Implementation of HRMS in Indian Banks

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Abstract. The Public Sector Banks in India in which the government are majority shareholders are inducting technology based banking solutions that are well aligned with their business objectives to achieve business success. In the process the banks have realized that for technology to be used efficiently an HRMS in place is mandatory. In this paper, we show why HRMS is crucial for bank's progress by presenting the currently existing conventional HR practices and their drawbacks by using UML diagrams. A case study of a PSB that has implemented HRMS successfully is described and the benefit the bank has derived is shown by the time-manpower comparison matrix for various HR functions. The issues that PSBs should keep in mind and the strategy that they should follow for a successful HRMS implementation are presented.

1 Introduction

The onset of technology based Banking solutions, the initiation of financial deregulation, globalization and hence the emergence of new techno-savvy market players in the Indian banking arena, brought in a sea changes in the Public Sector Banks (PSB) of India. The PSBs which account for nearly 72% of the Indian banking business, realized the need for more technology based solutions and therefore opted for centralized Banking Solutions that allows the customer to do *bank banking* rather than *branch banking*, a good MIS for better decision making, multiple delivery channels for round the clock customer service. Each of these PSBs, have more than 1500 branches and over 20,000.employees on an average, spread across the entire country. A consequence of the introduction of technology and IT enabled business processes was the large scale re-skilling, training and redeployment of manpower from a branch centric and geographic centric organization to a bank wide skill and role based organization.

To support this new model, *a centralized **Human Resource Management System (HRMS)** is* essential for effective decision making in HR as*:*

- Currently available potpourri of HR packages offer few HR functions such as payroll, HR inventory and remaining functions are performed manually. This introduces enormous delays in HR decision making. For instance manpower planning, staff transfers take more than a month for acquiring relevant

data from the entire bank.

- Presently HR data are scattered across multiple organizational units (PSBs have typically three or four tier organizational structure such as branches, regional offices, zonal offices and corporate office spread across the entire country) with a small subset in digital form and the rest in paper form. This leads to data duplication, inconsistency, lack of integrity, incorrectness and incompleteness.

- The banks have to review and align their human resources' competencies keeping in line with latest advancements in specialized banking areas and continuous advancement in IT based banking solutions.

- HR Self Service is essential in a lean IT enabled organization for carrying out HR administration tasks that will relieve HR staff from labor-intensive tasks and hence permit them to focus more on strategic HR issues. This will also reduce response time in activities such as leave sanction, Provident fund based loan sanction etc, by the workflow based transactions.

- Information Technology contributes to man power reduction and hence banks need to assess manpower availability against requirement, and introduce, manage schemes like voluntary retirements.

It became evident that the PSBs instantly need a centralized HRMS [1] and many PSBs in India have started working in that direction. Implementation of HRMS system is a big challenge to these banks and is also unique in comparison to banks in other countries considering the geographical spread of the Indian banks, their legacy systems and the subsequent data migration issues. Collecting additional information from employees, HR process reengineering, preparing for change management and training the large workforce along with the selection of appropriate HRMS package, and subsequent customization are also additional concerns.

In this paper, based on our knowledge of HRMS capabilities [2], [3] and the currently prevalent HR practices in the banks, we demonstrate how PSBs can benefit by implementing a HRMS as done by a representative PSB. We used structured interviews for studying the representative bank. The paper is organized in the following way. Section 3 has a background introduction of a typical PSB, its' current HR processes (henceforth referred to as conventional processes), with the most significant ones described using UML diagrams viz., use case and data flow sequence diagrams. Next , the case study of a PSB that has implemented HRMS is described and the time–cost comparison matrix of the conventional versus HRMS for the processes stated in section 3 is presented, to show the marked benefits the banks can accrue by such implementation. With a mention of the experiences and derived benefits of a HRMS implementation in this PSB, the paper concludes with a mention on the strategy the banks should consider for such successful implementations.

2 Background

The Public Sector Banks in India, twenty of them in number, started banking with the business motto of "neighborhood banking". Almost all the villages in India have a branch of any of these banks. In the 90s, the main branches of these banks that generate maximum business were totally automated but not networked, with the rural branches remaining manual. The open economy and deregulation brought in new techno savvy market players. These banks started with a centralized banking system, a "customer centric business model" with banking domain experts as their core business team, posed a great challenge to the PSBs. The PSBs which still hold   72% of the total assets of scheduled commercial banks in India, started massive technical investments towards the implementations of multiple service delivery channels, bank wide network and Core Banking Solutions.

 In the process of change, these banks realized the need for intelligently managing the Human resources that they have, for which they needed a centralized Information system, as they currently have a potpourri of HR systems with some fully automated , a few semi automated and the most of the remaining fully manual. These banks typically have independent Payroll, basic HR information, terminal benefits systems that are computerized with a lot of data duplication. The PSBs typically have a three tier or four tier organization structure - Branches-Regional office(RO)-Zonal office (ZO)-Corporate office(CO) as shown in the figure 1. The ROs and CO have HR departments. .All the above said HR systems are installed in their regional offices and also in the corporate Office, as HR functions such as computing salary, leave application are carried out only in the ROs. So the relevant data pertaining to all the employees of the branches falling under a particular regional office are stored only in that regional office. It is interesting to note that in the PSBs, when an employee is recruited he/she is assigned a home Regional Office to which he/she belongs. Mostly the transfers are among the branches under his/her home region except in cases such as, transfers on special request or management posting , or if the employee is in the top executive cadre. In such cases, his/her entire records are moved from the last posted RO to the current posted RO or CO depending on the placement. The point to note is that different aspects of an employee data are stored in the branch, regional office (RO) and corporate office (CO) and hence the entire employee data is not available in one place and also is available as a mix of digital and paper form.

As data forms the core base for HR decision making, it is clear   that from the way the data is available, the time taken to make HR related decisions varies greatly. It could take the bank from 15 days to two months, irrespective of whether it is regarding an individual employee such as sanctioning of loan from Provident Fund   or the entire bank such as finding law graduates in the bank. Also many of these HR activities needed information flow back and forth in the entire 3 tier hierarchy where the communications are carried out purely using postal/ courier service, the delay is imminent. Additionally, the data in all the organizational units are not current, complete and correct .Hence the banks realized the immediate need for an HRMS that will allow workflow based transaction processing and instant decision making in above said cases.
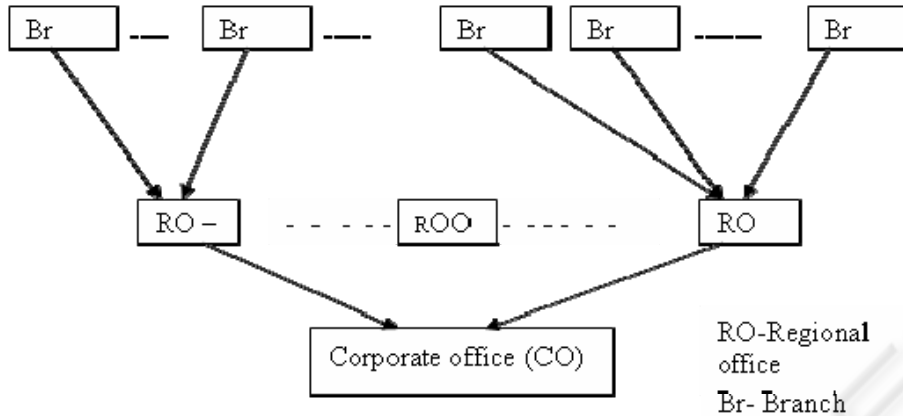
Fig.1. Organization structure of a typical PSB with three tier architecture.

3 Conventional HR Practices

Some of the HR activities which are crucial yet time consuming in the conventional legacy (current for most of the banks) scenario are presented using UML diagrams [4] through use cases and sequence diagrams.

Man Power Planning. A typical example is finding out the lawyers in the bank to strengthen its legal department by inducting more personnel. In such a scenario the bank has to spend, more than a month to collect this information from the entire bank as this kind of data is not part of any of their currently existing computerised HR systems. The use case and the sequence diagrams of the same are presented below:-
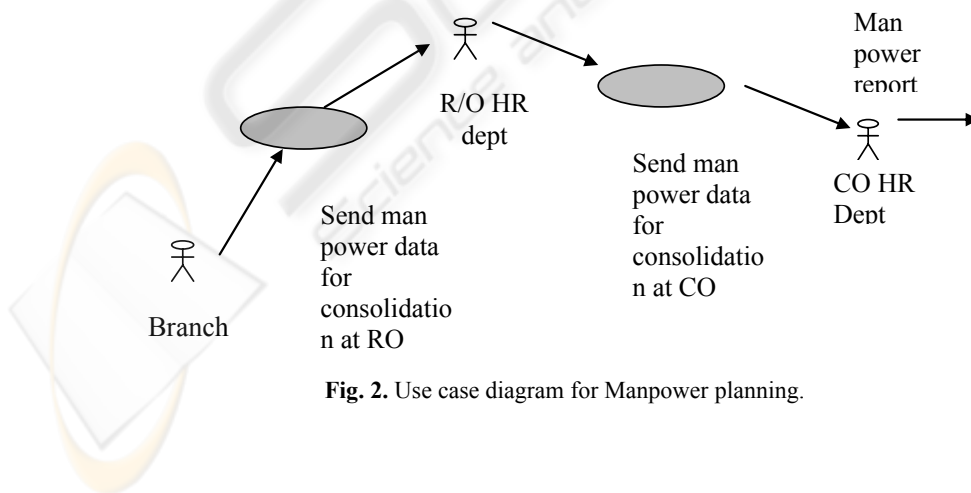

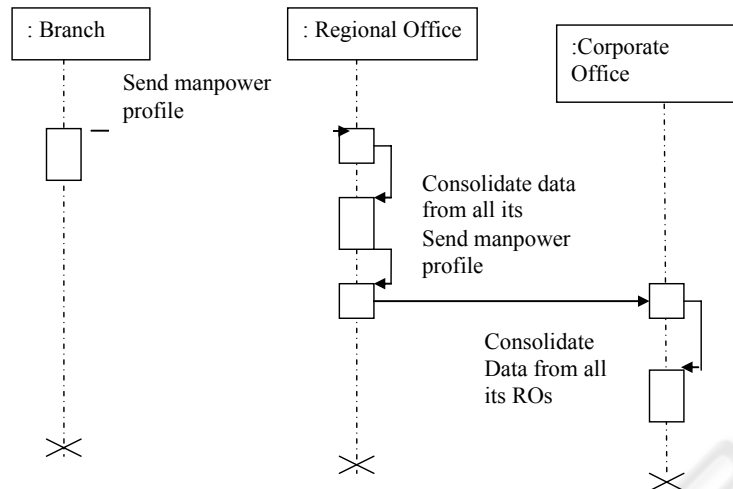**Fig. 2.** Use case diagram for Manpower planning.

Fig. 3. Sequence diagram for manpower planning.

Provident Fund Loans and Other Loans. Employees applying for loan against provident fund or any other loan submit a loan application form and it takes a minimum of 15 days as the system is purely manual (paper form) and the communication medium is used postal courier service.
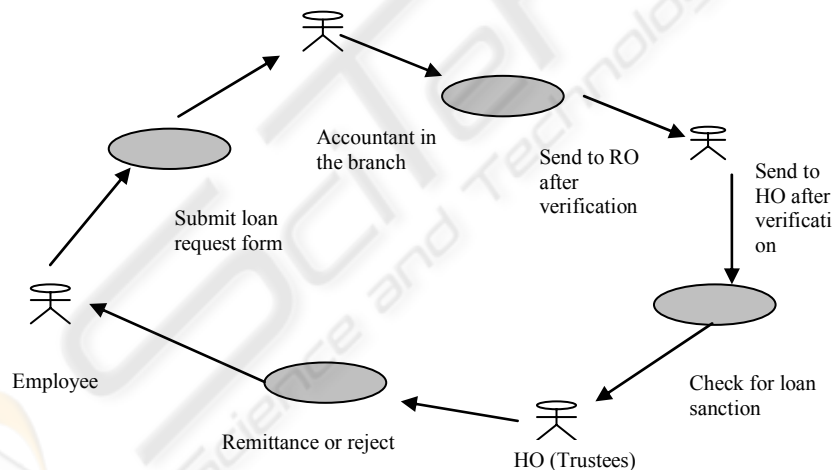

Fig. 4. Use case diagram for loan sanction for employee.

The other significant HR functions which more or less take similar data flow paths as the two examples given above are presented in Table 1. From these details, it is evident that the current HR system scenario in the banks is not on par with the technology sophistication the banks have gone for. Hence it has become mandatory for the banks to opt for a Human Resource Management System to reap the full benefits of technology induction.
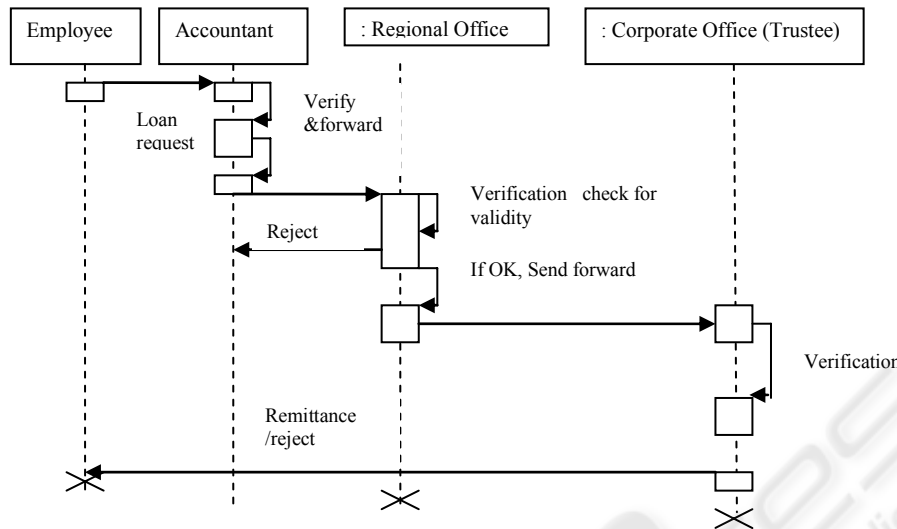
Fig. 5: Sequence diagram for loan sanction.

Table 1. HR functions, data flows in the conventional legacy HR system.

No	HR function name	Process steps
1	Compensation - Salary	Branch to RO
2	Conveyance reimbursement	Branch to RO
3	Terminal benefits	From RO to Corporate office
4	Leave management To know the leave status of the employee	Record room. Long queues, heavy delays , errors
5	Training administration	The staff training colleges used to send the training calendar to regional offices and await nominations.
6	Appraisal and Performance	Fully paper based branch to RO to CO
7	Employee access to system (self service) Income tax forecasting , Medical bills, other benefits	All paper based requests , branch to RO , some times to CO
8	Management of Transfer and Postings	Fully manual, collecting data from branch to RO and then to HO
9	Promotions	Collecting data from branch to RO to CO
10	career planning, Succession Planning	Nil

4 HRMS Implementation - Case Study

After studying the features of HRMS it emerged that the same HR functions quoted in the section 3 will be carried out in less time and also results in considerable man power reduction in HR department. The implementation of HRMS in the Union Bank of India, the pioneer in HRMS implementation in Indian Banks, substantiated the same. The Union Bank of India, [5] a hundred years old bank with manpower of 25,000, having more than 2000 branches, has gone for centralized Banking solutions and has been implementing Oracle's PeopleSoft Enterprise Human Capital Management package[6],[7] since the last few years.

Structured interviews were conducted to study the various facets of HRMS implementation. Senior Managers in HR department, Project team members and select users of Union Bank of India constituted the sample. Interviews were structured around key HR subsystems such as Manpower Planning, Training, Employee services, Compensation and Performance evaluation etc. The focus was to understand how data related to each of these HR systems is managed and used after HRMS implementation. On an average, an hour was spent per person. In Table 2, Union Bank of India's HR functions in the conventional legacy HR systems against the present HRMS are compared in terms of man power reductions in HR department and response time.

It is evident that the bank has utilised HRMS very effectively for HR self service and other decision support activities..The Union Bank of India derived the benefits such as, improved Employee morale, greater transparency due to its HRMS global service rules, faster decision making (PF loan, leave etc), centralized HR database that is instantly accessible to all its ROs and Corporate office and most importantly reduction in staff looking after salary and funds function (from 60 to 20).

The bank attributed its success to top management's support in keeping the project team same throughout its entire HRMS implementation cycle and giving highest priority for collecting its employee data , cleaning the existing data before migration , deploying personnel Officers as HR administrators for prompt updation of data. The bank faced challenges while collecting additional employee information, cleaning the existing employee data, assessment of hardware requirements and also resistance from employees to use the new workflow based system Even then with a change management in place and incessant support from the top management made the Union Bank of India see the light.

5 Implementation Strategy and Conclusion

In order to have a smooth implementation of a HRMS, the Public Sector Banks can follow the strategy of engaging a single project management team for the entire duration of the project; identify its requirements in HRMS, considering its business objectives and prioritise the modules the order in which it wants to implement; identify what data it already has, where and in what form, how old it is and then check for its correctness and identify other data requirements and collect from the employees; Select the product that is web enabled, has workflow mechanisms, uses multi tier architecture and also widely used package, as it will be well supported ; Simultaneously carry out Human Process Reengineering (HPR), rework with package for cus-

tomisation as. the HPR may bring in changes in the organization structure as well and hence prepare a change management and training program for the entire bank; Finally data migration relates issues.

Table 2. Time, manpower comparison of HR functions in conventional systems against HRMS.

No	HR function name	Time delay/man power involved in conventional system	Time delays/man power Involved in HRMS
A	MANPOWER PLANNING		
1	Man power planning	More than a month	Instant.
2	Management of Transfer and Postings	Two months	Computerized system for transfers deciding and takes less time
3	Promotions	Two months	Under implementation
4	career planning, Succession Planning	Nil	Online system for career planning (under implementation)
B	COMPENSATION & BENEFITS		
1	Loan (PF loan)	15 days	Online form filling and workflow, hence within 24 hrs.
2	Compensation Salary	Normally a week or more ;With 15 employees from HR dept	Two to three days with only two employees in HR department carrying out this activity
3	Conveyance reimbursement,	Two months	Two to three days
4	Terminal benefits	25 persons from HR department	Now only 15 persons
C	TRAINING ,DEVELOPMENT AND PERFORMANCE EVALUATION		
1	Training administration	A fortnight to a month of delay	Availability of online training calendar. Nomination and intimation with no time delay; selected employee record updated
2	Appraisal and Performance	Nearly two months	Online self appraisal form submission, instantaneous review by superiors , employee record updated reflecting the review
D	EMPLOYEE SERVICES		
1	Leave management To know the leave status of the employee	Long queues, heavy delays , errors	Immediate, Online submissions of leave application, workflow system , status known after the superior's decision
2	Employee access to system (self service)	No self service, paper based form for any information. Provident Fund statements were given once in six months	Leave requests, loans, income tax fore-casting , medical bill settlement, benefits all on self-service, PF records online availability

In this paper the need for HRMS in PSBs is emphasised and the benefits they can achieve are brought out by presenting a successful implementation of HRMS in a PSB Keeping in mind the manpower, size and geographical spread of Indian banks, an online user friendly HRMS package will greatly help them in utilizing their technology based banking solutions to attain their business goals..

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