropriately, a test can save considerable money. However it should be remembered that tests are only an aid and one of the steps in the selection procedure. Besides, an important limitation of tests is their interpretation which can only be done by trained and experienced persons.⁵⁶ The Sastry Award (1953) suggested that banks in their own interests should make appointments after passing the candidates through such tests as they may consider necessary.⁵⁷

The Banking Commission (1972)⁵⁸ observed: "It is fairly well accepted that intelligence and specific aptitudes are relatively stable throughout an individual's life, that is, they cannot be greatly modified after childhood. The effective selection procedure, therefore, requires relatively accurate yardsticks to assess the level of each candidate as regards his intelligence and aptitude. It is necessary to identify the job elements specific to the type of work and after analysing them to construct suitable tests for judging the candidate's ability". The Commission recommended as follows: "Tests should be devised not only to judge the candidate's ability to perform clerical duties but also to

evaluate the potential to shoulder the responsibilities of an officer in due course. A carefully designed test of general knowledge covering a wide range of subjects including those relating to rural background should form part of the test and sufficient option should be given to the candidates for answering questions of their choice, so as to eliminate bias against candidates coming from rural areas".⁵⁹

In the past, clerical recruitment in banks was generally based on a written examination and an interview. The written examination was conducted with one or more conventional type of papers in English, Arithmetic and General Knowledge. Complaints of consideration other than merit on the test were not infrequent. Further, candidates' performance in the test was reported to bear little relationship to on-the-job performance. Therefore, several banks realised the inadequacy of the conventional selection examination and felt the need to develop a scientific selection strategy for clerical recruitment.⁶⁰

In 1971, the National Institute of Bank Management (NIBM) constituted a Task Force to recommend a scientific selection strategy for clerical recruitment in banks. In the light of the recommendations of the Task Force, the Institute developed suitable selection tests. The Institute of Banking Personnel Selection (IBPS) established by the NIBM has been engaged in designing appropriate tests for selection of bank personnel at various levels. The IBPS administers a battery of tests covering test of reasoning, test of quantitative aptitude and test of proficiency in English. For clerical selection, it also administers a test of clerical aptitude. The basis adopted by the Institute for ranking the candidates is as follows: 'All the candidates qualifying in the written

examinations are ranked only on the basis of the Test of Reasoning indicative of the candidate's intellectual potential. The marks of English, Mathematics and other tests are not included for deciding the rank with a specific purpose. This purpose is that candidates who have not attended English medium or public schools, or who have not studied Mathematics at the graduation levels, but who are basically intelligent and are likely to come from rural areas or poor families are not put to disadvantage'.⁶¹

In the earlier days when recruitment was informal, and as and when a suitable candidate was found, the process of selection consisted of an interview alone. Later, when the number of applicants increased, written test was introduced by certain banks. Some questions from Mathematics, General English and General knowledge compiled by some senior officer formed the question paper. Valuation of answer papers also was done by the officers of the bank. During this period test played very little role in selection decisions. Later, in late sixties and early seventies in some banks the works relating to setting of question papers and valuation of answer scripts were entrusted to professors and teachers of neighbouring colleges and schools, and the weightage for written test also was increased substantially.

The research studies carried out at the N.I.B.M. gave a new turn to the system of holding tests and to their significance in the recruitment process in Indian banks. When N.I.B.M. adopted schemes to take up the works relating to holding recruitment tests, banks like FBL were among the first to make use of such services. In his presidential address at the annual general meeting on 28-6-'71, the Chairman of the bank said "Those who are to be recruited should not only be efficient and capable, but also willing

to do the work. The tests for selection are scientifically based on these ideas. The directions and help of the N.I.B.M. are availed in this regard".

Now without exception, all the banks make use of the services of external agencies in holding tests for recruitment to officer cadre and clerical cadre. The external agencies which take up the work for these banks include N.I.B.M. (Now I.B.P.S. functioning as a separate unit under N.I.B.M.), Southern India Bankers' Staff Training College, Coimbatore and School of Management Studies, Cochin.

Considering the labour and cost involved in administering test to very large number of candidates, banks used various criteria to reduce the number of candidates called for test. But now, with all the works relating to administration of test having been entrusted to external agencies, most of the banks have started calling all the eligible candidates for test. FBL even call all the candidates who applied, to save the time spent in scrutiny of applications.

The practices followed by the banks in the past/at present, for calling candidates for written test include:

1. Calling all the candidates who apply by paying the prescribed examination fee. The call memo asks the candidates to ensure by themselves their eligibility, for the post.
2. Calling all the eligible candidates who applied.
3. Calling only the candidates found suitable in a preliminary screening on the basis of particulars in the application and reports collected through branches. Under this system, in some banks the

candidates were asked to submit the application at the nearest branch, and the branch managers were directed to forward them with a report on the candidate. There are no fixed norms regarding the screening. In one bank, in the clerical recruitment of 1986, it was made 'based on qualifications, experience, suitability, language areas requirements and other relevant considerations'.

4. Calling only candidates who have 'higher academic qualifications/better performance'.

5. Calling candidates 10 times the number of vacancies. This practice existed in only one bank. The bank also decided to give weightage to graduates in Commerce, Economics and Statistics so that $2/3$ of the candidates called for test belonged to these disciplines.

6. In the sixties, one bank had a system which provided for: a preliminary screening by the General Manager, a preliminary interview of the selected candidates by a committee of directors, and written test for those who were successful in this preliminary screening and interview. In 1969, out of a total 1131 applicants, 250 were selected by the General Manager for preliminary interview after which 95 were selected for written test.

Recruitment tests in banks have undergone tremendous changes over a decade. Previously the tests were descriptive, and designed by some officer of the bank, covering some questions from General English, Arithmetic and General Knowledge. But now in all banks it is administered by some external agency specialised in recruitment tests for selection of banking personnel. The test usually consists of aptitude and personality tests, covering verbal ability, numerical ability, clerical speed and accuracy, test of reasoning,

personality test etc. However, except when the test is administered by I.B.P.S., the subjects and marks for written test may vary according to the decision of the bank. Though the I.B.P.S. does not favour giving of descriptive papers, all the banks except FBL, give descriptive tests also. The nature of descriptive test also varies. For example, while in one bank it is limited to an essay writing, in another it consists of an essay, letter writing and precis writing.

5.10 INTERVIEW

Interviewing is probably the most widely used single method of selection. This preference exists despite the subjectivity of the interviewing process. Since interviews can be rather flexible, any missing pieces of information about an applicant can be collected at this time. The employment interview also provides an interviewer with a sample of an applicant's behaviour in a one-to-one interaction situation.⁶²

Three types of interview can be described as part of the sequential selection process: the initial interview, the employment interview, and the final interview with the person who will be one's immediate superior.⁶³ The initial interview or preliminary interview represents the first screening stage. Within a period of five to ten minutes, those applicants who are obviously unqualified can be eliminated. Factors on which persons are normally eliminated during the preliminary interview include (1) inadequate experience and training, (2) age (3) marked physical disabilities and (4) completely inappropriate personality pattern for the job in question.

Once the applicant has survived the early screening selection steps, he approaches the most critical aspect of the selection programme, the employment interview. It is in this interview that all the information obtained from the preliminary interview, the application blank, the aptitude tests, and the reference check up is integrated with other factors of the individual's background, and the final selection is made. We rely on this interview for the appraisal of those traits which are impossible to assess by any other means. The interview is designed to perform three basic functions: (1) to determine the relevance of the applicant's experience and training to the demands of a specific job (2) to appraise his personality, motivation and character and (3) to evaluate his intellectual functioning, in terms of both quantity and quality.⁶⁴

Though many staff departments have the authority to hire, the principles of line and staff relationships require that the candidate be submitted to the supervisor of the job opening for acceptance or rejection after a final interview. Otherwise he or she cannot be held accountable for their performance.⁶⁵

As far as interviewers are concerned, the interview can be single, multiple or board. Single interview means one person interviewing another person and drawing a conclusion. The multiple interview is a situation where the candidate is seen by a number of interviewers, one after the other. A board interview is a situation where a number of interviewers together conduct the interview. As far as the candidates are concerned, interviews can be individual or group. In an individual interview one candidate is seen at a time. In a group interview a number of candidates are seen together.

There is precious little use in interviewing candidates for any job unless the requirements of the job have been accurately assessed and the interviewer has a profile of the ideal candidate for the post. Vernon and Parry summarize the findings of various research workers on this subject as follows: "The main qualities of a good interviewer, and the main factors leading to good rapport, are thorough knowledge of the job or other matters with which the interviewee is concerned, and of topics in which he is interested, emotional maturity or a well-adjusted personality such that the interviewer is not shocked by any thing the interviewee says, and a reputation amongst previous interviewees for sincerity, sympathy and sensitiveness. Good health and freedom from fatigue or strain are also valuable".⁶⁶

The attitude of the interviewer towards the interview is a factor of cardinal importance. His general approach seems to be that he has something to give and the applicant is a supplicant for his favours. This is entirely wrong. It should be recognised by any intelligent or imaginative interviewer that the need of the organisation to get candidates suitable to its requirements is in no way less than a candidate's need to get a job. It should be recognised that no matter how desperate an unemployment situation may be, there is no unemployment for the really good candidate. That is the person the organisation is looking for. That is the person who has a certain choice of employment, and can be selective about the kind of company or organisation he wants to work for. Whether or not he exercises his choice in favour of an organisation is frequently determined by the kind of treatment he receives.⁶⁷

The appropriate attitude towards an interview is that it is a joint

effort between the interviewer and the candidate to determine mutual compatibility. The interviewer has to constantly remind himself that people work with their strengths and not with their weaknesses. Although weaknesses and deficiencies cannot be overlooked, the objective of any good interview should be to look for strong points. In other words, the interviewer should be sympathetic, positive minded and realistically humble.⁶⁸ It must be remembered that no one is perfect, we all have short-comings. The interview that results in no unfavourable information is inescapably a poor interview.⁶⁹

The interview is perhaps the most intricate and difficult part of the selection procedure. Despite this, in practice interviews are often conducted by persons who are most unqualified for the purpose, void of the required skill or experience or background.⁷⁰ The Banking Commission suggested: "It is important that the members in the Selection Boards should make themselves familiar with proper selection procedures".⁷¹ The Commission also observed: "The interview is no doubt an essential part of the selection procedure, but it should be so devised as to ensure the maximum possible measure of objectivity. Undue weightage should not be given to the interview vis-a-vis the written test and it should be considered as one of the subjects of examination having about 20 percent of the aggregate marks".⁷²

In all the banks interview is a very important tool in recruitment process. In early days interview was the only tool of selection used by most of the banks. Even now, in recruitment of subordinate staff interview is the key tool of selection.

Interview in recruitment of clerks and officers takes place in all banks after written examination. However, there is no uniformity among the banks, or in the same bank between different cadres and periods, in the norms for determining the candidates to be interviewed. It depends on different factors like policy of the bank, the terms of agreement with employees' unions, and the agency administering the test. If the testing agency is I.B.P.S., it usually supplies to the bank a list of candidates three times the number of vacancies, to call for interview. The other agencies furnish list of any number of candidates on the basis of cut-off score decided by the bank. In one bank, at present the terms of agreement with the employees' union provide that the number of candidates called for interview shall be three times the number of vacancy. In all other cases, the number of candidates called for interview depends on the decision taken from time to time by the management. The different practices are stated below:-

1. Calling all those who qualified in written test. The qualifying mark in written test varied from bank to bank and from time to time. In one bank it was 35 percent marks in 1981, 50 percent in 1985 and 60 percent in 1986. In another bank it was 40 percent marks in 1986. While some banks require the minimum marks in aggregate, others require a minimum score in each test.

2. Calling candidates 5 times the number of vacancy.

3. Calling candidates 3 times the number of vacancy.

4. One bank had a unique system in the seventies - 'Those getting less than 40 percent marks in any paper are first eliminated. Others are ranked in accordance with the aggregate of marks obtained in the test and the marks for academic examination converted out of a maximum

of 200. From this list, candidates equal to sixth fifth of the number of vacancies are called for interview, limiting the number of eliminations by interview to one sixth'. This system was introduced as per the terms of an agreement with the employees' union.

In all the banks, from early days selection interview is held by the directors except in very rare instances. In one bank, in the seventies, interview for recruitment to clerical and subordinate cadres used to be held by a committee of Chairman and some senior executives. In another bank a committee of three senior officers held the interview for recruitment of sub-staff. In all other cases, the directors conducted the interview. Usually, all the directors who are present constitute a single interview board. But in clerical recruitment, two of the banks constitute more interview boards with at least three directors in each. Although, usually the same members constituted the board at all places of interview, in one case of clerical recruitment the directors present at different centres of interview were different. In the interview for recruitment of specialist officers, an expert member from outside is also included in the interview board by some banks.

Generally there are no norms with regard to rating of candidates by interviewers. However, there are also instances, though rare, of well defined schemes. For example, in NBL the criteria followed in 1972 for awarding marks in interview were as given in Table 5-14.

TABLE 5-14

CRITERIA FOR AWARDING MARKS IN INTERVIEW, NBL IN 1972.

(a) General knowledge	...	25 marks
(b) Presence of mind	...	25 "
(c) Courtesy in behaviour	...	10 "
(d) Neatness in turn out	...	10 "
(e) Smartness	...	10 "
(f) Personality	...	10 "
(g) Speech	...	10 "

Total 100 Marks

It was also decided by the bank that a minimum of 35 percent marks in interview was necessary for being selected. The allocation of marks of interview in FBL in the recruitments of 1984 was as given in Table 5-15.

TABLE 5-15

CRITERIA FOR AWARDING MARKS IN INTERVIEW BY FBL IN 1984.

(a) General presentation (Manner, mental alertness, expression)	...	20 Marks
(b) Appearance	...	20 "
(c) Behaviour	...	20 "
(d) General knowledge	...	20 "
(e) Maturity	...	20 "

Total 100 Marks

The score of a candidate under each attribute varied with the grade awarded, as follows:

Very good	...	20 Marks
Good	...	15 Marks
Average	...	10 Marks
Poor	...	5 Marks

The Banking Commission suggested for interview 20 percent of the aggregate marks,⁷³ and I.B.P.S. suggests a ratio of 3:1 between the marks for written test and interview.⁷⁴ Though FBL accepted this ratio, in the other banks the weightage for interview is higher. However, none of the banks has a firm policy with regard to it and the ratio varied from bank to bank, period to period and cadre to cadre. The weightage for interview went upto 1:1 in certain cases and in one recruitment in SIB it was as low as 8 percent of the total points.

5.11 CHECK OF REFERENCES

Characteristics such as honesty and integrity are not really stable (across time) and not measurable by any test/tool. However, references from respectable persons may be called for, to check against questionable character.⁷⁵ In general, three types of references are of value in hiring procedures: (1) character (2) work and (3) school. Today character references are of very little value in applying for jobs. Since a character reference is selected by the applicant, one can usually predict the nature of the information that will be obtained - expression of high praise of the individual's ability and integrity.⁷⁶ In general, the principle holds that the closer one can get to the reference giver, the more accurate and valuable

will be the information obtained. If the two parties, know each other personally, the value of the information received can be extremely high.⁷⁷

In fairness to the applicant, checks should be made with three previous employers, wherever possible. It is conceivable that one previous employer's evaluation might be emotionally toned and completely non-objective. To take such findings from a single source at face value is both unfair and poor employment practice.⁷⁸ Sometimes, reference checking may be made as a measure in accordance with the code of conduct among employers. For example, the Reserve Bank in a communication to all banks in 1982, said: "We shall be glad if the Banks observe the code of conduct of making references to and obtaining prior clearance of the present employer before offering employment to an employee of another bank/financial institution".

Previously reference checking played a very important role in banks in selection of personnel. Some banks used to select a candidate only if his antecedents were personally known through the directors or some senior employee or some important customer of the bank. Later came into practice certain formal and informal forms of reference checking. The formal form was enquiry through branches or by enquiry letters to respectable persons of the locality. The informal form of reference checking was recommendation letters. To quote from the speech of the chairman of FBL at the annual general meeting in 1978: "if some responsible people who know the selected candidates personally assure us of their suitability, we employ them with great degree of confidence and relief. We even encourage candidates to produce such references at the time of final selection".

Reference checking was used by the banks only to ensure the suitability of candidates for the job, i.e. if the report was not favourable the candidate was not considered at all. At present none of the banks resort to any formal reference checking. Instead, the selected candidates are required to produce character certificates from respectable gentlemen of the locality. In SIB such persons should be known to the bank and the certificate should be in the form of a letter addressed to the bank. In NBL the certificate should be from 2 gazetted officers, or from one gazetted officer and one officer of the bank.

5.12 SELECTION AND RANKING

The various factors that weigh with the banks in recruitment and selection of personnel include:

- (a) Academic qualifications
- (b) Performance in written test
- (c) Performance in interview
- (d) Reference checking, and
- (e) The category of applicant.

(a) Academic qualifications: In the seventies FBL and NBL had well-defined norms to give weightage for the marks scored by candidates at qualifying examinations. In FBL 52 percent of the total points that decided the rank of a candidate were for academic qualifications - 40 percent for marks in qualifying examinations and 12 percent for certain special qualifications like C.A.I.I.B., Typewriting, Shorthand etc. In NBL, points for the marks scored in academic qualifications were 33.33 percent of the total points on the basis of which candidates were selected for interview. From

the candidates so called for interview, five sixth were selected, and only one sixth were rejected. The other banks also, though did not have such concrete systems used to give preference to candidates with higher qualifications. Such preference varied from preference in calling for written tests to preference in final selection. But in FBL in the seventies and early eighties overqualification conferred disqualification in recruitment of award staff. At present, in all banks, the role of educational qualification is limited to defining the minimum requirement in a candidate, i.e. a lower qualification makes a candidate ineligible, but a higher qualification does not confer any special benefit. However, as regards subordinate staff, overqualification is now a disqualification in all the banks.

(b) Performance in written test: Till early seventies written test was held only to find the suitability of candidates, and no weightage was given for the score in written test. But now, written test has come to play an important role both as a tool of elimination and as a tool of selection, i.e. while candidates getting below the cut-off marks are eliminated, in the selection from the other candidates the score of the candidate in written test is given weightage. The weightage given varies from bank to bank, cadre to cadre and time to time. In NBL it is 60 percent of the total points in recruitment to clerical cadre. This is the only case of a firm policy in the matter in any bank. In all other cases the Board of Directors take an appropriate decision each time. In some banks, the decision is confidential and is not revealed even to the Head of Personnel Department. The weightage given in certain recent recruitments by some banks is shown in Table 5-16.

TABLE 5-16

COMPARATIVE WEIGHTAGE FOR WRITTEN TEST AND INTERVIEW IN
RECRUITMENT IN CERTAIN BANKS.

Year	Cadre	Points for			Share in total points (Percentage)	
		Written test	Interview	Total points	Written test	Interview
1986	Clerical	230	20	250	92	8
1986	Clerical	150	50	200	75	25
1985	Clerical	300	200	500	60	40
1984	Clerical	150	100	250	60	40
1986	Officer	150	50	200	75	25
1985	Officer	200	200	400	50	50
1984	Officer	150	100	250	60	40

(c) Interview: In early years interview played the decisive role in selection of personnel. After elimination of the unsuitable candidates on the basis of performance in qualifying examinations and written test, the final selection of candidates depended solely on the rank awarded in interview. Now, though interview continues to play an important role, there are also other factors which influence the rank of a candidate. As in the case of written test, in interview also the weightage varies from bank to bank, cadre to cadre and time to time. Table 5-16 shows the weightage for interview in the recent recruitments in some banks.

(d) Reference checking: None of the banks award points for reports received on the antecedents of a candidate or for the character certificate produced. However, if such reports present an unsatisfactory image of the candidate, he is not considered for appointment.

(e) **Special Categories of Applicants:** Almost all banks have provisions to favour one or more of certain special categories of applicants. These special categories are:

- (a) Relatives of employees
- (b) Shareholders and nominees of shareholders
- (c) Candidates serving business interest
- (d) Employees, working in lower cadre.

The special provisions relating to these categories include relaxations in eligibility requirements (i.e. in academic qualifications and age), reservation of posts to be filled by selection through a special test of lower standard, exemption from written test, granting of bonus marks, etc.

Regarding the issue of making such special provisions, the Banking Commission is of the opinion that, 'extraneous considerations like relations of existing employees should not be given any weight as they tend to fetter objective selection on the basis of merit'.⁷⁹ The Sastry Award stated: "We are unable to support the demand that sons and daughters of employees should be given preference, as the employment of more than one member of a family in one and the same office is not free from certain risks. We however recommend that where a bank has a large number of offices it may give preference to the sons and daughters of employees and keep them in different offices".⁸⁰

Table 5-17 shows the weightage given by two of the banks in the past and at present, for the various tools of selection, in recruitment of officers and clerks. Similar data from the other banks are not available.

TABLE 5-17
TOOLS OF SELECTION USED AND WEIGHTAGE GIVEN - PAST AND PRESENT

Year and Cadre	Academic qualifications		Written test		Interview		Special categories		
	Points	Percent of total	Points	Per- centage	Points	Per- centage	Maximum points	Per- centage	Total points
Bank 1.									
1972, Officer	200	29	300	43	100	15	90	13	690
1985, Officer	Nil	..	200	50	200	50	Nil	..	400
1972, Clerk	200	40	300	60	*	..	@	..	500
1985, Clerk	Nil	..	200	50	200	50	@	..	400
Bank 2.									
1976, Officer	100	40	Nil	..	100	40	50	20	250
1986, Officer	Nil	..	150	75	50	25	Nil	..	200
1976, Clerks	100	40	Nil	..	100	40	50	20	250
1986, Clerks	Nil	..	150	75	50	25	Nil	..	200

* Candidates ranked high on the basis of points for qualification and written test, were interviewed, and final ranking was based on interview alone.

@ Certain percentage of vacancies is reserved and appointment is made by special recruitment.

In the recruitment of subordinate staff, all the banks make some eliminations on the basis of a preliminary screening and the remaining candidates are interviewed. Final selection and ranking of candidates are only on the basis of interview. In the seventies, NBL used to hold written test and only the successful candidates were interviewed for final selection. Almost all the banks give preference to candidates recommended by important constituents and other respectable persons. One bank stated that such a practice is followed because, 'the banks do not have any machinery to verify the antecedents of a candidate'.

5.13 TIME LAG IN RECRUITMENT

As soon as selection is over and a decision is arrived at, the candidates should be informed about the results. Not only is this fair, but it is also prudent. It is not right to keep a candidate in suspense. Any delay in communicating the result may well mean losing a good candidate. Admittedly, in an unemployment situation when competition is not very stiff, such delays do not have the same adverse consequence as in situations of full or near full employment. Therefore, a good deal of recruiting inefficiency can remain undetected. At the same time there can be no gainsaying the fact that undue delay must have some consequence, although it may not be severe.⁸¹ The Banking Commission suggested: "It is also essential that the selection process should be quick so that the time lag between the receipt of application and selection is restricted to a reasonable period of say three months".⁸²

The recruitment process of officers and clerks in banks have the following stages: Issue of notification, holding of test, holding of interview, publication of rank list and issue of appointment order. The interval between each of these steps varies from bank to bank, cadre to cadre and time to time. Table 5-18 shows the minimum and maximum time taken by the banks for each step in the selection process. It can be seen that the interval between the date of notification and the date of appointment varies between 8 months and 34 months. As said above, any undue delay may mean losing a good candidate.

TABLE 5-18

TIME TAKEN FOR DIFFERENT RECRUITMENT STEPS

Steps in selection process	Time taken
Between notification and written test	- 2 to 7 months
Between written test and interview	- 3 to 5 months
Between interview and first appointment	- 2 weeks to two months
Between first appointment and last appointment from the list	- Upto 2 years (Period of validity of the waiting list)
Between notification and first appointment	- 8 to 12 months
Between notification and last appointment	- 8* to 34 months

* In some banks, all appointments in a recruitment are made in one batch.

Table 5-19 shows a picture of the number of candidates presenting at each stage of selection in different banks for officer and clerical cadres. Though there is no evidence to suggest that the withdrawals of candidates are on account of the lagging of

TABLE 5-19
NUMBER OF CANDIDATES PRESENTING AT EACH STAGE OF SELECTION IN DIFFERENT BANKS

Year	Cadre	Applied/ Called for test	Appeared for test		Called for in- terview	Appeared for interview		Appointed	Joined
			Num- ber	Percent		Num- ber	Percent		
1979	Officer	1973	863	44	178	111	62	NA	..
1979	Clerk	6319	3020	48	856	727	85	NA	..
1985	Officer	2223	1236	55	162	152	94	40	98
1985	Clerk	8847	7538	85	356	334	94	159	74
1986	Clerk	17125	11559	67	1282	1180	92	172	85

Note: NA = Data not available.

selection process, still the role of it cannot be ruled out.

5.14 INDUCTION AND ORIENTATION

Induction consists of the task of introducing or orienting the new employee to the company. Rather than leaving him to stumble his way through the organisation, it is much better to properly and systematically introduce him to the company, its philosophy, its place in the industry or economy, its major policies etc. After this general introduction, the new employee is oriented by the supervisor to his job, and to his fellow workers.⁸³ Induction is not just acquainting him only with the organisational set up. He has to be attuned to the organisational philosophy, and organisational goals and objectives within the framework of the industry's goals and objectives.⁸⁴

A new worker hears many reports both right and wrong about management, its policies and the establishment in general from his friends, colleagues at work, trade unions and the general public. He forms his own notions about the work-place on this basis. It will add to his satisfaction if the relevant information is communicated to him through the management itself.⁸⁵ The objective of this induction programme is to provide the information and opportunity needed by all new employees to help them become satisfactorily adjusted to their work and assist them to develop an enthusiasm for the company, its ideals and responsibilities.⁸⁶

A complete induction programme also consists of a follow-up after a few weeks to ascertain how well the new employee has adjusted himself with his job and environment. This plan provides

for a personal interview, informal rather than formal by a representative of the personnel department. The employee is led tactfully to give utterance to any questionings or doubts that he may have entertained since starting work. Such grievances are usually imaginary or fictitious, but unless they are dispelled, they are likely to cause as much trouble as if they are real. Management cannot afford to ignore imaginary grievances merely because they are imaginary. If a grievance is justified, it is corrected by adjustment. If it is imaginary it is corrected by explanation.⁸⁷ But if an employee is found maladjusted even after that, it may be symptomatic of wrong selection or wrong placement. It thus gives an early warning of a later trouble.⁸⁸

A study on orientation was conducted at Texas Instruments in the mid-1960s. There, with a social orientation programme (which focused on assuring the employees that their chances to succeed on the job were good) training time could be reduced by 50 percent, training costs by 66.67 percent waste by 80 percent, product costs by 15 to 30 percent and tardiness and absenteeism by 50 percent.⁸⁹

The Banking Commission (1972) recommended that a clerical employee after recruitment should be given induction training for a short period in order to acquaint him with the history of the bank, its goals and objectives, organisational set-up, the nature of the work done in various departments etc. He should then receive a week's training in a particular banking service (for example, remittances) on the basis of programmed learning material. The employee should, thereafter, work in a branch on that particular desk for six months. This process will be repeated in regard to

other banking services and in about four to five years, the employee would have worked on all the different types of desks in a branch.⁹⁰ Regarding the training programme for officers, the commission suggested that the direct recruits to junior officers' cadre should also be given induction training and on-the-job training with the help of programmed learning materials, but the duration of their training should be about one year. The junior officers promoted from within the bank will not require either induction training or on-the-job training as they would have already worked as clerks for a minimum period of five years.⁹¹

In the initial period when the size of banks and the number of employees were small, new employees used to be directly posted in branches for on the job training. Later, when banks and the number of employees grew in size, the banks started their own training establishments, and in the orientation programme was included an initial institutional training. The duration of such training varied from one to six months in these banks. However, when pressure of work at branches and the number of candidates to be trained increased, banks reduced the period of institutional training gradually and the training programme for the fresh recruits now hardly lasts for more than two weeks. Moreover, now all the banks place new recruits for regular work at branches, and training programmes are arranged according to convenience. Thus at present, there is no formal induction or orientation programme in the banks.

5.15 PROBATION

As the new employee is an unknown and untried quantity, he is initially put on probation. The Sastry Award (1953) gave the

following directions regarding probationers: "We direct that ordinarily the period of probation should not exceed six months. However, in the case of persons whose work is not found to be quite satisfactory during the said period, but who are likely to improve and give satisfaction, if a further opportunity is given to them, the period may be extended by three months....In all other cases, probationers after the expiry of the period of six months should be deemed to have been confirmed unless their services are dispensed with on or before the expiry of the period of probation".⁹² Regarding remuneration, the Award directed that probationers should be paid the same emoluments as are fixed for the confirmed workmen.⁹³

The Desai Award (1962) states: "In the case of a person whose work was not found to be quite satisfactory and whose period of probation, in the opinion of the bank should be extended for a further period of three months in order to afford to him an opportunity to improve and give satisfaction to the bank, it would be open to the bank before the expiry of this period of probation to extend the period of probation for a further period of three months by giving notice in writing to him to that effect. If he does not desire to continue as a probationer for such further period, it would be open to him to intimate to the bank to that effect and leave the service of the bank".⁹⁴ Regarding the period of probation and remuneration to probationers, it endorsed the directions of Sastry Award.⁹⁵ The local bipartite settlement (1967) in Kerala⁹⁶ provided that the period of probation shall be only six months which may be extended by three months in extreme cases. This settlement also provided that the probationers should be given

the same salary as permanent employees.

The Pillai Committee⁹⁷ recommended for the directly recruited officers a probation period of two years, of which the first year should be for training - both institutional and in - service. They also suggested that no allowances shall be payable in the first year of probation, but in the second year Dearness Allowance, House Rent Allowance and City Compensatory Allowance should be payable.

The Tripartite Committee for Non-award Banks in Kerala proposed: "It is the view of this committee that the maximum period of probation of a bank employee shall not exceed nine months....The probationers who are allowed to continue after expiry of the probationary period shall be deemed to have been confirmed".⁹⁸

In the early years, appointment in a bank had various stages - unpaid apprenticeship, paid traineeship, probation and confirmation. The provisions relating to confirmation varied from bank to bank. Though it could be generally stated that an employee is confirmed in service 'on successful completion of probationary period', the yardstick of 'successful completion' varied from bank to bank, time to time and cadre to cadre.

In FBL, in the seventies officers were confirmed in service on completion of two years' training or on passing Part I of CAIIB examination whichever was earlier. Those qualifying in Part I of CAIIB were confirmed in a higher grade. Confirmation of clerks took place on completion of the specified training period or on passing three subjects in Part I of CAIIB examination, whichever was earlier. In the sixties, the bank used to lay down specific

conditions for confirmation. For example, the order appointing a clerk in 1967 states - 'his confirmation will be subject to the condition that he should pass typewriting (Higher), shorthand (Lower) and three subjects (English, Banking and Accountancy) in CAIIB Part I. But now, with the abolition of trainee system for award staff, confirmation is on successful completion of probation period of six months. Probation-cum-training period for junior officers is two years. In SIB, in early seventies, clerks were confirmed in service only after qualifying in typewriting (Lower) examination. But in the fifties probation period was normally six months.

At present, the total period before confirmation in the banks varies between one and a half years to two years for officers, and six months to one year for clerical staff. For subordinate staff it is six months in all banks. While FBL combined trainee period and probation period for officer, in other banks an initial trainee period precedes the probation period. Such banks pay the probationers on regular pay scales.

Confidential reports by controlling officers also influence the decision on confirmation of an employee. For award staff such reports are usually collected by the end of the probation period. Some banks, also collect an interim report. Reports on officers are more regular. PCB asks the branch managers to report monthly 'on the aptitude, contribution and interest of probationary officers'. In SIB, the probationary officers were asked to furnish a report on their achievements and limitations with the comments of the controlling officer.

In all the banks the success in attaining a deposit target formed a major criterion in confirmation of employees in service.

However, it was never made an apparent factor. Official assignments of deposit targets also did not take place. But now, this criterion is losing significance because of practical difficulties arising from union resistance, and Reserve Bank directives discouraging such practices. A survey made by the National Council of Applied Economic Research (New Delhi) revealed that the bulk of the depositors opened a bank account on their own initiative and only six percent of them were initiated through the efforts of the bank or the staff. The dominant reasons indicated by the depositors for choosing a particular bank were efficient, courteous and personalised service and proximity to residence followed by standing and size of the bank and interest rates.⁹⁹

Other than some stipulations of the sort discussed above, previously there were no regular rules regarding confirmation of personnel in banks. In most cases, the probationary period went long at the pleasure of the management. But, at present all the banks have specific provisions regarding probation period and confirmation of employees. However, there are also apprehensions raised by many that confirmation now has become almost automatic, undermining the role of probation system in ensuring a cadre of capable and suitable employees by rectifying the errors in recruitment.

5.16 RECRUITMENT OF WOMEN

Till the seventies banking was largely considered as a profession of men. Though some banks made appointments of women, such instances were very rare. FBL in 1972 imposed a ban on recruitment

of women to its cadres and this position continued till 1977. The year 1973, which witnessed a three and a half months long strike in SIB also saw a change in the policy of the bank in the matter of recruitment of women. The bank decided first to recruit women to the post of stenographers. Later, it was decided to have them as clerks also, their number not exceeding 15 percent of the total clerks. At present, there is no such ceiling or restriction, and women work in all cadres. In CSB, women were first recruited in 1976 to officer cadre and in 1978 to clerical cadre. NBL also started recruitment of women in 1976. PCB used to recruit women in early years, but the practice was stopped during an intermittent period and restarted in 1976.

Ever since the practice was started, the number and proportion of women among the clerical and officer staff have been steadily increasing in all the banks. Tables 5-20 and 5-21 show that though women started late they hold in some banks more than one third of the clerical posts and in one bank, more than eight percent of the officer posts. The lower rate in officer cadre is due to the substantially larger number of appointments to the cadre by promotion of clerical staff, giving weightage to seniority. In all banks, appointment of women in sub-staff cadre (other than as part-time sweepers) is made only in exceptional circumstances like appointment on compassionate grounds.

Table 5-22 shows the increase in total officers and clerks and the share of women in the increased number. This table is prepared covering only three banks since comparable data were not available from the other two banks. The table shows that in all the three banks the rate of increase in woman staff is higher than

TABLE 5-20

NUMBERS OF TOTAL OFFICERS AND WOMAN OFFICERS IN THE BANKS

		1986	1985	1984	1983	1982	1981
FBL	Total		1129	1028	878	839	810
	Women	NA	78	63	42	38	38
	Percentage		6.91	6.12	4.78	4.53	4.69
SIB	Total	1039	1014		927		
	Women	59	51	NA	42	NA	NA
	Percentage	5.68	5.03		4.53		
CSB	Total	679	682				
	Women	24	23	NA	NA	NA	NA
	Percentage	3.53	3.37				
NBL	Total	384	NA	341			
	Women	31	28	27	NA	NA	NA
	Percentage	8.07		7.92			
PCB	Total	78	79	79			
	Women	4	4	4	NA	NA	NA
	Percentage	5.13	5.06	5.06			

NA = Data not available.

TABLE 5-21

NUMBER OF TOTAL CLERKS AND WOMAN CLERKS IN THE BANKS

		1986	1985	1984	1983	1982	1981
FBL	Total		2427	2411	2204	2080	2040
	Women	NA	361	310	250	234	234
	Percentage		14.87	12.86	11.34	11.25	11.47
SIB	Total	1957	1932		1774		
	Women	666	644	NA	568	NA	NA
	Percentage	34.03	33.33		32.02		
CSB	Total	1516	1518				
	Women	522	518	NA	NA	NA	NA
	Percentage	34.43	34.12				
NBL	Total	698	NA	592	543		
	Women	206	188	149	120	NA	NA
	Percentage	29.51	..	25.17	22.10		
PCB	Total	181	183	185			
	Women	26	26	26	NA	NA	NA
	Percentage	14.36	14.21	14.05			

NA = Data not available.

that in total staff both in the case of officers and clerks. In SIB, while the total number of officers rose by 12 percent, the number of woman officers rose by 40 percent. Similarly, in NBL, the increase in total clerical staff was by only 29 percent while the rise in the number of women was by 72 percent. All these indicate the progressive participation of women in the profession of banking.

TABLE 5-22
INCREASE IN TOTAL STAFF AND WOMAN STAFF IN THE BANKS

	Officers						Clerks					
	FBL		SIB		NBL		FBL		SIB		NBL	
	T	W	T	W	T	W	T	W	T	W	T	W
Number at the commencement of the period	810	38	927	42	341	27	2040	234	1774	568	543	12
Number at the end of the period	1129	78	1039	59	384	31	2427	361	1957	666	698	20
Increase	319	40	112	17	43	4	387	127	183	98	155	8
Percentage of increase	39	49	12	40	13	15	19	54	10	17	29	7
Ratio between increase in woman staff and increase in total staff (Percentage)	12.54		15.18		9.30		32.82		54		55.4	
Percentage of woman staff to total staff in base year	4.69		4.53		7.92		11.47		32.02		22.1	
Percentage of woman staff to total staff at the end of the period	6.91		5.68		8.07		14.87		34.03		29.5	

T = Total; W = Woman.

5.17 FINDINGS

1. The managements enjoy only limited freedom regarding sources of recruitment. By the provisions of agreements with employees' unions, all the banks are bound to reserve specified percentage of vacancies for promoting employees of lower cadre.

2. There is no uniformity among the banks in the rates of reservation of vacancies for open recruitment and promotion. However, in all these banks the proportion for open recruitment is the largest at the lowest cadre, with diminishing proportions at higher cadres, and it is almost nil at senior grades in officer cadre. Thus, while the share for open recruitment diminishes at higher cadres, that for promotion increases.

3. Determination of qualifications for jobs is not based on job analysis. As a result, different banks prescribe different educational qualifications for jobs of same grade and cadre, and sometimes same educational qualification for jobs of different grade and nature. Within a bank also sometimes educational qualifications of different levels are fixed for different posts of the same grade. One bank has prescribed the same qualification for officers and clerks.

4. Though the salary scale of clerical staff is designed for an educational qualification of matriculation, all the banks studied prescribe graduation with a high percentage of marks as the minimum qualification for their clerks.

5. There is no correlation between the level of educational qualification prescribed by a bank and its remuneration rates. Very often, the 'B' Class banks with lower pay scales prescribe a

qualification higher than what is prescribed by some 'A' Class banks, for posts of same cadre and grade.

6. Age limits fixed by the banks for recruitment to various cadres do not have any direct relationship with the level of educational qualification prescribed. Very often, the upper age limit prescribed for a post requiring lower qualification is higher than that prescribed for posts with higher prescribed qualification.

7. Advertisement in newspapers is the usual form of notification adopted by the banks in recruitment to officer and clerical cadres. The contents of notification are very often insufficient to give the candidates a picture of the job, his prospects in the job, and the tools and criteria used in selection of candidates.

8. The tools of selection used by banks include academic qualification, written test, interview and reference checking. However, the tools used for ranking of candidates are only written test and interview, and academic qualification and reference checking are used only as tools of elimination. Thus, a candidate without the prescribed qualification, or with an unfavourable reference is eliminated. But with regard to written test and interview, while those performing below a standard level are eliminated, the ranking of the other candidates is based on the score in written test and interview. Some banks also have special provisions to favour certain categories of applicants like relatives of employees, shareholders, employees in lower cadre etc.

9. Previously, the banks used to eliminate some candidates after a preliminary screening on the basis of the particulars in the application blank, and written test and interview were held only for the rest. But at present application blanks are used by most of the

banks only for the purpose of collecting the biodata of candidates. However, the particulars collected through the application blanks in certain banks include some which are not only useless for the purpose of selection but also likely to present a misleading picture of the factors that are given weightage in selection.

10. Formerly, academic qualifications of the candidates were given heavy weightage in the selection and ranking of candidates. But now it serves only as a tool of elimination, and the level of academic qualifications of candidates or the performance in those examinations does not get any weightage in selection and ranking of candidates. At the same time, written test which was previously used only as a tool of elimination, is now widely used as a tool of selection, and the score in written test gets weightage in ranking of candidates.

11. Since early days, banks are making use of written test as a tool of selection. While in the past recruitment tests were administered by the banks themselves, now in all the banks works relating to administration of test and its evaluation are entrusted to external agencies. Written test administered by the banks direct comprised of some questions from general knowledge, general mathematics and general English, but it now consists of a battery of aptitude and personality tests.

12. In all the banks, interview is used as an important tool of selection. The interview board is constituted with the directors of the bank, except in rare instances of appointments of specialists in which case an expert from outside is included by some banks. However, there is no firm policy or uniformity among the banks in the matter of number of candidates interviewed or the weightage given for interview.

13. Powers relating to recruitment function are highly centralised in the top management. The duties of personnel department relate to discharge of clerical and administrative duties only and excepting these duties the personnel manager or the line managers are not in any way associated with the discharge of this function.

14. The time lag in recruitment is abnormally high in some banks. The interval between issue of notification for recruitment and issue of appointment order varies from eight months to 34 months.

15. There is at present no formal programme for the induction and orientation of new employees in any of the banks. The new employees are directly posted to branches, and are very often assigned regular duties.

16. On the whole, the recruitment system in banks has not taken a scientific bend. There is no firm policy regarding recruitment of personnel. The decisions with regard to norms are taken by the Board of Directors on adhoc basis.

5.18 SUGGESTIONS

1. Though it is necessary to provide opportunities for advancement of meritorious employees, the system of reservation of vacancies in higher cadres for promoting employees working in the lower cadre may not be desirable. If sufficient number of candidates are available internally, all the vacancies in higher posts could be filled by promotion. At the same time, if suitable hands are not available, the management should be free to explore other sources.

2. An effective recruitment notification serves two purposes - persuading the suitable candidates to apply for the post and

dissuading the unsuitable from applying. These twin objects would be served only if the notification conveys all relevant information regarding the job, the prospective employee, the method of selection

3. The common assumption is that the data collected by an organisation from the candidates through the application blank are of relevance in selecting or rejecting a candidate. Asking for particulars which are irrelevant and likely to arouse misgivings about the criteria used in selection would only jeopardise the reputation of the bank as a judicious employer. Therefore, it is desirable to restrict the enquiries in the application blank to matters which bear an obvious relationship with the job, and the method of selection

4. As was pointed out by different tribunals and committees, many of the duties in clerical cadre in a bank could be discharged by matriculates. Engaging candidates with higher qualification on such jobs generates frustration and disappointment in the personnel. The establishment expenses of the bank also rises. Moreover, such recruitments practices in the economy induce people to go for higher education just for getting an employment which does not really require any skill of such higher degree. A higher qualification prescribed should be justified by the contents of the job and should be rewarded with higher pay.

5. It would be desirable to have some logic in determination of the age limits in recruitment. Naturally, the age limits prescribed for a post requiring a higher qualification would be higher and vice versa.

6. As no tool of selection is perfect and completely reliable, a scientific blending of various tools giving due weightage to each would be more desirable. The system should be developed on the basis

of scientific study and analysis. It should be one that does justice to both the organisation and the candidates.

7. It is desirable to have formal induction programmes for new employees at which the employee is introduced to the bank and its goals, objectives, philosophy and policy so that the employee is enabled to start his career in a spirit of understanding and reconciliation. Under the present system an employee is compelled to make a judgement about the bank on the basis of information both right and wrong, reaching him from various sources.

8. Lagging of recruitment process is likely to lead to loss of the best among the candidates. It should not be forgotten that there is no dearth of chances for the really meritorious. Hence, it is desirable to bring down the time lag in recruitment procedure to reasonable limits.

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CHAPTER 6

TRAINING AND DEVELOPMENT

Training attempts to improve an individual's performance on his current job or prepare him for an intended job. Development is a related process. It covers not only those activities which improve job performance but also those which bring about growth of the personality, help individuals in the progress towards maturity and actualisation of their potential capacities so that they become not only better employees but also better men and women.¹ After an employee has been selected, placed and inducted he or she must next be trained. Training is the act of increasing the knowledge and skill of an employee for doing a particular job. Training is defined as any organisationally planned effort to change the behaviour or attitudes of employees so that they can perform to acceptable standards on the job.²

6.1 IMPORTANCE OF TRAINING

Machado premised that no more than ten per cent of the human intelligence had been exploited over the past 50,000 years and therefore, even a marginal increase of one to two per cent during the next 50 years could lead the human race to a unique revolution.³

Whilst the normal assets of an organisation such as buildings and machinery depreciate through use, manpower asset can increase in its value through utilisation and adequate development. No development programme is complete, unless it fosters and sustains the growth of personality. A person well acquainted with his job feels confident and secure and is likely to have a more positive attitude towards his work than one not having the requisite competence.

Training improves morale, creates confidence in the minds of employees about the employer's interest in their well-being, and promotes human relations.⁴

No firm has a choice of whether to train or not, the only choice is that of method. If no planned programme of training is established, training costs have not thereby been eliminated. The employee must engage in self training by trial and error or by observing others. It has been proved that the absence of a systematic training programme generally results in higher training costs, not only because of the considerably lengthened learning period but also because of the likelihood that the employee will not learn the best of operating methods.⁵

Till the sixties, when banks were small and were growing slowly, development of personnel was a matter which was taken care of by the natural process of evolution of a banker. However, the rapid growth of banking and the new dimensions acquired by it has made it necessary to think of development of personnel on a more urgent basis. The need for quality has become necessary in most departments and in many departments the degree of expertise required is of higher order. It would be suicidal to leave the acquisition of skills of such a high order and magnitude to the natural course of evolution.

Observations of certain authors about the importance of training functions in banks are notable:

(a) 'As the banks have in the past performed their functions fairly efficiently and effectively even without a very elaborate training effort, the question arises why does it become necessary to undertake a massive effort in the near future? The answer lies in the unprecedented quantitative and qualitative changes which have

greatly increased the pressure on the personnel not only to continuously acquire new knowledge and skills but even to acquire traditional experience within a much shorter period of time'.⁶

(b) 'Now the situation is not so simple with the growth of the industry in size, scope and content. The old employee skills are insufficient. Multifarious activities of the banking units in new fields and classes of customers like agriculture, small scale industries, small traders, artisans and small farmers, self-employment schemes etc. have extended vastly the need for specialist knowledge, skills and traits'.⁷

(c) 'A career in banking was essentially a career in urban surroundings. There is a change in this: the bank personnel are now required to serve in villages with entirely different set of conditions. Several functions that the public sector banks are called upon to perform now were unknown to them a few years ago and the banks personnel had to learn these in a short period'.⁸

(d) 'Practices need to be reviewed for cutting down avoidable delays in matters like opening of accounts. In any case through systematic training programmes, the bank personnel at various levels need to be equipped to shoulder the responsibilities of public servants. Expansion of new services by banks requires specialised skills that should be integrated effectively with the basic bank management structure'.⁹

(e) 'All the world over, banks are redefining their social role. This has required them to lend to client systems and for purposes considered 'unbankable' by conventional canons of banking, undertake (in the developing world) an accelerated pace of expansion to reach out under-banked and unbanked areas, and generally organize

themselves as active agents of change and development'.¹⁰

(f) 'Due to the increased emphasis on the developmental aspects, a host of diverse activities are now encompassed in the banking business. The degree of success in realisation of the objectives of banking depends, in a large measure, upon how well the banking organisation locates, develops and makes use of the talents of its people. Skilful management can make work assignments a more satisfying experience for every employee and, at the same time tap his energy, knowledge and creativity to the full extent. An urgent need has thus arisen to give increased attention to management development in banks in order that the personnel in the banks are emotionally involved in and technically equipped for the work'.¹¹

(g) The Working Group on Training Facilities, set up by the Reserve Bank in December 1967 under the Chairmanship of Shri.B.N. Adarkar felt that training was a necessary tool in the hands of the management to bring about qualitative changes in the attitude and behaviour of bank personnel, and it therefore viewed training in the broad sense of the term to facilitate the development of both technical and management skills of bank officials. According to the Working Group, the objective of training should be to make an officer not merely a good banker, but also to develop his potential as a leader in the profession of banking.¹²

Before distributing crores and crores of rupees to lakhs and lakhs of people, thousands and thousands of bank officers have to examine and evaluate many social and economic problems of development in India. This is not a task which could be carried out off-hand.

6.2 TRAINING AND DEVELOPMENT: A PERSONNEL FUNCTION

The emergence of training - aimed at development of knowledge, skill, attitudes, including purely vocational training has added another dimension to personnel management. Fast moving technical changes demanding more and more people with higher skills or even different skills have emphasised the need for systematic education and training schemes for the employees. Raising the level of their skill, increasing their ability and above all imbuing in them a readiness to meet changes in work and organisation, are the main aims of training. While the individual manager has a personal responsibility for the training, development and progress of those who work under him, personnel and training specialists have a responsibility for educating the managers about this responsibility, advising them on methods of training and the administration of centralised or company training programmes.¹³

Four personnel functions are directly related to training and development: job analysis, performance appraisal, selection and career planning. Job analysis describes the activities and behaviours necessary to perform a job. The objective of the training programme is to master the behaviours and activities of the job. The performance appraisal function, by specifying acceptable standards of performance, prescribes the level of performance necessary to master a required behaviour or activity. After training and some length of time on the job, an employee's performance is typically evaluated. Such appraisals can serve as criteria for measuring the success of training programmes. Selection information can be used to identify and place employees in appropriate training programmes. With regard

to employee development, the career planning function identifies employee development needs and possible paths of advancement through the organisation.¹⁴

Personnel managers have five major responsibilities for the training and development function. These include:

- (a) determining the training and development needs,
- (b) specifying training objectives,
- (c) designing a programme,
- (d) implementing the programme, and
- (e) evaluating the programme.

Large and prosperous organisations employ training and development specialists for training and development activities. It should also be born in mind that training is only one of a number of mutually dependent components of a personnel programme. It cannot be effective unless policies and practices in related areas support and sustain the training effort. There have to be good recruitment processes, equitable promotion policies, adequate incentives and so on.¹⁵

ATIRA's long training experience with the textile industry has provided the following insights into the training task - in content, methodology and organisation.

(a) Operative training is not merely the imparting of skills. It is presumptuous to take the position that quality, efficiency and productivities come only from the acquisition of skills. The repertoire of skills in a worker is really one small part of the morale and pride of an efficient employee force. Skills have to be released through positive attitudes and this is equally the task of the trainer.

(b) Operative training has greater returns when integrated

with other personnel procedures such as selection and induction. It "makes more sense" to the work organisation that way.

(c) Operative training works best when viewed as an important organisational responsibility. It cannot be subcontracted as somebody else's job.¹⁶

6.3 POSITION OF TRAINING IN INDIAN BANKS

In the past, the Indian Commercial banks did not have any elaborate training programmes and the employees were expected to learn and equip themselves by on the job training. The only exception was the encouragement given to them to pass the examinations conducted by the Indian Institute of Bankers and similar institutes in England and Scotland. Of course, a few big commercial banks were imparting training to the members of their staff in their own procedures and practices mainly at the basic level.¹⁷ In 1951, the United Commercial Bank Ltd. started its own training centre. The Punjab National Bank Ltd. opened its training college in 1958. In 1962, the Bank of India and Bank of Baroda jointly started a training college.¹⁸

The Central Banking Enquiry Committee gave an account of the position in 1931 as follows: "Owing to a lack of co-ordination between banks and educational institutions, there are at present, on the one hand, many men trained in banks in the business of banking but devoid of sound general knowledge and sufficient knowledge of the theory of banking....and on the other hand, there are graduates well versed in theory but devoid of practical knowledge who are not readily taken up by banks. The development of banking has been hindered owing to the paucity of Indians trained in the theory as well as in practice of banking".

'The Working Group on Training Facilities for Senior and Middle Level Personnel of Commercial Banks' constituted in December, 1967 under the Chairmanship of B.N.Adarkar, the then Deputy Governor of R.B.I. concluded that most of the commercial banks did not have a systematic, constructive and integrated approach to develop their personnel with a view to building up their morale, increasing their productivity and ensuring executive succession.¹⁹

The Committee on Functioning of Public Sector Banks observed: "The importance of training and education has not been integrated into the organisational and functional set up of the banks and follow up measures have not been taken to ensure that the trained manpower is properly or adequately used for the efficient functioning of the banks. There is, thus, some avoidable wastage of the knowledge and skills acquired by the trained staff. As regards the training programmes conducted by the staff training colleges of banks, these consist broadly of clerical level courses and junior officers level courses".²⁰

The working group to review the training arrangements in banks (1980) found that most of the courses designed by banks are only upto the level of middle management.²¹ However, officers in senior management are sent for seminars, conferences, short duration courses etc..Since the nationalisation of banks in 1969, training activities have received increased attention from the Government of India and the Reserve Bank.

In 1973 the Government of India set up the Committee for Formulation and Implementation of Training in Public Sector Banks. The Committee, for the first time provided a forum for formulation of plans, monitoring them and deciding on activities at the industry

level.²² For strengthening the training arrangements in banks with a view to providing adequately motivated and trained manpower, a standing co-ordination committee under the chairmanship of a Deputy Governor of the Reserve Bank was constituted in March 1986 to co-ordinate, monitor and guide the training arrangements in banks on an ongoing basis.²⁵ The functions of the committee are to (i) co-ordinate among industry level training institutions 'interse' as also with the training establishment of banks, (ii) assess the emerging training needs and gaps, if any, in the existing arrangements and suggest appropriate action by banks, (iii) review the training infrastructure and assess the adequacy of arrangements regarding manning and training of faculty, procedures for selection of candidates for training and their post-training placements and generally evaluate the effectiveness of the training systems, (iv) authorise special studies/research work for furthering the cause of training in banking, and (v) provide appropriate guidance to banks for evolving and implementing a comprehensive system of training to all categories of bank staff.²³ A conference of the General Managers of major commercial banks, organised by the National Institute of Bank Management in 1976 suggested that a separate Banking University be set up which could systematise the apprenticeship for professional bankers.²⁴

6.4 THE INFRASTRUCTURE FOR TRAINING

The infrastructure for training of bank personnel in India comprises

- (i) The National Institute of Bank Management (NIBM)
- (ii) Bankers' Training College
- (iii) College of Agricultural Banking
- (iv) The Indian Institute of Bankers
- (v) The regional training colleges set up by the private sector banks
- (vi) The Staff Training Colleges and centres of the public and private sector banks

(i) National Institute of Bank Management (NIBM): The Working Group which studied the training structure for the staff of commercial banks in India suggested that there should be a two-tier training structure to meet both the quality and size of the training efforts. It recommended that the first tier should consist of a central agency to initiate and co-ordinate measures for the development of the banking profession in the country at the highest level, and the second tier comprising all the other training institutions which could provide training at junior officer and clerical level of commercial banks. Following the recommendations of the working group, the National Institute of Bank Management was set up as a central initiating and co-ordinating agency.²⁶ The Institute thus, came into being in September 1969 with the support of the Government of India, the Reserve Bank, the State Bank of India and the other banks. It is a Registered Society whose members are the R.B.I., Indian nationalised and private banks and foreign banks operating in India.²⁷

NIBM was established to serve as an apex institute of the banking system to initiate and co-ordinate all matters connected with training of bank personnel and relevant research and consultancy

in the bank management problems. The institute has four functions which are: (a) training of the higher level personnel in management and functional areas. (b) research into problems of concern to the banking industry. (c) consultancy to individual banks to translate policies and findings into suitable programmes, and (d) education at post-graduate level, to assure a steady supply of high calibre personnel to the banking industry to solve complex bank management problems. The Institute developed standardised teaching and training materials for use in bank's colleges and training centres. It also produced a series of programmed learning texts for all standard activities of bank at the branch level.²⁸ The Institute also provide consultancy help to banks in recruitment, business development and management development.²⁹

(ii) Bankers' Training College (BTC): It was established by the Reserve Bank in 1954 to train officers from the Reserve Bank, commercial banks, development finance institutions, government as well as foreign banks. The teaching staff of the college consists of officers drawn from various departments of the R.B.I. on deputation for about three years. The college faculty is supplemented by guest lecturers.³⁰

(iii) College of Agricultural Banking: It conducts programmes on rural credit, rural development, financing of agro-based small scale industries, rural credit management etc.

(iv) The Indian Institute of Bankers: The Indian Institute of Bankers was established in 1928 as a professional body for encouraging the study of the theory of banking and for that purpose instituting a scheme of examinations for bank personnel. It is managed by a council consisting of the Governor of the Reserve Bank and other eminent

bankers.³¹ It is only an examining body and provided no training facilities at all. The Institute, besides conducting CAIIB examinations for bank employees, publishes a quarterly journal containing notes, articles and legal decisions of interest to bankers. In addition to the associateship examination which it was holding from the very beginning, it also introduced in 1982, the examination for Diploma in Bank Management for those who have completed CAIIB. The Institute suggests that the diploma holders can be absorbed as middle level executives in all public and private sector banks.

(v) Regional training colleges: To meet the training needs of smaller banks and to supplement the training facilities in the other banks, two colleges have been set up by the private sector banks - one in New Delhi and another at Coimbatore for northern and southern regions respectively. The Southern Indian Bankers' Staff Training College at Coimbatore is run by the College Society constituted with the membership of the associate banks. It was established as an autonomous body in 1972 by the twenty private sector banks in southern regions. The working funds of the college are raised by contribution from member banks.

(vi) Staff Training Colleges of Banks: A study conducted for the Banking Commission in 1972 revealed that twenty banks (including 16 banks in the public sector) had colleges/centres for training of their officer and/or clerical staff and 13 of these banks had arrangements for training of staff in matters such as (a) deposit mobilisation, public relations; (b) financing of exports, agriculture, small-scale industry, retail trade; (c) personnel relations, supervisory skill etc. Three other banks deputed staff for training to colleges/centres of other banks.

At present, except a few small banks, all the banks maintain their own staff training colleges. The Banking Commission (1972) contemplated a training organisation with the NIBM as the central agency and the colleges of banks as constituent units. It observed: "Considering the magnitude of the problem of training bank staff, it is necessary to devise a planned programme and to provide a central directing agency with adequate authority to implement it. The NIBM should undertake the task of planning, co-ordinating and directing the training programme. It should work on the lines of a university and the colleges of all commercial banks as well as the B.T.C. should be its constituent units."³²

6.5 TRAINING METHODS

The methods adopted by the banks to train their employees include -

- (a) Vestibule training
- (b) On-the-job training
- (c) Publications of the bank
- (d) Other facilities provided by the bank, and
- (e) Monetary and non-monetary incentives

6.5.1 Vestibule Training

The reason for the establishment of training institutions lies in the law of functional growth. When the amount of training that has to be done exceeds the capacity of the line supervisor, a portion of this training is evolved from the line and assigned to staff through training centres. The advantages of using training school system are the advantages of specialisation. The instructor, a specialist, should be more skilled at teaching. The student avoids the confusion and pressure of the work situation and thus is able to

concentrate on learning.³³ This type of training arrangement may be of two categories: (i) in-house, off-the-job: specially arranged training exercises for the exclusive needs of the particular organisation (ii) open-house, external: ongoing training programmes elsewhere for mixed audiences found relevant for the needs of the particular organisation.³⁴

6.5.1.1 In-company Programmes (Staff Training College of the Bank)

One of the better personnel programmes to come out of World War II was the Training Within Industry Programme of the War Manpower Commission. This was basically a supervisory training programme to make up for the shortage of civilian supervisory skills during the war.³⁵ Where employee numbers are small, it may not be worthwhile to set up a training establishment and conduct in-house programmes, but as the numbers increase, this option may offer a distinct possibility.

As suggested by NIBM, to facilitate the trainees to get away from their day to day problems and concerns to reflect on their experience and to explore ways of becoming more effective in their work situation, a certain distance between the training institution and the main organisation may be desirable.³⁶ For the same reason, it is also desirable to have residential training colleges.

All the banks studied except PCB have their own staff training college to train the employees. Three of the banks started it in the sixties and the fourth bank (NBL) in 1980. During an interim period (from 1970 to 1976) all the private sector banks in Kerala (except FBL) jointly maintained a Joint Bankers' Training College at Trichur. The faculty of the Joint Bankers' Training College consisted of officers deputed by associate banks and some professors

of neighbouring colleges. However, in 1975 and 1976 respectively two of the banks (CSB and SIB) dissociated from the venture to re-start their own training institutions, leading to the winding up of the Joint College.

The bank which does not maintain its own training college was making use of the facilities of other banks by arrangement for some time; but now it depends mainly on the courses offered by the different training agencies like SIBSTC, BTC etc. to train its officers. Only one bank (FBL) has residential training college.

6.5.1.1.1. Faculty. The faculty of training colleges may comprise of on-deputation faculty, core-faculty and guest faculty. On-Deputation faculty include those officers of the bank who would come on training assignment for three to five years and would return to the main organisation after the period of deputation is over. The core faculty would consist of officers who would more or less remain permanently with the training institutions. The NIBM suggested that if the course design requires the assistance from the guest faculty it may also be sought. In that case, it is very necessary to get the guest faculty involved in the course right from the course designing stage.³⁷ The Banking Commission felt that it would be good if some of the tutors, say about 50 percent of the total strength, remain in the colleges on a permanent basis and the others come on a deputation basis.³⁸ The collaboration between faculty members drawn from operational posts in the banks and the core faculty brought from academic circles has worked to the advantage of both and has developed teams with a blend of academic strength and operational experience.³⁹

The committee on Functioning of Public Sector Banks suggested that the faculty members of the training colleges should be selected according to their aptitude and experience and the teaching position should be made more attractive.⁴⁰

The Working Group to review the training arrangements in Banks (1980) observed: "One of the difficulties pointed out to the Group in the selection of the right type of personnel as trainers is the lack of adequate incentives to talented personnel taking up such assignments....The results of training are imperceptible and very often the trainers do not get as much recognition for a job well done as operational people....Bank management should demonstrate that a trainer's is a prestigious placement in the hierarchy of the bank and that this will be given only to candidates of proven merit. If this approach is built into the system, the status of the trainers would be elevated and the very selection for such posts would be construed as a recognition of merit".⁴¹ But today, the selection of faculty does not get the attention it deserves. Apart from the ability for teaching, which a trainer officer should have, he should also be a highly motivated person. A frustrated trainer officer will only generate frustration among the trainee employees. A poor quality of training provided makes the trainees indifferent.⁴²

The Review Committee for training, appointed by the Banking Commission pointed out that in most of the colleges, the size of the teaching faculty is relatively small which hampers development of training techniques and specialisation and expertise in various fields of banking operations. In several cases, the training faculty is selected on the basis of availability rather than on the basis of importance and priority given to training.⁴³ The suggestion of NIEM

is that the principal can be entrusted with the task of selecting the faculty.⁴⁴ If the faculty is not given proper status in the organisation, it is difficult to sustain their motivation. Table 6-1

TABLE 6-1
POSITION OF THE FACULTY AMONG OFFICERS IN THE SAMPLE BANKS

Grades in officer cadre*	FBL		SIB		CSE		NBL	
	Total number of of- ficers	Number in facul- ty	Total number of of- ficers	Number in facul- ty	Total number of of- ficers	Number in facul- ty	Total number of of- ficers	Numbe in facul ty
I	2	-	1	-	1	-	2	-
II	6	-	3	1(P)	2	-	7	-
III	13	-	13	-	10	-	16	1(P)
IV	49	1(P)	31	1	21	1(P)	155	1
V	279	6	68	1	108	1	193	-
VI	731	-	332	-	171	1	-	-
VII	-	-	590	-	363	1	-	-

(P) = Principal.

* Grade I represents the highest grade and Gr.VII the lowest.

shows the position of the faculty of training colleges of the banks among officers. It can be seen that except the principal, the other faculty belong to the lower strata of officer cadre in all these banks.

In all the banks, the faculty of the training college is appointed by deputation from general stream and they continue in the post during the pleasure of the management. Only FBL has

stipulations regarding the academic and other qualifications required for the faculty. There, it is provided that the members of the faculty should have (a) experience of at least five years as officer, (b) post graduation or double graduation, and (c) CAIIB Part I pass.

In two of the banks, members of the faculty are entitled to a special allowance. In one bank, there are also two part-time lecturers.

The committee appointed by the Working Group to Review the Training Arrangements in Banks (1980) recommended the following facilities in staff training colleges:⁴⁵

- 1 faculty member per 720 clerks/340 officers
- 1 class room per 2500 clerks/1200 officers
- 1 discussion room per 2500 clerks/1200 officers
- 1 hostel bed per 100 clerks/60 officers

The Working Group also suggested that to run a training channel, 3 faculty members are required at the rate of two hours per day per faculty member and six hours of class room sessions in a day.

It also suggested that to train clerks, 30 would be the optimum number in a batch, for officers it would be 25.⁴⁶ The experience of NIEM is that the faculty requirement per course is four, assuming that half the day of the trainer will be spent in the class room, the other half day being devoted to development of training material, administrative work connected with the conduct of the course, work on study teams and internal committees studying management problems.⁴⁷

At the end of 1975, the faculty strength of the entire training complex of public sector banks stood at 290 persons, while

the total number of bank employees in public sector banks in 1976 was 3,59,866 consisting of 75,009 officers, 1,96,093 clerical staff and 88,764 subordinate staff.⁴⁸ Table 6-2 shows the ratio between the number of total staff and the number of trainers in different banks. It can be seen that the number of employees per faculty member

TABLE 6-2

RATIO BETWEEN NUMBER OF TOTAL STAFF AND NUMBER OF TRAINERS IN 1986

	FBL	SIB	CSB	NBL
Total number of employees	5010	3782	3003	1521
Total number of full-time trainers	7	3	4	2
Number of employees per trainee	716	1260	750	761
Number of office staff: (2+5+3) (Officers + Clerks + Sub-staff)	10	(0+2+1) 3	(0+1+1) 2	(0+0+1) 1
Part-time lecturers	-	2	-	-

is above 700 in all banks and in one bank it is 1260. But in this bank, there are also two part-time lecturers. If they are also included, in this bank the rate comes to 756. Thus, it could be seen that in all the banks the rate is above 700. In all these banks according to requirement, guest lecturers are invited from the departments at head office and from other banks. According to the nature of the programme guest faculty are also drawn from SIBSTC, NABARD, BTC etc. In 1984, the training college of a bank with more than 4,000 employees had only the principal as full-time faculty.

The number of office staff also varies between one and 10. While in one bank there is only a peon to assist the faculty, in another bank there are 10 office staff including two officers. But in this bank, the training department has also the duties relating to maintenance of records of training, and selection of trainees. In some of the banks other works like compilation of circular letter and other instructions to branches, publication of the bank's magazine, etc. are also entrusted to the training college staff. In the bank having seven faculty members, the training college conducts two-channel programme.

6.5.1.1.2 Principal. The Review Committee appointed by the Academic Committee of the NIBM in its report recommended that (i) for revitalising the training colleges of commercial banks persons of senior status should be appointed as principals who should be actively associated with the formulation of personnel development policies, (ii) the infrastructure of training including teaching faculty and libraries should be strengthened and (iii) the teaching methods should be modernised.⁴⁹ Another suggestion of NIBM is that having recognised the training college as the apex institution for training in the bank, it is essential to make the principal - the head of the apex institution - directly responsible to the chief executive of the bank. It is also essential to see that any type of vertical relationship does not get developed between the training institutions and any unit of the main organisation.⁵⁰ Table 6-3 shows the position of the principal of the training college in the banks studied. It can be seen that in two of the banks, he belongs to the middle level of management; in one, to the lower level

and in the other, to the higher level.

TABLE 6-3

GRADE OF THE PRINCIPAL OF TRAINING INSTITUTION

Bank	Number of officer grades in the Bank			Level of the Principal's grade
	Total	Above that of the Principal	Below that of the Principal	
FBL	6	3	2	Lower
SIB	7	1	5	Higher
CSB	7	3	3	Middle
NBL	5	2	2	Middle

Note: If the numbers of grades below and above are the same, the grade of the Principal is considered as belonging to the middle level. If the number above is more, he belongs to the lower level, and vice versa.

6.5.1.2 External Training

External courses provide an opportunity for sharing experience, discussing common problems with persons from other organisations, being exposed to new ideas and attitudes, being made aware that there can be more than one way of performing the same task and more than one solution to the same problem.⁵¹ Sometimes external training programmes may fail to deliver results because, (1) the training contents are based only upon general problems which may not be relevant in a specific case, and (2) there would be difficulty in implementing the new ideas because others around him are unaware of them.⁵²

All the banks make use of the services of external agencies

that provide training facilities for bank staff. Such agencies include, Reserve Bank of India, Bankers' Training College, College of Agricultural Banking, National Institute of Bank Management, Indian Banks' Association, Indian Institute of Management, Southern India Bankers' Staff Training College etc. Three of the banks depute only officers for external training. SIB deputs also Head Clerks for courses intended for senior clerks. In FBL an employee in clerical cadre may be sent for external training if he has passed part II of CAIIB examination.

In all banks, staff deputed for external training are to submit a brief report on the training, indicating its nature, usefulness, innovations to be made in the light of the training, etc. In one bank, they should visit the Head Office with the report to have a discussion on the matter. In one bank, the employees deputed for external training have to execute a bond agreeing to serve for a further period of at least three years. Table 6-4 shows the extent to which external training facilities are made use of by the banks to train their staff.

6.5.2 On-the-job Training

It is the basic system of training which must be used to some degree by all organisations. It has the advantage of strongly motivating the trainee to learn. It is not located in an artificial situation either physically or psychologically.⁵³ On-the-job training is sometimes referred to as "Tell, Show, Do and Review" because of its steps: (1) "Tell" (the trainee is told how to do the activity) (2) "Show" (the trainee is shown how to do it); (3) "Do" (the trainee has an opportunity to practice the activity); and (4) "Review"

TABLE 6-4

PROPORTION OF EXTERNAL TRAINING TO TOTAL TRAINING

Bank	Period	Number of officers trained		Percentage of externally trained to total
		Total	Externally	
FBL	January '86 to April '86	284	62	22
SIB	September 1985 to December '86	341	59	17
CSB	1985	355	26	7
	1986	325	50	15
NBL	July '86 to December '86	115*	39	34

* Includes also clerical staff.

(the trainee receives feed back and correction on practice attempts)

In case of many organisations in India, the new employee is asked to report to his superior. The superior is very busy. Accordingly he merely asks the new employee to learn by watching him. The result can be embarrassment to the new employee. He is likely to be frustrated particularly if he is the sensitive and eager to work hard type of individual. This is obviously undesirable.⁵⁵

A person may, and often does, develop as a result of his experience on the job, but it cannot be regarded as a part of development plan unless it has been deliberately brought about keeping in mind the person's development needs, his strengths and weaknesses.⁵⁶ By and large, however, the newly recruited staff were expected to acquire proficiency of the bank's routine through 'on the job' experience and rotation of duties.⁵⁷ Job rotation is a commonly used method for acquiring skills. Job rotation programmes move employees

from one job to another in the organisation with the goal of familiarising them with each job. The major objective of position-rotation development is broadening the background of the trainee in the business. A person can be moved from job to job so that he can understand how different activities fit into each other and also develop an understanding of their difficulties and contributions. In order to be really effective, job rotation should cut across functional boundaries.⁵⁸

The Working Group on Customer Service in Banks suggested that new recruits in banks should, after their induction training, be given marketing assignments, like deposit mobilisation, at least for some length of time. Such exposure to public right at the beginning of career would help development of people-oriented attitudes conducive to good customer service.⁵⁹

In all the banks studied there were regulations which required a new recruit to undergo a period of on the job traineeship before absorption into regular service. Though at present, the 'trainee' system has been abandoned for award staff by some of the banks, on the job training is the most common method of training in all the banks. Under the system in these banks, even new employees are posted for regular works where they learn the job by doing it. Periodic transfers of officers and rotation of job among staff are also methods adopted by these banks to build up versatile personnel.

Some extracts from the instructions of the banks regarding on-the-job training are given below:-

(a) 'Supervisory staff should give proper training and guidance to the members of staff and trainees under them'.

(b) 'Managers and other supervisory staff are requested to train other members of staff as to the correct and proper methods of work'.

(c) 'Branch managers should ensure that there is half yearly rotation of duties'.

(d) 'The trainees are under the special responsibility of their immediate superiors in the branches. They should give proper training and guidance to the members of staff and trainees under them. In evaluating the performance of supervisory staff this aspect will be considered along with other matters'.

6.5.3 Publications of the Bank

All the banks use various types of communication to educate personnel regarding the rules and regulations of conduct of business. These include circular letters, circular memos, house magazines, bulletins, manual of instructions, etc. FBL states about its bulletin thus: 'it is an official organ of the bank for internal communication of the bank's policies, strategies, activities'.

6.5.4 Other Facilities Provided by Banks

Most of the banks have different schemes to provide opportunities and facilities to the staff to acquire special skills and knowledge useful for banking. Some such past and present schemes in certain banks are stated below:

(a) Reimbursement of tuition fees and examination fees to clerk trainees undergoing typewriting and shorthand courses (in FBL).

(b) Duty leave to appear for CAIIB examination.

(c) Reimbursement of examination and membership fees in the Indian Institute of Bankers.

(d) Reimbursement to typist-clerks who have passed typewriting (Higher) and shorthand (Lower), tuition fee for studying shorthand (Higher).

(e) Payment of fees and reimbursement of cost of books for acquiring special qualifications useful for the bank.

(f) Payment by the bank, of entrance fee and monthly subscription for membership of officers in Bankers' Club, 'as it would facilitate exchange of ideas of mutual interest'.

6.5.5 Monetary and Non-monetary Incentives

These incentives are provided mainly to encourage the employees to acquire certain skills and qualifications that are useful in banking. Some such past and present incentives are given below:

(a) Special increment for post graduates.

(b) Special increment for employees who have successfully undergone Reserve Bank training.

(c) Payment of honorarium to those who are successful in Diploma in Bank Management conducted by the Indian Institute of Banks

(d) Special increments for graduate clerks.

(e) Special increments for officers and clerks who pass the CAIIB examinations.

(f) Preference in transfer, for staff willing to do typing work.

(g) Weightage for certain qualifications, in promotions to higher cadres and grades.

(h) In FBL, in the seventies, officer-trainees who passed CAIIB Part I were confirmed with immediate effect in the next higher grade in officer cadre.

6.6 IDENTIFYING TRAINING NEEDS

Unmet training and development needs can be identified and need-
less, inappropriate training eliminated if a thorough training needs
assessment is conducted. The purpose of any training needs assess-
ment is to discover and describe any individual, unit, or organisa-
tional performance problem for which training is an appropriate
solution.

There are three basic ways of identifying training and develop-
ment needs, including (1) monitoring personnel flows, policy and
procedural changes, and organisational operations (2) asking super-
visors and managers about the training and development needs of
their subordinates; and (3) accepting and analysing training re-
quests from managers and others.⁶⁰ If the training manager, the
personnel manager or whoever is in charge of training is comple-
tely involved with the company's activities and is kept informed
of its various problems and opportunities, then necessarily he will
know what the training needs are likely to be.⁶¹ In organisations
which have good internal appraisal systems, an examination of the
periodic reports written on individuals, can give a fairly accurate
idea of training needs. As observed by Basu, far too often the
search for a suitable participant starts after information is
received about a course. It should be the other way round.⁶²

According to Bandyopadhyay, broadly speaking, three types of
training needs can be identified in the post-entry education system
for banks. They are (a) training in banking operations (b) training
in various functional areas of banking and (c) training in bank
management.⁶³ The consensus of a seminar on 'Manpower Development

in Banks', organised by the NIBM was that for evolving a training strategy, training shall be divided into four major areas, viz.

(a) induction (b) banking knowledge (c) knowledge in specialised areas of banking (d) management and organisational development.⁶⁴

The Banking Commission recommended that 'All junior officers (internal promotees as well as direct recruits) after about three years working in that capacity should be given training in a general banking course designed to equip them to discharge the duties of Accountant/Branch Manager. The accent in this course should be on developing their supervisory skills and on public relations. They should also be trained in short-term duration specialised courses e.g. finance to priority sectors, organisation and methods, management of human resources etc. Their entire training on the above lines should be completed within five years from the date of their becoming junior officers'.⁶⁵

The committee on the selection and training of Supervisors (UK 1962) observed that training is likely to be more effective if given over a period of time. It is often advantageous to split up training into a number of phases both to make it more easy to assimilate and because, for those who advance from junior to senior supervisory posts, training can be given in phases appropriate to their stage of development and current responsibilities.⁶⁶

The sub-group appointed by the committee of direction in Government of India for the formulation and implementation of training programmes in public sector banks, under the chairmanship of Dr.V.R.Cirvante⁶⁷ recommended the following training programme for bank personnel:-

For clerks

1. Induction course of three weeks duration.
2. Senior refresher course of three weeks for clerks who have completed about three years' service.

**For officers:
Junior Management**

3. For direct recruits : induction course - three to four weeks.
4. For direct recruits : intermediate course (before confirmation) - three to four weeks.
5. Special course for officers promoted and working in branches - to fill in the gaps of their operational knowledge - two weeks.
6. Special course for officers working at administrative offices - four to five weeks.
7. Branch management course for officers with three years service and to be promoted as branch managers - three weeks.
8. Specialized courses for those in the concerned area - two weeks.

Middle management

9. Special course - three weeks.
10. Advanced specialised courses - two weeks.

Senior management.

11. For all those identified for promotion to senior management level - two to three weeks.

The Working Group to Review the Training arrangements in Banks (1980) also suggested a training programme almost the same as Cirvante model. But for senior management/top executives, it suggested -

- (i) Regional management programmes (two weeks)
- (ii) Advanced management programmes (two weeks)
- (iii) Advanced functional programmes (one week)
- (iv) Top executive programme (two to three days)⁶⁸

6.7 DESIGNING TRAINING PROGRAMMES

The two factors that should be considered in designing training are the target participant, and the target job. Focus in participant analysis is on his individual learning needs for promotion or self development or improved performance on present job. Also participant analysis aids the process of selecting a homogeneous participant groups with broadly similar training needs.⁶⁹

Before designing a training programme, it is essential to have a clearly defined objective. The questions to be asked are 'why do you need a training programme? How do you expect it to be useful?' Answers to these questions would help in designing a tailor-made training programme - to suit the exact requirements and current needs of the organisation.⁷⁰ After ascertaining the individuals potential, training must be provided not only for doing the present job but also for acquiring the desirable extra skill or knowledge for filling higher jobs. Training's main goal is to induce a suitable change in the individual concerned.⁷¹ For mere providing of knowledge the trainer can depend on supplying good handouts or reference books to the trainee.

The educational technologists first study the terminal behaviour - the behaviour which the trainee is to demonstrate on the job and for which the training is to be arranged. On the basis of the complete analysis of the terminal behaviour a criterion test is prepared.

Such a criterion test can be used as a selection tool. If performance is the objective then its components should be identified so that the training effort can be directed towards them. The components of performance can be identified as : (1) Competence
(ii) Attitude.⁷²

In all the banks, training programmes are chalked out by the training department and implemented after getting the approval of top management. In SIB, there is a committee consisting of the Chairman, General Manager and the three Deputy General Managers including the principal of the staff training college to finalise the training programmes, after taking into account the suggestions of the faculty.

The factors that influence the number and type of training programmes in these banks include: (a) the number of employees who have not ever got any institutional training. (b) comments in the Reserve Bank's inspection report regarding training deficiencies in the bank and (c) special functions undertaken/proposed to be undertaken by the bank. The Reserve Bank gives stress on the quantitative aspect of training i.e. the number of employees who have been imparted training during the period, and the number of employees who have not been given any training at any time. Naturally, while planning the training programmes all the banks give more importance to training the maximum number of employees. The courses are mostly of general nature.

The programmes conducted by the training colleges of banks could be divided into -

(a) Induction courses for recruited officers and clerks.

Though it is named 'induction course' it rarely takes place at the

induction stage at present. However, most of the employees now get this training before confirmation in service. In the seventies, the newly recruited staff used to be sent for on-the-job training at branch offices only after induction training lasting for upto six months, at the training college. But at present the duration of it varies from one week to three weeks in different banks.

(b) Orientation course for promoted employees. The duration is upto two weeks.

(c) Refresher courses for senior clerks and branch managers. These courses are of 3 days' to one week's duration.

(d) Specialised programmes dealing with specific functional areas like credit appraisal, rural branch management, foreign exchange business, inspection etc.

(e) Programmes intended for subordinate staff. Only two of the banks have such programmes. FBL holds induction course for new recruits and also programme for senior sub-staff to prepare them for promotion test. In SIB, the programme is in the nature of a refresher course, and the duration is two or three days.

The training programmes of the training colleges of banks are intended mainly for award staff and junior officers. Programmes designed for middle-level executives are rare and that for senior managers are almost nil. Two factors account for this situation -

(1) The faculty of the training colleges comprise of officers of lower grade drawn from the general stream. The result is that the college is not equipped to hold such programmes. (2) The senior managers are generally considered indispensable, to be spared for training. This makes them all the more indispensable for external training with the result that they remain untrained for ever.

The proposition can be confidently put forward that it is extremely important to train all existing cadres and that a training programme should start at the top level or as near the top level as feasible. The assumption is not valid that the experienced people in the organisation do not need training. Their knowledge may be out of date. Technology changes. Techniques change. It is difficult to keep pace without a specific effort. One advantage of imparting training at senior levels is that the effect is widespread. Attitudes percolate downwards. People at work tend to emulate their seniors. It can be said, albeit with some exaggeration, that the best way of training a foreman is to train his departmental head.⁷³

Training programme would be more effective if the trainees included in a training programme are of the same level of knowledge in the particular area of training and with identical training needs. It would be erroneous to assume that all trainees for the same type of training enter the training situation with identical training needs. Differences in work experience and in levels of ability and motivation affect the amount and type of training an employee requires. To accommodate individual differences in training needs, a 'criterion-referenced approach' can be taken. A criterion-referenced approach assesses individual trainees before they enter the training programme. Trainees can start at slightly different points in the programme, depending on how much they already know.⁷⁴

It is possible to identify whether the individual employee requires training and if so, what kind of training, with the aid of man analysis. The focus of man analysis is on the individual employee, his abilities his skills, and the inputs required for job performance, or individual growth and development in terms of career

planning. Clues to training needs can come from an analysis of an individual's or group's typical behaviour. The primary sources of such information are: (1) observation at place of work, examination of job schedules and clues about interpersonal relations of the employees: (2) interviews with superiors and employees (3) comparative studies of good and poor employees (4) personal records (5) production reports and (6) review of literature regarding job and machines used.⁷⁵

The selection of candidates to attend the training programmes is made by the banks following different criteria. The current practices in various banks are stated below:-

FBL: (a) Officers having the least number of training programmes in credit are normally nominated for training. The selection is made from a list of officers sponsored by the controlling officers. The interval between two external training programmes for an officer is at least one year.

(b) Clerical staff are called for refresher course in the order of their seniority.

SIB: Selection is made by considering the seniority of the employee in the cadre. Usually, those with less than three years service ahead are not selected unless it is specially necessary.

CSB: The age of the employees, their utility after training etc. are considered while selecting them to undergo training. Employees above 50 years are not usually considered for training.

NBL: Selection is made from employees who have not undergone any training programme.

PCB: Previously, it was based on seniority. Now selection is made at the discretion of the Chairman.

In all banks, selection for training programmes dealing with special business, is usually made from those working in the concerned department. However, there is no firm policy in any bank with regard to it, and the Chairman may select any employee for the training.

Participants for internal training are selected by the Staff Department in SIB, CSB and PCB, by the Training Department in FBL, and in NBL, by the controlling officers of the respective regions, from among the untrained employees. In all banks except one selection of participants for external training is made by the Chairman at his discretion and in the other bank, selection is made by the Training Department. Thus, the controlling officers have no role in deciding the employees who are to be trained. Even in the bank where the line manager is assigned a role, the right is conferred on the controlling officer of the region, and his right is restricted to making the selection from among the untrained employees.

6.8 EVALUATION OF TRAINING

Hamblin defines evaluation of training as "any attempt to obtain information (feed back) on the effects of a training programme and to assess the value of the training in the light of that information" Evaluation of the training process is a difficult task, and different circumstances require different methods of evaluation according to the objectives aimed at. What is the purpose of evaluation? Evaluation by bringing to the fore 'weaknesses and failures, strengths and successes' helps to improve training methods.⁷⁶

Evaluation of training is necessary for the following purposes:

(a) to determine if the training programmes are accomplishing specific training objectives.

(b) to assure that any changes in trainee capabilities are due to the training programme and not to other conditions.

(c) to be able to explain programme failure should it occur.

(d) to determine their cost effectiveness.

(e) for legal reasons. Successful completion of a training programme is often used to screen employees for higher level jobs. Then it is necessary to ensure that a statistically significant relationship exists between successful completion of the programme and subsequent success on the job.⁷⁷

Training is a result-oriented activity. Therefore, trainers must devise means for measuring the effectiveness of training. After all, it is very difficult to decide whether training has been so successful that all kinds of extravagant claims can be made on its behalf. Failures can be attributed to other organisational factors. There are obvious difficulties, both conceptual and practical - in applying the cost benefit analysis techniques to judge the worthwhileness of the training programmes of the Staff Colleges. It would be well to have a picture of the situation before training and after. Evaluation of the course by the trainees, trainers, heads of departments and management can provide feed back which can be of immense help in revising the course design. An evaluation of a training method or system must also take into account the suitability of objectives. Evaluation of objectives helps to bridge the gap between needs and objectives.

The criteria used in evaluating training programmes will vary according to the objectives of the programme. Dickinson has stressed

the importance of establishing, at the beginning of the training programme, the criteria for evaluation of the training programme and the trainees.⁷⁸ Evaluation of a training course can be done by:

(i) its effect on an individuals performance as judged by his seniors.

(ii) by testing or examination to determine how much of the training has been assimilated and

(iii) by asking the trainees, through a questionnaire or interview about their reactions regarding whether they found the course useful, whether the teaching was effective, what changes they suggest and so on.⁷⁹

Dean Spitzer identified the following causes for failure of training programmes: (a) limited training resources are not focused on the most promising projects (b) the real reasons for training are not clear (c) training alone is not powerful enough to lead to long term, verifiable performance improvement (d) training is aimed at the symptoms rather than causes of performance problems (e) critical non-training factors are ignored (f) management support is lacking (g) too few employees are trained and (h) there is little or no preparation or follow up.⁸⁰

Much of the training is wasted due to faulty selection of candidates for training and inappropriate placements after training. The trainer should make efforts to achieve proper placement of trainees by establishing contacts with the trainee's immediate superior for the purpose of getting information on how the trainee is performing on the job.

At the end of the induction training, all the banks hold written

tests and some of them award prizes to the best few performers. Other than this, there is no system in any of the banks to evaluate the usefulness and effectiveness of training. However, the assessment by the trainees about the course is gathered by the training colleges at the end of each course. This assessment is generally about the conduct of the course, and regarding what they feel about the utility of the training programme. The achievements of the training department are evaluated in terms of the number of courses held and the number of employees trained.

Table 6-5 shows a quantitative analysis of statistical data relating to training. It shows the average number of trainees per trainer, percentage of employees trained in the year 1985/'86 to the total employees, and the ratio of untrained employees to total employees. The percentage of employees trained in the year varies between two percent and 28 percent. But the rate in the bank with 28 percent was only eight percent in the previous year. The average number of internal trainees per trainer varied between 69 and 146 in the year. A direct relationship between the rate of employees trained and the number of internal trainees per trainer is noticeable i.e. in the bank where the percentage of total employees trained per annum is high, the number of internal trainees per trainer is also high, and vice versa. This may be indicative of the increased stress on the quantum of training in terms of the number of employees trained at the cost of quality. Of course, any conclusion is possible only after detailed study of all relevant factors. It could also be seen that between three percent and 57 percent of the clerical staff and upto 20 percent of the officers have not received any institutional

training. But in FBL all the officers have attended at least one institutional training.

TABLE 6-5
STATISTICAL DATA RELATING TO TRAINING

	FBL * 1985	SIB 1985	CSB 1985	NBL 1986	PCB 1986

Employees trained in one year:					
Total	1241	351	507	207	4
External	222	7	50	52	4
Internal	1019	344	457	155	-
Number of trainers	7	5	4	2	-
Average number of internal trainees per trainer	146	69	114	78	-
Total number of employees	4501	2946	2429	1082	259
Percentage of employees trained in one year to total employees	28	12	21	19	2
Number of trained officers	1129	833	675	377	68
Number of untrained officers	Nil	206	4	7	10
Total officers	1129	1039	679	384	78
Percentage of the untrained officers to the total officers	Nil	20	1	2	13
Number of trained clerks	2027	1589	1471	624	77
Number of untrained clerks	400	367	45	74	104
Total clerks	2427	1956	1516	698	181
Percentage of the untrained clerks to the total clerks	16	19	3	11	57

* Includes number of subordinate staff also.

In one bank, while some of the officers have not attended any training programme, there are some officers who have attended upto 15 training programmes. In all these banks, about 80 percent of the employees in clerical cadre have attended only the induction training and only less than 50 percent of the employees in officer

cadre have attended a training programme other than induction training/orientation training.

The placement of employees in any of the banks does not give any consideration to the training the employee has received. Only one bank maintains at least a record by the functional training programmes. Regarding the cost aspect, none of the banks has ever made an assessment of the expenditure incurred by it for training the employees. Thus, the training function is devoid of any cost-benefit analysis.

6.9 SOME NOTABLE PRACTICES

Certain past and present practices relating to training in the banks are stated below:

(a) In FBL, period of training at Bankers' Training College was treated in 1965 as 'privilege leave'. However the trainees were granted one special increment for successful completion of the training.

(b) The Board meeting of a bank decided in 1967 to take for training not only supervising officials, but also members of the clerical and cash department staff who have at least five years 'satisfactory service'.

(c) One bank, in 1981 decided to bring together inspection and training (other than induction training) under one charge "because the deficiencies of many of the branch managers due to inadequate experience on the one hand and the tendency to disregard rules and instructions on the other, call for immediate remedial action. The action should be both preventive and corrective. Preventive action lies in educating the officers and

corrective action in dealing with cases of irregularities coming to notice, during inspection or otherwise, appropriately".

(d) A circular letter issued by a bank in 1984 states:

"Staff not attending the training programmes on flimsy grounds would not ordinarily be sent for any other training programme for a period of three years, and the reluctance will be taken due notice of when considering him for promotion to post of responsibility in the bank in future".

(e) While in all other banks, the whole training data are confined to a Training Register, SIB maintains three registers of training to record: (i) programmes under each specialised function and the participants (ii) programmes held every year and (iii) programmes attended by each employee.

(f) One bank states its training policy for 1986 as follows:

"The present policy of the bank is to clear the backlog in training", i.e. to arrange training programmes for those who have not attended any training programme.

(g) In SIB, the daily allowance for refresher training period is at a higher rate.

(h) In NBL, trainees are requested to prepare and send in advance to the Chief Instructor a list of all their problems/doubts in the areas covered by the training programme.

6.10 FINDINGS

1. There is growing awareness among banks, of the need of training. However, they are yet to assimilate it in the true spirit. The employees generally consider training as a fringe benefit that should be equitably distributed among all on bases

like seniority. The management also fails to present it as the tool of employee development. Hence, 'seniority' is the most widely prevalent criterion for selection of employees for training.

2. There is no training policy for the banks and no defined objective for training programmes. The training programme is target-oriented and not need-based. These targets are quantitative i.e. training a predetermined number of employees per annum. Many of the mass scale training programmes in banks do not serve any purpose other than meeting the statistical requirements.

3. There is no formal or informal system for identifying the training needs of employees and the organisation. The comments and observations in the Reserve Bank inspection reports about the training function in the bank influence the design of training programmes more than any other factor.

4. The training colleges of banks offer largely omnibus type of courses. These courses are aimed at imparting operational skills of the current assignment. Remedial training and developmental training are conspicuous by absence.

5. The training programmes are mainly intended for clerical staff and officers upto the middle level. Deputation of high level officers for training programmes is very rare.

6. Branch managers and other controlling officers have no role in designing the training programme or in selecting the trainees

7. The training faculty comprises of on-deputation-faculty transferred from the general stream of officers. Most of them belong to the lower strata of officer cadre. None of the training colleges has permanent core-faculty. Interest and aptitude of the person are not given any consideration in selection of faculty members.

8. In addition to the institutional programmes, the banks also provide encouragement and facilities for employee development through private study, job rotation etc.

9. There is no placement policy that ensures utilisation of the skill acquired by employees through training programmes.

10. The training function is devoid of any evaluation system.

6.11 SUGGESTIONS

1. It is necessary to lay down the training policy in concrete terms defining the expectations of the bank from training function.

2. A mechanism and a standing machinery for identifying the training needs may be desirable. Though it could operate as a separate functional unit under the training department, it should have close liaison with the inspection department, operation departments and the research and development department. Suggestions of employees and controlling officers, feed back from the trainees, performance appraisal reports on employees, complaints from customers and the public, cases of misconduct and disciplinary action, data from exit interview, grievances of employees against colleagues and superiors etc. can be compiled and analysed to identify the training needs of the organisation and employees.

3. Training programmes need to be framed to meet the training needs of the organisation. It is necessary to define the objective of each programme in terms of the end-behaviour of the trainees. Evaluation of effectiveness of the programme in meeting the objective should also be made.

4. In the training programmes, if due weightage is given to

remedial training it may meet the deficiencies in the capability of employees. In such programmes, all the employees included in a batch should be with similar training requirements. Training needs analysis would help the bank in identifying employees with similar training needs. Developmental training also needs greater attention.

5. A shift in emphasis from quantitative target to qualitative target of training programme is also needed. This does not mean that the quantitative aspect is to be ignored. The target can be training the maximum number of employees. But this should not lead to deterioration in quality, and stereo-typed programmes. The course content of each programme should be decided keeping the characteristics and requirements of each trainee group in mind.

6. Training the senior level managers need greater attention. It should not be forgotten that training imparted at higher levels has widespread effect.

7. Though external training programme has advantages, the importance of in-house programmes cannot be overlooked. In-house programmes have the advantage that they can be designed keeping the specific problems of the organisation in mind. It is also cheaper.

8. In selecting the employees for training and in determining the training programmes, the branch managers and other controlling officers should be assigned a greater role, since they have better awareness about the training needs of employees.

9. The training college should be provided a firm base and a dynamic structure by an admixture of core faculty, on-deputation-faculty and guest faculty. Selection of faculty members should be

based on ability, qualification and aptitude. The faculty position should be made more attractive by providing higher status and better incentive. The on-deputation faculty should be drawn from the middle-management level or above. They should be executives with wide experience at different types of branches and in various functions. A minimum academic qualification (preferably a post-graduate degree) is also desirable. Postings should be from volunteers and no compulsory postings should be made. The period of posting can be three to five years.

10. The principal of training college should belong to core-faculty and be of senior management cadre. As the head of the training division, he should be directly accountable to the chairman of the bank. He may be drawn from academic field or from senior bank executives. In the former case he should belong to one of the disciplines of social sciences, and in the latter case he should be with some experience in teaching. He should also have a minimum service of five years ahead.

11. Trainees for specialised training programmes should be selected from employees who work in related departments, or are to be placed there after the training.

12. Ascertainment of the total cost incurred for training is indispensable. The magnitude of the cost incurred would create an awareness about the necessity of reaping the maximum benefit out of it. Any form of cost-benefit analysis also requires cost data.

13. There should be a system of evaluating the post-training performance of employees. The controlling officer is the most

suitable person for such evaluation. In addition to the report of the controlling officer, work records and the annual performance appraisal reports also can be made use of. Findings of the evaluation should be effectively used while designing future training programmes.

14. The banks which provide financial and other incentives to employees for development through private study, should make it sure that such courses are useful for the bank. Care should also be taken to see that such expertise is profitably exploited by proper placements.

15. Many controlling officers feel that it is not the deficiency in knowledge and skill that is responsible for below standard performance by employees. There are employees who are highly qualified and well versed in their work, but still indifferent and lethargic in discharge of duties. What they need is counselling or programmes designed to bring in a change in their attitude. The training college and faculty should be competent for such programmes as well.

16. At present an employee after training returns to a group of colleagues who are not enlightened on the reforms or changes. Naturally, he may not be able to bring in any change even if he so desires. Instead, if all the staff in the branch can be trained together introduction of a change would be easier. Under this scheme, instead of the staff being called to the training college, the training faculty would visit the branch.⁸¹ It would also be possible to design the programme taking into account the special problems in the office and the specific requirements of the group.

It is also appropriate to note the recommendations of the Banking Commission: "As the question of training cannot be considered in isolation and as it should be an integral part of the general organisational process, there should be a proper link between training and overall personnel policies. It is essential that selection of employees for training should be made not on the basis of immediate availability of persons but on the basis of well-planned policies of career development and executive succession. The placement of persons after training is also important. A person trained in a specialised aspect of banking should be given an opportunity to make use of the knowledge and skill gained by posting him in an appropriate position".⁸²

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CHAPTER 7

PERFORMANCE APPRAISAL

Appraisals are judgements of the characteristics, traits and performance of others. In industry, performance appraisal is a systematic evaluation of personnel by supervisors or others familiar with their performance because employers are interested in knowing about employee performance. Performance appraisal thus is a systematic and objective way of judging the relative worth or ability of an employee in performing his task. In other words, it is the process of collecting, analysing and evaluating data relative to job behaviours and results of individuals.¹ Formal appraisal of an individual's performance began in the Wei dynasty (A.D.221-265) in China, where an Imperial Rater appraised the performance of members of the official family. In 1883, the New York city civil service in U.S.A. introduced a formal appraisal programme.²

7.1 THE NEED FOR PERFORMANCE APPRAISAL

An appraisal of the employee is undoubtedly necessary at the time of his employment. However, an appraisal on a continuing basis during the working life of such an employee is very desirable and useful. It would be wrong to assume that a good employee is for ever a good employee. This assumption is often the consequence of judging a person and not his performance. In fact, it happens quite often that the more successful a person is, the more sure he is of the correctness of his own way of doing things, and the more fixed he becomes in his habits he deteriorates. Hence the need for reassessment and training.³

No firm has a choice as to whether or not it should appraise its personnel and their performance. It is inevitable that the performance of the hired personnel will be evaluated by someone at some time. The choice is one of method. Performance appraisal helps to identify those who are performing their assigned tasks well and those who are not, and the reasons for such performance.⁴ Basically, performance appraisal provides feed back for employers and employees. Employers need to know that acceptable standards of performance are being maintained by employees. Employees also need to know the results of their efforts, whether positive or negative.⁵ If appraisals indicate that employees are not performing at acceptable levels, steps can be taken to simplify jobs, train workers, motivate them, or dismiss them depending upon the reasons for poor performance. Organisations use performance appraisal for (1) administrative purposes (pay increases, promotions, demotions, terminations and transfers), (2) employee development purposes (to guide and motivate employees and to identify specific training needs) and (3) programme assessment purposes (to see how effective, recruiting, selection and placement have been in supplying a qualified work force).⁶

7.2 SETTING UP A PERFORMANCE APPRAISAL SYSTEM

The evolving of a performance based reporting system is by no means an easy task. Different approaches are possible in this regard and an organisation should choose a system which is best suited to its specific culture and requirements.⁷ Performance appraisal can be either formal or informal. Informal appraisals are unplanned,

often just chance statements made in passing about an employee's performance. The common approaches in performance appraisal are:

1. A casual, unsystematic and often haphazard appraisal.
2. The traditional and highly systematic measurement of
(a) employee characteristics (b) employee contributions
or (c) both
3. Mutual goal setting through a management by objectives programme.⁸

A popular management technique is management by objectives. This requires a clear definition of the goals expected to be achieved by the subordinate as well as a measurement of the actual achievement of such goals by the subordinate. The visualised goal and actual performance have thus to be compared.⁹ The modern trend in business organisations is to place responsibility on individuals to set performance goals and also to appraise the progress towards them. An initial appraisal by the individual employee himself to be followed by an interview with his superior in which both of them together arriving at an agreed appraisal is the practice fast gaining currency.¹⁰

Regardless of an organisation's specific needs for performance appraisal, five general requirements must be met by an appraisal system, if it is to accomplish its objectives: reliability, validity, practicability, fairness and impact. Reliability is the consistency of a measure over time and across different raters. Validity is the degree to which a measure measures what it is supposed to measure. In order to meet the practical requirement, an appraisal system must be acceptable to both evaluators and

evaluatees. Fairness requires that employee must feel that appraisals are conducted fairly and that the consequences of appraisals (raises, promotions etc.) are fair. An appraisal system must have significant impact. Without it, the system loses its credibility.¹¹

Appraisals are viewed from two angles: (1) Every employee rightfully expects to be assessed in a fair and objective manner on the basis of his performance on the job and the results he has achieved, and (2) Performance appraisal also enables the organisation to maintain an inventory of the number and quality of all employees and to identify and meet their training needs and aspirations. An appraisal involves the superior performing the following tasks:

1. Measuring a persons past performance based on some performance standard.
2. Assessing the factors which have affected his subordinate's performance, and
3. Predicting his subordinate's future performance potential.¹²

The assessment of the superiors shall be based on the data on performance and shall not represent purely impressionistic judgments. For this purpose, reasonably clear role descriptions shall be prepared and indicators of performance defined.¹³ A very important part of the personnel manager's responsibility for general administration of the personnel programme is the establishment and maintenance of many standards by which performance can be judged. A 'standard' can be defined as an established criterion or model against which actual results can be compared.¹⁴

7.3 PROBLEMS IN PERFORMANCE APPRAISAL

None of the methods of appraising performance is absolutely valid or reliable. Each has its own strengths and weaknesses. Most appraisal methods involve judgements of one kind or the other. Some major issues and problems in performance appraisal are:

1. There is often a tendency to rate not only the performance of the employee but also the job.
2. Errors are introduced in the appraisal because of a defect or bias in the person conducting the appraisal.
3. There is generally the presence of a halo effect which leads to a tendency to rate the individual on the basis of an overall impression.
4. As appraisals are in fact opinions, it is difficult to remove from them the subjective element whilst making the judgement.¹⁵
5. Very often appraisers tend to rate the person and not his performance.¹⁶

Many are reluctant to pass judgement on employees. Others dread face-to-face appraisal interviews, especially when they must give negative feed back to a subordinate. Many managers and supervisors very carefully consider the consequences of their appraisals before they complete a formal evaluation of a subordinate. In making subjective calculations, evaluators frequently take the approach that is most rewarding or least punishing for themselves in the short run.¹⁷ The appraisal reports are, therefore, never objective when it comes to the negative features of an employee. See no evil, hear no evil and speak no evil is the usual approach

adopted by the appraisers. As regards positive aspects also, appraisal reports are influenced more by personal relations than by work performances. Person to person relations come to overshadow the role-to-role relationship and this gets reflected in the performance appraisals.¹⁸ Naturally, appraisals are not based on the performance of an employee, but often it is the likely repercussions of a report that ultimately determines its contents. More than anything else, the appraisals reveal the appraiser's own ignorance, incapacity to judge people, inability to express well, poor understanding of areas of assessment, lack of clear and coherent thinking, prejudices and bias, idiosyncracies, poor inter-personal relations, drawbacks in decision-making, defects in job relations etc.¹⁹

Many appraisers feel that management is reluctant to give the due weightage to performance appraisal, probably because it deprives them of their right to judge who is good or bad in performance. A research study conducted by Hina Shah and Vaghul²⁰ (1975) showed that 65 percent of the employees in banks feel that the appraisal system is not fair to the individual being appraised.

There is no alternative to human judgement with all its fallacies and errors. We shall be certainly better off indeter-
mining whether productivity is rising or falling with the help of even a crude index than with having none.²¹ Judging people is probably the single, most difficult managerial task. Yet it has to be carried out in spite of its limitations. It can never be completely objective. The best that can be attempted is a fair assessment and to neutralise the inevitable personal bias of the

assessor. For this purpose, it is necessary:

(i) To keep the form brief and simple. The greater the amount of headings and sub-headings introduced, the more complicated, the assessment becomes and the greater is the play of entirely subjective considerations.

(ii) To define the purpose. The purpose of performance appraisal is to assess performance, not the person.

(iii) To ensure that the criteria should be relevant to the task. Qualities and attributes which do not affect performance should not be included. To the extent possible, the criteria should be tangible and not abstract.²²

7.4 POSITION OF PERFORMANCE APPRAISAL IN INDIAN BANKS

A study conducted for the Banking Commission revealed that 'while 22 banks used performance appraisal as a yardstick for rewarding good performance and/or as a tool of development, 6 banks also considered it as a tool of discipline. The banks sought to make appraisal objective and to minimise subjective element by various methods such as (i) by having the appraisal done by the supervising officer and its review by another officer one cadre above the reporting officer, (ii) by making two officers record independent reports which were reviewed by a committee at the head office, (iii) by checking the reports which were either very favourable or very unfavourable, (iv) by calling self-evaluation sheets from the concerned officers on a voluntary basis (practice followed by some foreign banks), and (v) by asking the branch inspectors to make appraisal on branch managers. In most of the banks

the appraisal was done with reference to the job content, duties and responsibilities of the officer appraised, and it sought to assess weaknesses, strengths and potentialities of the appraisee. The weaknesses were brought to the notice of the concerned officer to enable him to improve his performance. Sufficient opportunities were also provided to him for on-the-job training. In a few banks, the findings of the appraisal were discussed with the appraisee so as to reduce divergence between the appraisee's own expectations and achievements, and the institution's expectations'.²³

P.K.S.Menon says, "In banks there are two types of performance appraisals side by side: One which the managers write but they do not believe and another which they believe, but seldom write. The first one is the formal appraisal, whereas the latter is informal. When it comes to rewarding an employee it is the formal assessment as it appears in black and white that is taken into account. When assignment of responsibilities come, however the hyper sensitive bosses rely more on the informal assessment of the employee....Even in case of merit oriented promotion, test and interview are the major hurdles to be crossed and performance on the present job hardly has any relevance. Neither good remarks bring any rewards nor adverse comments result in any loss".²⁴

Sonalker,²⁵ observed: It will be obvious that a dependable employee appraisal system would be indispensable in a bank. Unfortunately, today appraisal reports are most unhelpful and the whole exercise becomes almost a farce, thanks to the soft options exercised by the appraisers. There is need, therefore, for penalising weak appraisers. But Bakhshy²⁶ reports that performance appraisal system has been adopted by all banks for officers and

that the Indian Banks' Association has circulated a format with the approval of the government for adoption by all public sector banks.

7.5 CRITERIA FOR APPRAISAL

Differentiating between individual is easy, provided one knows what aspects to take into account. Irrespective of the level, by and large, most companies use eleven performance measures: quantity of work, quality of work, waste and breakage, money earned, job knowledge, job tenure, absenteeism, rate of advancement, self judgement, judgement by peers and judgement by supervisors. These measures can be classified into three broad categories: personal data, production data and judgemental data.²⁷

Early graphic rating scales evaluated workers on individual traits or personal characteristics which were presumably related to job performance. Initiative, aggressiveness, reliability and personality are examples of traits on which employees have been rated. One problem with trait rating is that the traits themselves are difficult to define and may be subject to varying interpretation by evaluators.²⁸ The Banking Commission states:

"Employee appraisal is a systematic evaluation of an individual with respect to his performance on the job and his potential for development. The appraisal should aim at measuring performance rather than personality, but such personal traits as co-operative-ness, dependability, attitude, initiative and ability to get along with others have a bearing upon the employee's value to the organisation and should be evaluated. The appraisal should relate to

various attributes such as job knowledge, efficiency, behaviour, power of expression, administrative ability, mental alertness, judgement and initiative. Potentiality of the employee to shoulder increased responsibilities is also be judged.²⁹

Rating employees according to job behaviour is based on the assumption that there are effective and ineffective behaviours and these have been identified for each job or type of job. Behaviours are judged effective or ineffective in terms of the results the behaviours produce (either desirable or undesirable). For example, a customer service representative could be judged on the amount of patience shown to irate customers. Evaluating employees along behavioural dimensions is especially important for employee development purposes. Results indexes are also often used for appraisal purposes if an employee's job has measurable results. Examples of job results indexes are volume of sales, amount of scrap and quantity and quality of work produced. When such quantitative results are not available, evaluators tend to make appraisal based on employee behaviours and/or personal characteristics.³⁰

A large bank used the following characteristics for rating the employees: production, accuracy, promptness, neatness, thoroughness, industriousness, supervision required, ease of learning, knowledge of own work, memory, co-operation, self control, persistence, attitude toward job, personal appearance, health, punctuality etc.³¹ P.K.S.Menon states that the tendency among banks is towards adopting conventional government type confidential reports with their stress on personality factors like integrity, intelligence, loyalty, adaptability, honesty, mental alertness,

personal relations, judgement, decision making, vision etc., instead of evolving a performance appraisal system for evaluating the achievements and development potential which will be more suited to the ethos of a business organisation.³² The Appraisal system in many organisations involves an evaluation or estimation of a person's present knowledge and abilities to determine his effectiveness in achieving future objectives, for which as manager he might be held responsible.³³

To be really useful, the reporting should take into account two factors, performance and potential. It is not advisable to make the assessment very abstract by introducing terms such as loyalty, integrity, co-operativeness, flexibility or open-mindedness. What criteria should be introduced in any particular reporting form must depend on the organisation and the job. Whatever criteria are considered appropriate, it is important to keep the form simple. Elaborate forms in which numerous personal attributes have to be assessed on a six or seven point scale cannot serve any practical purpose.³⁴

In 1986 The Indian Banks' Association gave the following guidelines to member banks regarding the performance appraisal system for officers:-

(i) The performance appraisal form should provide sufficient weightage for operational assignments.

(ii) The assessment should be based as far as possible on performance which is quantifiable. Where this is not possible and where certain traits have to be assessed based on observations during the year, the reporting authority may maintain a diary to

keep a record of such incidents/events.

The attributes that are assessed by the banks for the purpose of performance appraisal could be classified into those relating to (a) bio-data, (b) personal traits, (c) job knowledge/behaviour and (d) staff relations. Table 7-1 shows the total number of questions in fourteen performance appraisal forms being used by the banks under study, and their division into these different classes. It shows that bio-data and service particulars together constituted the largest number of questions. Next came personal traits of the employee. Though the object of performance appraisal is evaluation of performance of the employee on jobs, these appraisal forms contain only very few questions relating to job knowledge and behaviour. In one form, there is not even a single question relating to job behaviour or job knowledge. Behaviour of the employee in relation to staff relations is considered relevant only in one half of the cases.

Bio-data and service particulars to be furnished in the performance appraisal reports include age, academic qualifications, position regarding CAIIB, date of appointment, cadre of appointment, date of confirmation, service, emoluments, leave availed, present designation, date of promotion to the present grade, date of assuming the present charge, details of punishments awarded, disciplinary action proceedings initiated against the employee, etc. The personal traits assessed include general intelligence, initiative and resourcefulness, dependability, sociability, appearance and dress, conduct, manners, health, personality, neatness, sincerity, willingness to accept responsibility, leadership, punctuality,

TABLE 7-1

**CLASSIFICATION OF QUESTIONS IN THE PERFORMANCE APPRAISAL FORMS
USED BY THE BANKS**

Cadre	FBL			SIB		CSB		NBL				PCB		
	O	M	C	O	A	O	A	O	M	C	S	O	C	S
Total number of questions	29	29	20	29	23	25	26	31	29	23	15	26	22	19
Number of questions relating to:														
Bio-data and service	10	9	9	8	10	14	11	12	10	8	8	10	12	12
Personal traits	9	9	8	11	6	1	7	9	1	5	3	7	4	4
Job knowledge/behaviour	4	5	-	5	4	2	2	4	5	3	2	3	4	2
Staff relations	2	2	-	1	-	1	1	2	-	-	-	2	-	-
Others	4	4	3	4	3	7	5	4	13	7	2	4	2	1

M = Managers; O = Officers; A = Award Staff; C = Clerks;

S = Subordinate staff.

adaptability, ability to work in crisis, knowledge, co-operativeness, discipline etc. Job knowledge/job behaviour appraised relate to job knowledge, supervision, business capacity, ability to assess sound business propositions, capacity to canvass deposits, decision making skills, quality of work, quantity of work, using of discretionary powers, compilation of branch budget, quality of correspondence, speed of work, etc.

Staff relations cover relationship with junior colleagues and senior colleagues. Only one bank has included relations with colleagues in the appraisal of award staff. The appraisal form

for managers in a bank does not include any question pertaining to staff relations. In one bank, appraisal of performance relating to handling of staff is made by personnel department while the appraisal regarding other aspects is made by the line superior.

The other questions in the appraisal forms relate to relationship with public, loyalty to the institution, attendance, general remarks etc.

In one bank, reports on the business and house keeping at the branch are the main data asked in the performance appraisal reports on officers posted as managers and assistant managers. These data are regarding aggregate deposits and advances, complaints from public and head office, balancing of books, adjustment of long-standing entries, disposal of correspondence, deposit accounts, advances to various sectors, irregular accounts, etc. The positions as on the date of assuming charge by the reportee and as on the date of report are to be furnished by the reporting authority. There is only one question regarding appraisal of performance, as 'brief comments on the performance'. In two of the banks, the appraisal report on branch managers should include a separate statement regarding the business position of the branch.

Four out of the fourteen appraisal forms examined ask for the comments regarding training needs. While the original appraiser has to make the suggestion in one form, in the other three forms the responsibility has been assigned to the reviewing authority. Similarly, appraisal regarding potentiality is included in eight of the fourteen appraisal forms-in four to be made by the appraisers, and in the other four by the reviewers.

Eight of the forms contain specific question/s regarding good performance, and nine have special questions on bad performance. Questions regarding good performance include: any specially good work done during the year, commendations and awards during the year, any special achievements worth mentioning, contributions made for the improvement of bank's business, profitability etc. requiring special mention, areas of strength, efforts for self development, etc. Those relating to adverse remarks are: areas of weakness, heavy business loss, any bad remarks, whether due to his negligence or incompetence any loss or fraud has occurred, complaints received against him from constituents, any action which may have resulted in the issue of warning or reprimand, etc.

In five of the forms, appraisal report is to be given in narrative style. In seven forms rating scales are used, and two forms use narration and rating scales for different questions. The number of points in the rating scales used varies from four to seven. While in three forms the points in the rating scale are also briefly explained, the other six forms use the general rating scales. Terms used in the rating scales vary with the trait rated. The scales used by the banks include:

1. Excellent - Good - Above average - average - below average.
2. Exceptional - very good - good - adequate - barely adequate - unsatisfactory - unproved.
3. Excellent - good - above average - satisfactory - poor.
4. Outstanding - very good - good - fair - poor.
5. Outstanding - more than adequate - adequate - requires coaching - inadequate.
6. Outstanding - above average - average - below average.

The appraisal form of one bank asks about comparative performance i.e. to compare his performance with that of the previous year.

There was a time when the performance of an employee was evaluated largely on the basis of the amount of deposits mobilised by him. But at present this factor hardly enters into appraisal. A perusal of fourteen appraisal forms used by the banks shows that only in two cases 'deposit canvassing' forms one of the criteria: in one bank the aptitude for deposit canvassing is considered in the case of award staff and in the other, the appraisal form for clerks asks for a statement of deposits canvassed by the employee.

Generally, the questions are framed so as to cover only one trait or behaviour in one question. But there are also exceptions. For example, the whole work behaviour of clerks is appraised by one bank through two questions. One question is - 'Work (application, diligence, accuracy, neatness, speed)'. The other question is regarding 'dealings with bank's constituents'. In the same bank, one question in the performance appraisal form for officers is regarding 'business development ability', and the appraiser is asked to make the assessment 'based on the ability of the officer for deposit mobilisation, credit administration, internal control, profitability etc.' Another question in the form is regarding 'administrative ability', and the instruction is that this is to be assessed 'based on job knowledge, job performance, customer service, inspection comments etc.'

7.6 PERFORMANCE APPRAISAL FORMS

An important question to consider in determining the appraisal system is why an organisation wants to evaluate performance. Different purposes for performance appraisals necessitate the collection of different kinds of appraisal data and therefore affect choice of an appraisal instrument or system. The major aspect of validity in performance appraisal is 'content validity'. An appraisal instrument has content validity to the extent that it includes most of the important job behaviours and/or results of the job. Many appraisal instruments attempt to cover too many different jobs. Such instruments would include only the most general factors or those based on personal traits. Ratings of such factors are likely to be very unrelated to actual job behaviours and/or performance. Hence it can result in some employees being evaluated on criteria not related to their jobs, and vice versa.³⁵ The Banking Commission (1972) suggested that standard forms and methods for evaluating job performance of various categories of bank employees should be devised on the basis of research on the subject for use by banks.³⁶

In the early years the performance appraisal reports, usually called confidential reports were submitted by the controlling officers in narrative form. There were no specified forms on contents. Now, all the banks use printed appraisal forms. They use different forms for different categories of employees. While two of the banks use different performance appraisal forms for clerical and subordinate staff, in the other three banks the same form is used for employees of both these cadres. However, all the banks

have special appraisal form for the appraisal of officers. While CSB ~~bank~~ uses the same form for all categories of officers (with additional information sheet to be filled in the case of branch managers), the other banks use different forms for officers holding different positions. The various classes of officers formed by different banks, for the purpose of performance appraisal include:

1. Trainee officers
2. Probationary officers
3. Junior officers
4. Managers and Assistant Managers
5. Departmental heads at head office
6. Senior executives
7. Specialists like agricultural officers, engineering officers etc.

NBL uses a master form for all categories of officers and different annexures depending upon the grade/post of the officer. In PCB, there is a two-tier performance appraisal system for branch managers - one is a general appraisal by the controlling officer, and the other by the different departmental heads at head office regarding the performance in their respective areas. Separate forms are used for the two appraisals.

Some banks have special appraisal forms to get the evaluation report for special purposes like absorption into regular service after training period, confirmation in service, promotion etc.

7.7 THE APPRAISER

In most situations, the most competent person to rate is the immediate superior of the person to be rated. Because of frequent

contact, he or she is most familiar with the employee's work.

In addition, many organisations deem it essential to support the leadership and authority position of the supervisor by considering employee appraisal as an integral part of the supervisory work.

Supervisor ratings are often reviewed and approved by higher management, thereby maintaining hierarchical control over the appraisal process.³⁷

The Banking Commission (1972) suggested: "the essence of a good appraisal system is that it should be objective and the bias of the appraiser or personal relationship should not be allowed to play any part. One way of doing so would be to provide that appraisal should be made independently by the immediate superior of the employee and by the officer next in rank above the superior and finalised by them by mutual consultation or with the help of a third official".³⁸ An ideal situation would be where the reporting authority before giving his assessment on performance sits with the official and jointly reviews the performance for the year. Such an ideal situation may not be practicable in the organisation unless the reporting authority and the reporter work in close proximity.³⁹

If more involvement is deemed desirable, the appraisal process can be undertaken by a group of raters. Members of the group can be superiors, peers and subordinates. But it is important that all the members of the committee must be familiar with the work of the person being appraised.⁴⁰ Under a joint involvement system the assessee is afforded an opportunity to discuss his performance with the assessors at a formal appraisal interview.⁴¹ Under another

system a group of executives would give a rating to the officials on certain pre-determined dimensions based on the self-appraisal and the assessment by the reporting authority.⁴²

Another possibility which is most behavioural in orientation is to allow subordinates to rate themselves. The major values of self-appraisal lie in the development and motivation areas, it being claimed that this approach (1) results in superior upward flow of information (2) forces the employee to become more personally involved and to do some systematic thinking about self and work (3) improves communication between superior and subordinate and (4) improves motivation as a result of greater participation.⁴³ What is contemplated through the process of self appraisal is not judgment by an official of his performance but more an analysis of his performance which forms the basis for judgemental decisions to be taken by the bank.⁴⁴

A few firms have given serious consideration to evaluation by peers. In peer evaluation methods, employees judge the performance of their co-workers. For example, agents of life insurance companies can be asked to nominate three other agents with whom they work, in connection with such questions as "who would you prefer to have accompany you on a tough case?" Such nominations would help in identifying future successful assistant managers.⁴⁵

Ratings by subordinates find their chief usefulness in the selection process for promotions.⁴⁶

In all the banks studied the performance of all staff at branch offices is appraised by the branch manager. Regarding the personnel employed at regional offices/head office departments,

the regional manager/head of the department is the appraising authority. Officers of the grade of branch manager and above are appraised by their supervising officers, in all banks. In FEL, the appraisee should have worked under the appraiser for at least six months. In this bank, the appraisal system in the seventies comprised of a self evaluation by the employee and an independent appraisal by the controlling officer.

The above analysis shows that in all banks, the appraiser for award staff and junior officers is the head of the office/department. At most of the branches/offices, the personnel would comprise of subordinate staff, clerical staff and junior officers in addition to the head of the office. In such offices the supervising officers of the award staff are very often the other officers and not the branch manager. Hence, the appraiser in their case is the boss of the supervising officer.

7.8 REVIEW

Validity of performance appraisal is concerned with the truthfulness of the measurement results. How can we be sure that the ratings obtained are true and representative of the ratee? Sometimes the same process of checking with other informed raters is utilised to determine validity.⁴⁷ In the design of rating programmes, it is frequently recognised that there may be drawbacks to placing the entire burden on one manager. Such considerations as the tendency for raters to differ in their standards and thus to be "tough" or "easy" appraisers have led to having a manager's ratings either reviewed by others or supplemented by other ratings. Frequently, staff industrial relations specialists are included in

the merit rating process. These specialists probe and question each manager as he goes through the ratings for individuals.⁴⁸

With the object of ensuring the fairness of appraisals, the banks have introduced a system under which the appraisal made on the employees is reviewed by a higher authority. All the banks have provisions to review the appraisals on officers. While in four of the banks the superior of the appraiser is the reviewing authority, in SIB review is made by the executives at head office. In the case of award staff only two of the banks have provision for review. In the other banks, the appraiser sends the report direct to the staff department at head office. In one bank, if the reviewing authority disagrees with the original appraisal on award staff, it should be referred to the next higher authority for final disposal. In another bank, in a case where the reviewer totally disagreed with the original appraiser, the rating of the reviewer was accepted without even a communication to the original appraiser.

Among the 14 appraisal forms analysed 10 had provision to record the remarks of the reviewer. In one of these forms the reviewer has to record his remarks regarding each entry in the report. In the others the reviewer records only general remarks at the end of the appraisal report. In one bank, the performance appraisal reports on officers are submitted for perusal by the Chairman, with the comments of all superior officers in the hierarchy.

7.9 COMPOSITE RATING

With the exception of global ranking methods, performance appraisal

methods produce ratings of employees on a number of different factors of job performance. This raises the issue of combining ratings on different factors to form a single composite rating for each employee, or simplify using the multiple factors. Composite evaluations can be obtained in many ways. One way is simply to add the ratings for each factor and use the total as the composite, another is to average the factors to obtain a mean. A more sophisticated composite weights each performance factor according to its contribution to job effectiveness.⁴⁹

Only five out of the fourteen forms analysed provide for composite rating. In four of these, the composite rating is made by the appraiser himself as a general remark or as an overall assessment at the end of the appraisal report. In the other, the rating is made by the Chairman after taking into account the reports of the appraiser and the reviewer and the comments of other higher officers. None of the forms visualise this as the composite rating combining the ratings for different factors. The forms using rating scale for the other factors use similar rating scale here also. In the case of final rating by Chairman also, he simply rates the employee in a four point scale. The points in the scale are: outstanding, above average, average and below average.

The above analysis shows that the composite rating system followed by the banks is improper. A system that depends solely on the intuition of the rater is bound for mistakes and unreliable ratings. In such a system, the rating awarded to an employee depends more on the impressionistic judgement of the rater rather than on the real performance of the employee.

7.10 FOLLOW-UP

Evaluation whether positive or negative can be very useful, if it is communicated to the employee. By this the employee also gets a chance to "explain", which is important in the case of negative evaluation. This takes care of the process of natural justice. Indian Banks' Association advised the member banks on 15-10-1986 that, 'it is desirable to appraise the appraisee of the appraisal made on him. If the banks have reservations about this, they may not do so immediately but in any case any adverse noting made against him must be advised in writing'. The Banking Commission recommended that the good or bad points observed should be discussed with the employee in a post-appraisal interview in order to give him an opportunity for self development by overcoming the weaknesses and harnessing the strengths.⁵⁰ The primary objective of the appraisal system is the improvement in the performance of an individual which would facilitate his career growth and development and this objective can be met only through feed back on performance. An interview can be arranged designed 'inter alia' to afford the assessee an opportunity to take stock of his own strengths, weaknesses, development needs and the assistance he expects from his seniors. The interview must be conducted in a constructive, problem-solving manner with a genuine desire to understand the barriers which in the assessee's view stand in the way of his development or more effective performance. His objectives for the subsequent years are also broadly determined at such interviews.⁵¹

Follow-up action on the basis of performance appraisal varied from bank to bank. In none of the banks there is the system of

formal communication of appraisal through appraisal interview. While some banks communicate adverse remarks, others keep it strictly confidential. Some keep the reports in the personal file of the employee and the others keep them in a separate file. While in four of the banks, the Chairman sees the report, in one bank it is not even forwarded to the head office. In some banks the system for dealing with performance appraisal reports is different for award staff and officer staff. The practices prevailing in the banks are described below:

FBL Performance appraisal reports on award staff are handled by the staff department, while those on officer staff are received and acted on by the Chairman's secretariat. Though there is no communication of the report to the employee, if there is any adverse remarks in the report, the reporting officer is usually asked to send more frequent periodic reports on the progress of the employee.

SIB Adverse comments, if any, in the performance appraisal report would be brought to the notice of higher authorities upto the Chairman, by the Staff Department. Explanation of the employee on the adverse remarks, may be sought and appropriate action upto issue of warning, may be taken. Such action taken would be noted in the service record of the employee. Performance appraisal reports are filed in the personal files of employees.

CSB The appraisal report on officers is prepared in duplicate-one copy is filed in the personal file of the employee and the other is kept by the Chairman. The report on award staff is filed in the personal file. The staff department submits the report on

each officer along with the personal file and a brief report regarding disciplinary actions if any taken against him previously, for perusal and necessary orders by the Chairman. There is no communication with the employees regarding performance appraisal reports.

NBL Appraisal report on officers is prepared in duplicate - one copy is filed in the personal file at the office of employment and the other at the office of the reviewer. Reports on award staff also are filed in personal files, after review. Adverse comments are communicated to the employee. The direction of the bank to the appraisers is that 'all possible guidance and assistance should be rendered to them (the assesseees) for improving their performance'. One instruction regarding performance appraisal is that the reviewing authority shall communicate the adverse entries provided they are remediable. A copy of the communication with the acknowledgement of the employee has to be kept on record.

PCB Performance appraisal reports are kept strictly confidential and are handled by the Chairman's secretariat. No communication of any sort is issued to the employee. The reports are filed separately and are not put in the personal files of employees.

The above analysis shows that performance appraisal is not viewed in these banks as an effective tool of employee development. There is unnecessary secrecy about the reports in most cases. Appraisal interview, and remedial measures through follow-up action are conspicuous by their absence.

7.11 ORGANISATIONAL USES OF PERFORMANCE APPRAISAL

Performance appraisal is a personnel function closely related to

other personnel functions. Job analysis has an important input into the performance appraisal function. Descriptions of job content, which are the end product of job analysis, provide the dimensions on which an employee's performance is evaluated. Performance appraisal provides input to five personnel functions including training, human resource planning, selection, career planning and compensation. Training often precedes an employee's first formal appraisal. Appraisals in turn indicate the need for further training.⁵² It is appropriate to examine the observations of a few authors about the uses of performance appraisal:

(a) The basic purposes of having employee merit rating programmes from management's stand point are (1) to improve the effectiveness of employees' performances on their current jobs and (2) to help in the administration of personnel functions such as wage and salary administration, promotions, transfer or termination of services and manpower development.⁵³

(b) The objective of performance appraisal are: (1) to identify areas for further training needs (2) to help determine promotions and transfers (3) to reduce grievances and (4) to improve job performance.⁵⁴

(c) A performance appraisal which results in a performance rating can be used for salary adjustments, future job assignments and promotions. The most important purpose of an appraisal is however developing the subordinate by examining his work habits, skills, attitudes and personality characteristics with a view to improve him with the help of adequate counselling and an appropriate development programme.⁵⁵

(d) The strengths and weaknesses of the employee come into sharp focus through the detailed appraisals and these could be usefully integrated into the overall training plan of the bank.⁵⁶

(e) Besides assessing performance, the internal appraisal has another purpose, the assessment of potential. The fact that a person has performed well at a particular level is not sufficient indication of his suitability for higher level, as is frequently assumed.⁵⁷

(f) Appraisal has two important uses. First, it ensures a systematic evaluation of performance of individuals without which no reward, penalty system can be effectively applied. Secondly, it brings out in a methodical, well considered manner the strengths and weaknesses of employees. It gives an indication of the human capacity available to the organisation. It also draws attention to training needs so that courses can be designed to correct the weaknesses or develop the strengths which are discovered.⁵⁸

Every bank has its own system of performance appraisal. There is not much of a difference in the practices followed by major banks for appraising individual performance of employees, though variations may be observed when it comes to specifics of the systems. A periodic informal assessment of the performance of an employee under the heads of various traits and skills by the employee's immediate superior is the essence of the performance review system obtaining in banks today. They are intended to help management decisions on confirmation, increments, efficiency bar, promotions, transfers, training etc.⁵⁹

Organisational use of performance appraisal in the banks

under study is only in the area of promotion of employees. The weightage given for performance appraisal reports in promotion of personnel varies from bank to bank and cadre to cadre. The practices in these banks are described below:

FBL In promotion of clerical staff and subordinate staff no special weightage is given for performance appraisal reports. However, it is provided in the code of promotions that "notwithstanding the order of merit of an employee, if the committee of directors considers in its judgement that such employee is not promotable on the grounds arising out of perversity of the performance report and the interview assessment, and/or such other reasons, it may exclude the name of the employee from the merit list". But in the case of promotion of officers of lower grades, special weightage is given for performance appraisal - at the lowest grade it is 20 percent of the total points and at the next higher grade, 40 percent. In promotions from higher grades, performance rating is the major consideration. However, there are no specific criteria for awarding points for performance, though it is provided that rating will be 'on the basis of personal records and performance appraisals'.

SIB There is no specific provision regarding any weightage for performance appraisal. However, in the matter of promotion of officers above the first grade, a committee of assessment awards 20 percent of the total points. Though there are no specific provisions with regard to the norms of assessment, one report of the committee states: "the assessment was made on the basis of qualification, deposit mobilisation, management of advances, character and conduct, dealings with staff, public relations and ability to hold higher positions etc. The shortfalls, lapses and misconduct

on the part of the officer and punishments given if any, as recorded in the personal files and known from other reliable sources have also been taken into account".

CSB There are no points for performance in promotion of subordinate staff. In promotion of clerical staff 'past performance' gets 5 percent points. In the case of officers, it gets greater weightage and the share in the total points rises at higher grades. Thus while in promotion of officers of the lowest grade, performance has 30 percent points, in the case of officers of higher grades, it gets upto 50 percent. The points for performance are awarded on the basis of performance appraisal reports for the past five years as follows: At first, points are awarded for the rating of each year and the average is worked out. The points for different ratings are as follows:

<u>Rating</u>		<u>Points</u>
Outstanding	..	100
Above average	..	80
Average	..	60
Below average	..	40

Based on this average, proportionate points are awarded. For example, an average point of 68 will be taken as 34 points for promotion from Grade IV to Grade V since the weightage for 'performance' in promotion in this grade is 50 percent of the total points.

NBL Only in promotion of clerical staff to officer cadre, provision exists for giving points on the basis of performance. In the ranking of candidates, 10 points out of a maximum of 250 points i.e. four percent is awarded for service record. There are no norms fixed regarding awarding these points. The criterion for promotion

of sub-staff is the score in written test, and the tools for promotion of officers are seniority and interview.

PCB Performance appraisal does not directly enter into the decision of promoting clerical and subordinate staff. However, in promotion of officers, performance is given some consideration. The regulation with regard to this is: "promotion to different grades will be after evaluation of the previous service, performance and interview". However, no norms are laid down for this purpose.

Other than in the matter of promotions as discussed above, for no other purpose performance appraisal is made use of by the banks. However, one bank listed its objectives of performance appraisal system as follows: '(a) assess the performance on the present job, (b) identify the strengths and needs of the officer, (c) determine the ability to perform other duties, (d) identify training needs, (e) locate outstanding/below average performance and (f) plan development programmes'.

Though sanctioning of increment has become automatic in all banks, the practice in one bank is that 'if there is any adverse remark in the performance appraisal report, sanctioning of increment needs the approval of the Chairman'. In another bank the rule is that 'all appraisals are to be placed before the Chairman for remarks, and annual increments will be sanctioned only after the approval of the Chairman'.

The above analysis shows that: (1) organisational use of performance appraisal is limited to promotion decisions only. Even with regard to this, in most of the cases the scheme of weightage is not clearly stated. (2) In the banks where the weightage is specifically stated, it shows a direct relationship with

the grade of the post i.e. in promotion of award staff, weightage is either nil or negligible, and in the case of officers, it is more, and also rises at higher grades. (3) Only in one bank the points for performance appraisal are awarded on the basis of performance appraisal reports of past period. In the other banks, no norms exist with regard to it.

7.12 TIME OF APPRAISAL

Though informal performance feed back can come at any time from one's boss or co-workers, formal performance appraisal usually occurs after six months or a year on the job.⁶⁰ A consulting organisation recommended that each employee be rated three months after being assigned a job, after the sixth month on the job, and every six months thereafter. In this way, ratings of all employees will not fall due on the same day. When the supervisor must rate twenty to thirty employees at the same time, the pressure of other duties will probably prevent him or her from giving adequate time and attention to this task.⁶¹ The advice of I.B.A. to member banks is that the periodicity of the appraisal should be annual preferably calendar year.

Previously, when annual increments were not automatic, performance appraisal reports (called confidential reports) used to be collected by the staff departments of all the banks before the increment dates. Special reports were also collected before crossing efficiency bar in pay scales. Later, granting of increments became automatic for award staff first, and subsequently for officers. However, the banks continued to collect the reports

before the increment dates for some more time. Now also performance appraisal is annual in all banks. Only in one bank the previous practice of collecting reports prior to the date of increment prevails as regards officers. Except this, in all banks and for all cadres performance appraisal is made annually as on specified dates. Table 7-2 shows the due dates of performance appraisal in the banks under study.

TABLE 7-2

ANNUAL DUE DATES FOR PERFORMANCE APPRAISAL IN THE BANKS

Bank	On award staff	On officers
FBL	As on 31st March	As on 31st December
SIB	As on 31st December	As on 30th November
CSB	As on 31st December	As on 31st December
NBL	As on 30th November	As on 30th November
PCB	As on 31st December	Prior to the date of increment

It could be seen that (1) while two of the banks have fixed the same dates for officer staff and award staff, the other banks have fixed different dates for the two categories of employees, (2) The calendar year is the most favoured period, (3) Though efficiency bar in pay scales has been abandoned and increments have become almost automatic, one bank continues the previous practice of 'appraisal prior to the date of increment'. In this bank, for the timely receipt of appraisal reports, the staff department writes to the appraiser in advance, enclosing the appraisal

forms. Thus, though there is no special benefit arising by this practice, it leads to additional work and cost. In one bank, the General Manager has to submit quarterly appraisal reports on the working of the Deputy General Managers and the sections under them.

In addition to the annual appraisal, there are also special appraisals before confirmation and promotion, in all the banks. In one bank, the branch managers were asked to report monthly on the performance of probationary officers.

7.13 TRAINING THE RATER

Studies have shown that managers can be trained and helped to improve their ability to rate and discuss ratings with employees. Very often the evaluators have no significant input into the appraisal system used, they are not trained how to use it, and the real purpose and uses of their appraisals are not explained.⁶² The initial training of raters must incorporate complete explanations of the philosophy and nature of the rating system. It has been found advisable to stress certain negative aspects of the rating process and to warn the raters about the more common errors in order that they may be on guard against them.⁶³

One of the banks studied issues along with the performance appraisal forms a detailed memorandum of instructions for perusal by the evaluators before writing the report. Among the 14 forms analysed, four contain general instructions regarding filling the form, and two forms give brief notes under each factor to be assessed. In all other cases the training for the raters is confined to the instructions that are contained in the circular letters issued by the bank on different occasions. Such instructions are issued usually when a new system is introduced or when there is a

material change in the instrument used for appraisal. These instructions mainly relate to implementation of the system. Other than these, there is no system in any of the banks to enlighten the raters about performance appraisal.

7.14 ROLE OF PERSONNEL DEPARTMENT

Personnel manager's responsibilities for performance appraisal fall into three major categories: (1) setting up a performance appraisal system, (2) implementing the system, and (3) collecting and storing appraisal data.⁶⁴ The ratings must be made by the immediate superiors of the raters, but a staff department can assume the responsibility of monitoring the system. The personnel department should not change any ratings. They do have the obligation to point out certain inconsistencies to the rater, such as harshness, leniency, central tendency, inconsistencies etc.⁶⁵

The role of staff department in performance appraisal function varies from bank to bank as shown below:

NBL The role of personnel department is limited to the issue of performance appraisal forms to the appraisers. The reports are received and acted upon by the controlling line executives.

PCB Personnel department issues the performance appraisal forms. Reports are received at Chairman's secretariat and after scrutiny by the Chairman, they are sent to the personnel department for filing.

FBL Reports on officers are received and all follow-up action is taken by the Chairman's secretariat. But the reports on award staff are received and filed by the personnel department.

CSB All performance appraisal reports are received by the personnel department. The reports on award staff are filed in the personal file of the employee. Those on officers are submitted by the personnel department along with the personal file of the officer, for perusal by the Chairman. The personnel manager may also record his comments in the performance appraisal report.

SIB All reports are to be sent to the personnel department. Reports containing any adverse remarks are brought to the notice of higher executives by the department, and follow up action is taken as ordered.

The above analysis shows that the role of personnel department in the performance appraisal function of most of the banks relates only to record keeping and clerical duties.

7.15 FINDINGS

1. Performance appraisal system has got general acceptance among the banks of Kerala. However, the system varies in design, function and scope from that envisaged by personnel management scientists.

2. There are no well defined norms to appraise performance. The performance appraisal forms mainly ask about the bio-data and personal traits of the appraisee.

3. The composite rating is not based on a systematic combining of the ratings under different factors. It is a final impressionistic judgement given by the appraiser himself or the reviewer.

4. For many junior officers and for most of the award staff, the superior officer of the supervising official is the appraising

authority. As such the appraiser does not have a first hand information about the performance of the employee. Similarly, the controlling officer of the appraiser is the reviewing authority. Very often, the appraisee and the reviewer work in different offices, and in most cases, there is no occasion for the reviewer to deal with the employee and directly know about his performance.

5. Practically there is no organisational use of performance appraisal reports. The only context in which some reference is made to performance is promotion. Even there, generally no criterion exists regarding how performance appraisal is to be given weightage.

6. Performance appraisal system in banks is a confidential affair with an unnecessary secrecy about it. There is no feedback or follow-up action. The employees in general are neither involved in nor bothered about it.

7. The appraisers do not get any training or enlightenment regarding the performance appraisal system or the procedure.

8. The function of personnel departments in connection with performance appraisal relates to record keeping and clerical duties only. Role of personnel department as the monitor of the system has not got acceptance among the banks.

7.16 SUGGESTIONS

1. The primary responsibility for performance appraisal should be fixed on the supervising official of the employee. Because of frequent contact, he is most familiar with the employee's performance and hence, is the most suitable person to evaluate it. Such

delegation is also essential to support the leadership and authority position of the supervisor. The reviewing authority also should be familiar with the employee's work.

2. It is desirable to supplement the performance appraisal system with a self evaluation by the employee. One of the major objects of performance appraisal is employee development. A self-appraisal system serves this object by providing the employee an opportunity to examine his own strengths and weaknesses. It also tells the employee the criteria against which he is judged. Comparison between the appraisals made by the employee and his superiors would also unearth the defects in the appraisal system, errors in appraisal and strained staff relations. The Indian Banks' Association also suggests a three tier system consisting of self appraisal by the officer (appraisee), an appraisal by the immediate boss (appraiser), and a further appraisal by the boss of the boss (reviewer).⁶⁶

3. A rescheduling of the time of appraisal would help to improve the quality of appraisal. If the appraisal of officers, clerks and subordinate staff are fixed for different months, the appraiser would get more time to make a fair appraisal. It is also desirable to spare the busy months like the month of annual closing of accounts.

4. One basic requirement of a good performance appraisal system is defining the criteria against which performance is to be appraised. It makes the expectations of the bank clear for the employee as well as the appraiser. This would also make the appraisal more objective. It is also necessary that the criteria are

determined based on job analysis and the organisational philosophy.

5. It is necessary to make effective use of performance appraisal reports. It serves two purposes: (1) it helps the bank in taking wise and judicious decisions relating to the personnel functions of training, compensation, promotion, human resource planning, etc. and in evaluation of effectiveness of recruitment system, and (2) the appraisers find the time and effort spent for appraisal worthwhile when they see that their reports are given due consideration and weightage. This leads to improving the quality of appraisal.

6. The composite rating should be the sum total of the ratings under individual factors. It is also desirable to assign weights to each performance factor according to its contribution to job effectiveness.

7. Training of raters must be given due care and attention. It should not be forgotten that judgement of people requires traits and skills much different from those required for general banking business.

8. A basic change is needed in the approach to performance appraisal. It should be viewed as an ardent pursuit for growth and development, and not as the spiteful exercise of a pessimist. The system should also aim at identification and recognition of talents. Appraisal interview should be made an inherent part of the system. In any case, the employee should get feed back from the appraisal.

9. The personnel department is to be assigned a greater role in the administration of performance appraisal system. An efficient

system needs intensive study before setting up and continuous evaluation after installation. In addition, there is also the need to analyse performance appraisal reports for chalking out personnel programmes, providing feed back to appraisers and re-vising the system if necessary. The personnel department can be entrusted with these functions.

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CHAPTER - 8

PROMOTIONS

Opportunity for advancement is considered to be fundamental to any progressive organisation and also for the function of personnel development. A person has little incentive toward self development if she or he has no opportunity for advancement. Advancement within an organisation is ordinarily labelled as "promotion". A promotion involves a change from one job to another that is better in terms of status and responsibility.

8.1 DEFINITION

Promotion is an upward mobility of an individual in an organisation's hierarchy, accompanied by increased responsibilities, enhanced status, and usually with increased income, though not always so. On being promoted, the promotee's duties and responsibilities increase, and the higher one goes in an organisation the greater the implications of the individual's decisions on the viability of the enterprise.¹ The National Commission on Labour defined promotion as follows: "Promotion means movement of a worker to a position of higher responsibility and the consequential improvement in his emoluments. It is a reward for his hard work and an incentive to give of his best to the employer, it also serves to maintain the requisite morale among workers. Promotion provides a stimulus to the employee to cultivate the qualities that are necessary for advancing in life".²

The personnel function that seeks to reconcile individual career plans and needs with organisational needs is known as career planning, or career management. Career planning includes: (1) assessment of employee abilities and potential; (2) determination of logical paths of progression between jobs; and (3) efforts to channel individual career interests in directions compatible with an organisation's future human resource needs.³

8.2 WHY PROMOTION?

Many of today's workers have high expectations about their jobs. An individual with managerial possibilities joins an industrial organisation not for a job but for a career. An ambitious mind can never remain stagnant and the growing family can never sustain itself on an inadequate income.⁴ Moreover, career planning reduces turnover and ensures the retention of good people. Most of the people feel more secure, and identify their long term interests with those of the company if they expect a good career in the company itself.⁵

The organisation's main concern relating to career planning is to assure the development of competent replacements for outgoing employees, especially at the middle and upper levels of management. By developing employees for future positions, an organisation is assured a supply of qualified, committed employees to fill higher-level positions becoming vacant. In addition, a career planning strategy enables organisations to develop and place employees in positions compatible with their individual career interests, needs and goals. This promotes employee

satisfaction and optimal use of employee abilities.

The following reasons for promoting employees have been mentioned by many business executives:⁶

(1) Promotion is the stepping up of an employee to a position in which he can render greater service to the company and derive increased personal satisfaction and income from his work.

(2) The knowledge that deserved promotions are being made increases the interest of other employees in the company.

(3) Such knowledge causes other employees to believe that their turns will come next, and so they remain with the company and reduce the labour turnover.

(4) It creates a feeling of content with the present conditions and encourages ambition to succeed within the company.

(5) It increases interest in training and in self-development as necessary preparation for promotion.

(6) Promotions from within the company are not so apt to be mistakes as are selections from without.

8.3 PROMOTION POLICY

A corporate policy on promotion helps to state formally the organisation's broad objectives, and to formulate both the organisations manpower and individual career plans. One of the first requirements of a promotion policy is a statement of the ratio of internal promotions to external recruitment at each level, the method and procedure of selection (trade test, interview) and the qualifications desired. The second exercise is to identify the network of related jobs and the promotional channels of each job, taking into account job relatedness, opportunities to interact with higher

placed executives to foster job learning and the qualifications - both academic and work experience - required.⁷

Every organisation should have some type of formal and systematic promotion programme. There are two basic essentials to such a programme. First, clear paths of advancement must be charted through the organisation. Deadend jobs should be labelled, and the path upward well marked. The second essential is that a definite system should be established for the identification and selection of the particular people who are to be advanced. This involves not only the establishment of the means for obtaining and recording data about individuals, but also a policy decision concerning the bases of selection for promotion. The latter question must certainly involve consideration of the old controversy of merit or performance versus seniority.⁸

Job analysis provides the fundamental information required to chart the lines of promotion within an organisation. A careful analysis of the duties of the lower job indicates the adequacy of preparation for higher jobs. Analysis of job duties generally leads to the discovery of multiple lines of promotion to several jobs in different areas. Some jobs may well be dead ends, and a person hired for this type of job should be informed of its nature.⁹

Trade unions frequently demand and get a say in promotions. But industrial courts have hitherto held that promotion is a management function, though they interfere in promotion which involved transfer to another unit/branch/location if disputed as a case of victimisation.¹⁰

8.4 BASES OF PROMOTION

Organisations which have a stock of promotional talent spread over

several departments, require a systematic approach to promotion as the talent must be identified even if it is available in a department where it is not needed. One systematic approach to this problem is to have a job description for every position within the organisation outlining in detail the duties and responsibilities of the incumbent as well as educational background and experience required of him. Such a job or position requirement can be used as a parameter for a search by the personnel specialists through the files of the employees within the organisation to ascertain the individuals who fit such parameters and are thus fit for promotion. Promotion decisions involve assessment of skills and abilities and such assessment is called for whenever there is a fundamental change in the skills required for the position to which promotions are contemplated.¹¹ A formal promotion system would try to use objective evaluation of the responsibilities of a position and an appraisal of the individual's capabilities in terms of potential performance.

Though programmes differ, four distinct elements of career planning programmes emerge. They include (1) individual assessments of abilities, interests, career needs, and goals; (2) organisational assessments of employee abilities and potential (3) communication of information concerning career options and opportunities with the organisations, and (4) career counselling to set realistic goals and plan for their attainment.¹²

Organisations have adopted a variety of criteria for promoting employees, depending to a large extent on the company culture. Each criteria has its own advantages and disadvantages. The two

formal bases on which a decision can be made concerning promotion are (1) seniority and (2) merit.

8.4.1 Seniority

Distinguishing persons on the basis of seniority is as old as civilization itself. Seniority is defined as the length of recognised service in an organization. Unless one believes that seniority and merit are always present in equal degree in the same person, there is likely to be a conflict between these factors, particularly when we attempt to establish the basis for promotion.¹³ The seniority promotion plan is universally accepted from time immemorial. The oldest son succeeded his father as chief, king, emperor, lord of the estate and as inheritor of the wealth and the power of his father.¹⁴ Seniority provides certainty and dependability. It reduces rivalry and struggle. Utilisation of seniority in making various employment decisions has a number of advantages the most outstanding being that it is an objective means of distinguishing among personnel. The measurement is exact. It is also contended that the measurement is simple. In the realm of human relations, seniority has the value of being accepted by employees.¹⁵

All seniority-based promotions are automatic in nature. What happens in the case of such automatic promotions is that merely by the qualification of having spent a certain number of years in the organisation, one becomes eligible to be promoted. One disadvantage with all types of automatic promotions is that an aspirant for promotion has always to go on waiting in queue for promotions. Smarter guys especially the better qualified and ambitious ones among the employees often get fed up waiting for their turn to come for pre-

motions. Employees' organisations traditionally have the tendency to be votaries of the creed of such automatic promotions.¹⁶ There are several reasons against the use of seniority, particularly when it becomes the sole base for decision making. In the first place, seniority often ignores merit or ability. The job must be done if the organisation is to accomplish its objective. Length of service will not do it, and there is no guarantee that the experience indicated by seniority will produce ability. The concept of seniority was really evolved as an escape from the painful process of assessment of merit.¹⁷ In the case of manual workmen, it would be safe to consider seniority as the major criterion for effecting promotion.¹⁸ In modern business, however, seniority is quite inadequate as a universal promotional system. It survives merely because no better system has been developed that has won public confidence.¹⁹

A study conducted by Varde²⁰ showed that rural branches operating at an unusually low volume were generally headed by branch managers over 40 years of age. He observed that this is an obvious result of promotions strictly by seniority.

8.4.2 Merit

From a scientific management view point, promotion should be used to place on a job, the employee who is most productive and competent to do the job. Promotion systems necessitate a two fold balance between the choice of the individual most suited to fulfil the job role and thus contribute effectively to the organisation's mission, and individual aspirations for promotional opportunities which need to be satisfied.²¹ Management personnel generally prefer merit as

determined by job performance and by analysis of employee potential for development. The argument for merit has little foundation unless conscientious and systematic attempts are undertaken to measure merit.²²

Large numbers of people distrust the management's integrity to promote on merit. There is also the question of the ability of some supervisors to recognize merit.²³ The notorious lack of reliability in determining merit criteria objectively is the main obstacle to its becoming the sole basis for promotion. As suggested by Devasthali,²⁴ promotions, must be purely on merit, decided not by the immediate superior alone, who may have favours and prejudices, but by some well defined objective criteria which would inspire confidence amongst the employees as a fair and judicious deal warranting adequate recognition of their capabilities.

The Working Group on Customer Service in Banks recommended that promotion policies of banks should take into account performance of employees in the field of customer service - lapses and errors committed, complaints received and good work done, all should have due weightage.²⁵ The Pillai Committee²⁶ suggested: 'a programme of career development must be based on the discovery and development of talent, and opportunities for the meritorious to reach the levels by dint of sheer ability and efficiency'.

3.4.3 Merit-cum-Seniority

It has been generally accepted as a principle that promotion should be strictly on the basis of merit. But in practice, it has been found difficult to measure merit, and promotions by and large, have

been taking place on the basis of seniority. In some cases where promotions have taken place on the basis of merit, there has been some sort of a suspicion among the employees with regard to the objective assessment made. In any case it is true that a greater part of the employees prefer the seniority basis to the merit criterion, and this is quite understandable as the really meritorious would form only 10 percent or less of the total employees in a given category.²⁷ Where trade unions exist, the trend is towards giving more weight to seniority in promotions. Trade unions tend to argue in favour of seniority because they think in terms of their membership as a whole, and are constantly suspicious of favouritism.²⁸

In practice, a compromise solution is often adopted which can be termed merit-cum-seniority method. This however, does not solve the problem and might actually complicate it by having to balance the conflicting claims of merit and seniority. A suitable system would perhaps be to provide minimum performance standards. Where such standards are achieved, promotion should be based on seniority. However, in case of persons who have shown substantially higher performance and aptitude, they should be promoted earlier. In this way, the stress on increased productivity is not reduced.²⁹

Many compromises have been worked out in practice between the extremes of pure seniority and pure merit, one of which can be phrased, "when ability is substantially equal, seniority will govern". (This compromise is weighted in favour of ability). A second type of compromise is written more in favour of seniority.

This would be an agreement that the senior person able to do the job should be assigned to it.³⁰ It is possible to have a spectrum of criteria on a continuum on which promotional decisions can be based, ranging from merit and ability systems to length of service. Several other criteria could be formed by mixing the two with varying weightages:³¹

1. Merit and ability
2. Ability and seniority
3. Seniority and ability
4. Minimum length of service
5. Seniority except for incompetents
6. Length of service.

The National Commission on Labour³² recommended that seniority-cum-merit should be the basis of promotions where merit can be objectively tested.

8.4.4. Assessment of Merit

Merit is understood differently by different people and this has been one of the reasons why a merit-based promotion system has been slow to develop. In one sense, merit can be said to consist of three components. These are (a) Knowledge (b) Performance and (c) Potential. The content of knowledge would naturally vary from level to level.³³

Organisations have several sources of information for making assessment of employee abilities and potential. First is selection information including ability tests, interest inventories and biographical information such as education and work experience. Second

is current job history information, including performance appraisal information, records of promotions and promotion recommendations, salary increases and participation in various training and development programmes.³⁴ The personnel record, or qualification card, in some form is a necessary part of any organised procedure to promote on merit in a large enterprise. The qualification card is a condensation of the important facts pertaining to the capacities, experiences and interests of each worker.

A special promotion test is the most widely used source of information for assessing the merit of the aspirants. The assumption is that there is a correlation between the score of the employee in written test and his abilities. In evolving purely 'objective' promotion systems based mostly on written examination, organisations virtually delink promotions from performance. Promotions should be based not only on what an employee 'knows' but also on what he 'does'.³⁵ In many cases the subjective element in judgement has been eliminated from the process to such an extent that even the worst trouble monger can get promoted by passing the test.³⁶ One who knows the principles does not necessarily qualify for a managerial position. Execution and administration of policies based on economic principles involves personal traits and qualifications on which the success or failure of an organisation will largely depend.³⁷

The ideal test would be one which would look for knowledge which the employee ought to have acquired through application of normal diligence and enquiry in his day to day working and not an abstract knowledge which would be gleaned through resort to

books and guides.³⁸ The Pillai Committee (1974)³⁹ suggested that it would be desirable to set uniform standards for promotion to the officers grade in respect of qualifications, experience and promotion tests, so that the quality of the promoted officers may be broadly comparable with that of the direct recruits.

8.4.5 Other Criteria

Organisations have traditionally relied on performance appraisal data as the primary basis for assessing employee potential. The use of performance appraisal data to assess employee potential assumes that past performance is a good predictor of future performance in a different capacity. This assumption can be faulty for a number of reasons. Efficiency in the present job does not necessarily predict ability to do well in a job with greater responsibility. Nor does inefficiency in the present job necessarily preclude ability to function effectively at a higher level.⁴⁰

Hence, it is insufficient that a candidate was good in his present job. It is important to assess his suitability for the job for which he is recommended. A careful "Potential Appraisal" should be made of all employees, following which individuals with managerial potential should be chosen for training and development as junior managers.⁴¹ By potential we mean the characteristics, abilities and skills that are considered relevant for the positions to which promotions are contemplated.

Nepotism in promotions to higher managerial positions was all too frequent in early years. It may be argued that this is relatively "costless" in an industrially underdeveloped economy, where managerial skills are scarce and sons and relatives of the

wealthy get most of the advanced training.⁴²

Vaghul⁴³ suggested that promotion decisions should be based not merely on the achievement or non-achievement of the results, but also the efforts put in by the employee. Age, educational qualifications and professional qualifications are some other criteria which are commonly employed in the context of promotions. According to Vaghul, age is relevant, if at all only at the entry point in the senior management positions, and promotions to first level senior management positions beyond an age of 55 years may not be really functional.⁴⁴ He suggests that one of the functions of the promotion policy would be to ensure that a substantial number of executives of the desired age group reach the senior management positions sufficiently early so that a wider choice is available for the selection of the top management personnel.⁴⁵

Regarding weightage for educational qualifications it was observed: "We believe that educational qualifications should really have no weightage either in promotion decisions or in the constitution of the eligibility group of employees. We are aware that there is a practice amongst several banks to have two streams of promotions from the clerical cadre - one for graduates and post-graduates and the other for matriculates. For the former group the minimum length of service is normally lowered. While there is no doubt about some merit in this distinction for promotion from clerical to supervisory cadre, strictly speaking the assessment procedures for both the categories ought to be common. In regard to professional qualifications like CAIIB examinations

the decision to adopt this as an eligibility criterion would depend mainly on the organisations' assessment of the relevance of these examinations to the needs of the bank".⁴⁶

A pattern that has been followed in some organisations, is to have a promotion committee which is the final selecting body. The committee prepares the final list on a basis which assigns weightages to various segments, for instance, seniority, written tests, trade tests, warning notes, leave/absenteeism records, disciplinary charges and so on.⁴⁷

8.4.6 Accelerated Promotions

Each person has qualities, desires and experiences peculiar to him or her. It may be that some qualities and experience qualify one for promotion outside normal channels.⁴⁸ Sonalker⁴⁹ suggested that while accelerated promotions should be given to those who do well, normal promotions should not become routine. According to him, promotions should come early in one's career before physical and mental inertia gets firmly entrenched.

The Committee on Functioning of Public Sector Banks (1978)⁵⁰ also favour accelerated promotions. They say in their report: "The unions must agree to the induction of efficiency bar every four/five years in the 20 years grade to filter out the inferior workers and accept the principle of accelerated promotion for good work, and stagnation in promotion for bad work within each grade of four/five years". The Pillai Committee (1974) recommended that the pay structure should provide for accelerated promotions for the meritorious by reserving at least 25 percent of the vacancies

in the higher grades for it. It also suggested that it would be desirable to lay down norms and procedures for selection of officers for accelerated promotions at different levels.⁵¹

8.5 THE PROBLEM OF UNPROMOTED EMPLOYEES

No discussion on promotion system would be complete without a discussion on the problem of unpromoted employees. The 'vacancy' approach to promotions which has become part of the management philosophy may not always satisfy the important individual need of growth and development. Some employees will not get promotion due to lack of available positions. In such cases, where employees perform adequately in their present jobs, wage increments should be forthcoming annually. In other words, promotion should not be the only means of a wage rise for an employee in a pyramid type of organisation. This problem is not so acute in a flat organisation which has a larger number of levels below that of the chief executive to which promotion is possible.⁵²

Under a system of promotion giving weightage for merit, very often some employees are not promoted due to their not reaching the required standard. If the promotion system is seen not as a process of elimination but as one facilitating career growth through achieving the desired level of performance and acquisition of certain standards of potential, there is a chance that non promotion would be viewed as a challenge to the individual to sharpen his efforts to reach the desired standards. Such a process may be made possible through feed back of the evaluation of the employee supported by appropriate counselling and training.⁵³

8.6 PROMOTION SYSTEM IN INDIAN BANKS

Vaghul⁵⁴ describes the present promotion system in Indian commercial banks as the result of a development in three phases: The first phase was typical of organisations of small size. Promotions were made on the basis of the recommendations of the superiors, and in view of the small size of the organisations there was fairly intimate knowledge not only of the superiors who made the recommendations but also the persons who were recommended. Promotion decisions thus posed no major problems to the managements. The second phase is the period of growth in size of the organisations bringing in several problems. One was the growth in promotion opportunities and consequently greater expectations from employees. Secondly the intimate knowledge of supervisors and employees was lost and the management was hard-put to assign relative weightages to the various recommendations. Thirdly, the emergence of unions and their demand for a promotion policy exerted pressures on the management for moving away from adhocism to formulation of some systems. The systems that got developed due to these pressures fell into three broad streams: (1) based purely on seniority (2) based on an assessment of merit through written examination and interview and (3) a combination of these two systems. In the third phase, as the organisations became larger in size, there was a growing realization that weightage for service record may not be objective from the employees' point of view. Gradually, there developed a system under which the weightage for service record was given up.

Promotions are a major attraction in bank jobs. The unprecedented growth of banks in the recent past has in its wake brought about a spate of promotional chances to its employees in all cadres. A career in banking is considered quite lucrative these days. It was not so in the past. Years back people joined banks as clerks or cashiers only when they could not secure similar jobs elsewhere. Many of them left bank jobs to take up appointment as clerks or typists in government departments and other similar organisations. Over the years when they came out as upper division clerks or head clerks in government or other offices, their counterparts in banks went on climbing the rungs to occupy managerial and executive positions.⁵⁵

The promotion system existing in the Indian commercial banks in early seventies was described by Aggarwal, thus: "The criterion generally followed by banks for promotion from one grade to another was seniority-cum-merit and the weightage in favour of merit increased as the officer moved up the ladder. A few banks had prescribed written tests followed by interview for promoting staff from clerical to junior officer cadre but in a number of banks the selection for promotion was made only through interview by staff committees consisting of senior executives or on the basis of their performance as appraised by their superiors. Some banks had a system of rewarding extraordinary performance of the staff by awarding cash prizes, granting special increments and effecting accelerated promotions. As, however, staff unions resented the system of accelerated promotions, some of these banks had to discontinue this system".⁵⁶ Sastry award⁵⁷ describes the promotion

practice prevailing in the Imperial Bank of India in early fifties, as follows: "Ordinarily persons who have not shown aptitude for work of higher type and responsibility before attaining the age of 35 are not generally considered for such posts. The practice is said to be based upon the experience of the bank that if an employee after about 15 years service has not shown aptitude for a higher type of work even by the time he reaches the age of 35, it is unlikely that he would show fitness for such work after attaining the said age". The Award describes the general position thus:⁵⁸ "We find that in actual practice a large number of the present officers of the banks except perhaps in the case of Exchange Banks are persons who had been promoted from the clerical cadre. In this connection our attention was invited to the fact that no less than 1,004 out of 1,165 officers working in the Central Bank of India Ltd. are persons who started their career as clerks". It also expressed the hope that 'the Exchange Banks also will in their own interests as well as those of their employees provide wider opportunities for promotion of the senior clerks to responsible posts'.

A study by Vaghul in 1975⁵⁹ showed that 'for the higher levels in management, promotions are made by banks on the basis of service record. However, in view of the strong limitations of the reporting system, seniority becomes the predominant consideration for promotion decisions at these levels and deviations from seniority are more an exception than the rule. This tendency to rely on seniority becomes more and more pronounced as one moves up higher in the hierarchy'.

8.7 RECOMMENDATIONS OF COMMISSIONS AND COMMITTEES

It would be appropriate to go through the observations/recommendations of various bodies regarding promotion of personnel.

(1) Sastry Award (1953):⁶⁰ "We do not think that any hard and fast rules can be laid down in connection with promotions. We are definitely opposed to the suggestion that employees' unions should be consulted in connection with promotions. It cannot be supported on principle. We do not think that such consultation is likely to be helpful either. While there is no doubt that seniority in service should be one of the most important factors to be taken into account for the purpose, we are unable to agree that mere length of service alone irrespective of efficiency, educational qualifications, character and nature of responsibility required in connection with the vacancies to be filled in should be the sole or even the main criterion for promotion. Promotion is certainly not a matter which could be made automatic and a good deal of discretion by its very nature must rest with the management in this connection. It is not only difficult but very undesirable to lay down any one single principle for the exercise of this discretion. In our opinion, there must be cases of employees in the banking industry as elsewhere in which efficiency of some employees does not necessarily improve with mere length of service. Nor do all employees in all cases show capacity for work involving higher responsibilities. The apprehension of the employees underlying the demand for length of service to be the sole governing factor for promotion may be due to apprehensions of nepotism and victimi-

sation of employees who take active interest in the trade union movement. We further direct that in the case of employees who are not found fit for promotion, the decision should be born out by service records of the employees and that when a person senior in service is superseded it should be for good and cogent reasons. We recommend that such an employee should have the right to appeal to the General Manager or the Managing Director who should consider the appeal with an open mind and revise the decision if necessary, and that such appeal should not be treated as an act of indiscipline on the part of the employee by the officer under whom he may be working". Regarding promotion of subordinate staff to clerical cadre, the Award recommended that 'such members of the subordinate staff who are sufficiently literate and intelligent should be considered for promotion to clerical grade'.⁶¹

The Sen Award had prescribed the passing of matriculation or an examination equivalent to it as the minimum qualification for promotion to appointments in the lower clerical cadre.⁶²

(2) The Tripartite Committee for Non-award Banks, Kerala State (1958):⁶³ "While there is no doubt that seniority in service should be one of the most important factors to be taken into account for the purpose of promotion, it should not be taken for granted that mere length of service alone irrespective of efficiency, educational qualifications, character and nature of responsibility required in connection with the vacancies to be filled in should be the sole or even the main criterion for promotion". (3) The National Commission on labour (1969):⁶⁴ "As a general rule we recommend that in the lower rungs particularly among the operative and clerical cate-

gories, seniority should be the basis for promotion. In respect of middle management technical, supervisory and administrative personnel, seniority-cum-merit should be the criterion. For higher, managerial, technical and administrative positions, merit alone should be the guiding factor". (4) The Banking Commission (1972):⁶⁵ "Once an employee has either been selected or promoted as a junior officer, he may be allowed to reach the middle management level, without further screening, on the basis of seniority-cum-ability. Every person however, comes to a stage in his career when he has reached the top of his curve of usefulness as an executive and, therefore, there should be a selection grade for posts carrying senior executive responsibility". The Commission suggested the following procedure for promotion of clerical staff as junior officers: 'For filling in the posts of junior officers reserved for internal promotions, a qualifying examination should be conducted at various centres by a National Banking Service Commission, for national banks. As regards banks in the private sector, they may either hold their own examinations or make an arrangement with the Commission in this regard. The employees who have completed at least five years' service in the clerical cadre with satisfactory performance record, irrespective of their age, should be allowed to appear for the qualifying examination which should mainly be designed to judge their aptitude, supervisory skill and knowledge of procedures. Those who pass the examination should be ranked on the basis of seniority for the purpose of promotion. The maximum number of chances to be allowed to an employee to appear for these tests should be three'.⁶⁶ (5) The Pillai Committee (1974):⁶⁷

It recommended a system purely based on seniority for promotions to officer grades upto scale V. According to the Committee, the eligibility of an officer for being promoted to a higher scale is his reaching the maximum in the lower scale. However, the recommendation was only partially accepted by the Government. It was modified on the following grounds/lines: "Seniority rule cannot be accepted for promotion to middle management and senior management grades. In the banking industry the executive pyramid is wide-based and fairly narrow at the top. This would imply that the promotion channel for the top posts in senior positions in banking industry has to be highly selective and only merit should be the criterion for promotion, particularly to the senior management levels. It is with this view in mind that, the Pillai Committee itself has recommended a long salary scale for the junior management grade....While merit should be the criterion for promotions, it was desired that objective procedures should be devised by the management for selection to higher grades, so that there should be no feeling that special favours are being shown to individual officers on grounds other than merit".

The Committee suggested for eligibility in promotions to Scale II in officer cadre, a satisfactory service of 12 years, CAIIB parts I and II being given two years and three years weightage respectively.⁶⁸ It also recommended that, while promotion from one scale to a higher scale in the same grade will be exclusively the function of the managements concerned, promotions from one grade to the higher grade should be on the advice of a promotion committee constituted by the bank concerned with which

a member of the National Banking Service Commission should be associated. It also suggested that, for all selections to the top executive positions, the Chairman of the Commission should preside over the Selection Committee.⁶⁹ (6) The Fourth Bipartite Settlement (1984): 'Suitability be determined in member banks having the post of Special Assistant by interview of senior employees with weightage for qualifications. Where assessment is only on the basis of interview, there shall be a probation period of six months. If, in any bank there is the system of written test, the same may continue'.⁷⁰

8.8 RESERVATION

One of the first requirements of a promotion policy is a statement of the ratio of internal promotions to external recruitment at each level. Such a statement would help individuals as well as manpower planners to project numbers of internally available candidates for vacancies. In some organisations such a ratio is fixed by a collective bargaining agreement.⁷¹

A common feature of the promotion policy of the banks under study is a system of reservation of vacancies to be filled by promotion from lower cadre. However, the rate varies from bank to bank, and cadre to cadre. The present reservation practices and the rates in the different banks are as follows:

FBL: 70 percent of the vacancies arising in the lowest grade in officer cadre are reserved to be filled by promotion from clerical cadre. If sufficient number of eligible candidates are not available, these positions are filled by direct recruitment.

However, such vacancies will be carried over to the next year, and if eligible candidates are not available that year also, reservation of those vacancies lapses. All the vacancies arising in higher grades of officer cadre are generally filled by promotion only. Regarding the vacancies in clerical cadre, there is no reservation for promotion. However, the vacant positions are filled first by promotion of eligible subordinate staff, and direct appointment is made only to the remaining vacancies.

As per the provisions of an agreement signed between the management and the employees' union in 1972, the reservation for promotion to the lowest grade in officer cadre was only 50 percent. In addition, the unfilled vacancies in the reserved quota lapsed in the same year itself and were filled by direct recruitment, without the number being carried over to the next year. The present practice is in terms of an agreement signed in 1980.

SIB: 75 percent of the vacancies in the lowest grade of officer cadre are filled by promotion from clerical cadre. All the vacancies in higher grades are also filled generally by promotion. In addition, as per the terms of an understanding with the Officers' Association, the Bank has agreed to effect irrespective of the vacancy position, at least five promotions from the lower grade of 'branch manager' to the higher grade every year. Before 1974, all appointments to officer cadre were by promotion. Regarding promotion of subordinate staff, there is no standing policy. The management and the union by mutual agreement decide the number of promotions to be made each time when it is agreed to effect promotions. For example, in 1987 it was agreed to promote 25 subordinate

staff. Prior to this, the agreement was in 1983.

CSB: As per the terms of an agreement signed in 1980, the reservation of vacancies in junior officer cadre, to be filled by promotion is 70 percent. Before 1976, all appointments in officer cadre were by promotion only. Now also all appointments to higher grades in officer cadre are generally by promotion. For promotion of subordinate staff, there is no reservation of vacancies in clerical cadre. Neither, there is any agreement. The practice is to promote all who are found eligible.

NBL: The bank had the system of direct recruitment to officer cadre even in the sixties. As per an agreement signed in 1969, sixty percent of the vacancies in 'accountant' and 'agent' cadres were reserved for promotion, and the rest were filled by open recruitment. At present all appointments to officer grades other than accountant grade are usually by promotion only. Reservation of vacancies for promotion to accountant cadre was raised to 70 percent in 1971, and to 80 percent in 1985 by agreements with employees' unions. There is also reservation of vacancies in clerical cadre for promotion of subordinate staff. Since 1985, 20 percent of the vacancies arising in clerical cadre are being filled by promoting subordinate staff.

PCB: The bank started recruiting officers only in 1978. Before that, all appointments to officer cadre were generally by promotion. In terms of an agreement signed in 1983, 70 percent of the vacancies in accountant cadre and 20 percent of the vacancies in clerical cadre are to be reserved for promotion of employees in the lower cadre.

Vacancies in higher grades of officer cadre continue to be completely filled by promotion from the lower grade.

Table 8-1 shows the reservations of vacancies in accountant cadre and clerical cadre for promotions in the different banks.

TABLE 8-1

RESERVATION OF VACANCIES FOR PROMOTION FROM THE LOWER CADRE
(In percentage)

Bank	In Accountant cadre	In Clerical cadre
FBL	70	*
SIB	75	*
CSB	70	*
NBL	80	20
PCB	70	20

* No reservation, all the candidates found eligible are promoted.

In all the banks, it is agreed by the employees' union that, 'the management will be free to make open recruitment to any cadre, in case of necessity'. However, such recruitments were very rare and were limited to the appointment of the very few specialist officers.

The above practices could be summarised as follows: In all banks appointments to higher grades in officer cadre are only by promotion. In the lowest grade in officer cadre also, between 70 per cent and 80 percent of the vacancies are reserved for appointment by promotion. In the clerical cadre only two of the banks reserve vacancies for promotion and the quota is 20 percent in both the cases.

However, in the other banks also promotion is made according to eligibility.

Table 8-2 shows the total number of officers and clerks in these banks and the number of promotees. Due to non-availability of data relating to the same points of time, the table has been prepared including data pertaining to different years of the seventies and eighties, for different banks. However, they are considered sufficient to highlight the trend in the proportion of promotees among officers and clerks. For one bank data relating to the seventies are not available for comparison, and hence only the rates in 1987 are shown. It could be seen from the table that the proportion of promotees among officers varied between 36 percent and 91 percent in late seventies. However, leaving the bank with the rate of 36 percent, the rate varied between 75 percent and 91 percent. In the middle/second-half of the eighties the rates vary between 55 percent and 80 percent. In the bank with the lowest rate in the seventies, the rate increased; and in the bank with the highest rate, it came down. But in the two banks with medium rates in the seventies, the rates remain unchanged. In the increase in total number of officers during the period, the proportion of promotees was between 65 percent and 87 percent in different banks. In the bank with the lowest rate of promotees (36 percent) in the seventies, this rate is highest (87 percent) and in the bank with the highest rate (91 percent) in the seventies this rate is lowest (65 percent). In the two banks with medium rates in the seventies, this rate also is at about the same level, with the result that the rates

TABLE 8-2
NUMBER OF PROMOTED EMPLOYEES AMONG TOTAL EMPLOYEES (OFFICERS AND CLERKS)

BANK ...	FBL		SIB		CSB		NBL		PCB
YEAR ...	1978	1985	1979	1986	1976	1986	1977	1987	1987
<u>OFFICERS</u>									
1. Total number	713	1,127	579	1,039	312	671	219	418	78
2. Appointed by promotion	260	620	462	834	283	517	165	312	61
3. Percentage of promotees to total number	36	55	80	80	91	77	75	75	78
4. Rise in total number	..	414	..	460	..	359	..	199	..
5. Rise in the number of promotees	..	360	..	372	..	234	..	147	..
6. Percentage of rise in the number of promotees to rise in total number	..	87	..	81	..	65	..	74	..
<u>CLERKS</u>									
1. Total number	1,599	2,037	1,228	1,957	573	1,758	345	766	183
2. Appointed by promotion	160	393	62	193	57	100	46	198	17
3. Percentage of promotees to total number	10	19	5	10	12	6	13	26	9
4. Rise in total number	..	438	..	729	..	1,185	..	421	..
5. Rise in the number of promotees	..	233	..	131	..	33	..	152	..
6. Percentage of rise in the number of promotees to rise in total number	..	53	..	18	..	3	..	36	..

at the middle of eighties also continues to be at the same level.

Regarding clerical staff, the proportion of promotees varied between 5 percent and 13 percent in the seventies. At the middle of eighties it varies between 6 percent and 19 percent. It is interesting to note that while in three of the banks the rates got doubled during the periods covered, in the fourth bank the rate went down to one half i.e. from 12 percent in 1976 to 6 percent in 1986. The banks with both the highest and lowest rates in the seventies, have a rise by 100 percent in this rate.

The proportion of promotees in the increase in total clerks during the periods under review varied between 3 percent and 53 percent. Both of these banks - with the lowest and the highest rates - had medium rates of promotees to the total clerks in the seventies. Thus no correlation is observed for generalisation. The bank with the highest rate (53 percent) of promotees among additional clerks during the period under analysis (late seventies till mid eighties) had prescribed S.S.L.C. in first class as the qualification required for the subordinate staff in the seventies.

8.9 PROMOTION PRACTICES IN THE BANKS

The promotion practices in the banks are described and analysed below under three heads as follows:

- (a) Promotion of subordinate staff to clerical cadre
- (b) Promotion of clerical staff to officer cadre, and
- (c) Grade promotion of officers

8.9.1 Promotion of Subordinate Staff to Clerical Cadre

All the banks offer opportunities to eligible employees in the

subordinate cadre for promotion to clerical cadre. Such provisions were incorporated into the service rules by settlements with employees unions. The practices in the banks are:-

FBL: Promotion opportunities available for subordinate staff in this bank are of three types.

(a) General promotion: Matriculates with two years' service and non-matriculates with five years' service are eligible to apply for promotion to clerical cadre through this channel. A written test of a model as agreed between the management and the union is held by the bank. Those who come out successful in the test retain their original interse seniority, and in this order appointment is made in clerical cadre. All the candidates who are successful in the written test are promoted without any interview or other formalities. This procedure was adopted by an agreement with the employees' union in 1972. Promotion test is usually held every years.

(b) Automatic promotion: An employee of subordinate cadre acquiring higher qualification is entitled to automatic promotion as follows, with effect from the date of result:

- (i) those graduating while in service are promoted as clerks
- (ii) those qualifying in typewriting (Higher) examination are promoted as typist-clerks.

(c) Vacancies in the post of record keeper (in clerical cadre) are filled by promoting subordinate staff with more than 20 years' service. Selection for promotion is by interview.

SIB: There are three channels for promotion as follows:

(a) General promotion: Subordinate staff with a minimum service of five years are promoted after written test and interview. Ranking of candidates for promotion is in the order of marks awarded under the criteria shown in Table 8-3.

TABLE 8-3
CRITERIA FOR RANKING CANDIDATES FOR PROMOTION IN SIB

	Maximum Marks
Service: @ 2 marks for every completed year beyond 5 years	15
Qualification: for S.S.L.C. 10	
for first class in S.S.L.C. 5	
	15
Written test (Minimum marks required for eligibility is 25)	60
Interview	10
Total	100

(b) Seniority based promotion for those with a minimum of 20 years' service. Only those who appear for the written test held for general promotion are eligible for promotion through this channel. Selection is on the basis of an interview. The 'overall performance' of the employee is also taken into account.

(c) Special promotion for those graduating while in service. They are promoted if found suitable by the Board of Directors in an interview.

CSB: Matriculate subordinate staff with four years' confirmed service, and non matriculates who have passed Standard V and having six years' service are eligible to appear for the written test for promotions. A pre-determined number of candidates are promoted in the order of the rank obtained in written test. However, a candidate scoring less than 40 percent marks in written test is not qualified to be promoted. Previously, promotion was based on a general assessment without any written test. Such promotees were posted mainly as cashiers and godown clerks.

NBL: 20 percent of the vacancies in clerical cadre are reserved for promotion of subordinate staff - 10 percent through seniority channel and 10 percent through merit channel.

(a) Seniority channel: Sub-staff with at least 5 years' service are eligible to appear for the promotion test in 'dummy banking', carrying 100 marks. For service above five years, bonus marks at the rate of 2 marks per year are also awarded subject to a maximum of 15 marks. Those who get 40 marks in aggregate are ranked in accordance with seniority. This list remains valid for five years. Those who remain in the expired list have to appear for the written test again.

(b) Merit channel: Matriculates with a service of three years and non-matriculates with that of five years are eligible to compete in a written test. The written test is held in general English and Arithmetics - each paper carrying 50 marks. Candidates scoring at least 40 percent marks in each paper are ranked on the basis of the marks in written test and weightage marks as follows:

Typewriting Lower	-	5 marks for each paper
Typewriting Higher	-	15 marks for each paper

The rank list remains valid for one year.

(c) Automatic promotion: Subordinate staff with a service of at least two years and qualifying in a degree examination while in service are promoted to clerical cadre. Before 1987, matriculates qualifying in Typewriting (H) also were eligible for such promotion. Automatic promotions are accounted as promotions against the quota under merit channel.

Under the practice in the sixties, only those who had studied upto S.S.L.C. could appear for the written test, and they were promoted only if found suitable in the test. The number of chances was also limited to two. In early eighties an employee could avail himself of only five chances. But now there is no such restriction.

PCB: 20 percent of the vacancies arising in clerical cadre are reserved to be filled by promotion of subordinate staff. Matriculates with three years' service and non-matriculates with seven years' service are eligible. Written test carries 100 marks. Bonus marks at the rate of $1\frac{1}{2}$ marks for each year of service above 5 years subject to a maximum of 15 marks are also added. Those getting 40 percent marks in aggregate are called for an interview which carries 50 marks. Candidates getting not less than 60 marks are ranked according to the marks scored. The rank list remains valid for one year. The number of chances to appear for promotion test is limited to five.

In all the banks the norms were adopted by bilateral negotiations

between the management and employees' unions.

An analysis of the practices reveals the following:

(1) Provision for promotion: All the banks have provision for promoting employees in the subordinate cadre to clerical cadre. While one bank makes promotions according to availability of eligible candidates, two have reserved 20 percent of the vacancies for appointments by promotion. The other two banks promote a pre-determined number of candidates each time.

(2) Criteria: For selecting the candidates to be promoted, banks make use of various criteria including service, seniority, written test, interview and academic qualifications.

(3) Eligibility to compete: Eligibility of an employee to participate in the competition for promotion is decided on the basis of service, in all banks. The minimum service required varies from two years to seven years in different banks. Four of the banks distinguish between matriculates and non-matriculates, fixing a higher minimum service for non-matriculates.

(4) Role of written test: The role of written test varies from bank to bank. A minimum score in written test is necessary in all banks to make a candidate eligible for promotion. In one bank, bonus marks awarded for service are also added to the test marks to determine eligibility.

(5) Role of interview: Only two of the banks hold interview. In both these banks, it is used as a supplementary tool without any stipulation regarding minimum score for eligibility.

(6) Ranking: Rank list of candidates found suitable for

promotion is prepared by following different criteria. All the criteria are admixtures of merit and seniority norms in various proportions. The various methods of ranking followed by these banks are listed below:-

- (a) All the candidates qualified in written test are ranked in the order of seniority.
 - (b) Ranking of candidates taking into account the aggregate marks for (i) written test (ii) interview and (iii) bonus marks for service above the minimum requirement.
 - (c) Ranking on the basis of aggregate marks for (i) test (ii) interview and (iii) bonus marks for higher qualification and additional service.
 - (d) Ranking on the basis of marks in written test.
 - (e) Ranking on the basis of aggregate marks in written test plus bonus marks for special qualification.
- (7) Expiry of rank list: In one bank all the eligible candidates are promoted, in two banks list of only the required number of candidates is prepared, in the fourth bank the rank list remains valid for one year, and the validity of the lists in the other bank is for five years and one year respectively in seniority and merit promotions.
- (8) Special promotions: Three of the banks have provision for special promotion of candidates acquiring higher qualifications graduation or typewriting - while in service. In one bank such promotion is automatic with effect from the date of publication of the results of the examination, in the second bank such employees should have put in a minimum service of two years, and in the third

they should be found suitable after an interview.

On the whole, it could be seen that the practices and norms followed by the different banks vary in all respects.

8.9.2 Promotion of Clerical Staff to Officer Cadre

All the banks have well defined norms and practices in the matter of promotion of clerical staff to officer cadre. Invariably in all the banks, these norms were adopted through negotiations with employees' unions. The practices of the different banks are explained below:

FBL: Graduate clerks with five years service and under-graduates with seven years service are eligible for promotion. For candidates who have passed CAIIB Part I, minimum service required is only 2 years and 6 years respectively i.e. relaxation by three years and one year. Under-graduate clerks get a further relaxation by one year for CAIIB Part II. The applicants are administered a test consisting of (i) Banking Practice and Procedures and (ii) Banking Correspondence and General English. Employees who have completed 20 years of service are exempted from written test. Candidates with more than the minimum service required for eligibility are entitled to bonus marks which would be added to the marks for written test to determine success in test. Those who are successful in written test are called for an interview by the directors, and the rank list is prepared on the basis of marks scored by the candidates in interview. The rank list remains valid for one year. However, a candidate qualified in written test once, need not appear for the written test again.

If more candidates get the same marks in interview, seniority would decide the rank inter se. Prior to 1980, ranking was on the basis of seniority among the candidates who were successful in written test and interview. Thus within the bank, the shift in policy has been in favour of merit, from seniority.

SIB: Promotions are made through two channels - seniority channel and merit channel - with reservation of ten percent and 65 percent respectively of the total vacancies (25 percent of the total vacancies are filled by open recruitment). In promotions through seniority channel, selection is made on the basis of interview held for clerks with a service of 15 years or more. Selection of candidates for promotion through merit channel is on the basis of marks for written test, interview and bonus marks for (i) service above minimum requirement and (ii) additional qualifications including graduation and CAIIB. Marks allotted under each factor in 1972 and in 1986 are shown in Table 8-4.

TABLE 8-4
TOOLS USED IN PROMOTION OF CLERKS IN SIB

	<u>In 1972</u>	<u>In 1986</u>
Written test	60	60
Interview	5	10
Service above minimum requirement	30	20
Special qualifications	5	10
Total	100	100

Only clerical staff with at least four years' service are eligible for promotion. A minimum of 25 marks in written test is also essential. The subjects for written test include 'principles and practice of banking' and 'general knowledge'. Only the existing vacancies are filled from the rank list, and no waiting list is maintained.

Under the scheme that existed in 1971, written test was held for candidates numbering only four times the number of vacancy, called on the basis of seniority. Under the scheme of 1970, the minimum service required for eligibility was five years for graduates and seven years for undergraduates. Merit list was prepared on the basis of marks scored in written test.

It could be seen that in this bank also, on the whole, between 1972 and 1986 the shift has been in favour of merit. For example, service required for eligibility has been reduced, and the marks allocated for interview and special qualifications have been enhanced reducing the marks for service.

CSB: Non-matriculate clerks with a pass in CAIIB I and all matriculate clerks are eligible for promotion provided they have at least four years' service and have scored not less than 35 percent marks in written test. Merit list is prepared on the basis of marks scored under a scheme as given in Table 8-5.

Under the scheme that existed in 1970, eligibility was eight years' service for matriculates and five years' service for graduates. Selection was on the basis of performance in written test, qualifications and service records.

In this bank, there are no separate channels for promotions

TABLE 8-5

SCHEME FOR RANKING CANDIDATES FOR PROMOTION AS OFFICERS IN CSB

	Maximum Marks
Written test	45
Bonus marks for total service	40
Bonus marks for qualifications (Graduation and CAIIB)	10
Past performance	5
Total	100

on the basis of merit and seniority. But on the whole the bank gives comparatively more weightage for seniority. For example, the bonus marks for service comes to 40 percent of the total marks. NBL: Promotion is made through two channels - through seniority channel to 50 percent of the vacancies and through merit channel to 30 percent of the vacancies.

Seniority channel: Matriculate clerks with eight years notional service (including weightage for higher qualifications) can appear for a written test in 'Practice and Law of Banking' and 'General English'. Notional service is calculated at two years for graduation and one year for each part of CAIIB. Bonus mark is also awarded for actual service above six years with a maximum of 15 marks and it is added to the test marks. All the candidates who get 35 per- cent marks in aggregate are ranked according to actual service. The list remains valid for one year and those remaining in the list

have to appear for the written test again. The number of chances is limited to five excluding the tests passed. A non-matriculate can avail of only two chances and they should be availed within three years of attaining eligible service.

Merit channel: All matriculate clerks with an actual service of four years and not above forty years of age are eligible. Selection is on the basis of (a) Written test in (i) Banking Law and Practice (ii) General Knowledge and (iii) English, (b) Interview, and (c) Weightage for service and service record. A minimum score of 35 percent marks in each paper and 40 percent marks in aggregate is essential to qualify in written test. The criteria adopted for ranking of candidates in the merit list, before and since 1984 are shown in Table 8-6. The merit list remains valid for one year and those not promoted are allowed to appear for the test and interview again. However, the number of chances is limited to five excluding the tests passed.

The promotion practice that existed in the seventies was as follows:

Seniority channel: A written test was held to eliminate the unsuitable. But such elimination was in any case not to exceed 20 percent of the candidates. Others were ranked according to seniority and a new test was held only when the number of candidates in the existing list was not sufficient. The new list was prepared including those remaining in the old list, but reranked on the basis of seniority in the new group.

Seniority-cum-merit channel: For promotion through this channel, CAIIB or graduation and five years actual service were necessary

TABLE 8-6

CRITERIA FOR RANKING CANDIDATES FOR PROMOTION TO OFFICER CADRE
IN NBL

	Before 1984 (Since 1971)		Since 1984
Written test	60		100
Interview:			
General knowledge	10		10
Banking Law and practice	20		30
Personality	5		5
Speech	5		5
	-----	40	----- 50
Service record:			
General service record	10		10
Leave record	5		
Health record	5		
	-----	20	> 10 ----- 20
Total actual service	80		80
	-----		-----
	200		250

for eligibility. However, minimum qualification was reduced to matriculation in 1973.

Under the rules of 1969, eligibility was matriculation and ten years' service including notional service calculated for qualifications. A minimum of thirty five percent marks in written test was also necessary. Existing non-matriculate staff were given one

chance to appear for the test. Ranking of candidates was on the basis of marks awarded in interview. Those who failed in the test were eligible for only one more chance. Test was held once in every three years or when the existing merit list exhausted.

In this bank, though greater weightage is given for seniority (marks for service even in promotions through merit-channel comes to 32 percent), over the years a shift in favour of merit can be seen. The ceiling of 20 percent regarding elimination in 'seniority-promotion' was given up, and the share of marks for written test and interview has been enhanced in merit-promotions. There are also restrictions regarding upper age in the matter of promotions through merit channel and regarding number of chances through seniority channel. Even in promotions through seniority channel, merit gets weightage through the system of notional service for higher qualification.

PCB: Fifty percent of the vacancies reserved for appointment by promotion are filled by promotion through seniority channel and the other fifty percent by promotion through merit channel.

Seniority channel: Matriculate clerks with 15 years total service including notional weightage are eligible to seek promotion through this channel. Notional service is given for graduation (Two years) and CAIIB (one year for each part). Non-matriculates are also given one chance to compete. Selection process comprises of written test (100 marks) and interview (30 marks). All those who secure at least 30 percent marks in written test are called for interview. Also bonus marks are given for service above the minimum required for eligibility (maximum - 30 marks). Candidates are

ranked on the basis of aggregate marks for written test, interview and excess service. The rank list remains valid for one year. The number of chances to seek promotion through this channel is limited to three.

Merit channel: Matriculate clerks with at least five years' service and not above forty years of age are eligible. Merit list is prepared on the basis of marks in written test (Maximum 100), interview (Maximum 50) and bonus marks (Maximum 15 marks) for service above five years. To become eligible for promotion, the candidate should have got a minimum of 50 percent marks in each subject. Candidates numbering three times the number of positions are called for interview in accordance with the marks obtained in written test. The rank list remains valid for one year. The number of chances for a candidate is limited to three.

Written test for promotion through both the channels is in (i) Practice and Law of Banking (ii) General English/Business Communications and (iii) Banking Mathematics. The present system of promotions through two channels was introduced in 1983.

The practices in different banks as described above can be summarised as follows:

(1) **Criteria:** The criterion adopted by the banks for selecting candidates for promotion is an admixture of (a) seniority as measured by service (b) merit as assessed by qualifications and performance in written test, and (c) assessment on the basis of interview and service records.

(2) **Service:** Service is given credit in four respects by different banks: (a) eligibility of candidates is primarily judged

on the basis of service by all the banks (b) bonus mark is awarded for service, by certain banks (c) candidates with more than a specified service are exempted from written test by one bank, and (d) eligible candidates are ranked on the basis of seniority by another bank.

(3) Bonus marks for service: Bonus marks for service are of two types: (a) bonus marks added to the marks awarded in written test and taken into account to determine success in the test, and (b) marks included in the aggregate points to decide the rank of the candidate. Bonus marks are awarded on two bases: (a) based on total service (b) based on service above minimum requirement.

(4) Weightage for qualifications: Qualifications get weightage in certain banks in the form of (a) relaxation in minimum service required for eligibility or (b) bonus marks which are taken into consideration in ranking. The special qualifications that get weightage are graduation and CAIIB. At the same time, lower qualification leads to lower number of chances or ineligibility in certain banks.

(5) Written test: Written test is held by all the banks except one which avoids it in promotions through seniority channel. While written test is eligibility test in some cases, in others it is competitive and influences the rank of the candidate. The pass mark varies between 30 percent and 50 percent in different banks. One bank adds the bonus marks for service to the test marks to determine pass in written test. In all the banks except one a candidate has to pass the test each time irrespective of the results in previous attempts. Written test generally covers banking practice and

procedures and general English.

(6) Interview: The role played by interview varies from bank to bank: (a) one bank does not hold interview at all (b) another bank avoids interview in promotions through seniority channel (c) the third bank makes selection for promotion through seniority channel only on the basis of interview (d) in the fourth bank the candidates successful in written test are ranked on the basis of marks awarded for interview. In all other cases interview plays the role of a supplementary tool in determining the rank of a candidate. The proportion of marks awarded for interview varies between 10 percent and 30 percent of the total marks considered for ranking of candidates. None of the banks prescribe any minimum score in interview as a requisite.

(7) Performance: Weightage for performance or performance appraisal reports is rare and negligible. In one bank 'past performance' gets five percent marks, in another, 'service record' gets eight percent marks. The other banks do not have any such provision.

(8) Ranking of eligible candidates: There are various methods of ranking used by the different banks. Banks having two-channel system of promotion follow different norms for seniority and merit channels. An analysis of the methods of ranking shows that various factors are taken into account by the different banks. These factors include performance in interview, performance in written test, total service, service in excess of the eligibility requirement, seniority, special qualifications, past performance and service record.

(9) Merit list: Two of the banks make the merit list with only the required number of candidates. The other three banks maintain a waiting list which remains valid for one year.

(10) Merit Vs Seniority: Three of the banks maintain a two-channel system with specific norms favouring merit and seniority respectively. Another bank has incorporated a special provision within its general system to favour seniority by exempting those with 20 years' service from written test. The fifth bank has only one system. The banks which operate the two-channel system also make an allocation of the vacancies between the two channels. However, there is wide disparity between the banks in the allocation, as is shown in Table 8-7

TABLE 8-7

APPORTIONMENT OF VACANCIES IN OFFICER CADRE FOR PROMOTION THROUGH MERIT AND SENIORITY CHANNELS IN DIFFERENT BANKS

	SIB (Percentage of total vacancies)	NBL	PCB
Promotion through merit channel	65	30	35
Promotion through seniority channel	10	50	35
Percentage of merit channel promotions on seniority channel promotions	650%	60%	100%

(11) Two of the banks have fixed a ceiling regarding the age of candidates seeking promotion through merit channel. The limit is 40 years in both cases.

(12) Only one bank has well defined norms regarding awarding of

marks for interview.

In conclusion, it could be said that the system of promotion to clerical cadre in the different banks is characterised by wide disparities and dissimilarities. No two systems are similar. However, the essence of all the systems is merit, seniority and potentials combined in various proportions and weightages. Merit is assessed mainly on the basis of written test covering Banking Practice and Procedures and General English. Performance appraisal reports do not in any way directly influence selection and ranking of candidates.

8.9.3 Grade-promotion of Officers

In all the banks, officer cadre comprises different grades. The number of grades varies between three and seven in different banks. All appointments to vacancies in higher grades are made by promotions from officers of the lower grade. Open recruitment to higher grades is usually made only in the case of specialists requiring special qualification/experience. The systems and practices prevailing in the sample banks in grade promotion of officers are described below. For convenience, the grades are referred to by using numerical codes as Grade I, Grade II etc. - Grade I representing the lowest grade, Grade II, the next higher grade and so on.

FBL: Officer cadre in this bank comprises six grades. Promotion to a higher grade is made on the combined basis of seniority, educational qualifications, performance and potentials. Allocation of marks for ranking of candidates in promotions from the first two grades is given in Table 8-8.

TABLE 8-8
NORMS FOR GRADE PROMOTION OF OFFICERS IN FBL

Factors	Gr. I to II (Marks)	Gr. II to III (Marks)
Seniority	30	20
Educational qualification	25	10
Performance	20	40
Potential	25	30
	100	100

In both cases, a minimum service of 5 years in the present grade is necessary. Marks for seniority are given for service above the minimum required for eligibility. The educational qualifications that attract marks are graduation, post-graduation, professional qualification and CAIIB. Performance is assessed on the basis of personal records and performance appraisal reports, and potentials on the basis of personal interview.

The number of candidates to be considered for promotion is restricted to three times the number of vacancies. Ranking is in the order of aggregate marks awarded as above. However, 'notwithstanding the order of merit of an officer, if the committee of directors specially constituted for the purpose considers in its judgement that such officer is not promotable on the grounds arising out of the performance report and/or the interview assessment and/or such other reasons, the committee may, after recording specific

reasons for reaching such judgement, either exclude the name of the officer from the merit list or hold his promotion in abeyance'. An officer refusing to accept a promotion posting stands disqualified for three years.

There are no specific norms laid down for promotions to the higher grades. Selection is made by a committee of directors on the basis of assessment of performance and potentials.

Under the norms that existed in the seventies, an officer could be considered for promotion to Grade III only if he was qualified in CAIIB examinations. In the sixties, probationary officers were placed in a separate junior officer pay scale with a span of nine years, and on reaching the maximum in that scale they were automatically promoted to Grade I.

It could be seen that the weightage in favour of seniority and qualification diminishes, and that in favour of performance and potential increases with rise in the grade of post. At the higher grades, selection is mainly on the basis of performance and potentials.

SIB: There are seven grades in officer cadre. Promotion from Grade I to Grade II is strictly on the basis of seniority. Promotion to higher grades is on the basis of assessment by a screening committee of directors. There are no fixed norms with regard to selection by the screening committee. However, the committees generally follow a system of giving weightage for service, educational qualifications and the assessment by the committee. The weightage given in promotion to Grade III by the committees constituted in 1981 and 1984 was as given in Table 8-9. Weightage is given only for the

TABLE 8-9
NORMS FOR PROMOTION TO OFFICER GRADE III IN SIB

Factors	Points awarded	
	1981	1984
Service	65	66
Qualification	15	14
Assessment	20	20
	100	100

service in officer cadre. Qualifications attracting special points are graduation and CAIIB. Regarding the criteria followed for assessment, the committee of 1981 reported that it was made 'on the basis of qualification, deposit mobilisation, management of advances, character and conduct, dealings with staff, public relations and ability to hold higher positions. The short falls, lapses and misconduct on the part of the officer and punishments given if any, as recorded in the personal files and known from other reliable sources have also been taken into account'. Very often a minimum service in the present grade and a higher minimum total service in officer cadre are also prescribed for promotions to Grade III and above.

Regarding the norms adopted for promotion from Grade II to Grade III in 1977, a note states 'seniority linked with performance is the criterion taken for recommending candidates for promotion. Performance is evaluated by taking several factors into consideration,

such as qualification, performance in deposit mobilisation, advance, profit etc. In the case of officers at head office, the criteria cannot be applied fully as the nature of work is different. Therefore the number of new posts is divided between head office and branches in the ratio of number of officers in the lower grade and separate list is prepared for each category'.

The above analysis shows that in this bank promotion from Grade I is strictly on the basis of seniority, in promotion from Grade II service gets about two thirds of the total points, and in promotion from higher grades also service gets similar weightage. CSE: Officer cadre consists of seven grades. The promotion policy of the bank identifies four factors as relevant for ascertaining the suitability of officers for promotion - seniority, educational qualification, performance, and potential as identified in an interview by a committee of directors. Points awarded under each factor in promotions to various grades are shown in Table 8-10.

The points for performance are awarded for performance in the present grade based on appraisal reports of the past five years or the number of years for which data are available. Points are awarded for each year and the average is worked out. Points for outstanding, above average, average, and below average ratings are 100, 80, 60 and 40 respectively. Qualifications that attract points are graduation, post-graduation, professional qualifications, CAIIB and diplomas recognised by the Government of India as relevant to banking. The points for service are now awarded for total service in the present cadre though prior to 1986 it was awarded only for excess service over the minimum required for eligibility.

TABLE 8-10
NORMS FOR GRADE PROMOTION OF OFFICERS IN CSB

Factors	Points given in promotions to:				
	Grade II	Grade III	Grade IV	Grade V	Grade VI
Seniority	40	30	10
Qualification	10
Performance	30	40	50	50	40
Potential	20	30	40	50	60
Total	100	100	100	100	100

Minimum service required for promotions to Grade II, III, IV, V and VI are seven years, six years, five years, four years and three years respectively in the lower grade. However, the management reserves the right to reduce the minimum service in the case of officers whose performance is considered outstanding.

Since the year 1986, all those who secure 65 percent points and above for promotions to Grade II and Grade III are eligible for automatic promotion. At the same time for promotions to Grade IV and above at least 60 percent points are necessary. The norms for promotion from Grade VI to Grade VII are not laid down. Selection is made by a committee of directors and the Chairman.

An analysis brings out the following features of the promotion system in the bank: (a) weightage for qualifications is little and is given only in promotion from the lowest grade, (b) seniority gets

greater weightage, but it gets diminished at higher grades, and at the highest two grades the weightage is nil. (c) performance and potential get weightage at all levels. Both these factors get increased weightage at higher grades. But between them, 'performance' gets overriding importance in the three lower grades, and at the highest grade 'potential' ranks first.

In spite of the provision for automatic promotions to Grades II and III, it could be found that the promotion system in this bank is, on the whole, more merit-oriented than seniority-oriented. At none of the grades seniority has predominance over merit. The shift also has been in favour of merit. For example, an employee cannot become eligible for automatic promotion with the credit of service alone. The change to a system of giving points for total service in the cadre also favours the junior employees with more ability.

One interesting feature of the promotion system in the bank is a contaminated system of awarding points for performance. Under the performance appraisal system of the bank the lowest point in the final merit rating scale is 'below average'. Under the norms for promotion, a consistent 'below average' rating also gets 40 per cent of the points allocated for performance.

NBL: There are five grades in officer cadre. Promotions are on the basis of interview. The number of candidates called for interview is three times the number of vacancies, and they are called strictly on the basis of seniority. Interview is held by a committee of directors and senior executives in promotions to lower grades, and by a committee of directors and the Chairman in promotions to higher grades. The committee is provided with a report on each employee

showing length of service, qualification, date of birth, training received, positions and posts held etc.

PCB: There are three grades of officers in this bank. An officer is eligible for promotion to higher grade if he completes the specified period of service in the lower grade. Selection is on the basis of evaluation of the previous service and performance, and interview. The norms with regard to these are decided by the management each time.

The above descriptions show that in the promotion of officers to higher grades, the managements enjoy greater freedom and discretionary powers. The right of the managements to select the promotees also gets widened at higher grades. In the matter of formulation of policies also the managements enjoy greater freedom.

An analysis of the norms show that the major factors that influenced the selection of candidates for promotion to higher grades in officer cadre are service, qualifications, performance and potential. The role of each of these is analysed below:

(1) Service: The basic eligibility for promotion in most cases is a minimum service. In three of the banks a minimum service in the present grade is essential. In another bank the number of candidates considered is only three times the number of vacancy, selected on the basis of seniority. In the fifth bank though there is no firm policy with regard to service, only candidates with a certain service in the lower cadre were considered for promotion in the last few years. Two of the banks have provision to award bonus marks for service - in one bank for service above minimum requirement and in the other, for total service.

(2) Qualification: None of the banks has prescribed any minimum academic qualification. But three of the banks have specific provisions to favour candidates possessing certain specified qualifications by awarding bonus marks or special points. The qualifications preferred by the different banks are graduation, post graduation, professional qualifications and CAIIB.

(3) Performance: All the banks give consideration to performance. One bank bases the assessment regarding performance on personal records and performance appraisal reports, another bank on the special evaluation by a committee of directors, and the third bank exclusively on performance appraisal reports of the past years. The other two banks have no specified norms.

(4) Potentials: In four of the banks, interview is the tool to assess the potentials of a candidate. In the other, no interview is held and the potentials are assessed by a committee of directors. In all the banks where interview is conducted, the interview board comprises directors except in one bank where for promotions to lower grades, interview is held by a committee of directors and senior executives.

(5) Number of candidates considered: In two of the banks all the candidates with a specified service in the lower grade are considered, in other two banks the number is limited to three times the number of vacancies (selected by seniority in the lower cadre) and in the other bank, there are no clear norms. A bank once considered all the employees in the lower cadre, irrespective of service.

(6) Ranking in merit list: In two banks, the rank of a

candidate is determined on the basis of the aggregate points awarded under the different factors, in another on the basis of marks awarded in interview, in the fourth on the basis of points awarded by an assessment committee without any interview or test, and in the last no fixed norms have been laid down.

8.9.4 Fixation of Pay on Promotion

Promotion is the upward reassignment of an individual in an organisation's hierarchy accompanied by increased responsibilities and enhanced status. Enhanced status itself may not be sufficient motivation for an employee to take up the greater responsibilities. For this reason employers provide higher pay scales for positions involving greater responsibility. Though the higher pay scale provides the long standing incentive, to provide the necessary stimulus an immediate monetary benefit is assured when the employee is shifted from the lower pay scale to the higher pay scale. With this object the banks adopted different formulae to fix the employees' pay in the pay scale for the higher post. The different formulae followed by the banks are stated below:

A. On promotion of subordinate staff to clerical cadre:

(a) Present basic pay of the employee

Add one increment

Add Dearness Allowance

Total

...

Then, fix the basic pay in the clerical scale at the lowest stage which ensures the total pay as calculated above

(b) Present basic pay

Add Dearness Allowance

Total

...

Fix in the clerical scale at the lowest stage which ensures the total pay as calculated above. Also add one increment in the higher scale.

(c) Fix in the clerical pay scale at a stage which would ensure him the total emoluments he would have drawn as a 'daftry' in subordinate cadre. Also give an additional increment.

B. On promotion of clerical staff to officer cadre.

(a) Fix the pay of the employee in the pay scale of officer Grade I at a stage which ensures that total emoluments at any time will not be less than what he would have drawn as a 'special assistant' in clerical cadre.

(b) Present basic pay

Add one increment

Total

...

If this is a stage in the higher scale, fix at that stage, otherwise at the higher stage. If the total emoluments at this stage is less than what he would have drawn in the clerical cadre, protect the difference as 'personal pay'. This personal pay is

not adjusted against future increments.

(c) Present basic pay

Add: a specified amount

Total ...

Fix at the next higher stage in officers' pay scale.

(d) Following a formula as given in (b) under 'promotion to clerical cadre'.

(e) Present basic pay

Add: special allowance drawn, if any

Total ...

If this is a stage in the higher scale fix at that stage, otherwise at the next higher scale. Also give one increment in the new scale.

C. On grade promotion of officers:

(a) Add one increment in the present scale and if this is a stage in the higher pay scale fix at that stage. Otherwise fix at the next higher stage.

(b) If the present basic pay is a stage in the higher pay scale fix at that stage, otherwise in the next higher stage. Also give one additional increment in the new pay scale.

(c) After the initial fixation as in (b) above, give two additional increments.

8.9.5 Certain Notable Practices

Some past and present practices relating to promotion of personnel in the different banks are stated below:

(1) In early seventies one bank used to give special marks for early submission of answers in the written test for promoting subordinate staff to clerical cadre.

(2) The employees' union of one bank complained in 1981 that: (a) marks of each question were not stated in the question paper for the promotion test held for subordinate staff. (b) the questions were too academic. In this bank, the marks scored by the candidates in written test are not published, though rank list is prepared on this basis.

(3) An employee who declined promotion is not eligible to appear for the promotion test in the next two chances.

(4) If an employee in clerical cadre does not appear for the written test for promotion to officer cadre through seniority channel on two consecutive occasions, the right of promotion under the channel is forfeited.

(5) In one bank, typists and stenographers are not eligible for promotion to officer cadre. But they can opt for the general stream after three years' service, and become eligible on acquisition of the total required service. However, at present, as the bank is not able to grant them conversion to the general stream, such candidates are given exemption from the application of the aforesaid provision.

(6) Under the norms that existed in a bank in the seventies, an officer could be considered for promotion to Grade III only if

he was qualified as CAIIB. However, officers holding DBM/MBA were exempted PROVIDED the bank had sponsored them for the course.

(7) Under the norms of promotion in one bank, 'potential' as assessed on the basis of interview has 25 percent of the total marks considered for ranking. However in 1984, no interview was conducted 'to save time and to effect transfers before academic session'. The potential of the candidates was assessed by a committee of senior officials on the basis of the data furnished by the candidates in a prescribed form.

(8) In one bank, an employee who refuses to accept promotion, will not be entitled to stagnation increments. However, he will continue to draw any stagnation increments already granted.

(9) Till early seventies, in one bank subordinate staff promoted to clerical cadre were not assigned clerical duties. They were posted only as cashiers and godown clerks. But in another bank, three of the present officers started their career in subordinate cadre.

(10) The employees' union in a bank complains that: (a) publication of the results of a written test for promotion to officer cadre took about five months (b) the number of vacancies to be filled by promotion are not notified and (c) marks secured by the candidates in written test are not published.

(11) The promotion policy of a bank stated in 1969: 'Promotion of an officer from one grade to a higher grade shall not be as of right, but only on the basis of personal efficiency, quality of leadership, service, enterprising nature, educational and/or technical qualifications and/or other merits of an officer'.

(12) One bank declared its policy in 1977 as follows:

'We have a definite policy in the recruitment and promotion of staff. The objective of the bank is to catch them young to the lowest cadre so that they can be groomed for higher and higher responsibilities'.

(13) As the post of 'Agricultural Officer' is in specialist cadre, such officers are not eligible for promotion through the general stream. However, in one bank they can apply for a change over to the mainstream on completion of five years, and within three years of becoming eligible. Such requests would be allowed only if they are found suitable in an interview.

(14) In one bank, officers who do not avail themselves of three consecutive chances to appear for promotion interview forfeit their chance for promotion.

8.10 FINDINGS

1. In contrast to the other personnel management areas, 'promotion' is characterised by having a well-defined policy regarding many aspects. The promotion policy is more clear and fixed as far as it concerns the award staff. As regards the supervisory staff, it is less precise giving more discretionary powers to the management.

2. The employees' unions have played the leading role in framing the policy and norms regarding promotion of award staff.

3. One basic feature of the promotion policy of all banks is a system of reservation of vacancies for being filled by promotion from lower post. It seems to follow a law of increasing promotions

and diminishing recruitments at higher levels - at lower levels reservation is less and at executive positions it is almost complete. Thus there is no infusion of fresh blood into the stream at higher levels in the hierarchy. By the reservation system the banks undertake to promote the required number of employees irrespective of availability of suitable hands.

4. Though the banks follow various criteria to select employees for promotion to various cadres, the essence of all criteria is merit-cum-seniority basis - each criterion combining merit and seniority in a different proportion.

5. The major tools used to assess merit are written test, educational qualifications of the employee, and to some extent interview. The focus is on what the employee knows rather than on what he does or would do.

6. Performance of the employee in the present cadre has hardly any direct influence in promotion. Even where performance is considered, it is based on an instant general assessment by a committee for promotions. Only one bank takes into consideration the annual performance appraisal reports. Even in that bank, it is considered only in promotions of officers.

7. There is wide disparity between the eligibility requirements prescribed by different banks for posts involving similar responsibilities.

8.11 SUGGESTIONS

1. While formulating the promotion policy, it is desirable that the managements first prepare a draft of the promotion policy

taking into account the needs of the organisation and the expectations of the employees. This draft of the policy can be supplied to the employees' unions, and circularized among the employees for constructive criticism and suggestions. On the basis of the suggestions, necessary amendments can be made in the draft before formal approval and implementation. A policy so adopted would be more fair and capable of winning the confidence of the employees. A policy framed through bargaining and reconciliation between the management and the employees' unions would reflect more the relative strength of the bargaining parties than the interest of the organisation or the employees. Similarly, a policy adopted by the management in a unilateral style would very often fail to recognise the expectations of the employees.

2. Under a system of reservation of vacancies for promotion, the organisation undertakes an obligation to promote the required number of employees, irrespective of eligibility and suitability. This may not be desirable in the interests of the organisation. Hence it is advisable to do away with the reservation system. However, if sufficient number of suitable candidates are available internally, the management should be willing to fill all the vacancies through promotions. For the exceptionally meritorious employees, opportunities for advancement may be provided even by creating appropriate positions. At the same time, if a suitable person is not available within the organisation, the management should be free to explore external sources.

3. A promotion policy giving due consideration for ability, performance and potentials would be appropriate in the interests

of the organisation and the employees who really deserve advancement. To start with, an objective and reliable system of assessing merit should be developed with the co-operation of employees' unions. If the assessment of performance for the purpose of promotion decisions bases itself on the periodic performance appraisal reports, it would be more realistic and would also impart added prominence to the annual performance appraisal system. In addition to granting special points for extraordinary performance, the promotion regulations should also impose disqualification for below standard performance.

4. If the eligibility requirements for various promotion posts are prescribed on the basis of job analysis and job specification, consistency within the bank and between banks can be ensured.

5. Promotion test would be more meaningful/objective if it evaluates the skills and abilities which an employee is expected to acquire from his experience in the present post, and are of significance in discharging the duties of the higher post.

6. A seniority-based promotion system would be more valid if it can be ensured that an employee develops his skills and abilities with the experience gained because of his service. Periodic performance appraisals, and feed back to the employee may be helpful in this respect.

7. It would be advantageous to prepare the designates to senior executive positions by use of 'under-study' system. This gives them opportunity to get fully acquainted with the new responsibilities by the time they are to take over complete charge

of the position. To facilitate the under-study to work under the direction, guidance and supervision of the current incumbent for some time it would be necessary to have an executive succession plan identifying the successor in advance.

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CHAPTER 9

COMPENSATION

One of the most difficult functions of personnel management is that of determining rates of monetary compensation. Not only is it one of the most complex duties, but it is also one of the most significant to both the organisation and the employee.

The compensation function contributes to organisational effectiveness in four basic ways. First, compensation can serve to attract qualified applicants to the organisation. Second, compensation helps to retain competent employees in the organisation. Third, compensation serves as incentive to motivate employees to put forth their best efforts. Finally, minimising the costs of compensation can also contribute to organisational effectiveness since compensation is a significant cost for most employers.¹

9.1 DEFINITION

Compensation is any form of payment given to employees in exchange for work they provide their employer. It generally comprises cash payments, which in addition to wages includes pensions, bonus for good work and shared profits.² Financial payment made at or near the time work is performed is called direct compensation.³

In addition to paying the employees for services rendered, employers also compensate them with a variety of benefits. Some benefits are required by law; others are offered at an employer's discretion. Employees are also compensated for time not worked -

holidays, leave days and rest periods. Many employers also provide employee service benefits such as food services, educational opportunities and subsidies, and social and recreational activities.

9.2 THE CONCEPT OF 'WAGES'

The meaning of the word 'wage' or 'wages' is plain enough. It means periodical remuneration for work done for the employer.

The first question that naturally confronts an organisation earnestly desiring to solve its wage payment problem is "what constitutes a fair or a just wage?" A fair day's wage is one thing in one organisation and an entirely different thing in another.⁴ The terms which have acquired currency in discussing wage problems are (i) living wage (ii) bare minimum wage (iii) statutory minimum wage (iv) need based minimum wage and (v) fair wage. They are defined below:⁵

Need based minimum wages ensure the satisfaction of the minimum human needs including (i) food requirements, (ii) clothing requirements, (iii) housing and (iv) fuel, lighting and other miscellaneous items of expenditure. The Second Plan laid down that for the purpose of calculating need based minimum wage, the standard working-class family should be taken to comprise three consumption units for one earner; the earnings of women, children and adolescents being left out of account.⁶

The actual level of 'fair wage' at any given time will depend upon (i) the productivity of labour (ii) the prevailing rates of wage in the same or similar industries in the same or neighbouring localities (iii) the level of national income and its distribution

(iv) the place of the industry in the economy of the country and
(v) the present economic position of the industry and its prospects in the next future.⁷

A living wage is one which enables the worker to provide for himself and his family not merely the bare essentials of food, clothing and shelter, but also a measure of frugal comfort which includes education for his children, protection against ill health, requirements of essential social needs and a measure of insurance against old age and misfortunes which may befall on him.

Though the living wage is the target, the level of national income of a country may be so low that the country cannot afford to prescribe by law a minimum wage which would correspond to the concept of living wage. At the same time "the minimum wage" statutorily fixed should not be so low as to be on the level of bare subsistence i.e. wage which is sufficient to provide only the bare physical needs of a worker and his family for food, shelter and clothing. The statutory minimum wage must provide not merely for the bare subsistence of life, but also provide for some measure of education, medical requirements and other amenities. A distinction thus exists between bare minimum wage and a statutory minimum wage. The former is so low as to cover only the bare physical needs of a worker and his family.

9.3 SIGNIFICANT FACTORS AFFECTING COMPENSATION

There is no definite, exact, and completely accurate means of determining the correct wage, though some practical and systematic approaches have been developed and applied, such as job evaluation.

Yet, despite the lack of objective and accurate means of wage determination, every employer must establish a wage or salary for each employee. The reality is that one does not know exactly how much pay is the scientifically correct amount that any person should receive.⁸

Pricing jobs is difficult because there are many factors to be taken into consideration. The American Compensation Association says: "The resulting pay structure should reflect the organisation's objectives, the market place, internal job values, the mix of pay and benefits, its philosophy on how it wishes to pay versus the market, compensation policies, practices and procedures, the entity's approach to organisational structure, and the economic ability of the organisation to pay at a given level".⁹ There is a tendency for persons who are not familiar with the cold facts of economic life or those persons who shrink from the rigid discipline of facing the facts to think of wages as coming from a pool unrelated to production.¹⁰

It would be appropriate here to examine the observations of a few authors regarding the factors that would/should influence the compensation programme of an organisation:

1. Though considerable amount of guess work and negotiation are involved in salary determination, certain factors have been extracted as having an important bearing upon the final decision. Among these factors are the following: (a) supply and demand for employee skills, (b) labour organisations, (c) the firm's ability to pay, (d) the productivity of the firm and the economy, (e) cost of living, and (f) government.¹¹

2. A large number of factors enter into the determination of the levels of wages and salaries. More important among them

are: (a) wages and salaries paid by other companies, (b) firm's ability to pay, (c) cost of living, (d) conditions in the labour market and (e) union pressure.¹²

3. In any organisation, the wage and salary levels are dependent on four major factors. They are: (a) wage enactments of the governments, (b) wage rates in the community and in similar industries, (c) the influence of the workers' union on the wage rates, (d) corporate philosophy on wages.¹³

4. Lanham's five criteria have a bearing on the formulation of a firm's internal wage structure: (a) cost of living, (b) productivity, (c) prevailing wage rates, (d) ability to pay, (e) attraction and retention of employees.¹⁴

5. A sound compensation package should encompass factors like adequacy of wages, social balance, supply and demand, fair comparison, equal pay for equal work, and work measurement. The concept of adequacy has two components, the internal and the external. The internal component has a link with the fair wages concept. The external adequacy would be in relation to comparable jobs in other industries with similar background requirements.¹⁵

6. The determination of wages implies evolving and sustaining a wage structure which (a) permits a fair remuneration to labour, (b) permits a fair return to capital and (c) strengthens incentives to efficiency.¹⁶

7. Not only the demands of social justice but also the claims of national economy require that attempts should be made to secure to workers a fair share of the national income which they help to

produce. On the other hand care has to be taken that the attempt at a fair distribution does not tend to dry up the source of national income itself.¹⁷

8. The wage rates established for various categories of jobs should be internally consistent, as perceived inequities in wage rates have a demoralizing effect on the employees.¹⁸

9. The UN publication, Handbook of Civil Service Law and Practices, 1966 mentioned three major requirements of a sound pay structure. They are: inclusiveness (i.e. an inherent balance in relation to the pay structures prevailing in other sectors of the economy); comprehensibility (giving an easy quick picture of gross emoluments on the basis of the pay scale), and adequacy (to attract the right type of persons and to retain them).¹⁹ The Pillai Committee endorsing the above requirements preferred to add two more; viz. rationality (i.e. close relation with the functions and responsibilities of posts) and career planning (i.e. a programme of career development based on the discovery and development of talent).²⁰ The Committee also felt that the pay structure has to be tailored not only to the individual needs, but also to the needs of the organisation.²¹

In any economy sectoral productivities are bound to differ due to differences in skills, technology and capital, and hence wage differentials are not only inevitable but based on sound grounds. It is of course necessary that the extremes which reflect imperfections of the market and inadequacies of measurement should be avoided.²² A policy dealing with the crucial problem of determination of wage rates cannot be simply economic as it has to

reckon with the realities of multi-dimensional social phenomena, in which, besides the worker and management, the consumer and the society at large, and in consequence the State, are all vitally interested.²³

The Royal Commission on Labour suggested in its report in 1931: "Indian industry is not a world in itself; it is an element, and by no means the most important element, in the economic life of the community. Care must be taken, therefore, to ensure that, in adopting measures for the betterment of industry or of industrial workers, the interests of the community as a whole are not overlooked".²⁴ The learned Judge observed in *Crown Aluminium Works V Their Workmen*: "if an industry cannot pay even the bare subsistence wage, it has no right to exist".²⁵

The personnel view point is that the employee is paid for quantity and quality of production (i.e. for results), but in practice the criterion that most often determines the proper amount to pay is simply the going market rate for the activity involved, not the results achieved. Most studies show that people are paid chiefly for the length of service and not for the quantity or quality of their performance.²⁶ A sound salary planning system should be so designed as to reward an employee on the basis of his skill and ability. The aim is to ensure that individuals are correctly placed in their salary range in relation to their performance and that they move through and between salary grades at a rate appropriate to their progress and potential.²⁷

The modern concept is that the ultimate gains of a unit must be shared not only by the capitalists but also by the labour or

employees. Besides, where there is an increase in productivity, there should be some method whereby the worker also gets a fair share in the gains generated by such increased productivity. This thus raises the question of profit sharing, payment of bonus and sharing the gains in productivity.²⁸

The Fair Wages Committee Report summarises the main principles of compensation system in the following terms: "While the lower limit of the fair wage must obviously be the minimum wage, the upper limit is equally set by what may broadly be called the capacity of the industry to pay. This will depend not only on the present economic position of the industry, but on its future prospects. Between these two limits the actual wages will depend on a consideration of the following factors:-

- (i) Productivity of labour
- (ii) The prevailing rates of wages in the same or similar occupations in the same or neighbouring localities.
- (iii) The level of the national income and its distribution and
- (iv) The place of the industry in the economy of the country".

9.4 JOB EVALUATION

As a first step in the pursuit of equity in the wage system, there should be established a consistent and systematic relationship among compensation rates for all jobs within the organisation. The process of such establishment is termed "job evaluation". Job evaluation is a systematic method of appraising the value of each job in relation to other jobs in the organisation.³⁰

In job evaluation, one attempts to consider and measure the inputs required of employees (skill, effort, responsibility etc.) for job performance, and to translate such measures into specific monetary returns. The immediate objective of the job evaluation process is to obtain an internal consistency in wages and salaries.³¹ It provides a rationale for paying one job in an organisation more or less than the other.

9.5 WAGE DETERMINATION IN INDIAN BANKING

Before 1949, banking was a State subject and banks having branches at different places in India became subject to the provisions of different awards in different places as regards salaries and other service conditions. In 1949, the Central Government took over exclusive jurisdiction in the matter of settlement of disputes of banking and insurance companies having branches or establishments in more than one State. The first All India Industrial Tribunal was the Sen Tribunal constituted in 1949. However, the award of the Sen Tribunal was declared by the Supreme Court as void altogether for the reason that constitution of the tribunal offended against the provisions of the Industrial Disputes Act, 1947. Though another tribunal was formed in July 1951 with Mr. Justice H.V. Divatia as chairman, the chairman and the members resigned soon afterwards, and the adjudication work could not be taken up. Thereafter in 1952 the Sastry Tribunal was constituted. A large number of the employees and some of the banks concerned in the dispute felt aggrieved by the provisions contained in the Sastry Award and preferred appeals therefrom before the Labour Appellate Tribunal.

On 28th April, 1954, the Labour Appellate Tribunal gave its decision in the matter giving larger benefits to the employees of the banks. However, as the Central Government felt that, it would be inexpedient on public grounds to give effect to the whole of the decision of the Labour Appellate Tribunal, it by an order modified the decision in certain respects. The interference of the Government with the Labour Appellate Tribunal Decision raised a wave of discontent amongst the bank employees. Ultimately, the Government appointed a one-man Commission (popularly called Bank Award Commission) to enquire into the whole affairs. The recommendations of the Commission were embodied in the Industrial Disputes (Banking Companies) Decision Act 1955. On the basis of the recommendation of the Bank Award Commission, the Travancore-Cochin Banking Inquiry Commission was appointed to study the problem of the banking system in the Travancore-Cochin State comprehensively denovo. The recommendations of the Commission were incorporated in the Industrial Disputes (Banking Companies) Decision Amendment Act 1957. Later, in 1960, the Central Government, by a notification, amended the provision relating to the calculation of dearness allowance.³²

In 1960, the National Industrial Tribunal (Bank Disputes) was appointed with Shri Justice Kantilal T.Desai as presiding officer. The award of this tribunal (popularly referred to as Desai Award) was published in 1962. This award was not disputed either by the banks or by the employees and the Desai Award continued till 30th June, 1965.

Subsequently, the Central Government thought it best to bring the parties together and to let them arrive at a settlement, and a

settlement was signed in 1966 between the representatives of the Indian Banks' Association and the employees unions. Subsequent to this First Bipartite Settlement, the parties also entered into the Second Bipartite Settlement (1970), the Third Bipartite Settlement (1979), and the Fourth Bipartite Settlement (1984). The latest of the settlements in this series is the Fifth Bipartite Settlement signed on 23rd February, 1989. The revised salary scales as per this settlement are to be effective for five years from 1st November, 1987. The provisions of the awards and bipartite settlements regulated the salary and other service conditions of only the non-officer staff, usually referred to as "award staff".

Though the negotiations for bipartite settlements are initiated by the Indian Banks' Association, the provisions of the settlements are binding on only those banks which specifically join as parties to the settlement. The actual practice almost all the banks became parties to the settlement, and even those banks which were not parties, adopted the same or similar conditions for their workmen. It would be appropriate to examine the principles and other factors that influenced the various tribunals/commissions/committees in passing awards/making recommendations, regarding the salary and other service conditions of employees. The wage policy followed by Sastry Award (1953) aimed at weeding out unsuitable employees on the one hand and unsound banks on the other.³³ Certain other factors that were taken into account by the Tribunal are stated below:

(a) 'The financial condition of the institution, the size of its aggregate resources and its capacity to bear the burden of the

demands are important considerations in fixing the salaries and allowances for the employees'. (Paragraph 54)

(b) 'The cost of living varies in different areas of this subcontinent. It would not be right to have the same scale of emoluments for the employees in all these places'. (Par. 73)

(c) 'There is no exact standard for measuring the productivity of labour in connection with banking work....As regards the place of the industry in the economy of the country, it is undoubtedly whose existence and sound working are vital for developing the country's trade and commerce, for the agricultural and industrial advancement of the country....This industry cannot therefore be allowed to languish or to suffer from heavy financial responsibilities....It must also be on a decent scale as to attract trained and efficient personnel at all levels for carrying on its work'. (Par.111)

(d) 'While the lower limit of the fair wage must be secured by prescribing a minimum, the upper limit can only be determined with reference to the capacity of the undertaking to pay'. (Par. 268)

(e) 'We are of the opinion that the best method is to have one uniform basic scale for all employees of each group of banks, but with reference to the different areas, to provide for higher initial starts in the same scale to be supplemented by a further house rent allowance in certain important cities where housing accommodation may be difficult and more expensive than usual'. (Par.94)

Some extracts from the Labour Appellate Tribunal Decision³⁴ are given below:

(a) 'We have no doubt that no bank clerk should receive less

then a wage which would not only provide him with the bare necessities of life but also give him at least a small measure of comfort. We have then note of the argument advanced by banks that if a wage beyond a particular figure was given, it would either curtail a bank's activities, or that it will affect its distributable profits. It is however a basic principle well established that fair wages must have priority over profits. (Paragraph 31)

(b) 'It is not contended that bank clerks are in a class by themselves; on the other hand it is the contention of Labour that bank clerks should not be treated for the purpose of wages on any basis lower or higher than the clerks of a commercial concern.' (Par. 37)

(c) 'A young man of India starting his career as a clerk has to shoulder the obligations imposed on him by the social structure of which he is a part; it may be the demands of the Joint Hindu Family System or other claims of kith and kin, it may not be wife or child at the commencement of his employment, but it can be a father or mother or both, or a sister or a young brother, and to ignore such members of the family as not being the workman's early responsibilities in the context of our social and economic conditions is to be just unrealistic'. (Par. 64)

(d) 'It would be more realistic to take the view that in the fixation of wages of bank clerks we must take into account the pay not only of government servants, insurance companies, transport companies, but also of the major and lesser commercial concerns, so that the bank employees of the larger and smaller banks in the more expensive areas and less expensive areas may be fitted into a

suitable pattern of wage scales in this all India adjudication'. The Tribunal also felt that the differences and similarities regarding clerical jobs suggested a far closer comparison between bank clerks and commercial clerks than between bank clerks and Government clerks. (Paragraph 70)

(e) 'It may possibly be, and we shall never know for certain, that the Sastri Tribunal adopted for the highest class bank in Class I area the basic wages of the oil companies and then cut down the total emoluments by a method of reducing the Dearness Allowance; but this is speculation, and does not help'. (Par. 71)

(f) 'A fair wage must have priority over net profits, and if that be so these banks cannot contend that a justifiable increase in the wage bill affects their soundness or stability or otherwise stultifies them'. (Par. 89)

(g) 'The problem now before us is to assess the reasonable wage level of a bank clerk having regard on the one hand to the actual cost of living with adequate neutralisation, and on the other hand to the necessity of keeping wages in line with wages of comparable concerns....A clerk is no less a clerk whether he is in an industrial concern or in a bank, his duties are in the main clerical even though the nature of such clerical duties may vary from concern to concern'. (Par. 102)

The Desai Award desired that the pay packet of workmen should not fluctuate too often, and accordingly directed quarterly adjustment of dearness allowance linked to the All India Working Class Consumer Price Index (General), giving 100 percent neutralisation for subordinate staff and 75 percent neutralisation for clerical staff.³³

A study conducted by the National Council of Applied Economic Research in 1969 found that among the principles considered for wage fixation in Indian banking a comparison of wage of similar occupations in other industries or organisations is generally given an important place.³⁶

All the salary revisions of non officer staff, after that by the Desai Award were decided through bilateral negotiations held between the Indian Banks' Association and the employees' unions. The settlements signed between the parties contain only the terms, and not the guiding principles.

At the time of inauguration of the Banking Commission the then Deputy Prime Minister, inter alia, emphasised the need for canalysing a good part of annual available surplus of banks for adequate developmental purposes as 'it would really be unfortunate if improvement in methods and procedures resulted in the reduction of costs, and the surplus was appropriated between capital and labour without leaving any thing for the future growth of the industry.'³⁷

Even while the salary scales of award staff were standardised, the service conditions of officers showed much variation between different banks. Efforts towards standardisation were initiated after the nationalisation of fourteen major commercial banks in 1969. The first step in this direction was the appointment of a Committee for Standardisation of Pay Scales, Allowances and Perquisites of Officers in the Nationalised Banks (Popularly referred to as the Pillai Committee). The report of the Committee was published in 1974, and their recommendations were accepted and imple-

mented by the Government of India with certain modifications. The terms of reference to the Committee included enquiring into, and making recommendations to the Government on the principles that should govern the structure of pay scales of officers of nationalised banks and to suggest such changes in the existing structure as may be necessary to bring about standardisation of scales of pay, taking into consideration the terms and conditions of the Chairmen and Managing Directors of nationalised banks.³⁸ The Committee present in their report an evaluation of the then existing system, and the factors taken by them into consideration in recommending the new pay structure. Some extracts from the report are given below:

(a) 'The salary structure now obtaining in the State Bank of India and the Reserve Bank for officers at comparable levels is higher than that obtaining in several of the nationalised banks.... The demand for uniformity in remuneration for officers of equal arduousness or responsibility cannot be lightly brushed aside'(par.4-9)

(b) 'In the absence of a clear-cut policy formulation at the Government level in respect of a national wage structure and a co-ordinating agency for regulating wages at the national level, it would be difficult to disturb existing relativities in respect of one category alone'.(Par. 4-10)

(c) 'The differentiation of functions and responsibilities, between officers at different levels is not always associated with differentiation in emoluments' (at the time of the study by the Committee). (Par. 4-16)

(d) 'There is much force in the demand of the officers' associations that the pay structure should ensure equality of

remuneration for equal work in all the 14 nationalised banks. Theoretically such a pay structure for the officers can be devised only after a scientific job evaluation. This is a time-consuming process, which this committee cannot undertake within the time span allotted to it. We have, therefore, to adopt a pragmatic approach to the problem'. (Paragraph 4-24)

(e) 'The bipartite settlements regarding non-officer staff have tended to set the floor for determining officers' salaries while the salary of the Chairman and Managing Director as fixed by Government, acts as a ceiling for all practical purposes'(Par.4-8)

(f) 'We think that equal pay for equal work should be a guiding principle in the banking industry. As this would militate against any differentiation in pay scales between banks according to their size or resources, we have opted for the principles of uniform pay scales for all banks irrespective of their financial position or organisational structure'. (Par. 5-2.v)

(g) 'In view of the importance of a national approach to wage problems, we consider it necessary to make the pay structure in nationalised banks broadly similar to that obtaining in the State Bank Group, in the Central Government, and in public sector undertakings'. (Par. 5-2.vii)

(h) 'If the objective of attracting the best talent in the country is to be achieved, the pay of bank officers at the entry level should not be anything less than that obtaining in Class I services and public sector industries'. (Par. 5-10)

The implementation of the recommendations of the Pillai Committee

led to standardisation of pay scales of officers of nationalised banks. Even after thms, there was no uniformity or even similarity in the emoluments or conditions of service among the private sector banks. The Indian Banks' Association on the request of some of the member banks undertook an exercise to standardise some of the main items of emoluments of private banks and appointed a committee for the purpose. On the Committee's report, the divergence of views among the banks was so much that no standardisation as much was found possible. However, after a series of discussions, the Indian Banks' Association issued certain guidelines in regard to the scales of pay, dearness allowance etc. leaving it to the member banks to adopt them in the manner found appropriate with reference to the conditions obtaining in individual institutions.

However, the efforts towards standardisation continued, and in 1986 the Indian Banks' Association, by negotiation and understanding with the officers' associations suggested standardised pay scales for the officers in the first three grades. Regarding officers of the higher grades the decision was left to individual banks. The pay scale I suggested by the Indian Banks' Association for officers of the lowest cadre in 'A' class banks was the same as in nationalised banks, but the highest stage in Scale II is lower by one stage, and that in Scale III by two stages. The scales suggested for 'B' class banks were further lower by two stages at minimum and maximum.

The Indian Banks' Association does not favour the member banks' extending any benefit to the employees, in addition to those contemplated in the standardised service conditions.

It would be interesting to examine a few writings highlighting the salient features of the past and present compensation practices of Indian Banks:

(a) Before the constitution of national tribunals, the awards of adjudicators which varied from State to State created serious administrative problems in the process of implementation.³⁹

(b) In many of the non-award banks, there were no specific pay-scales into which employees were fitted and hence there were no regular increments. But now, salaries, allowances, working conditions etc. are taken care of at the industry level with the help of collective bargaining.⁴⁰

(c) A study conducted in 1969 by the National Council of Applied Economic Research reports that the index of real earnings of a bank clerk in the scheduled banks in India had grown from 100 in 1957 to 133.89 in 1965. The corresponding growth in cash earnings was from 100 to 200.23.⁴¹

(d) The aforesaid report reveals that during the 15 years prior to the study the wage level of bank employees increased substantially, that the increase in the wage level has not only kept pace with the rising cost of living but has also resulted in a substantial increase in real earnings and that the bank employees were unquestionably among the best paid white collar employees in the country.⁴²

(e) The National Commission on Labour (1969) observed in their report: Bank employees, among the 'white collar' workers, secured better scales in the latter part of the period covered by our enquiry.⁴³

(f) A study by Ishwar Dayal and Baldev Sharma in early seventies showed that in State Bank of India the rate of increase in salaries of the clerical staff was substantially higher than that for supervisory staff.⁴⁴

In 1983 the All India Confederation of Bank Officers' Organisations requested the Indian Banks' Association to revise the salary structure of officers on the basis of the following principles: (i) Equal pay for equal work, (ii) Internal relativity vis-a-vis workmen, (iii) External relativity and fair comparison vis-a-vis other financial institutions like the Reserve Bank.

9.6 WAGE DETERMINATION IN KERALA BANKS

The wage scales recommended by the Sastry Award and Desai Award were binding on only the banks with places of business in more than one State. The Bank Award Commission appointed by the Government of India in 1954 observed in its report that as the banks incorporated in the Travancore-Cochin State presented some special features closely linked up with the economy of the State, their position should be separately investigated in a comprehensive manner.⁴⁵ In pursuance of the above recommendation the Government of India appointed The Travancore-Cochin Banking Enquiry Commission. The Commission submitted its report in 1955.

The Commission describes the position of early fifties as follows: There are regular pay scales for clerical staff in only 35 banks and for subordinate staff in only 34 banks. Many of the banks have no leave rules. The total working hours of clerical staff exceed 40 per week in the case of 26 banks and those of

subordinate staff exceed 45 per week in the case of 18 banks⁴⁶
 (The total number of banks in the area in 1954 was 153).

The Commission recommended a minimum pay of Rs.45/- with a dearness allowance of Rs.20/- for clerical staff, and a basic pay of Rs.25/- and dearness allowance of Rs.10/- for subordinate staff of non-award banks. The Government issued an appeal to all non-award banks in the State and the banks implemented this pay scale with effect from 1-4-1957 onwards.⁴⁷ The Tripartite Committee (1958) observes in its report: "The calculation of minimum wages by the Commission, it will be recalled, was based on the level of subsistence expenses of the labourers in the coir industry at Alleppey in 1952. The Commission laid down the precept that banks which have a better paying capacity should pay according to their individual capacity higher wages to their workmen. But this was not heeded. Even the biggest of non-award banks felt themselves obliged to introduce only the minimum wages suggested by the Commission thus making that minimum the maximum in effect while a good number of banks did not care to implement even that minimum".⁴⁸

The Committee continues its report as follows: "It will also be recalled that the Travancore-Cochin Banking Inquiry Commission did not draw up a scale of pay based on the minimum recommended by it. This, it may be pointed out was against the very principles of wage fixation".⁴⁹ In a memorandum submitted by the All Kerala Bank Employees' Union to the Government of Kerala in 1958, they say, "any way since the minimum wages recommended by the Commission was an apparent improvement on the miserably low existing wages we had

accepted them as an interim measure".⁵⁰

A non-statutory committee was appointed by the Government of Kerala in 1958 to go into the question of fixation of salaries and allowances of employees of the non-award banks in the State, consisting of four representatives of the Bankers' Association and four representatives of the Kerala Employees' Union, under the Chairmanship of Shri.K.T.Ninan Koshi. This Committee made certain recommendations about the salaries and other allowances of employees in the non-award banks.⁵¹ The decision of the Government and the report of the Committee with its recommendations were released by the Government in 1963. All the banks implemented this.

On 8th September, 1967 a local settlement was reached between the Kerala Banks' Association representing the banks which were not parties to the first national settlement of 1966 (except The Catholic Syrian Bank Ltd.) and the All Kerala Bank Employees' Federation. A similar agreement was also signed on 11th June, 1970. According to this agreement the members of non-officer staff were awarded about 22 percent increase in remuneration.⁵³

With the commencement of the era of bipartite settlement by the signing of the first settlement in 1966, the distinction into award and non-award banks disappeared. Even the banks which were not parties to the settlements also started adopting the same or similar service conditions for their workmen. All the Kerala-based scheduled commercial banks except The Dhanalekshmi Bank Ltd. are parties to the latest settlement i.e. the Fourth Bipartite Settlement signed in 1984/1985.

The service conditions of officers in the different private

sector banks were widely different till the end of seventies. The salary revisions implemented by most of the banks by late seventies in tune with the guidelines issued by the Indian Banks' Association, narrowed down the gap. With the implementation of the pay scales recommended by Indian Banks' Association in 1986 the salary structure of officers also has now become standardised.

9.7 WAGE-DETERMINATION PRACTICE IN THE SAMPLE BANKS

The practices and methods followed by the sample banks to determine the salary scales and other service conditions of employees are described below:

FBL: During the period of the two awards (Sastry Award and Desai Award), the activities of the bank were confined to the State of domicile, and hence it was not bound by these awards. As a non-award bank it had implemented the pay scales recommended by the Travancore-Cochin Banking Inquiry Commission and also the recommendations of the Tripartite Committee for Non-award Banks. In 1964, the salary scales existing in the bank were raised by an agreement with the employees' union. The bank was a party to the settlement signed in 1967 between the Kerala Banks' Association and the All Kerala Bank Employees' Federation. The bank was also a party to the State level agreement signed on 11th June, 1970. As regards the settlements at national level, the bank is a party since the Third Bipartite Settlement, 1979.

Regarding the employees in officer cadre, the bank had its own pay structure and salary scales as decided by the management

from time to time till 1981. During this period, the bank had only three salary scales for officers. The highest salary scale was that for Senior Branch Manager cadre. Incumbents of higher posts were paid an additional fixed allowance entitled 'post allowance'. In 1981 a new salary structure following the guidelines issued by Indian Banks' Association was introduced and new grades with appropriate pay scales were created for the posts above 'branch manager'. Later, in 1986, the standardised pay scales recommended by Indian Banks' Association were also implemented by the bank.

Even while the bank had its own pay structure for officer staff, it used to pay them dearness allowance following the formula applicable to the award staff. As a result, the senior officers of the bank were drawing a higher remuneration compared to their counterparts in many other banks including nationalised banks. As such, the adoption of the Indian Banks' Association guidelines, and the implementation of the Indian Banks' Association-recommended standardised pay scales adversely affected the officers of this bank. Hence, the fall in pay was protected by giving additional increments, and as personal pay adjustable against future increments.

SIB: Regarding award staff, this bank was bound by both the awards and was also party to all the national settlements.

In this bank also, for officers there was a separate pay structure till 1979, when a new pay structure following the Indian Banks' Association guidelines was introduced. During this period, the salary scales were determined by the management unilaterally or by negotiation with officers' association, depending upon the attitude and policy of the top management at the time. Generally, the

pay scales of officers also were revised each time that of award staff were raised. Now, the officers of the first three grades in officer cadre are paid under the standardised pay scales recommended by the Indian Banks' Association. For the higher grades in officer cadre also it has adapted the pay scales prevailing in nationalised banks, by lowering them by two stages, following the general principle followed by the Indian Banks' Association regarding the lower scales.

Prior to introduction of the pay structure following the Indian Banks' Association guidelines, the bank used to pay officers also, dearness allowance at the rates for award staff. On introduction of the new structure effective from 1979, in order to protect the total pay that the officers would have drawn under the old pay structure, the bank elongated the new pay scales upwards from what the Indian Banks' Association suggested. As the Indian Banks' Association directed against such modifications on the unified pay scales, the reduction in pay consequent to implementation of standardised pay scales in 1986 was protected as personal pay adjustable against future increments. Still, officers at the last stages in the old scales had to face reduction in their pay.

CSB: This bank was bound by both Sastry Award and Desai Award.

It is also a party to all the settlements from the Third Bipartite Settlement. Though the bank was not a party to the First and Second Bipartite Settlements, it also had adopted the terms of these settlements.

Before 1967, the bank had only one pay scale for officers; and

two pay scales since 1967 till 1981. Higher posts were not considered promotion posts, but only attracted a special allowance for the period the incumbent held the post. In 1981, with the assistance and guidance of the National Institute of Bank Management (NIBM) the bank introduced the present system of gradation of posts in officer cadre. This resulted in an organisation structure with an officer cadre of seven grades, each with appropriate pay scales. The bank made use of the assistance of the National Institute of Bank Management so that the gradation of posts and determination of pay structure could be 'by the application of modern job evaluation techniques'. The present pay scales for officers of the lower grades in the bank are the standardised pay scales recommended by Indian Banks' Association.

NBL: This bank was not bound by Sastry Award. But it was bound by Desai Award and was a party to all the national bipartite settlements. Even much before the era of awards and settlements, this bank had introduced for the employees graded scales of pay with periodical increments. The Directors' Report for the year 1914 contains a reference regarding this.

Till 1980, the bank had only two grades in officer cadre - Accountants and Agents. For holding of higher posts the incumbent was paid 'charge allowance'. In 1980 three more higher grades were created raising the total number of pay scales in officer cadre, to five. Before the introduction of the pay scales as per Indian Banks' Association guidelines, the pay scales for officers in this bank were decided by the bank mostly through negotiations with the employees' unions. The benefits to the award staff as per the

preceding bipartite settlement usually formed the basic formula for such pay revisions. As a result, prior to the implementation of the Indian Banks' Association guidelines in 1980, the officers of the bank enjoyed better service conditions compared to the officers of other banks of similar size. The Indian Banks' Association-recommended pay scale was implemented by the bank under a fitment formula adopted through a joint negotiation among the management, the Indian Banks' Association and the Officers' Association. PCB: The bank was not bound by any of the awards. It was also not a party to the First and Second Bipartite Settlements. But it is a party to all the subsequent bipartite settlements. As a non-award bank, it also implemented the recommendations/settlements made at State-level regarding such banks. As a party to the last three national bipartite settlements, it is now governed by all the service conditions determined at national level as regards award staff.

For officers, the bank had its own pay structure till introduction of the pay scales according to Indian Banks' Association-guidelines. The pay scales for officers were fixed by the bank during this period taking into account the pay scales in other banks of its class and size. At present the officers are paid under the Indian Banks' Association-recommended salary scales.

9.8 SUPPLEMENTARY COMPENSATION

Supplementary compensation made in addition to wages to stimulate the interest of the workers and to make the job more attractive and

conducive, is referred to as 'Fringe Benefits'. They are sometimes called "indirect benefits". Most of the types of benefit programmes in existence today were originated by employers and usually for sound business reasons - to reduce the costs of turnover and absenteeism, to reward effort and improve efficiency, to take advantage of tax savings and to aid in the recruitment of workers.⁵⁴

In the beginning, they included items aimed at relieving distress caused by physical disabilities, sickness and insecurity on retirement. Thereafter, the items in the fringe benefits increased and even the question of profit-sharing came into the picture. In India also, fringe benefits started with gratuitous payments, made by social minded employers until the Factories Act of 1881 and subsequent legislations provided for compulsory benefits.⁵⁵

The compensation scheme of the sample banks includes in addition to basic salary and dearness allowance:

(a) Special allowance payable (i) for discharging duties and functions requiring special skill or responsibility and (ii) for specified qualifications like graduation and CAIIB.

(b) Overtime allowance for work above normal working hours.

(c) Leave including privilege leave, casual leave, sick leave, extraordinary leave, maternity leave, special leave (for trade union functionaries) and quarantine leave. There are also provisions for conversion of unavailed casual leave into sick leave and for encashment of privilege leave.

(d) House rent allowance

(e) Leave fare concession for the employee and the dependent family members.

- (f) City compensatory allowance
- (g) Hill station allowance
- (h) Fuel allowance
- (i) Water scarcity allowance
- (j) Washing allowance (for subordinate staff)
- (k) Cycle allowance (for subordinate staff)
- (l) Reimbursement of medical expenses
- (m) Higher rate of interest on deposits
- (n) Loans and advances at concessional rates of interest
- (o) Project area compensatory allowance
- (p) Split duty allowance
- (q) Contributory provident fund
- (r) Gratuity
- (s) Closing allowance
- (t) Entertainment allowance (for officers)
- (u) Reimbursement of club membership fees (for officers)
- (v) Mid-academic year transfer allowance
- (w) Stagnation increments
- (x) Bonus

The first step in building effective reward practices is for the company to make sure that the rewards it is providing are the ones which are widely desired. This is a seemingly simple point that is often neglected. In day-to-day operations, we frequently forget that, regardless of the value the giver or observer places on a reward, its motivational influence comes about only as a result of the value the receiver places on it. In effect, rewards that the company considers highly positive inducements may not be

so regarded by many of the persons receiving them.⁵⁶ With respect to 'fringe benefits' a cafeteria arrangement would be desirable where the employee can periodically choose what particular benefits he or she desires while remaining within an overall cost limit.⁵⁷

9.9 INCENTIVE COMPENSATION

Employee compensation can be used for two basic purposes:

- (1) to attract and retain qualified personnel in the organisation, and
- (2) to motivate these personnel to higher levels of performance.

Eventhough we disclaim the existence of the purely economic person, it cannot be denied that money constitutes a powerful motivation for many people.⁵⁸

Man does not live by bread alone is as true today as it was when it was written in the Sacred Literature nearly 2000 years ago. Man is as much a social creature as he is an economic man.⁵⁹ It is not unusual for a company to pay its employees well yet suffer from widely prevalent discontent and inefficiency. The perplexity of its management is easy to understand. The phenomenon is not difficult to explain. A company which depends solely or largely on the financial factor to get the most highly talented people and to get the best out of them is sure to be disillusioned. And persons who given the choice choose their occupations and careers on monetary considerations alone will equally surely be disenchanted. There is a limit to which money can be a substitute for other satisfactions. Nevertheless, it is important to recognise the fact that good people cannot be attracted nor will they give their best unless they are

well-paid.⁶⁰ A sound programme certainly requires an atmosphere in which efficiency and accomplishment are encouraged and rewarded, employee self development is emphasised, and employee obligations as well as rights and privileges are recognized.⁶¹

Money should take a high position in any list of motivational tools. People are motivated by money for many different reasons. The need to provide the basic necessities of life motivates most people. Some people view money as instrumental in satisfying non-economic needs, such as status, power, and affiliation with desired groups. Money is often viewed as a symbol of personal success and achievement.⁶²

In using pay to motivate employees, employees must feel that the additional pay offered is worth any extra effort they will have to expend to get it. To be effective, a wage incentive programme must be -

1. Based on sound, clearly defined principles and objectives
2. Based on sound work-measurement principles
3. Thoroughly understood by the supervisory personnel
4. Administered firmly and fairly, and
5. Maintained to accurately reflect existing job conditions.⁶³

None of the sample banks has any scheme of incentive payment, linked to the quantity or quality of the work turned out by the employee. The Indian Banks' Association also discourages the member banks from extending to the employees any benefits or additional payments - whether linked to productivity or otherwise - beyond those contemplated and provided for in the awards or bipartite settlements.

9.10 FINDINGS

1. Wage determination in banks has ceased to be a function of personnel management in individual banks. The salary scales and other service conditions of employees are determined at industry level and individual banks have no direct participation in the determination of wage rates.

2. Wage scales and other service conditions of employees are being determined through negotiations and settlements between associations of banks and employees. Job analysis and job evaluation techniques are not applied for the purpose.

3. Salary scales of award staff and officers of the first three grades are standardised. For this purpose banks are grouped into two classes on the basis of working funds. In the banks with higher working funds, pay scales are higher and vice versa. Only the salary scales of a very few officers at higher grades are determined by the individual banks.

9.11 SUGGESTIONS

1. A compensation structure based on job evaluation is widely considered as ensuring equity as well as internal and external consistency in wages and salaries. Under such a system, the employees also would perceive the fairness and equity of the compensation system. Even when salary scales are determined through negotiations, such negotiations could be on the basis of scientifically developed job related data. Negotiations not based on such data are likely to lead to final settlements reflecting only the relative strength

of the bargaining parties. Hence, it is desirable that the Indian Banks' Association take up a comprehensive job evaluation exercise with the active involvement of individual banks and the employees' associations as the preliminary step towards wage determination.

2. The increased resort to collective bargaining and bilateral negotiations as tools of wage determination needs a rethinking. The very fact that some increase in emoluments or some additional benefits have been extended as a result of collective bargaining gives the impression that the employees "made the management come through". This impression cuts at the very root of the motivational value of compensation. It is imperative that the managements accept and follow a philosophy of granting what is due to the employees even without any external pressure and never succumbing to pressures to grant something which is not deserved.

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CHAPTER 10

SUMMARY AND CONCLUSIONS

This study made an attempt to understand the personnel management practices of selected scheduled commercial banks based in Kerala. The sample contained private sector banks only. The main object has been to evaluate the practices in the light of the theories and principles in the subject. The findings and suggestions regarding the different aspects of personnel management are given in the respective chapters. This chapter, in addition to summarising those findings and suggestions, also presents the general observations regarding the personnel management system and practices of the banks.

10.1 FINDINGS

(1) Personnel management has not been given recognition as a specialist's function. Executives and other employees in charge of personnel functions belong to the general stream of staff, and are without any formal or informal training/experience in the field.

(2) Discharge of personnel functions is highly centralised. Involvement of the controlling officers at branch offices and head office departments, and of the personnel manager is very limited. Even purely administrative decisions regarding manpower requirement, recruitment and selection, training, promotions of employees etc. are very often taken by top level management. Compensation rates are determined at industry level. In decisions regarding matters like sources of recruitment, bases of promotion etc., the employees'

unions also play a major role. There is hardly any personnel management function where the line manager or the personnel manager enjoys a decisive role.

(3) There is no welldefined and clearly spelled out philosophy or policy regarding many personnel management aspects. This results in many decisions relating to management of personnel being taken without any firm basis and on adhoc considerations. Very often such decisions depend on the attitude and interests of the top management of the time, or the bargaining strength of the employees' unions. As a consequence, there is no consistency in the personnel management principles and practices in the banks under study, over time or in different functions.

(4) There is diversity in outlook, policy and practice of personnel management among the banks. Except as regards the method of wage determination and the salary scales offered, there is no uniformity among the banks in their personnel management practices.

(5) Job analysis which has been widely accepted by management scientists as a basic tool of personnel management has not yet taken roots in these banks.

(6) The norms and techniques used by each of these banks for manpower planning are different. The factors taken into account for estimating human resource requirements, and the method of estimation do not show much similarity. In all the banks, manpower-planning is confined to an estimate of the number of vacancies and an apportionment of these vacancies by the nature of appointment viz. recruitment and promotion.

(7) The banks use various tools like application blank, written test, interview, group discussions, reference checking etc. for selection of personnel. However, the recruitment system as a whole is not scientific. The method of determining eligibility requirements, design and use of application blank, contents of recruitment notification, the style of holding of interviews, weightage for various tools of selection, the method of induction and orientation, etc. are not systematic or scientifically developed.

(8) There is growing awareness among banks, of the need for training. But none of the banks has a training policy defining the objectives of training programmes. There is no formal system of identifying training needs, grouping trainees according to training needs and evaluation of effectiveness of training. Post-training placement is also a neglected area.

(9) The performance appraisal system has got general acceptance among banks. But the system lacks well-defined norms and criteria against which performance is sought to be appraised. Organisational uses of performance appraisal are very limited, and follow-up action is conspicuous by its absence.

(10) All the banks offer opportunities for advancement to the employees while making appointments to positions of higher grade, remuneration and responsibility. In all banks, 'promotion' is an area with clearly defined policy. It is a result of the bargaining strength of the employees' unions rather than any conscious or planned effort of the managements. As a consequence, the policy framework seems to serve more the aspirations of the employees for

advancement rather than the organisational need for high calibre personnel to take up greater responsibilities. The system of reservation of vacancies for promotion of employees and the promotion norms giving greater weightage for seniority, corroborate this statement.

(11) Wage determination in banks has ceased to be a personnel function of individual banks. Pay scales are determined at industry level through negotiation and settlement between all India associations of bankers and employees, and most of the banks are contractually bound to implement them. This has led to standardisation of pay scales and other service conditions of employees in banks.

(12) The compensation plan provides for base compensation, and supplementary compensation in the form of different fringe benefits. No bank has any incentive compensation system.

On the whole, the practice of personnel management in the Kerala-based private sector scheduled commercial banks has not gained a degree of sophistication compatible with its role in modern business management.

10.2 SUGGESTIONS

Several suggestions are offered for remedying the weaknesses identified by the study, and for improving the effectiveness of personnel management system in commercial banks. They are summarised below:

(1) It is desirable to have specially trained and qualified

personnel managers to be in charge of personnel departments. Either specialists can be directly appointed to the posts or the internally available executives with appropriate aptitude could be trained and developed as personnel executives. Treatment of the personnel executive's position as just one of the different executive positions in the general stream of executives would not be scientific. The nature of duties of a personnel manager is widely different from that of line managers. It requires technical and professional qualifications, outlook and experience. Hence not only the personnel manager, but also other officers and employees in the personnel department should be with the professional aptitude and qualification/training/experience.

(2) After having equipped the personnel departments with specialists in personnel management, it is necessary to make a meaningful assignment of personnel functions to the personnel department. Many of the personnel functions now taken care of by the top level management could be safely entrusted to the personnel departments, so that the top management can more effectively concentrate on policy matters.

(3) The organisational structure of a bank is unique with a central office and a very large number of branch offices scattered all over the country and even abroad. It is the branch manager who represents the management before the bulk of the employees and faces most of the personnel problems arising in the organisation. For the prompt handling of these problems and for establishing the authority and status of the branch managers before his subordinates,

it is imperative that he is delegated adequate personnel powers. The duty of the personnel department would be to ensure that such powers are exercised by the line managers promptly and in a judicious manner.

(4) With a well defined personnel policy, delegation of personnel powers and discharge of personnel functions would be easier. Under such a system, most of the personnel problems would be handled in due course at the lower and middle management level. Hence, it is desirable to have a comprehensive and clear personnel policy covering all the areas of personnel management.

(5) A scientific personnel management system requires that all the jobs in the organisation are properly analysed, and such data are systematically used in the different areas of personnel management. It would help the bank in identifying the inconsistencies in its personnel management system and in convincing the employees and their unions about the propriety of its decisions.

(6) The human resource planning system should, in addition to assessing human resource requirements, also formulate and implement programmes for providing the appropriate skills at all levels and time from the most suitable sources.

(7) The recruitment system of banks require refinement in many respects. Prescription of qualifications for jobs, drafting of recruitment notification, designing of application blank and determining of the tools of selection should be on the basis of job analysis data and other job-related information. Reducing the time lag in recruitment process is also important.

(8) The system of induction and orientation needs to be one giving better recognition to the new employees. Before an employee is deputed for regular work, it would be better if the bank - including its motto, objects, policy, history etc. - is introduced to the employee by the personnel manager or some other senior executive. In the absence of such a system, an employee is compelled to make his assessment about the bank on the basis of the information reaching him from different sources. At least some of such information may be coloured, concocted and fictitious. The behaviour and performance of an employee in the organisation are to a very large extent influenced by his own assessment and appreciation of the organisation and its policies.

(9) A well-defined policy is the basic requirement of any training programme. Training programmes should be designed after identification of training needs of both the bank and the employees. Appointment of faculty and post-training placement of trainees also need greater attention.

(10) The primary responsibility for performance appraisal should be fixed on the supervising official of the employee. It is also necessary to define the criteria against which the performance of an employee would be assessed. Effective use of performance appraisal reports, proper follow-up action and feed back to the employees are also essential for bringing in credibility and recognition for performance appraisal function.

(11) A promotion policy giving due consideration for ability, performance and potentiality would be appropriate in the interests of the organisation and the employees who really deserve advancement.

The system of reservation of vacancies for promotion is not desirable in the interests of banks. At the same time, deserving employees should be given advancement irrespective of the number of vacancies set apart for promotions.

(12) A remuneration system where wage rates and wage differentials are determined on the basis of skill requirements is important. It should not only be done so, but also be seemed to be so done. Job analysis and job evaluation techniques could be effectively used for this purpose.

10.3 SCOPE FOR FURTHER RESEARCH

1. This study has been of a general nature, with the broad objectives of understanding the personnel management practices of the Kerala-based banks and evaluating them in the light of the principles and theories in the subject. It has not been the objective in this study to make out the outcome of these practices and to find out the cause-effect relationships. Such a more detailed and indepth study of the practices would be worthwhile.

2. Because of the time-scale system of wage payment and the system of special increments for graduation and CAIIB, the employees doing the same or similar jobs are being paid widely different salaries. A study correlating the level of qualification/experience and efficiency in performance would be very fruitful.

3. Under the promotion system prevailing in banks, seniority of the employee gets a high weightage. This system bases itself on the assumption that an employee gains in knowledge and expertise by the experience acquired by service and seniority. This

is a hypothesis that needs verification.

4. Banks spent huge amount for training and development of employees through formal and informal programmes. For example, employees are deputed for internal and external training programmes. Also special increments are granted for acquisition of specified qualifications like graduation, CAIIB etc. No study however has been carried out to identify the real and specific benefit to the bank on account of these training and development programmes.

5. The present manpower planning system in banks makes use of questionable tools and techniques. No valid predictor has been developed, with the result that the manpower plans framed by the banks do not serve any practical purpose. Studies aimed at identification and development of valid and reliable variables which may be helpful in assessment of human resource requirements, would be useful.

6. There is a general feeling that banking industry is an isolated island of high wage rates, and the wage rates offered are not compatible with the job requirements. As a result, the brilliant and bright candidates who are attracted to the profession in large numbers by the better service conditions, soon get disappointed and frustrated by the nature of job which does not offer much challenging opportunities. Thus frustration and unrest prevail among bank employees inspite of better service conditions. Some managers even feel that the better service conditions offered by banks are largely responsible though indirectly, for the growing indiscipline and frustration among bank employees. This is a serious problem that deserves detailed study.

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