

Understanding Organizational Structure and HRM Practices in Banking Sector

Mahnoor Shahid

University of Management and Technology.

**Corresponding Author: Mahnoor Shahid, University of Management and Technology.*

ABSTRACT

This research has been conducted to study the impact of HRM practices on employee in Al Habib Bank, Gulberg) and understands the organizational structure of banking sector in Pakistan. The present study discusses the structure of HRM with employees in bank. The Research design of this research article is qualitative in nature and strategy of inquiry is phenomenology. The participants include senior manager, HR coordinator and employee (OG-1). The data was collected through direct and telephonic interviews. The results show that Al-Habib Bank is actually practicing HRM practices. HR practices positively influence employee's productivity. This study presents implication for other banks that how successful HRM practices positively influence the productivity of banking system.

Keywords: Organizational structure HRM practices Banking Sector Al Habib bank

BACKGROUND AND INTRODUCTION

In today's modern era, every country has its respect and acknowledgement due to its economic contributions, socio-cultural structures and religious affections. In these days, strong economic system and economic prosperity are fundamental codes of achievement. Strong economic system of a country can generate positive interactions with other developed countries. By using physical resources, financial resources, technical advancements, informational resources and human resources, a nation can attain particular objectives of sound economic system. Banking sector works as an essential factor of financial sector by properly utilizing financial resources. (Ashfaq Ahmed, 2010).

Over a period of 71 years, since independence of Pakistan banking sector has produced a drastic change. From beginning it has suffered from number of issues due to shortage of resources and lack in management system, untrained human resource professionals and uncertainty in socioeconomic conditions and political system of the country. In result it leads to poor services and negatively affects the financial sector. State bank has played its role as a central bank. It encourage private banking system which results unlawful practices during 1950 and 1960s. (Ashfaq Ahmed, 2010) Pakistani banking sector has viewed serious

financial disasters throughout the 2000 decade and particularly the time period between 2005 and 2008. (Aizenman & Hutchison, 2012) It has been reported that reforms in governance has improve the banking system of Pakistan (Ashfaq Ahmed, 2010).

One of the most important resources of any organization are its human resource, but unfortunately very few organization are utilizing this asset properly. It plays a dual role, as operative element and it operate a factor of production. Other firms, organizations, banks needs to consume their human resource efficiently so that organizational goals will be achieved and maximum profit will be ensured. Due to advancement in technology, banking industry is facing rapid change in its system. Technological development changed nature of banks and demands from employee to work more effectively. HRM help the organization in planning process, recruitment selection, performance appraisals and training of employees. HRM consists of practices, policies and comprehensive system that affect's employee's attitude, behavior and performances. (Mustafi et al, 2016).

Human resource management is playing an essential role in making Pakistan a prosperous nation from under developing nation. Awareness about HR has been started in Pakistan in late 1980s. Pakistani people are

energetic and very hard working. Over past decade, Human resource contributed in economic success of Pakistan. (Qamar wajid, 2016).

Human Resource Management indicates the policies, practices and procedures that persuade the behaviors, attitudes and also performance of employees. So, HR practices are involved in recognizing HR needs, getting pools of applicants, screening them and then giving them training, compensating, evaluating and further involved in labor relations, health and safety programs and also concerned towards fairness (De Cieri et al., 2008).

One of the important factor that contributes in any country's economic development is the efficient and effective working of banking system. A healthy banking system is largely depends on the efficiency of its employees. Employee satisfaction in organizations is largely dependent on the HRM practices followed by the organizations. It is essential to understand and evaluate the HRM practices of the banking sector (P Ramakrishna et al, 2017).

RESEARCH GAP

By reviewing literature, read 7-8 article on banking sector and HRM practices in Pakistan, the gap which has been identified is that the Organizational structure of Al Habib bank has not studied earlier with reference to Human resource practices and a qualitative research study has not been conducted on it in order to understand the HRM practices with employees.

Statement of Problem

To investigate that HRM practices in banking sector of Pakistan are actually working as it is shown in literature. The recruitment process, selection process and training of staff are actually performed by human resource department as it is stated in literature. Selection of competent person for job is very important for any organizational goals achievement purposes, so it is needed to explore that HRM are actually selecting the eligible and most appropriate person for certain position. Socialization of employees and comfortable working environment is very important and it is also the work to HRM to help the new comer to adjust in new working environment. While studying the course of complex Organization, it is important to understand the complexities of organization and to understand the structure of organization and practices of HRM in any

organization, which could be clearer through research and practical working.

Significance of Study

The present study can help other banks, firms and organizations to adapt the HRM practice for effective functioning and improvement in the output. The significance of present study is that other organizations will adapt certain HR polices to facilitate their employees so that they will work more honestly for their organization and ultimately the organization will flourish. As HRM plays a role of back bone for any organization therefore if any organization is facing any difficulty in applying HRM practices in their organization, from this research they can change policies to meet the various strategies for fruitful functioning of their organization by using HRM strategies. And it would also help the target population i.e. Al Habib bank to improve their organizational polices and HRM practice through recommendations and suggestions.

Research Objectives

- To explore the organizational structure of banking system.
- To study the different aspects of HRM in bank sector.
- To analyze different practices and policies in banking sector.
- To explore emerging trends in HRM applied in bank.
- To analyze the role of HRM Practices on performance of organization and employee retention.

Research Question:

- What is basic organizational structure of Al Habib bank?
- How the various practices of HRM are working in Al Habib Bank?
- How HRM practices are influencing the working of employees of the bank Al habib?

LITERATURE REVIEW:

A number of researchers have reported that HR practices are positively associated with organizational and employee performance (Soeters, 2006).

The effectiveness of HRM is addressed in a great number of studies that tries to signify the value of HRM. That what HR professionals do for the betterment of their organization, and how HRM practices are connected with

organizational desired outcomes (Wright et al., 2001).

Within the last ten years especially, the HRM literature tries to show that the continuous HR practices results in increase firm performance (Wright et al., 2005). Numerous studies Tries to empirically test the relationship between firm performance and HR practice (Wright et al., 2005).

HRM is commonly characterized as process of managing individuals and practice of handling people. There are various discussions on this subject which are efficiently dominated by deliberate role of HRM in the organizations and to make the contributions of HRM in more productive way. The primary focus of literature has been given to M which means management and HR has given less attention, specifically human resource frequently seems as homogenous and identical category. (Yvonne Benschop, 2010).

How to deal with people purposely and strategically, this is suggested by human resources management team. Hiring employees, negotiation of salary packages, coordinating the benefits of the employees and suggestions about employee's enhancement trainings and other development strategies are included in HRM team's suggestions and workings. Hence, Human resources professionals would be considered as consultants, they advise and guide managers on various issues that may be related to employees which can be helpful in achieving organization's goals. (Bianca, 2018).

Personnel administration has developed as a well-defined discipline by 1920s. It was majorly concerned by the hiring, training, evaluating and compensating aspects of the employees. The relationship between employment practices on the performance of organization has not been focused in this field. It also lacked in joining and combing paradigm. By late 1970s HRM originated in response to increase in American business organizations pressures as a result of many aspects which include globalization, rapid change in technology and deregulation. This pressure gave increase to the firms in strategic planning and aliening different components of the organizations to attain maximum effectiveness in the organizations. HRM is also known as personnel managements. Its main aim is to ensure the effectiveness of employees to achieve the organizational goals. (Vinay Kumar S, 2015).

Anand et al., (2016) analyzed the control of employee engagement practices on the productivity of banks in Trichy region in India. 124 bank employs in the regions was used to collect data. Data was analyzed using various statistical tools like chi-square test, one-way ANOVA and regression analysis. The results show that factors which has a significant influence on the productivity of employs includes co-workers, department, rewards & recognition, opportunities, team work. Immediate supervisor also have a significant influence on the productivity of employees. The authors concluded this study that banks should integrate the above factors of employee engagement through effective HRM practices which will result in increase in effectiveness and productivity of bank employees.

Amba-Rao (1994) investigated the human resource management (HRM) practices using an exploratory study of 10 firms in Indian industries based in Hyderabad, India. The exact HRM functions considered were - staffing, performance appraisal, compensation, training, motivation and employee relations. Three out of the sample firms were from the service industry (banking and road transport) while the remaining seven were from manufacturing sector. Five of the sample firms were public sector units (PSUs) while the remaining five belonged to the private sector. The study concluded that HRM objectives and HRM systems of the sample firms were purposively organized for the various HRM functions considered in the study.

Research Methodology

Qualitative research approach has been used to explore the information about the Pakistani banking sector. The inquiry of strategy which has been used in this research is phenomenology. Organizational senior manager, HR coordinator and employees have been interviewed by using Purposive sampling technique. In qualitative research study sample size depend on the saturation point of information. Qualitative research is used to explore the strategies of HRM and probe the influence of HRM from employee. In this research study, interviewing technique was used.

Data Collection

The research population has been taken from Lahore. The sample of study is taken from Bank Al Habib Gulberg Lahore. The rationale behind

Understanding Organizational Structure and HRM Practices in Banking Sector

choosing AL Habib bank from Lahore is that it is one of the biggest bank by Dawood Habib group of companies in Pakistan which has 650 branches and many offshore units in other countries. The justification behind selecting Gulberg branch is that number of employee are high so we could collect data easily.

Sample

Bank Al Habib Gulberg Lahore

- Senior manager
- HR coordinator
- Employee (OG1)

Interviews

The research study use observation and in depth interviews (direct interviews and telephonic interview with one participant only). The rationale behind using this method is that we could explore the HRM practices and we would deeply understand the views on employees on HRM practices in Bank. Face to face and telephonic interviews were conducted. Interviews have been conducted separately so that participant feel comfortable and easily share all the relevant information.

Sampling Framework

Purposive sampling technique is used for this research study, this sampling method justify the research question. We find the particular unit with related characteristics of our research study. By using this method, it describe every aspect of this research in a very clear manner so that it could be understand by the reader very easily.

Ethical Consideration

- Ethical consideration is very important aspect in research. It must be consider while conducting any research. The consent of participant is very important. Confidentiality and honesty of researcher is essential for useful research study.
- Informed consent has been taken from participants of the research. After interviewing process, they said that their names should not be disclosed.
- The also demand that the information should be used for research purpose only.
- According to their demand, we haven't mentioned their names and information is honestly used for research purpose only.

Data Analysis

The information which has been collected through interview process are discussed in this section of research article. The main duty of senior manager is to look the matters of staff. He briefly described about the history of bank AL Habib. It was established in 1991. Its head office is registered from Multan and it operates its functions mainly from its principle office which is in Karachi. All managerial departments are working from Karachi.

HR coordinator described about the main positions of their bank.

- Bank president
- Executive
- Zonal head
- Area manager
- Branch manager

He briefly describe about the departments of the bank.

- Finance department
- Operation department
- Customer department
- Audit department
- Compliance department
- Treasury department
- IT department
- HR department

HR department leads by general head.

RECRUITMENT PROCESS

The process of recruitment is mainly handled by Karachi head office with the association of zonal and local branches of the bank. Advertisement for recruitment has been given in newspaper, their official website and on Rozi.pk, which gives open invitations to the candidates. They also conduct job fairs in various universities. We open our hiring twice a year but it also depends on the resources for trainings sessions of employees. If the trainings sessions are not designed properly then we take hiring once a year

Recruitment has taken by two methods

- Direct
- Indirect

Direct process of recruitment include those candidates, who are freshly graduated. They further go through three processes i.e. MTO (Management Training Officer), GTO, cashier. There are specific tests for these posts i.e. MTO and GTO. Tests are conducted in main cities of Pakistan like Lahore, Multan, and Gujranwala.

When a candidate has passed these particular tests, they are been called for interview. After passing throughtest and interview process, candidates are sent to Karachi office for training. The duration of this training is six months. Those candidates who have completed the training from Karachi are directly appointed at Grade 1 in bank. Every bank has its own grading system. In Al Habib bank it starts from grade 3, grade 2 and grade 1.

Indirect process of recruitment, mainly facilities employees' family for new positions.

Bank Al HABIB has different posts which include Assistant Manager, Manager, Senior Manager, Chief Manager, Senior Chief Manager, Assistant General Manager and General Manager.

Selection

Candidates are interviewed by area office and controlled by HR coordinator then their file IS transferred to zonal office, they again conduct the interview of the candidate and send their file to the Karachi office and HR Department confirms the selection of the person. The panelist of the interview session always includes General Manager of HR department.

Training

- For new employee training is conducted in head office, Karachi and it's mandatory for all the new comers.
- They arrange trainings after six months for employees.

Facilities for Employees

- AL Habib bank has fixed policy for incentives twice a year. One is on 17th Rabi ulAwaland 2nd Ramadan.It can be possible that they give incentives on both Eids as well.
- Yearly increment policy is also offered by Al Habib bank.
- They give favors to their employees if they want to take loans from bank.
- They offer loans to lower staff for motor cycles.
- They offer different vehicles to the employees according to their ranks.
- They offer gratuity fund and provident fund to the employee.
- Generally employees get their promotion after three years. It also depends on productivity of their work.

- Employee is retired at the age of 60 and bank has facilitate them by appointing them for 5 more years on contract bases.

ROLE OF HR COORDINATOR

- Different matters of various branches are supervised by area officers and controlled by HR coordinator of area offices. The issues which could be handled by area HR coordinators, they handle them, if the situation is worse than the issue then they involve the Head office Karachi.

Evaluation

Key personal indicator (KPI) is working in many organization to evaluate the performance of employees and also suggest ways to improve their performance. It can be based on weekly, monthly or yearly evaluation of employee. Al Habib bank adopt the yearly process to evaluate their employees.

When we discussed about the organization and HR practices with the Employee (OG1), he told us that organization should not expect ideal results from the employees. We do try our best to give out full output but everything cannot be perfect in any organization. Organization and HR facilitates the employees in many ways which are remarkable as compared to other banks. He said organization encourage us if any employee wants to study after working hours of bank and tit even gives leave for exams but it doesn't support their employee in personal business activities and consider it unethical.

Problem In Socialization of Employee

They come with big dreams and fresh graduates have no working experience HR coordinator said that Fresh employees have passed theoretical test but unfortunately they have less practicality and professionalism in their work.

Mostly new employees wants to get the jobs near to their house which is not always possible and in starting three months they leave the job. HR coordinator said, "During selection process, sometime due to societal pressure,we are bound to select less capable person".

CONCLUSION:

From the research study, it has been concluded that Human resource practices plays an important role in alignment of employee performances and goals achievement of any organization. HRM practices deal as a unique edge for recognizing potential of any organization. In this research study different

questions were asked from the participants. The participant briefly told us about their organizational structure. The findings of these questions showed that there is great influence of HRM practices on the employees of bank. It is also shown that the HRM is working in a very appropriate manner in the bank. If the system of HRM is practiced in an efficient way then it will be beneficial for both; the bank and the employee.

Limitation of Research

- The time was too short for this research study which is why an in depth research could not be carried out.
- It was our first experience in the human resource management studies so the knowledge related to this field is also limited.

Recommendations and Suggestions

- Auto mobiles loans should be given to the employs.
- Proper evaluation system is very much important for banks. KPI (key personal indicator) should be on weekly or monthly basis
- Bank needs to improve their financial resources.
- It is also shown from previous literature that the system of rewards also increased the employs interest in work, maybe it's a bank or other organization. So that the system of rewards and appraisals must be enhanced in a more efficient way.

REFERENCE

- [1] De Cieri, H., Kramar, R., Noe, R.A., Hollenbeck, J., Gerhart, B. and Wright, P. (2008), *Human Resource Management in Australia. Strategy/People/Performance*, 3rd ed., McGraw-Hill Irwin, Sydney.
- [2] Jumana Maryam LeghariUsamaSuleman Ismail Bashir LeghariSumairaAslam (2014). Role of

HRM Practices in Performance of Organization and Employee Retention . *European Journal of Business and Management* , 6(31), 219-223.

- [3] Anand, V. V., Banu, C. V., Balachandran, S., Kumar, S. A., Sarayu, R. S., Hemalatha, J., & Banu, M. S. (2016). Employee engagement – A study with special reference to bank employees in rural areas. *Indian Journal of Science and Techology*, 9(27), 1–10.
- [4] Amba-rao, S. C. (1994). Human resource management practices in India: An exploratory study. *Indian Journal of Industrial Relations*, 30(2), 190–202.
- [5] P Ramakrishna1 & Dr. K Srinivasa Rao2 (2017). A Review of Literature on HRM Practices in Indian Banking Industry. *Imperial journal of interdisciplinary research*, 3(4), 2126-2133.
- [6] Huselid, M.A. (1995) ‘The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance’, *Academy of Management Journal*, 38: 635–72.
- [7] Guest, D. (2011). Human resource management, corporate performance and employee wellbeing: Building the worker into HRM. *The journal of industrial relations*, 44(3), 335-358.
- [8] Aizenman, J., & Hutchison, M. M. (2012). Exchange market pressure and absorption by international reserves: Emerging markets and fear of reserve loss during the 2008–2009 crisis. *Journal of International Money and Finance*, 31(5), 1076-1091.
- [9] Ahmad, N.H. and Ariff, M. (2007). “Multi-country Study of Bank Credit Risk Determinants”, *International Journal of Banking and Finance*, 5(1),135-152.
- [10] Delery, J.E. and Doty, D.H. (1996), “Modes of theorizing in strategic human resource management: tests of universalistic, contingency, and configurational performance predictions”, *Academy of Management Journal*, Vol. 39 No. 4, pp. 802-35.
- [11] Fey, C. F., Björkman, I., & Pavlovskaya, A. (2000). The effect of human resource management practices on firm performance in Russia. *International Journal of Human Resource Management*, 11(1), 1-18.

Citation: Mahnoor Shahid,." Understanding Organizational Structure and HRM Practices in Banking Sector". (2018). *International Journal of Research in Humanities and Social Studies*, 5(8), pp.13-187.

Copyright: © 2018 Mahnoor Shahid. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.